



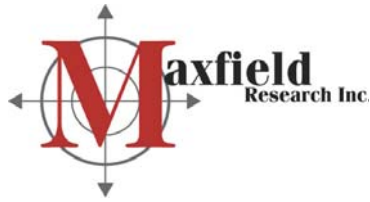
# Housing Market Analysis and Demand Estimates for Owatonna, Minnesota

*Prepared for:*

**Owatonna Housing and Redevelopment Authority**  
Owatonna, Minnesota

February 2006





March 16, 2006

Mr. Dave Strand  
Community Development Director  
Owatonna Housing and Redevelopment Authority  
City of Owatonna  
540 West Hills Circle  
Owatonna, MN 55060

Dear Mr. Strand:

Attached is the *Housing Market Analysis and Demand Estimates for Owatonna, Minnesota* conducted by Maxfield Research Inc. The study projects housing demand through 2015, and gives recommendations on the amount and type of housing that could be built in Owatonna to satisfy demand from current and future residents over the next decade.

The study identifies a potential demand for 1,680 to 1,760 new housing units in Owatonna from 2005 to 2015, which include a variety of housing products. Overall, we estimate that 84% to 86% of the demand will be for owned housing (1,560 to 1,600 new homes) and the remainder for rental housing (120 to 160 units). Detailed information regarding recommended housing concepts can be found in the Housing Recommendations section at the end of the report.

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

Sincerely,

MAXFIELD RESEARCH INC.

A handwritten signature in black ink that reads 'Jay Thompson'.

Jay Thompson  
Vice President

A handwritten signature in black ink that reads 'Ricky Wong'.

Ricky Wong  
Research Analyst

Attachment

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### Study Impetus

Maxfield Research Inc. was engaged by the Owatonna Housing and Redevelopment Authority to provide an assessment of housing needs for the City of Owatonna, Minnesota, as well as the Remainder of Steele County.

### Scope of Work

The scope of this study includes:

- an analysis of the demographic makeup of Owatonna, including a review of current and projected incomes and employment trends for Remainder of the County;
- an analysis of the for-sale housing market in Owatonna and the Remainder of the County;
- an analysis of the rental and senior housing market in Owatonna and the Remainder of the County;
- an estimate of the demand for all types of housing in Owatonna and the Remainder of the County through 2015;
- identification of planned/proposed housing developments; and
- recommendations of appropriate housing concepts to meet current and future needs of residents in Owatonna and the Remainder of the County.

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

### Demographic Analysis

- According to the US Census Bureau, Steele County contained 33,680 persons and 12,846 households in 2000. Owatonna, with a population of 22,434 persons and 8,704 households accounted for roughly two-thirds of the County's population and household base.
- As the hub of the County, Owatonna represents the majority of the total population and households in the County. The proportion of population and households in Owatonna has increased in every decade since 1990. By 2015, Owatonna's population and household base is projected to account for over 70% of the entire county. Between 2000 and 2010, the City of Owatonna is expected to add 3,166 persons (14%) and 1,416 households (16%).
- The largest population gains in Steele County during the 1990s occurred in the 45 to 54 age group as baby boomers aged into this cohort. Overall, the 45 to 54 age cohort increased by 1,500 persons (51%), with Owatonna experiencing considerably higher rates of growth (62%) than the Remainder of the County. The younger households in this age group are en-

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tering their peak earning years and are looking for move-up housing while some of the older households in this age group will consider downsizing their housing as their children leave home and form households of their own.

- The median household income in Owatonna in 2005 was estimated to be about \$50,175. The median household income is estimated to be higher in the Remainder of the County – at about \$54,000. Typically, cities such as Owatonna have a lower median income than surrounding rural areas because they tend to have a greater number of lower income households living in subsidized rental or lower priced housing than the surrounding rural area.
- In 2000, 80% of the households in Steele County owned their housing. This is up from 77% in 1990. In the City of Owatonna 76% owned their homes compared to 88% in the Remainder of the County. The significantly higher homeownership rates in the Remainder of Steele County compared to Owatonna reflects the rural nature of the County, where a lack of infrastructure does not support high density rental housing.
- The City of Owatonna added 894 single-family homes (an annual average of 180 units) and 182 multifamily units (an annual average of 36 units) since 2000, for a total of 1,076 total units (about 215 units per year).

### For-Sale Market Analysis

- The average sale price in Owatonna increased steadily from \$113,639 in 2000 to \$169,942 in 2005, an increase of 50 percent. This equates to an average annual increase in the average sale price of 8.4%.
- A total of 185 homes were listed for-sale with the regional Multiple Listing Service in Steele County in January 2006. In Owatonna there were 142 listings with an additional 43 listed in the Remainder of Steele County. MLS listings generally account for the majority of all residential sale listings in a given area.
- There are 12 actively marketed subdivisions that contain a total of 1,194 residential lots, 999 of which were listed as available (vacant, remaining for purchase), as of February 2006. Owatonna contained 9 of the subdivisions, which accounted for 1,139 of the total lots and 962 of the available lots (about 84% of the available lot supply in Steele County).
- We identified three single-family subdivisions located outside of Owatonna. There is one subdivision located in the City of Blooming Prairie (*Prairie Village North*) and two located in the City of Ellendale (*Countryview Estates* and *Edgewood Heights*).

### Rental Market Analysis

#### *General Occupancy Market*

- There are 433 units in the eighteen market rate developments surveyed. We found 35 total vacant units, for a vacancy rate of 8.1%. Vacancies were scattered among all buildings in Owatonna. This vacancy rate is significantly higher than the 2.7% vacancy rate surveyed in February 2003, which indicates a slowdown in the rental housing market. Based on high vacancies, Owatonna seems to have an adequate supply of market rate units as of February 2006.
- There have been only three market rate general occupancy projects built since 1980; and only two built since 2000. The age of the units may indicate the need for updating or renovating.
- We identified five affordable projects (including four in Owatonna and one in Blooming Prairie), all of which were financed through the Low Income Housing Tax Credit (LIHTC) program, otherwise known as the Section 42 program. Eight vacant units were identified at these projects (5.0% vacancy rate) in Steele County as of February 2006.
- We identified nine subsidized projects that offer a total of 258 subsidized rental units in the County. Eleven vacancies were reported by building managers, translating to a vacancy rate of 4.3%. Typically, subsidized rental properties should be able to maintain vacancy rates of 3% or less in most housing markets. The higher vacancies in the County may indicate that the market for subsidized rental is soft or that existing properties are not meeting the expectations of potential renters.

#### *Senior Housing Market*

- As of February 2006, Maxfield Research identified 13 senior housing projects in Steele County. These projects contain a total of 492 units. Five of the projects are subsidized, while the remaining nine are market rate.
- There were a total of 203 units in the County's five subsidized senior projects. There was only one vacant unit among these projects as of February 2006, resulting in a vacancy rate of 0.5%. From our previous study in 2003, there were six subsidized senior projects with a vacancy rate of 3.2%.
- Maxfield Research Inc. identified eight existing market rate, senior rental projects in Steele County. These projects contain 289 rental units, and represent all five defined levels of care on the senior housing continuum.

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- There are four adult/few service facilities with a total of 143 units. There are currently three vacancies, for a vacancy rate of 2.1%, as of February 2006.
- We identified two congregate with services projects for a total of 85 units in Owatonna. As of February 2006, there were no vacancies in both projects. Our previous study done in January 2003 yielded only one vacancy, which indicates that the market for congregate with services housing remains strong.
- There are currently two assisted living facilities in Owatonna, with a total of 35 units. As of February 2006, there were no vacancies at both projects. Assisted living units tend to have higher vacancies mainly due to the high turnover among frailer seniors, although Owatonna's assisted living facilities have experienced low vacancies with long waiting lists. This may indicate a strong market for assisted living in Owatonna.
- We identified only one memory care facility, *Clairebridge Cottages*, in the City of Owatonna. This project was built in 1999 and has a total of 26 beds. Rents are the highest among all levels on the senior housing continuum due to the intense levels of services needed for the memory-impaired residents.

## Housing Demand Analysis and Recommendations

- Overall, we find demand for about 1,680 to 1,760 housing units (includes owner, renter, and senior housing) in Owatonna from 2005 to 2015. There is a projected demand for about 1,560 to 1,600 additional owner-occupied housing units and 120 to 160 renter-occupied units.
- We estimate that about 80% of the demand for owned housing will be for single-family homes (1,250 to 1,350 homes), and the remainder for 280 to 320 multifamily units (i.e. condominium and townhomes). Based on wages at jobs being created, a portion of the demand for single-family homes will be from first-time buyers seeking modestly priced homes. This decade, a large portion of entry-level demand is being met by existing homes on the market.
- Demand exists for an additional 100 to 140 general occupancy rental units in Owatonna between 2005 and 2015. Our review of the rental housing market indicates that about 60% of the demand in Owatonna is for market rate units (60 to 80 units), and about 40% is for affordable/subsidized units (40 to 60 units).
- We recommend maintaining a three- to five-year lot supply, which ensures adequate consumer choice without excessively prolonging developer-carrying costs. Owatonna currently has a supply of about 765 available lots, with another roughly 130 lots planned to come on-line in the next year in the Country Creek, Maple Creek, Partridge, and Autumn Hills subdivisions. To maintain a minimum lot supply of three years, Owatonna will not need to add new lots (in addition to what is pending) for about another four years, or 2010. The existing lot supply is well balanced in terms of price points and there is about a seven-year supply of entry-level, move-up, and executive lots in Owatonna. Detailed recommendations are shown in the table below.

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### Single-Family Homes

- Based on demographic trends and interviews with Realtors and builders, we project that most of the demand (65%) will be for move-up homes (\$200,000 to \$300,000) in Owatonna. This equates to a need for **820 to 870 new move-up homes in the next ten years.**
- We find there is also demand for executive homes priced over \$300,000. For executive homes, we calculate a need for the development of **310 to 340 units between 2005 and 2015.**

<b>RECOMMENDED HOUSING DEVELOPMENT OWATONNA 2005 to 2015</b>				
		<b>Purchase Price/ Monthly Rent Range*</b>	<b>No. of Units</b>	<b>Pct. of Total</b>
<b>Owner-Occupied Housing</b>				
<b>Single-Family</b>				
	Entry-level	\$150,000 - \$200,000	120 - 140	10%
	Move-up	\$200,000 - \$300,000	820 - 870	65%
	Executive	\$300,000+	310 - 340	25%
	<b>Total</b>		<b>1,250 - 1,350</b>	<b>100%</b>
<b>Condominium/Townhomes</b>				
	Entry-level	\$150,000 - \$200,000	180 - 200	64%
	Upper-end	\$200,000+	100 - 120	36%
	<b>Total</b>		<b>280 - 320</b>	<b>100%</b>
<b>General Occupancy Rental Housing</b>				
	Market Rate Rental Housing	\$575 - \$1,000	60 - 80	60%
	Affordable/Subsidized Rental Housing		40 - 60	40%
	<b>Total</b>		<b>100 - 140</b>	<b>100%</b>
<b>Senior Housing</b>				
	Adult/Few-Services	\$800 - \$1,000	<b>20 - 25</b>	100%
* Prices/Rents are quoted in 2006 dollars.				
Source: Maxfield Research Inc.				

- We anticipate an increase in the supply of existing modestly priced homes to become for-sale in Owatonna with the opening of Maple Trail Apartments, Countryside Senior Housing and the Traditions of Owatonna Assisted Living facility. These homes will accommodate a portion, but not all of the demand. **We recommend the development of 120 to 140 homes priced between \$150,000 and \$200,000 over the next ten years** to satisfy entry-level demand not satisfied by existing homes on the market.

## EXECUTIVE SUMMARY

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### *For-Sale Multifamily*

- Based on recent development trends and demographic growth trends, we project that between 2005 and 2015, about 64% of the for-sale multifamily demand will be for units priced between \$150,000 and \$200,000 (180 to 200 units). The remaining 36% of demand (100 to 120 units) will be for units priced above \$200,000.

### *General-Occupancy Rental*

#### Market Rate

- While our analysis of the rental market found that the overall vacancy rate is well above the 5% stabilized rate in Owatonna, we also find that Owatonna has an older rental housing stock as there have only been three market rate general occupancy apartments built since the 1980s. **We recommend developing a general occupancy apartment complex with between 50 to 64 units, as well as a 10 to 16-unit townhome development in the City of Owatonna.**

#### Affordable/Subsidized

- We find excess demand for 40 to 60 affordable rental units for low- and moderate-income households in Owatonna between 2005 and 2015. **We recommend the development of two 20 to 30-unit tax-credit townhome developments with low- and moderate incomes. We suggest three-bedroom and four-bedroom units that should be built to satisfy demand from larger families.**

#### Independent Senior Housing

- We find that existing and pending projects will satisfy demand for congregate housing. There remains, however, some demand for “adult” senior housing. **We recommend a project with 24 units, built as either rental, cooperative, or condominium. Based on the success of existing cooperatives, we believe that an additional cooperative or a condominium project would be successful in Owatonna, and would satisfy a portion of the demand for adult/few-services housing.**

### Introduction

This section of the report examines factors related to the current and future demand for both owner- and renter-occupied housing in Steele County and, more specifically, the City of Owatonna, Minnesota. It includes an analysis of population and household growth trends and projections, employment data, projected age distribution, household income data and household tenure data for Steele County. A review of these characteristics provides insight into the demand for various types of housing in the County.

### Market Area Definition

The draw area for determining current and future housing demand in Owatonna is based on traffic pattern orientation, proximity to other communities, interviews with local officials and community stakeholders, natural and manmade geographic barriers, and our knowledge of the draw areas for housing. The Market Area is comprised of the City of Owatonna and the Remainder of Steele County, which lies in South Central Minnesota, Rice County borders the Market Area to the north, Dodge County borders the Market Area to the east, and Steele and Waseca Counties border the Market Area to the south and west, respectively.

### Population and Household Growth Trends and Projections

Table 1 presents population and household growth trends for Owatonna and Steele County from 1990 to 2015. The data from 1990 to 2000 is from the U.S. Census, while the projections for 2005, 2010, and 2015 are based on projections from Minnesota Planning, the State's Demography office, and are adjusted by Maxfield Research Inc.

Key findings of Table 1 are:

- According to the U.S. Census Bureau, Steele County contained 33,680 persons and 12,846 households in 2000. Owatonna, with a population of 22,434 persons and 8,704 households accounted for roughly two-thirds of the County's population and household base.
- During the 1990s, Steele County's population increased by 2,951 persons (10%), while its household base grew by 1,504 households (13%).
- Owatonna, with increases of 3,048 persons (16%) and 1,322 households (18%) accounted for all of the County's population growth and 88% of the household growth during the 1990s. Meanwhile, the Remainder of the County saw its population decline slightly (a loss of 97 persons or 1%) despite experiencing a gain of 182 households (5%).

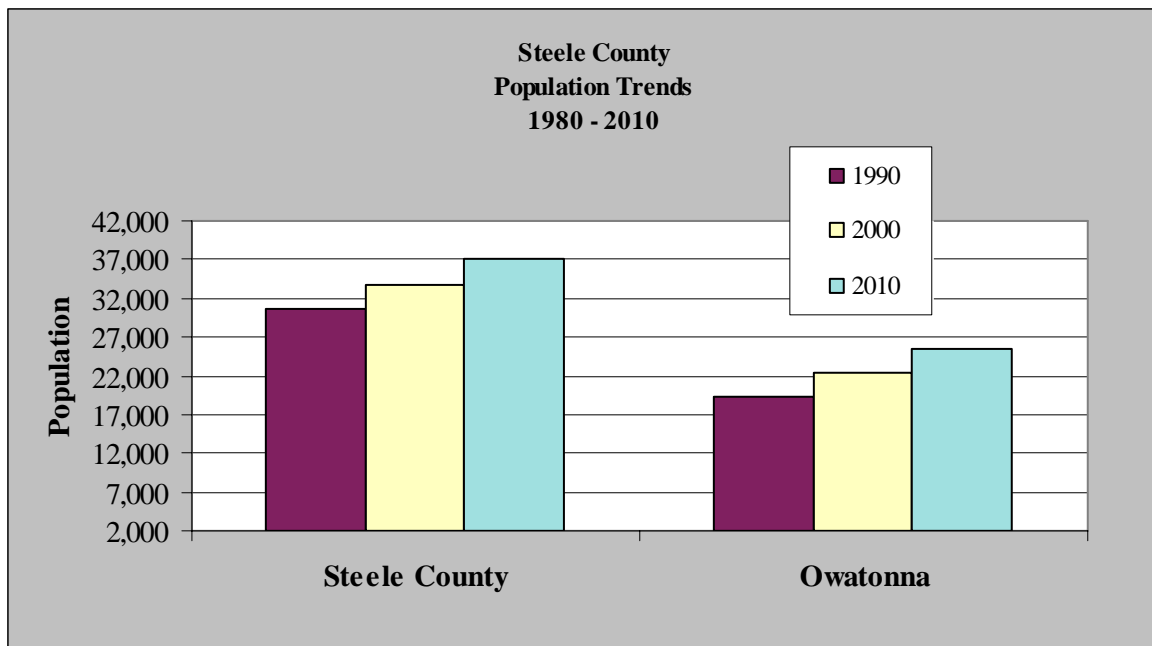
**DEMOGRAPHIC ANALYSIS**

**TABLE 1  
POPULATION AND HOUSEHOLD GROWTH TRENDS AND PROJECTIONS  
OWATONNA AND THE REMAINDER OF STEELE COUNTY  
1990 to 2015**

	U.S. Census		MN Planning/ Maxfield Research			Change			
	1990	2000	2005	2010	2015	1990 to 2000		2000 to 2010	
						No.	Pct.	No.	Pct.
<i>Population</i>									
Owatonna	19,386	22,434	23,755	25,600	27,600	3,048	15.7	3,166	14.1
Remainder of the County	11,343	11,246	11,370	11,425	11,485	-97	-0.9	179	1.6
<b>Steele County Total</b>	<b>30,729</b>	<b>33,680</b>	<b>35,125</b>	<b>37,025</b>	<b>39,085</b>	<b>2,951</b>	<b>9.6</b>	<b>3,345</b>	<b>9.9</b>
<i>Households</i>									
Owatonna	7,382	8,704	9,315	10,120	11,040	1,322	17.9	1,416	16.3
Remainder of the County	3,960	4,142	4,265	4,415	4,460	182	4.6	273	6.6
<b>Steele County</b>	<b>11,342</b>	<b>12,846</b>	<b>13,580</b>	<b>14,535</b>	<b>15,500</b>	<b>1,504</b>	<b>13.3</b>	<b>1,689</b>	<b>13.1</b>
Sources: U.S. Census (1990 & 2000) Minnesota Planning									

## DEMOGRAPHIC ANALYSIS

- Based on our review of growth trend projections for the State, regional economic trends and conversations held with the City and County Planner's office, we project that the County will continue to see significant growth through this decade. Between 2000 and 2010, Steele County is projected to add 3,345 persons (10%) and 1,690 households (13%). Between 2010 and 2015, Steele County is expected to grow by another 2,060 people (6%) and 965 households (7%).
- As the hub of the County, Owatonna represents the majority of the total population and households in the County. The proportion of population and households in Owatonna has increased in every decade since 1990. By 2015, Owatonna's population and household base is projected to account for over 70% of the entire county. Between 2000 and 2010, the City of Owatonna is expected to add 3,166 persons (14%) and 1,416 households (16%).
- The Remainder of the County is projected to experience a slight increase in population (179 people, or 1.6%), as well as a more aggressive increase in households (a gain of 273 households, or 6.6%) between 2000 and 2010. This slowdown in population despite a larger household gain is the result of an aging population that is causing decreasing household sizes (from 2.86 persons per household in 1990 to 2.72 in 2000 and 2.59 in 2010).

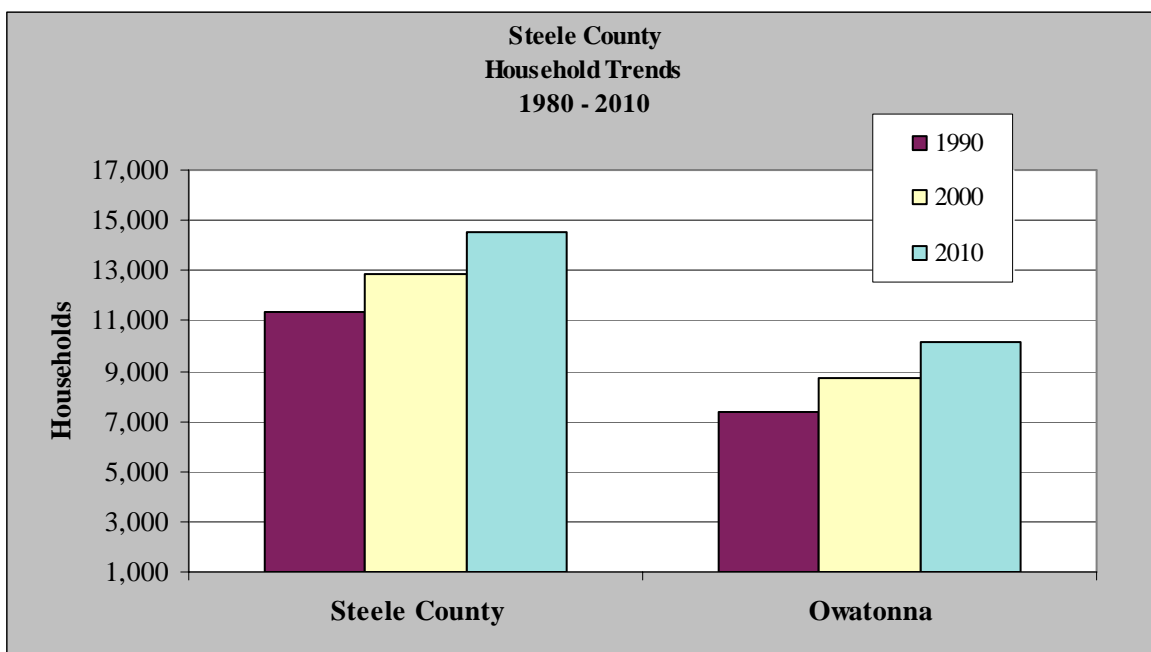


- Due to zoning restrictions imposed by Steele County, residential development is restricted to municipalities and annexable land adjacent to municipalities, as well as redeveloped farmsteads. The City of Owatonna is expected to annex some existing sub-divisions in the County into the City within the next decade. Should substantial annexation occur, it would positively impact the growth in Owatonna at the expense of the remainder of the County. There is an annexation limit of 60 acres per year. We anticipate that the communities of

## DEMOGRAPHIC ANALYSIS

Medford, Blooming Prairie, and Ellendale will hold virtually all of the future development in the Remainder of the County, although some replacement of existing older farm homes could occur in the rural portions of the County.

Household growth trends are a more accurate indicator of housing needs than population growth since a household is, by definition, an occupied housing unit. Mentioned previously, a comparison of historic and projected population and household growth rates shows that household growth is projected to continue to outpace population growth in Steele County (on page 15), due in large part, to the aging of the baby boom population into their empty-nester years. Smaller household sizes could be off-set to some degree should the area continue to attract new and recent immigrants, which typically have a larger number of people in the household.



### Population Age Distribution Trends

Table 2 and the accompanying graphic show the age distribution of the Market Area population in 1990 and 2000, as well as projections for 2010. The 1990 and 2000 distributions are from the U.S. Census. Maxfield Research Inc. derived the 2010 projections from data obtained from Claritas Inc. and Minnesota Planning.

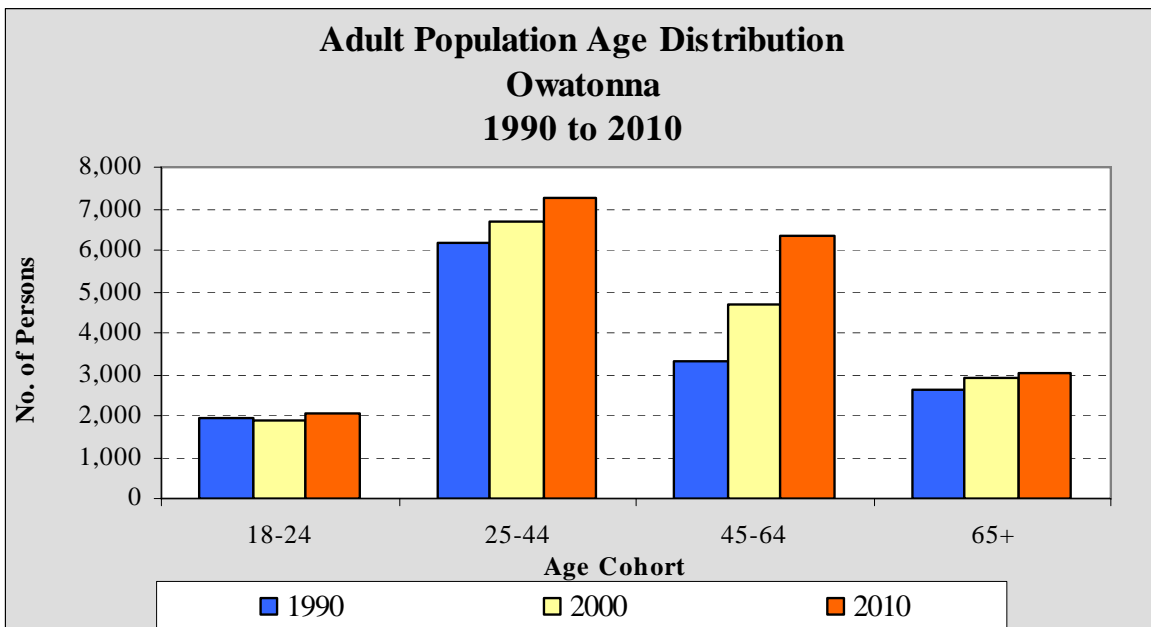
The following are key trends in Steele County's age distribution:

- The loss in population in Steele County between 1990 and 2000 is most noticeable in the 25 to 34 age cohort, which experienced a loss of 689 persons (-13.8%). These losses can be attributed to the aging of baby boomers (persons born between 1946 and 1964) into the 35 to 54 age cohort as well as losses attributed to the out-migration of young adults to larger urban

## DEMOGRAPHIC ANALYSIS

areas. Furthermore, this group encompasses the baby bust generation, a group born between 1965 and 1976. This period was characterized by low birth rates relative to prior years.

- The largest population gains in Steele County during the 1990s occurred in the 45 to 54 age group as baby boomers aged into this age group. Overall, the 45 to 54 age cohort increased by 1,500 persons (51%), with Owatonna experiencing considerably higher rates of growth (62%) than the Remainder of the County. The younger households in this age group are entering their peak earning years and are looking for move-up housing while some of the older households in this age group will consider downsizing their housing as their children leave home and form households of their own.
- During this decade, the 25 to 34 age cohort is projected to increase by over 700 people (16%), while the 35 to 44 age group is projected to decline by 490 people (-9%). This change is due to the aging of the echo boomers (children of the baby boomers) into their 20s and 30s, as well as the aging of the baby boomers into their 40s and 50s.
- The number of persons age 75 and older in the County is projected to be the only other age cohort to decrease during the 2000s, partially due to low birth rates experienced during the Great Depression of the 1930s.



**DEMOGRAPHIC ANALYSIS**

**TABLE 2  
POPULATION AGE DISTRIBUTION  
OWATONNA AND THE REMAINDER OF STEELE COUNTY  
1990, 2000 & 2010**

	Number of Persons			Change			
	1990	2000	2010	1990-2000		2000-2010	
<b>Owatonna</b>	No.	No.	No.	No.	Pct.	No.	Pct.
17 & under	5,346	6,302	6,948	956	17.9	646	10.2
18-24	1,917	1,875	2,062	-42	-2.2	187	10.0
25-34	3,331	3,058	3,647	-273	-8.2	589	19.3
35-44	2,838	3,637	3,608	799	28.2	-29	-0.8
45-54	1,790	2,912	3,609	1,122	62.7	697	23.9
55-64	1,514	1,754	2,715	240	15.9	961	54.8
65-74	1,342	1,417	1,483	75	5.6	66	4.6
75+	1,308	1,479	1,529	171	13.1	50	3.4
<b>Total</b>	<b>19,386</b>	<b>22,434</b>	<b>25,600</b>	<b>3,048</b>	<b>15.7</b>	<b>3,166</b>	<b>14.1</b>
<b>Remainder of the County</b>	No.	No.	No.	No.	Pct.	No.	Pct.
17 & under	3,446	3,102	2,953	-344	-10.0	-149	-4.8
18-24	795	873	856	78	9.8	-17	-1.9
25-34	1,671	1,255	1,369	-416	-24.9	114	9.0
35-44	1,615	1,825	1,363	210	13.0	-462	-25.3
45-54	1,177	1,555	1,848	378	32.1	293	18.9
55-64	995	1,044	1,482	49	4.9	438	42.0
65-74	937	765	821	-172	-18.4	56	7.3
75+	707	827	733	120	17.0	-94	-11.4
<b>Total</b>	<b>11,343</b>	<b>11,246</b>	<b>11,425</b>	<b>-97</b>	<b>-0.9</b>	<b>179</b>	<b>1.6</b>
<b>Steele County</b>	No.	No.	No.	No.	Pct.	No.	Pct.
17 & under	8,792	9,404	9,901	612	7.0	497	5.3
18-24	2,712	2,748	2,918	36	1.3	170	6.2
25-34	5,002	4,313	5,016	-689	-13.8	703	16.3
35-44	4,453	5,462	4,972	1,009	22.7	-490	-9.0
45-54	2,967	4,467	5,457	1,500	50.6	990	22.2
55-64	2,509	2,798	4,197	289	11.5	1,399	50.0
65-74	2,279	2,182	2,303	-97	-4.3	121	5.6
75+	2,015	2,306	2,262	291	14.4	-44	-1.9
<b>Total</b>	<b>30,729</b>	<b>33,680</b>	<b>37,025</b>	<b>2,951</b>	<b>9.6</b>	<b>3,345</b>	<b>9.9</b>

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

**Household Income**

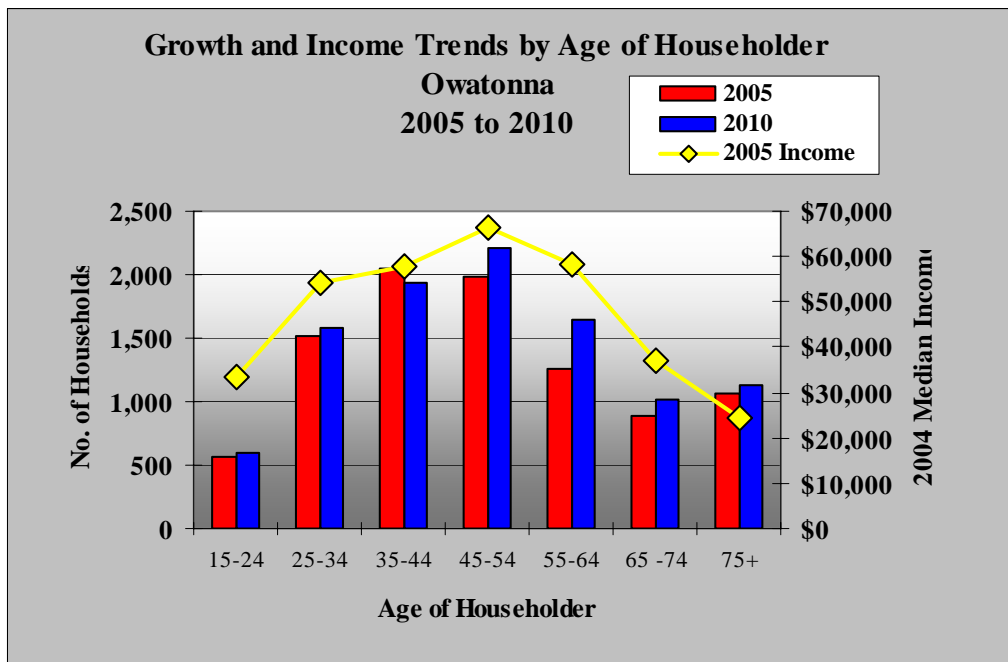
The estimated distribution of household incomes in Steele County for 2005 and 2010 is shown in Tables 3 and 4. The data was estimated by Claritas and adjusted by Maxfield Research based on household growth projections by the State Demographic Center. The data helps in ascertaining the demand for different housing products based on the size of the market at specific cost levels.

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

A generally accepted standard for affordable owner-occupied housing is that a typical household can afford to pay 3.0 to 3.5 times their annual income on a single-family home. Thus, a \$50,000 income would translate to an affordable single-family home of \$150,000 to \$175,000. The higher end of this range assumes that the person has adequate funds for down payment and closing costs, but does not have savings or equity in an existing home which would allow them to purchase a higher priced home.

The following are key points from Tables 3 and 4:

- The median household income in Owatonna in 2005 was estimated to be about \$50,175. The median household income is estimated to be higher in the Remainder of the County – at about \$54,000. Typically, cities such as Owatonna have a lower median income than surrounding rural areas because they tend to have a greater number of lower income households living in subsidized rental or lower priced housing than the surrounding rural area.

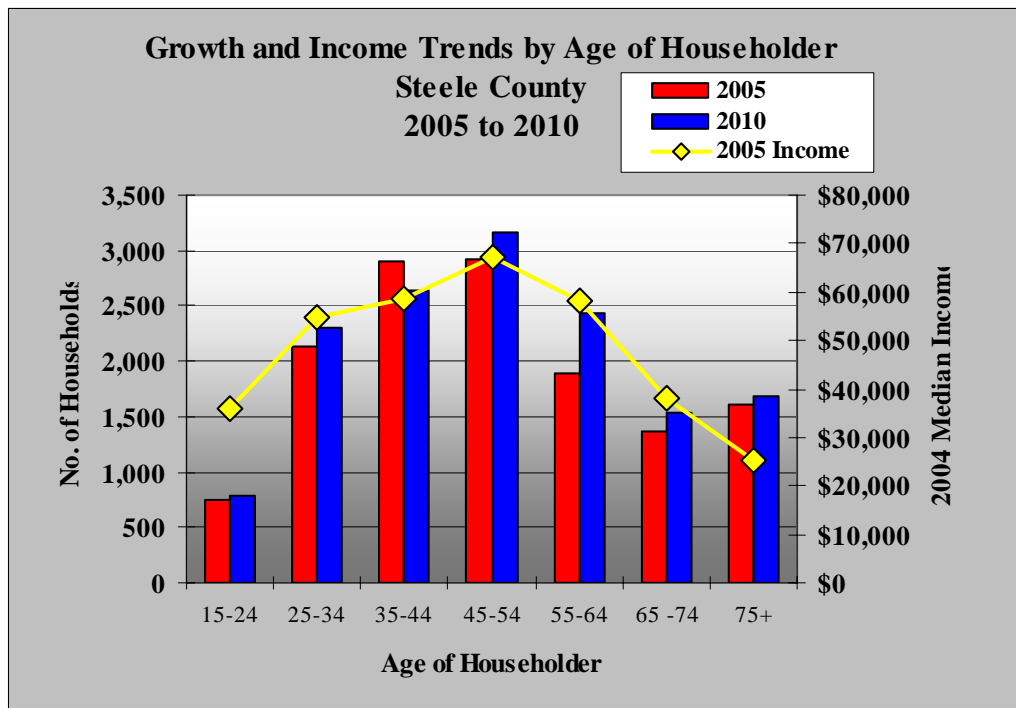


## DEMOGRAPHIC ANALYSIS

- Between 2005 and 2010, the number of households in all of the age groups in Owatonna, except for the 35 to 44 age group, will increase. The largest numerical gain will be in the 55 to 64 age group, with a projected increase of about 400 households.
- Overall, incomes are expected to increase by about 10% between 2005 and 2010, or about 2% annually. This will result in the median income in Owatonna increasing from \$50,175 in 2005 to about \$55,400 in 2010.

### *Non-Senior Households*

- In 2005, 7% of the non-senior households in Owatonna had incomes under \$15,000 (502 households). All of these households would be eligible for subsidized rental housing. Another 7% of Owatonna's non-senior households had incomes between \$15,000 and \$25,000 (523 households). Many of these households would qualify for subsidized housing, but many could also afford "affordable" or older market-rate rentals. If housing costs absorb 30% of income, households with incomes of \$15,000 to \$25,000 could afford to pay \$375 to \$625 per month. Average monthly rents for one-bedroom units in Owatonna are about \$505 (shown in Table 18 in the *Rental Housing Analysis* section).



- Median incomes for households in Owatonna peak at about \$66,600 for the 45 to 54 age group in 2005. Households in this age group are in their peak earning years. The majority of households (85%) in this age group are homeowners, and with an income of \$66,600. These households could afford to purchase a home valued from \$199,800 to \$233,100 (3.0 to 3.5 times income). Most, however, would have equity from an existing home that they could allocate toward the purchase of a higher priced home. By 2010, the median income for the 45 to 54 age group is projected to increase to \$72,700, a 9.2% increase.

## DEMOGRAPHIC ANALYSIS

**TABLE 3  
HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER  
OWATONNA AND THE REMAINDER OF STEELE COUNTY  
(Number of Households)  
2005**

	Age of Householder							
	Total	15-24	25-34	35-44	45-54	55-64	65-74	75+
<b>Owatonna</b>								
Less than \$15,000	925	99	91	139	90	83	139	284
\$15,000 to \$24,999	953	107	113	124	102	77	166	263
\$25,000 to \$34,999	1,035	88	153	194	202	97	116	184
\$35,000 to \$49,999	1,729	147	314	371	292	259	205	142
\$50,000 to \$74,999	2,346	104	537	631	459	323	177	115
\$75,000 to \$99,999	1,195	8	184	299	451	180	31	42
\$100,000 or more	1,133	10	130	288	385	231	61	29
<b>Total</b>	<b>9,315</b>	<b>564</b>	<b>1,522</b>	<b>2,044</b>	<b>1,980</b>	<b>1,251</b>	<b>895</b>	<b>1,059</b>
<\$25,000	1,877	207	205	262	192	160	305	547
\$35,000+	6,403	269	1,165	1,588	1,586	993	474	328
<b>Median Income</b>	<b>\$50,178</b>	<b>\$33,562</b>	<b>\$54,174</b>	<b>\$57,724</b>	<b>\$66,583</b>	<b>\$58,424</b>	<b>\$36,931</b>	<b>\$24,345</b>
<b>Remainder of the County</b>								
Less than \$15,000	340	16	14	33	43	47	55	134
\$15,000 to \$24,999	385	18	38	42	53	63	61	110
\$25,000 to \$34,999	503	32	61	87	61	51	89	121
\$35,000 to \$49,999	722	47	131	147	117	112	102	66
\$50,000 to \$74,999	1,145	49	228	259	280	169	91	70
\$75,000 to \$99,999	625	11	93	160	194	104	42	21
\$100,000 or more	545	5	47	125	200	103	39	27
<b>Total</b>	<b>4,265</b>	<b>177</b>	<b>612</b>	<b>852</b>	<b>948</b>	<b>649</b>	<b>479</b>	<b>549</b>
<\$25,000	725	34	52	74	95	110	116	244
\$35,000+	3,037	111	499	690	791	488	274	184
<b>Median Income</b>	<b>\$53,993</b>	<b>\$42,340</b>	<b>\$56,793</b>	<b>\$61,350</b>	<b>\$67,907</b>	<b>\$57,647</b>	<b>\$40,024</b>	<b>\$27,541</b>
<b>Steele County</b>								
Less than \$15,000	1,265	115	105	171	133	130	193	417
\$15,000 to \$24,999	1,338	125	151	165	155	140	228	373
\$25,000 to \$34,999	1,538	120	214	282	263	148	206	305
\$35,000 to \$49,999	2,450	193	445	517	409	371	307	208
\$50,000 to \$74,999	3,492	153	765	890	738	492	268	186
\$75,000 to \$99,999	1,820	19	278	458	645	284	73	62
\$100,000 or more	1,679	15	176	413	585	334	99	56
<b>Total</b>	<b>13,580</b>	<b>741</b>	<b>2,134</b>	<b>2,896</b>	<b>2,928</b>	<b>1,899</b>	<b>1,374</b>	<b>1,609</b>
<\$25,000	2,602	240	256	337	288	270	421	791
\$35,000+	9,440	380	1,663	2,278	2,377	1,481	748	513
<b>Median Income</b>	<b>\$51,430</b>	<b>\$35,787</b>	<b>\$54,955</b>	<b>\$58,779</b>	<b>\$67,085</b>	<b>\$58,158</b>	<b>\$37,961</b>	<b>\$25,443</b>
Sources: Claritas, Inc. Maxfield Research Inc.								

## DEMOGRAPHIC ANALYSIS

**TABLE 4**  
**HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER**  
**OWATONNA AND THE REMAINDER OF STEELE COUNTY**  
 (Number of Households)  
 2010

	Total	Age of Householder						
		15-24	25-34	35-44	45-54	55-64	65-74	75+
<b>Owatonna</b>								
Less than \$15,000	896	102	74	117	101	102	145	257
\$15,000 to \$24,999	900	86	106	104	89	86	151	279
\$25,000 to \$34,999	1,062	107	140	178	181	116	147	193
\$35,000 to \$49,999	1,667	114	308	298	306	270	211	160
\$50,000 to \$74,999	2,474	160	492	538	468	453	227	134
\$75,000 to \$99,999	1,456	19	266	348	458	252	57	57
\$100,000 or more	1,665	13	198	348	602	371	87	47
<b>Total</b>	<b>10,120</b>	<b>600</b>	<b>1,585</b>	<b>1,931</b>	<b>2,205</b>	<b>1,651</b>	<b>1,023</b>	<b>1,126</b>
<\$25,000	1,796	187	180	221	190	187	295	535
\$35,000+	7,262	306	1,264	1,532	1,834	1,347	581	398
<b>Median Income</b>	<b>\$55,403</b>	<b>\$35,757</b>	<b>\$58,324</b>	<b>\$62,451</b>	<b>\$72,734</b>	<b>\$63,856</b>	<b>\$39,962</b>	<b>\$26,440</b>
<b>Remainder of the County</b>								
Less than \$15,000	309	12	16	19	48	46	51	119
\$15,000 to \$24,999	334	12	32	34	39	69	55	94
\$25,000 to \$34,999	444	29	60	40	57	65	90	103
\$35,000 to \$49,999	664	34	132	104	94	92	103	105
\$50,000 to \$74,999	1,082	62	227	209	225	186	106	65
\$75,000 to \$99,999	727	16	150	138	208	135	42	39
\$100,000 or more	854	16	97	157	297	188	66	33
<b>Total</b>	<b>4,415</b>	<b>180</b>	<b>714</b>	<b>700</b>	<b>967</b>	<b>782</b>	<b>513</b>	<b>558</b>
<\$25,000	644	24	48	53	86	115	105	213
\$35,000+	3,327	128	606	608	824	602	317	242
<b>Median Income</b>	<b>\$60,517</b>	<b>\$51,587</b>	<b>\$62,882</b>	<b>\$68,364</b>	<b>\$77,559</b>	<b>\$65,890</b>	<b>\$43,870</b>	<b>\$31,394</b>
<b>Steele County</b>								
Less than \$15,000	1,206	113	90	136	148	147	195	376
\$15,000 to \$24,999	1,234	98	138	137	128	155	205	373
\$25,000 to \$34,999	1,506	136	201	218	238	182	237	296
\$35,000 to \$49,999	2,332	148	440	403	400	362	314	265
\$50,000 to \$74,999	3,556	223	719	748	693	640	333	200
\$75,000 to \$99,999	2,183	35	416	486	666	387	98	95
\$100,000 or more	2,519	28	295	504	899	559	153	80
<b>Total</b>	<b>14,535</b>	<b>781</b>	<b>2,299</b>	<b>2,631</b>	<b>3,171</b>	<b>2,433</b>	<b>1,536</b>	<b>1,684</b>
<\$25,000	2,440	211	228	274	276	303	400	748
\$35,000+	10,589	434	1,870	2,140	2,658	1,949	899	640
<b>Median Income</b>	<b>\$56,959</b>	<b>\$39,407</b>	<b>\$59,763</b>	<b>\$64,106</b>	<b>\$74,238</b>	<b>\$64,449</b>	<b>\$41,247</b>	<b>\$28,167</b>

Sources: Claritas, Inc.  
 Maxfield Research Inc.

## DEMOGRAPHIC ANALYSIS

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- The median resale price of homes in Owatonna was \$155,000 in 2005 (see Table 14). The income required to afford a home at this price would be about \$45,000 to \$52,000, based on the standard of 3.0 to 3.5 times the median income (and assuming these households do not have a high level of debt). In 2005, 64% (4,681 households) of Owatonna's non-senior households had incomes greater than \$45,000.

### *Senior Households*

- ▶ The oldest householders were likely to have lower incomes in 2005. In Owatonna, 16% of households ages 65 to 74 had incomes below \$15,000, compared to 27% of households age 75 and over. Many of these low-income older senior households rely solely on Social Security benefits. Typically, younger seniors have higher incomes because they are still able to work or are married couples with two pensions or higher Social Security benefits.
- ▶ Generally, senior households with incomes greater than \$25,000 can afford market-rate senior housing. Based on a 40% allocation of income for housing, this translates to monthly rents of at least \$833. About 1,100 senior households in Owatonna (56% of senior households) had incomes above \$25,000 in 2005, as did 668 senior households in the Remainder of the County (65% of senior households). Seniors will often move from rural areas (such as the Remainder of the County) to regional centers (such as Owatonna) that provide more medical and other services.
- ▶ Seniors who are able and willing to pay 80% or more of their income on assisted living housing would need an annual income of \$35,000 to afford monthly rents of \$2,300, which is about the beginning monthly rent for assisted living in Owatonna. In Owatonna, there were an estimated 328 older senior (ages 75 and over) households with incomes greater than \$35,000 in 2005. Seniors age 75 and over are the primary market for assisted living housing.

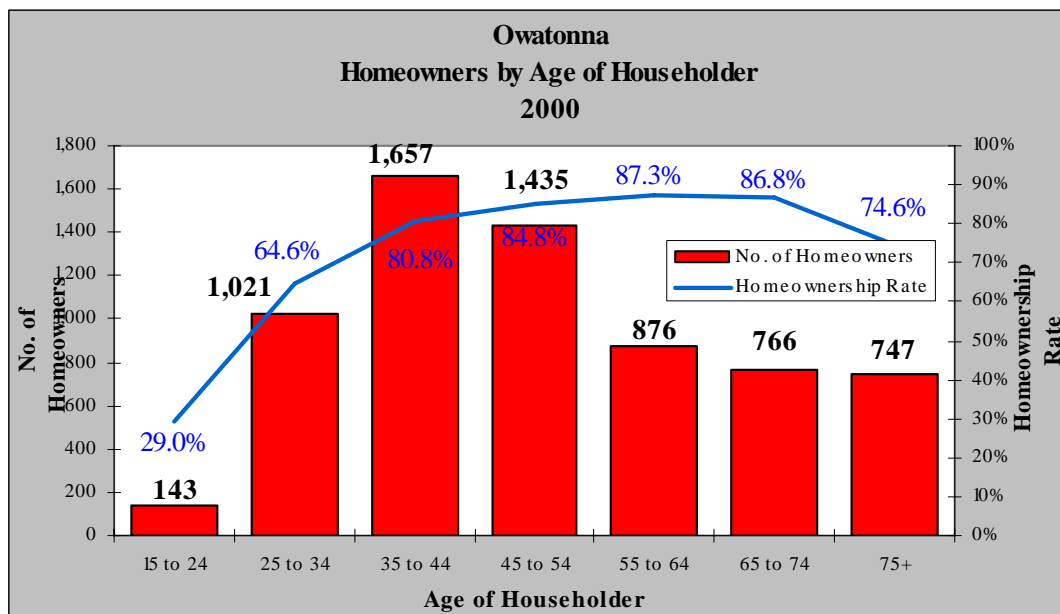
### **Tenure by Age of Householder**

Table 5 shows the number of owner and renter households in Steele County by age group as of 2000. This data shows the propensity of households to own or rent their housing based on their age. Key points derived from the table are:

- In 2000, 80% of the households in Steele County owned their housing. This is up from 77% in 1990. In the City of Owatonna, 76% of households owned their homes compared to 88% in the Remainder of the County. The significantly higher homeownership rates in the Remainder of the County compared to Owatonna reflects the rural nature of the County, where a lack of infrastructure does not support high density rental housing.
- The proportion of renter households decreases significantly as households age. By the time households reach their senior years, rental housing often becomes a more viable option than homeownership. In 2000, 65% of the entire County's households between the ages of 15 and 24 rented their housing, compared to 31% of households between the ages of 25 and 34. Household ages 35 to 74 were overwhelmingly homeowners, with no more than 17% of the householders in each 10-year age cohort renting their housing.

## DEMOGRAPHIC ANALYSIS

- Homeownership rates peak in the 55 to 64 age cohort (90%) and then decline gradually the older the household. Older senior households (age 75+) are twice as likely to rent their housing as younger seniors (ages 65 to 74).
- Although the propensity for households ages 15 to 24 to rent their housing is higher, the 25 to 34 age group had, by far, the largest number of renters (674), accounting for slightly less than one-third of all renters. The 35 to 44 age cohort had the second largest number of renters (515), followed by households ages 15 to 24 (414) and households age 75 and older (324).
- Between 1990 and 2000, the homeownership rate in the Remainder of Steele County increased from 85% to 88%, as the number of homeowners increased by 271 (8%) while the number of renter households decreased by 89 (-15%). In Owatonna, the homeownership rate increased from 73% to 76%. Homeowners increased by 1,279 households (24%) and renters by only 43 households (2%).
- From 1990 to 2000, the significant increases in households between the ages of 35 to 54 in Steele County resulted in a significant increase in homeowners in those age cohorts. These two age groups were also the only age groups to see relatively strong growth in renter households. All of the other age cohorts, except for households ages 55 to 64, saw declines in the number of renters.
- Interestingly, households age 75 and older -- the typical market for “senior” housing alternatives -- saw the third largest increase in homeowners (an increase of 253 households or 26%) while the number of renters declined. While most “senior” projects are rentals, Owatonna is somewhat unique for a community of its size in that it has two age-restricted cooperative developments which offer elderly households an ownership option.

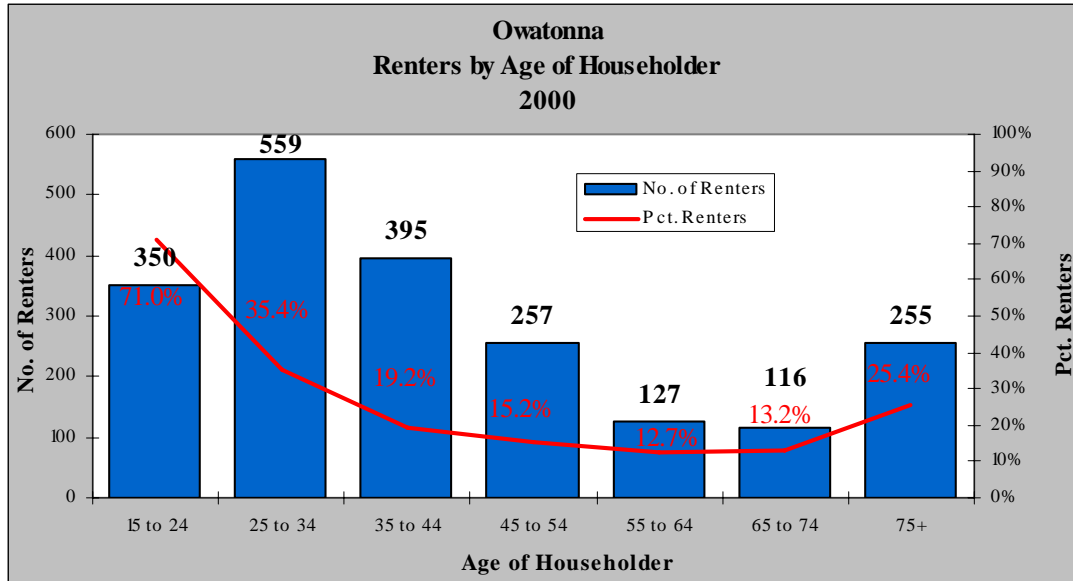


**DEMOGRAPHIC ANALYSIS**

**TABLE 5  
TENURE BY AGE OF HOUSEHOLDER  
OWATONNA AND THE REMAINDER OF STEELE COUNTY  
1990 and 2000**

	Age of Householder														Total	
	15 to 24		25 to 34		35 to 44		45 to 54		55 to 64		65 to 74		75+			
	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent		
<b>2000</b>																
City of Owatonna	143	350	1,021	559	1,657	395	1,435	257	876	127	766	116	747	255	6,645	2,059
<i>Pct. Own</i>	29.0%		64.6%		80.8%		84.8%		87.3%		86.8%		74.6%		76.3%	
Remainder of the County	85	64	475	115	850	120	776	63	550	31	429	29	486	69	3,651	491
<i>Pct. Own</i>	57.0%		80.5%		87.6%		92.5%		94.7%		93.7%		87.6%		88.1%	
<b>Steele County</b>	<b>228</b>	<b>414</b>	<b>1,496</b>	<b>674</b>	<b>2,507</b>	<b>515</b>	<b>2,211</b>	<b>320</b>	<b>1,426</b>	<b>158</b>	<b>1,195</b>	<b>145</b>	<b>1,233</b>	<b>324</b>	<b>10,296</b>	<b>2,550</b>
<i>Pct. Own</i>	35.5%		68.9%		83.0%		87.4%		90.0%		89.2%		79.2%		80.1%	
<b>1990</b>																
City of Owatonna	110	394	1,045	682	1,308	271	854	145	763	116	696	149	590	259	5,366	2,016
<i>Pct. Own</i>	21.8%		60.5%		82.8%		85.5%		86.8%		82.4%		69.5%		72.7%	
Remainder of the County	55	52	576	204	736	110	581	51	504	41	538	36	390	86	3,380	580
<i>Pct. Own</i>	51.4%		73.8%		87.0%		91.9%		92.5%		93.7%		81.9%		85.4%	
<b>Steele County</b>	<b>165</b>	<b>446</b>	<b>1,621</b>	<b>886</b>	<b>2,044</b>	<b>381</b>	<b>1,435</b>	<b>196</b>	<b>1,267</b>	<b>157</b>	<b>1,234</b>	<b>185</b>	<b>980</b>	<b>345</b>	<b>8,746</b>	<b>2,596</b>
<i>Pct. Own</i>	27.0%		64.7%		84.3%		88.0%		89.0%		87.0%		74.0%		77.1%	
<b>Change 1990 to 2000</b>																
City of Owatonna	33	-44	-24	-123	349	124	581	112	113	11	70	-33	157	-4	1,279	43
Remainder of the County	30	12	-101	-89	114	10	195	12	46	-10	-109	-7	96	-17	271	-89
<b>Steele County</b>	<b>63</b>	<b>-32</b>	<b>-125</b>	<b>-212</b>	<b>463</b>	<b>134</b>	<b>776</b>	<b>124</b>	<b>159</b>	<b>1</b>	<b>-39</b>	<b>-40</b>	<b>253</b>	<b>-21</b>	<b>1,550</b>	<b>-46</b>
<b>Percentage Renters (2000)</b>																
City of Owatonna	71.0%		35.4%		19.2%		15.2%		12.7%		13.2%		25.4%		23.7%	
Remainder of the County	43.0%		19.5%		12.4%		7.5%		5.3%		6.3%		12.4%		11.9%	
<b>Steele County</b>	64.5%		31.1%		17.0%		12.6%		10.0%		10.8%		20.8%		19.9%	

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



**Household Type**

Table 6 shows a breakdown of the type of households in Steele County in 1990 and 2000. This data is useful in assessing housing demand since the household composition often dictates the type of housing needed and preferred. Key points derived from the table are:

- From 1990 to 2000, the County saw a decrease in the number of families that are married with children (-150 households or -4%) and an increase in the number of families that are married without children (438 households or 12%). This is due to couples waiting longer to have children and the baby boomers aging into empty nester years. During the 1990s, Married Couples without Children surpassed those with children as the largest household type in Steele County. All of the declines in Married Couples with Children occurred in the Remainder of the County, while the City itself saw a slight increase (30 households or 1%) in couples with children
- Steele County saw significant increases in single-parent households (a gain of 461 households or 47%). With only one income, these families are most likely to need affordable housing, both rental and for-sale.
- Persons Living Alone saw the largest numerical increase of all the household types in Steele County during the 1990s, with an increase of 534 households (20%). This reflects the increased number of persons choosing to remain single and also an increase in the number of seniors. As the frailty level of these seniors increases, they will be moving out of their homes creating pressure on senior housing alternatives.
- Roommate households saw the greatest rate of growth in the County during the 1990s. The number of roommates grew by (56%), or 221 households. This reflects the trend in society of couples living together before marriage and delaying having children until later in life.

## DEMOGRAPHIC ANALYSIS

**TABLE 6  
HOUSEHOLD TYPE TRENDS  
OWATONNA AND THE REMAINDER OF STEELE COUNTY  
1990 and 2000**

	Total Households		Non - Family				Family					
			Persons Living Alone		Other (Roommates)		Married With Children		Married W/O Children		Other Family (Single Parents)	
	1990	2000	1990	2000	1990	2000	1990	2000	1990	2000	1990	2000
<b>Number of Households</b>												
Owatonna	7,382	8,704	1,922	2,317	281	448	2,324	2,354	2,177	2,564	678	1,021
Rem. of County	3,960	4,142	698	837	113	167	1,412	1,232	1,439	1,490	298	416
<b>Steele County</b>	<b>11,342</b>	<b>12,846</b>	<b>2,620</b>	<b>3,154</b>	<b>394</b>	<b>615</b>	<b>3,736</b>	<b>3,586</b>	<b>3,616</b>	<b>4,054</b>	<b>976</b>	<b>1,437</b>
<b>Percent of All Households</b>												
Owatonna	100.0	100.0	26.0	26.6	3.8	5.1	31.5	27.0	29.5	29.5	9.2	11.7
Rem. of County	100.0	100.0	17.6	20.2	2.9	4.0	35.7	29.7	36.3	36.0	7.5	10.0
<b>Steele County</b>	<b>100.0</b>	<b>100.0</b>	<b>23.1</b>	<b>24.6</b>	<b>3.5</b>	<b>4.8</b>	<b>32.9</b>	<b>27.9</b>	<b>31.9</b>	<b>31.6</b>	<b>8.6</b>	<b>11.2</b>
<b>Change in Type of Households (1990 to 2000)</b>												
	<b>No.</b>	<b>Pct.</b>	<b>No.</b>	<b>Pct.</b>	<b>No.</b>	<b>Pct.</b>	<b>No.</b>	<b>Pct.</b>	<b>No.</b>	<b>Pct.</b>	<b>No.</b>	<b>Pct.</b>
Owatonna	1,322	17.9	395	20.6	167	59.4	30	1.3	387	17.8	343	50.6
Rem. of County	182	4.6	139	19.9	54	47.8	-180	-12.7	51	3.5	118	39.6
<b>Steele County</b>	<b>1,504</b>	<b>13.3</b>	<b>534</b>	<b>20.4</b>	<b>221</b>	<b>56.1</b>	<b>-150</b>	<b>-4.0</b>	<b>438</b>	<b>12.1</b>	<b>461</b>	<b>47.2</b>

Sources: Bureau of the Census: U.S. Census of Population and Housing (1990 & 2000)  
Maxfield Research Inc.

## Tenure By Income

Table 7 and the accompanying graph show the number of owner and renter households in Steele County by income cohort as of 2000. The data is useful in that shows the housing options and preferences for households based on affordability. The Department of Housing and Urban Development determines affordable housing as not exceeding 30% of the household's income. It is important to note however, 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. Key points derived from the table are:

- As income increases, so does the rate of homeownership. In Steele County, over 90% of those households earning \$50,000 or more owned homes compared to 80% for households with incomes between \$35,000 and \$49,999, and 70% with incomes of \$25,000 to \$34,999. Just under half of households with incomes of \$10,000 or less owned their housing. Many of these lower-income homeowners are seniors who live on fixed incomes but have paid off of their mortgage.

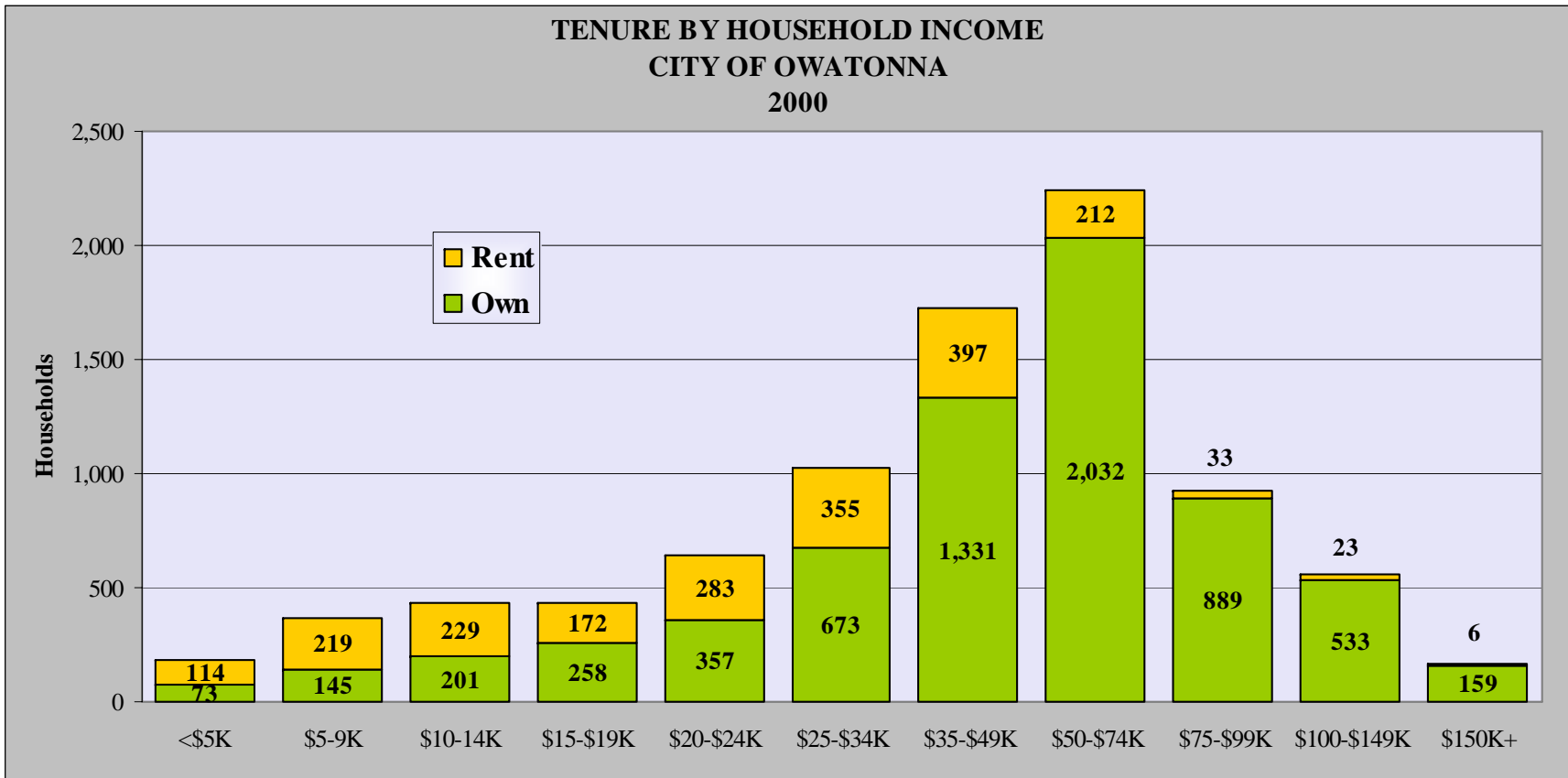
**DEMOGRAPHIC ANALYSIS**

**TABLE 7  
TENURE BY HOUSEHOLD INCOME  
OWATONNA AND THE REMAINDER OF STEELE COUNTY  
2000**

	Owatonna				Rem. of County				Steele County			
	Own		Rent		Own		Rent		Own		Rent	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Less than \$5,000	73	39.0	114	61.0	54	76.1	17	23.9	127	49.2	131	50.8
\$5,000 to \$9,999	145	39.8	219	60.2	90	63.4	52	36.6	235	46.4	271	53.6
\$10,000 to \$14,999	201	46.7	229	53.3	136	77.3	40	22.7	337	55.6	269	44.4
\$15,000 to \$19,999	258	60.0	172	40.0	184	81.4	42	18.6	442	67.4	214	32.6
\$20,000 to \$24,999	357	55.8	283	44.2	212	85.5	36	14.5	569	64.1	319	35.9
\$25,000 to \$34,999	673	65.5	355	34.5	418	80.9	99	19.1	1,091	70.6	454	29.4
\$35,000 to \$49,999	1,331	77.0	397	23.0	728	86.4	115	13.6	2,059	80.1	512	19.9
\$50,000 to \$74,999	2,032	90.6	212	9.4	1,079	93.3	77	6.7	3,111	91.5	289	8.5
\$75,000 to \$99,999	889	96.4	33	3.6	438	96.5	16	3.5	1,327	96.4	49	3.6
\$100,000 to \$149,999	533	95.9	23	4.1	222	97.8	5	2.2	755	96.4	28	3.6
\$150,000 or more	159	96.4	6	3.6	92	100.0	0	0.0	251	97.7	6	2.3
<i>Total</i>	<i>6,651</i>	<i>76.5</i>	<i>2,043</i>	<i>23.5</i>	<i>3,653</i>	<i>88.0</i>	<i>499</i>	<i>12.0</i>	<i>10,304</i>	<i>80.2</i>	<i>2,542</i>	<i>19.8</i>

Source: US Census Bureau

**DEMOGRAPHIC ANALYSIS**



## DEMOGRAPHIC ANALYSIS

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- Although the majority of lower-income households rent their housing, the largest number of renters (512 households or nearly 20% of all renters) have incomes between \$35,000 and \$49,999, matching typical salaries within the Market Area (see Major Employer Interviews). Should these households allocate 25% of their income on housing, they could afford monthly rents of \$730 to \$1,040 per month, roughly the range of rents in most newer market-rate apartment units. In Steele County, there were an additional 372 renter households (15% of all renters) with incomes of \$50,000 that could afford monthly rents in excess of \$1,000.
- Typically, renter households with incomes of \$20,000 or less qualify for government-subsidized housing, where rents are often based on sliding scale (30% of income). Based on a 30% allocation of income these households could afford monthly rents of no more than \$500. As of 2000, there were 885 households in Steele County with incomes of \$20,000 or less renting their housing.
- Renter households with incomes of between \$20,000 and \$35,000 are usually the market for “affordable” rental projects with a shallow subsidy (housing with income restrictions and rents slightly below market rents, such as those financed through Minnesota Housing Finance Agency’s Section 42/Low-Income Housing Tax Credit program). These households can typically afford housing costs of between \$500 to \$875 per month. As of 2000, there were 773 households in Steele County with incomes between \$20,000 and \$35,000.
- It is important to note that seniors are often able, and willing, to allocate a larger share of their income on rental housing that meets their needs since they no longer have to save for retirement, their children’s education or major purchases (home, car, etc.). This is particularly true in “senior” rental projects where support services and personal care assistance are available. In fact, research has shown that, in assisted living projects, up to 50% of residents not only allocated all of their income but spent-down assets in order to afford monthly housing and service costs.

## Employment Growth Trends

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

Recent employment growth trends for Steele County are shown in Tables 8 and 9. Table 8 presents resident employment data for Steele County from 2000 through 2005. Resident employment data is calculated as an annual average and reveals the work force and *number of employed persons living in the County*. It is important to note that not all of these individuals necessarily work in the County. Table 9 presents covered employment in Steele County from 2000 through 1<sup>st</sup> Quarter of 2005. Covered employment data is calculated as an annual average and *reveals the number of jobs in the County*, which are covered by unemployment insurance. Most farm jobs, self-employed persons, and some other types of jobs are not covered by unemployment insurance and are not included in the table. The data in both tables is from the Minnesota Department of Employment and Economic Development.

## DEMOGRAPHIC ANALYSIS

The following are key trends derived from the employment data:

### *Labor Force/Resident Employment*

- Between 2000 and 2005, Steele County has experienced a slight increase in both its labor force and the number of employed residents since 2000. Between 2000 and 2005, the County's labor force increased by 389 persons (2%), while the number of employed residents increased by 152 persons (1%). After a decline in labor force in the first three years of the decade, the County has shown an increase in labor force in the last two years.
- The unemployment rate in Steele County reached a low of 2.9% in 2000 and increased to 4.0% in 2005. Since 2000, the unemployment rate increased in its first three years to a high of 4.9% in 2003. The economy is slowly beginning its recovery from 9/11 as the unemployment rate has declined in the last two years. Steele County's unemployment rate is on par with that of the State of Minnesota as a whole. Both the County and the State unemployment rates are below the national average over this period.

<b>Year</b>	<b>Total Labor Force</b>	<b>Total Employed</b>	<b>Total Unemployed</b>	<b>Unemployment Rate</b>	<b>Minnesota Unemployment Rate</b>	<b>U.S. Unemployment Rate</b>
2000	19,906	19,332	574	2.9%	3.2%	4.0%
2001	19,861	19,090	771	3.9%	3.9%	4.7%
2002	19,803	18,903	900	4.5%	4.6%	5.8%
2003	19,794	18,818	976	4.9%	4.9%	6.0%
2004	20,035	19,114	921	4.6%	4.7%	5.6%
2005	20,295	19,484	811	4.0%	4.0%	5.1%
<b>Change 2000-05</b>	<b>389</b>	<b>152</b>	<b>237</b>	<b>1.1%</b>	<b>0.8%</b>	<b>1.1%</b>

Sources: Minnesota Workforce Center; Maxfield Research Inc.

### *Covered Employment by Industry*

- The Manufacturing sector accounted for the largest portion (30%) of the jobs in Steele County as of 1<sup>st</sup> Quarter in 2005. The Trade, Transportation, and Utilities sectors also accounted for a significant percentage (4,258 jobs, or 22%) of covered jobs in the County.
- The Education and Health Services industry experienced the largest increase in jobs over the five-year period, adding over 600 jobs (25%). Other growing industries included: Trade, Transportation, and Utilities, which added about 340 jobs (8.7%), and Leisure and Hospitality, adding 163 jobs (11.4%) between 2000 and 1<sup>st</sup> Quarter of 2005. The Manufacturing industry lost the most jobs during the decade, declining by -1,078 jobs (15.7%), while the Information industry experienced the highest rate of decline, losing -124 jobs (46%). Most of the other industries showed a decline in overall jobs, as the County declined by -585 jobs, or -2.9% between 2000 and 1<sup>st</sup> Quarter of 2005.

## DEMOGRAPHIC ANALYSIS

**TABLE 9  
COVERED EMPLOYMENT TRENDS  
STEELE COUNTY  
2000-2005\***

North American Industrial Classification System (NAICS)

Industry	Average Number of Employees						Change		% of total					
	2000	2001	2002	2003	2004	2005*	2000 - 2005*		2000	2001	2002	2003	2004	2005*
							No.	Pct.						
Natural Resources & Mining	137	135	157	157	159	116	-21	-15.3	0.7%	0.7%	0.8%	0.8%	0.8%	0.6%
Construction	872	857	904	863	811	662	-210	-24.1	4.4%	4.3%	4.7%	4.5%	4.2%	3.4%
Manufacturing	6,887	6,449	5,814	5,647	5,767	5,809	-1,078	-15.7	34.5%	32.7%	30.1%	29.6%	29.5%	30.0%
Trade, Transportation, and Utilities	3,919	4,041	3,970	3,952	4,204	4,258	339	8.7	19.6%	20.5%	20.6%	20.7%	21.5%	22.0%
Information	269	203	170	142	148	145	-124	-46.1	1.3%	1.0%	0.9%	0.7%	0.8%	0.7%
Financial Services	1,961	1,961	1,993	1,980	1,928	1,915	-46	-2.3	9.8%	10.0%	10.3%	10.4%	9.9%	9.9%
Professional and Business Services	1,100	797	794	764	948	816	-284	-25.8	5.5%	4.0%	4.1%	4.0%	4.9%	4.2%
Education and Health Services	2,395	2,661	2,790	2,838	2,874	2,999	604	25.2	12.0%	13.5%	14.5%	14.9%	14.7%	15.5%
Leisure and Hospitality	1,424	1,567	1,630	1,625	1,607	1,587	163	11.4	7.1%	8.0%	8.4%	8.5%	8.2%	8.2%
Other Services	469	497	499	504	501	511	42	9.0	2.3%	2.5%	2.6%	2.6%	2.6%	2.6%
Public Administration	545	539	573	575	591	575	30	5.5	2.7%	2.7%	3.0%	3.0%	3.0%	3.0%
<b>Steele County Totals</b>	<b>19,978</b>	<b>19,707</b>	<b>19,294</b>	<b>19,047</b>	<b>19,538</b>	<b>19,393</b>	<b>-585</b>	<b>-2.9</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

\*Through 1st Quarter

Source: Minnesota Workforce Center

### Major Employer Interviews

Maxfield Research Inc. interviewed representatives of large employers in Owatonna in February 2006. The interviews covered topics such as recent trends in job growth, projected job growth, job types, and average hourly wages or annual salaries. Representatives were also asked about housing needs of their employees. Interviews with the area's largest employers not only provide data regarding commercial job growth, but also reveal employer attitudes and perceptions regarding housing demand in any given area. Table 10 on the following page show the top 25 employers located in the City of Owatonna.

The following are key points from the interviews with major employers.

- Most employers said that housing is not a typical concern for the employees that they hire. Most of the production type employees are from around the Owatonna area and have already established a place in the community. There were a few people that indicated that housing in Owatonna was relatively expensive compared to surrounding communities and more affordable housing was needed in Owatonna. The higher home prices may have pushed some residents to move out to Ellendale and make the commute into Owatonna.
- Table 10 shows there were over 10,000 jobs for companies with over 100 employees in Owatonna, based on data from the Minnesota Department of Employment and Economic Development. Some of the data was adjusted based on interviews with the major employers. Overall, there were nearly 10,000 jobs in the City of Owatonna, which make up the majority of all jobs in Steele County.
- The two largest employers in Owatonna are Viracon Inc. (1,700 employees) and Federated Insurance (1,500 employees), both of which are double the next largest employer (SPX Corp).
- Viracon has added about 100 employees in the last three years, and is expected to add another 100 in the next three years. They have also taken over a facility in the industrial park and are possibly expanding in the near future. About 90% of the jobs at Viracon are production/support jobs with wages ranging from \$11 to \$20 per hour. The remaining 10% are for professional/managerial positions and have salaries that average about \$65,000.
- Federated Insurance, on the other hand, has seen a decrease of about 50 employees from three years ago. About 40% of the jobs at Federated Insurance are for professional/managerial positions and 60% for production/support positions. They plan to maintain current employment levels in the next three years.
- The Allina Hospital and Mayo Health System are constructing a new hospital to be located near the Owatonna Clinic, just off Interstate 35. The facility would have 38 private rooms and could be completed as early as 2008. The new facility would most likely attract some doctors and physicians to the area, although an exact number is not certain.

## DEMOGRAPHIC ANALYSIS

**TABLE 10  
MAJOR EMPLOYERS  
CITY OF OWATONNA  
February 2006**

<b>Employer</b>	<b>Products/Services</b>	<b>Employee Count*</b>
Viracon/Curvlite Inc	Glass & Glass Product Manufacturing	1,700
Federated Insurance Co	Insurance Carriers	1,500
Spx Corp-Otc Div	Other Electrical Equipment & Component Mfg.	750
Truth Hardware	Metalworking Machinery Manufacturing	704
Owatonna Public School District 761	Elementary & Secondary Schools	700
Owatonna Hospital and Clinic	General Medical & Surgical Hospitals, Physicians	700
Wenger Corp	Other Miscellaneous Manufacturing	500
Jostens	Printing & Related Support Activities	460
Cabela's	Sporting Goods, Hobby, & Musical Instrument Stores	329
Steele County	Executive, Legislative, & Other Gen. Govt. Support	325
Wal-Mart	Department Stores	315
Cybex Corp	Other Miscellaneous Manufacturing	300
Lakeside Foods, Inc.	Fruit & Vegetable Preserving & Spec. Food Mfg.	240
Mustang Manufacturing Co	Machinery, Equipment, & Supplies Merchant Wholesalers	200
McQuay International	Vent., Heating, Air-Cond. & Comm. Refrig. Equip. Mfg.	175
Pearson NCS	Printing & Related Support Activities	160
Crane Creek Construction	Highway, Street & Bridge Construction	145
Blount Inc	Machine Shops;Turned Prod.;& Screw,Nut & Bolt Mfg.	135
City of Owatonna	Executive, Legislative, & Other Gen. Govt. Support	126
Holiday Inn & Suites	Hotels (exc. Casino Hotels) & Motels	125
Crown Cork & Seal Company, Inc.	Other Miscellaneous Manufacturing	120
Cash Wise Foods	Grocery Stores	115
Hy-Vee Food Store	Grocery Stores	115
Slidell, Inc.	Other General Purpose Machinery Manufacturing	100
<b>Total</b>		<b>10,039</b>
* Employment figures are estimated.		
Sources: MN Department of Employment and Economic Development; Maxfield Research Inc.		

- Most of the employers said their workforce should remain stable and that the number of employees will likely stay the same over the next three years. Only two employers interviewed expect their current number of employees would increase in the next three years. Viracon, is expected to add another 100 employees, while the Owatonna Hospital and Clinic, with its new building, is expected to increase its employment by 1% to 2% percent each year (about 3 to 4 employees).
- All the employers surveyed stated that the majority of their employees were from either Owatonna or the surrounding areas. There were a few that commute within a 30-mile radius, from Cities such as: Rochester, Austin, Owatonna, and Waseca. There were only a small portion of employees that commute from the Metro Area.
- The housing supply (both for-sale and rental) seems to be adequate, as it has not been an issue based on interviews with local employers. There were a few comments though, about it being somewhat difficult to find newer market rate rental apartments for employees looking for temporary housing.

## DEMOGRAPHIC ANALYSIS

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- The recent opening of the Gateway Apartments seems to have helped satisfy some of that demand for rental housing and has received positive remarks from the community.
- We were only able to collect wage information at a few of the companies, as many employers were unwilling to give out salaries and wages because of the wide range in each job type.

### Introduction

The variety and condition of the housing stock in a community provides the basis for an attractive living environment. Housing is the primary building block of neighborhoods, supporting goods and services. We examined the housing market in Owatonna and the Remainder of Steele County by: 1) reviewing data on the age of the existing housing in Steele County from the 2000 Census; 2) examining the housing stock by structure type; and 3) examining recent residential building trends since 2000.

### Age of Housing Stock

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

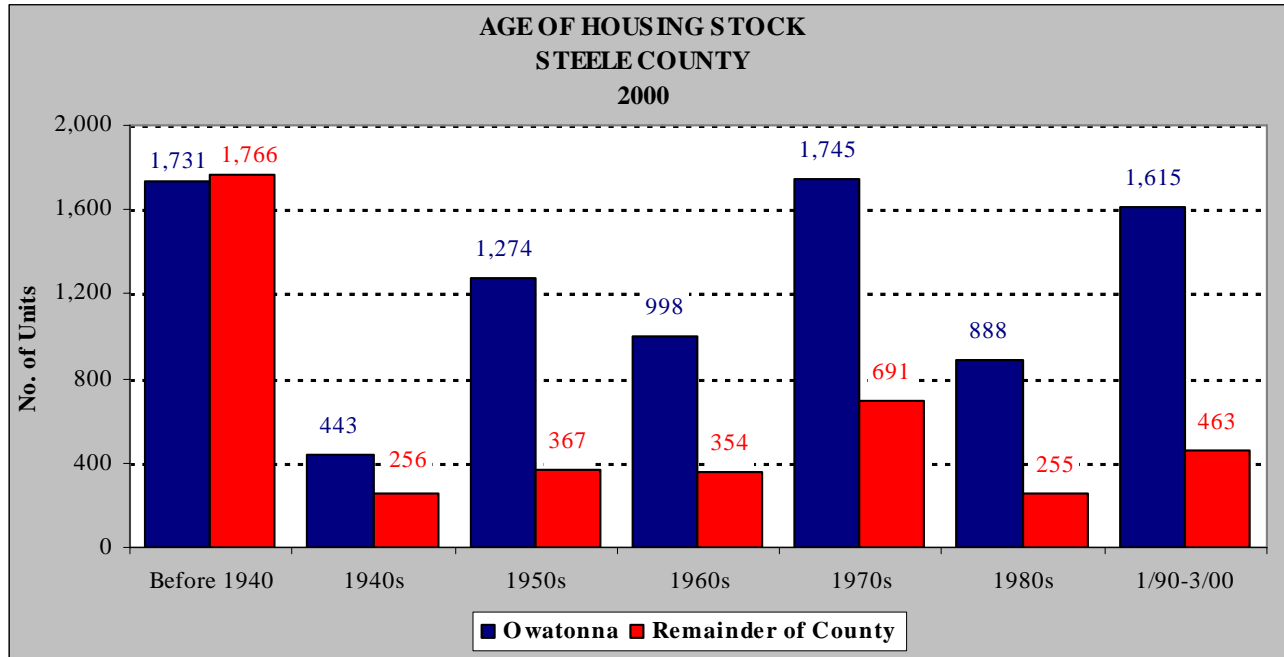
- The largest share of the Market Area's housing stock was built before 1940 (27% of the total), followed by the 1970s (19% of the total), and the 1990's (16% of the total).
- The significant proportion of homes in Steele County built prior to 1940 indicates that there is likely a substantial need for rehabilitation and/or replacement. This is particularly true in the largely rural Remainder of the County where 42% of the housing units were built prior to 1940, versus 20% of the housing units in Owatonna.
- Overall, the number of housing units over 60 years old was roughly equal in Owatonna (1,731) and the Remainder of the County (1,766). In contrast, the number of housing units built between 1990 and 2000 in Owatonna (1,615) was nearly 3.5 times greater than in the Remainder of the County (463).
- As of 2000, there were 2,542 housing units occupied by renters in Steele County, which translates to approximately 20% of all occupied housing units. Nearly one-third of the rented units (695) were built prior to 1940. Many of these units in the Remainder of the County are likely to be older single-family homes and farmsteads that are rented.
- Another 25% of all units rented in 2000 were built during the 1970s. The significant number of rental units built in Steele County during this period was due, in part, to the development of federally subsidized rental projects during the decade.
- The City of Owatonna comprised approximately 80% of Steele County's occupied rental housing as of 2000.

**HOUSING CHARACTERISTICS**

**TABLE 11  
AGE OF HOUSING STOCK  
STEELE COUNTY  
2000**

	Total Units	Year Structure Built													
		<1940		1940s		1950s		1960s		1970s		1980s		1990s	
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
<b>Owatonna</b>															
Owner-Occupied	6,651	1,242	18.7	345	5.2	1,082	16.3	812	12.2	1,207	18.1	605	9.1	1,358	20.4
Renter-Occupied	2,043	489	23.9	98	4.8	192	9.4	186	9.1	538	26.3	283	13.9	257	12.6
<b>Subtotal</b>	<b>8,694</b>	<b>1,731</b>	<b>19.9</b>	<b>443</b>	<b>5.1</b>	<b>1,274</b>	<b>14.7</b>	<b>998</b>	<b>11.5</b>	<b>1,745</b>	<b>20.1</b>	<b>888</b>	<b>10.2</b>	<b>1,615</b>	<b>18.6</b>
<b>Remainder of Steele County</b>															
Owner-Occupied	3,653	1,560	42.7	217	5.9	332	9.1	309	8.5	595	16.3	208	5.7	432	11.8
Renter-Occupied	499	206	41.3	39	7.8	35	7.0	45	9.0	96	19.2	47	9.4	31	6.2
<b>Subtotal</b>	<b>4,152</b>	<b>1,766</b>	<b>42.5</b>	<b>256</b>	<b>6.2</b>	<b>367</b>	<b>8.8</b>	<b>354</b>	<b>8.5</b>	<b>691</b>	<b>16.6</b>	<b>255</b>	<b>6.1</b>	<b>463</b>	<b>11.2</b>
<b>Steele County Total</b>															
Owner-Occupied	10,304	2,802	27.2	562	5.5	1,414	13.7	1,121	10.9	1,802	17.5	813	7.9	1,790	17.4
Renter-Occupied	2,542	695	27.3	137	5.4	227	8.9	231	9.1	634	24.9	330	13.0	288	11.3
<b>Total</b>	<b>12,846</b>	<b>3,497</b>	<b>27.2</b>	<b>699</b>	<b>5.4</b>	<b>1,641</b>	<b>12.8</b>	<b>1,352</b>	<b>10.5</b>	<b>2,436</b>	<b>19.0</b>	<b>1,143</b>	<b>8.9</b>	<b>2,078</b>	<b>16.2</b>
Sources: Bureau of the Census; Maxfield Research Inc.															

## HOUSING CHARACTERISTICS



### Housing Stock By Structure Type

Table 12 shows the housing stock in Owatonna and in Steele County by type of structure and tenure as of 2000. This indicates the types of housing structures occupied or vacant and whether they are owned or rented.

- The dominant housing type is a single family detached home with this type representing 91% of all owner-occupied housing and 77% of all occupied units. Single-family homes accounted for 72% of all occupied housing units in Owatonna versus 88% in the Remainder of Steele County.
- Attached housing in structures of one to four units accounted for another 1,164 units or 9% of all occupied housing units in Steele County. The number of single attached structures (townhomes) that were owned outnumbered those rented 2-to-1. Conversely, the number of units rented in structures of two to four units outnumbered those owned units by about 5-to-1. Rental units dominated in structures with two or more units.
- In 2000, there were 545 occupied mobile home units in Steele County, comprising 4% of the County's occupied housing units. The vast majority (90%) of the County's occupied mobile homes are owner-occupied. Nearly half (46%) of the County's occupied mobile homes are located outside of Owatonna compared to 32% of the total number of occupied housing units. As of February 2006, we identified a total of 478 mobile home units based on our survey of the three mobile home parks located in Steele County, of which 313 are located in Owatonna (65%).

## HOUSING CHARACTERISTICS

- Vacancy rates of the housing stock in Steele County ranged from 1.9% in buildings of 20 to 49 units to 6.3% for structures of five to nine units. Single-family homes had a vacancy rate of 3.0% (2.0 % in Owatonna and 4.6% in the Remainder of the County).

TABLE 12 HOUSING STOCK BY UNITS IN STRUCTURE STEELE COUNTY 2000						
	Owatonna		Rem. of County		Steele County	
	No	Pct.	No	Pct.	No	Pct.
<b>Owner occupied:</b>	<b>6,651</b>	<b>100.0</b>	<b>3,653</b>	<b>100.0</b>	<b>10,304</b>	<b>100.0</b>
1, detached	5,990	90.1	3,393	92.9	9,383	91.1
1, attached	187	2.8	30	0.8	217	2.1
2 to 4 units	128	1.9	17	0.5	145	1.4
5- to 9-plex	8	0.1	0	0.0	8	0.1
10 to 19 units	5	0.1	0	0.0	5	0.0
20 to 49 units	53	0.8	0	0.0	53	0.5
50 + units	0	0.0	0	0.0	0	0.0
Mobile home	280	4.2	213	5.8	493	4.8
<b>Renter occupied:</b>	<b>2,043</b>	<b>100.0</b>	<b>499</b>	<b>100.0</b>	<b>2,542</b>	<b>100.0</b>
1, detached	222	10.9	278	55.7	500	19.7
1, attached	101	4.9	6	1.2	107	4.2
2 to 4 units	603	29.5	92	18.4	695	27.3
5- to 9-plex	226	11.1	18	3.6	244	9.6
10 to 19 units	398	19.5	49	9.8	447	17.6
20 to 49 units	405	19.8	16	3.2	421	16.6
50 + units	76	3.7	0	0.0	76	3.0
Mobile home	12	0.6	40	8.0	52	2.0
<b>Total occupied:</b>	<b>8,694</b>	<b>100.0</b>	<b>4,152</b>	<b>100.0</b>	<b>12,846</b>	<b>100.0</b>
1, detached	6,212	71.5	3,671	88.4	9,883	76.9
1, attached	288	3.3	36	0.9	324	2.5
2 to 4 units	731	8.4	109	2.6	840	6.5
5- to 9-plex	234	2.7	18	0.4	252	2.0
10 to 19 units	403	4.6	49	1.2	452	3.5
20 to 49 units	458	5.3	16	0.4	474	3.7
50 + units	76	0.9	0	0.0	76	0.6
Mobile home	292	3.4	253	6.1	545	4.2
<b>Vacant/Vac. Rate:</b>	<b>242</b>	<b>2.7</b>	<b>218</b>	<b>5.0</b>	<b>460</b>	<b>3.5</b>
1, detached	129	2.0	178	4.6	307	3.0
1, attached	12	4.0	0	0.0	12	3.6
2 to 4 units	46	5.9	6	5.2	52	5.8
5- to 9-plex	17	6.8	0	0.0	17	6.3
10 to 19 units	19	4.5	3	5.8	22	4.6
20 to 49 units	9	1.9	0	0.0	9	1.9
50 + units	4	5.0	0	0.0	4	5.0
Mobile home	6	2.0	31	10.9	37	6.4
Sources: US Census Bureau, Maxfield Research Inc.						

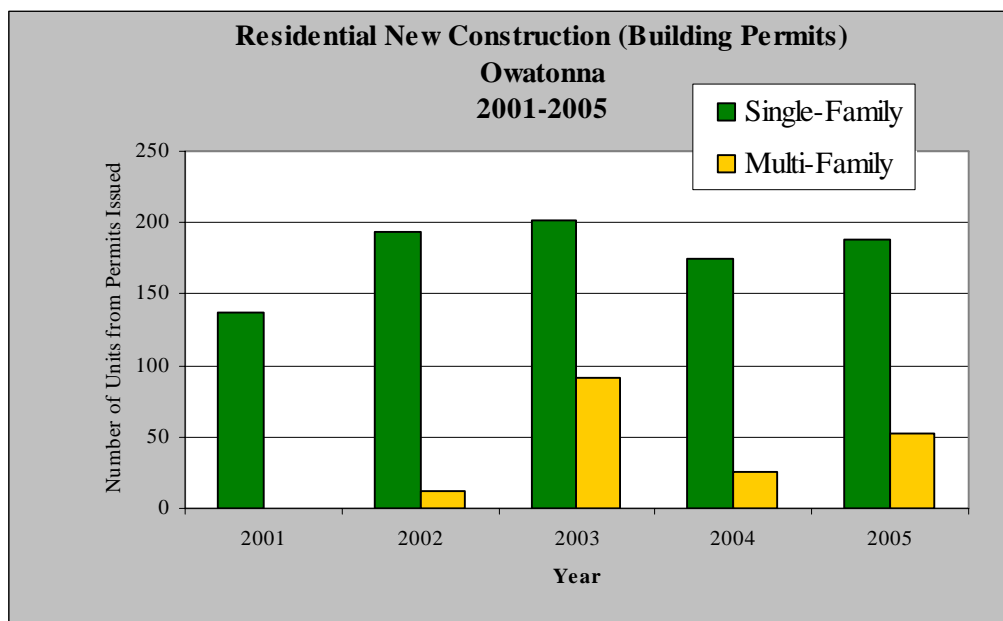
## HOUSING CHARACTERISTICS

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### Residential Construction Trends in Steele County

We obtained data from the Owatonna Building and Inspection Office, Steele County Planning Office, as well as from individual cities in the County on the number of building permits issued for new housing units in Steele County. This data is presented in Table 13, which displays the total number of building permits issued in Owatonna, as well as the Remainder of the County for single-family homes (includes attached homes) and multifamily units each year since 2001. The following are key points about housing units added since 2001.

- The City of Owatonna added 894 single-family homes (an annual average of 180 units) and 182 multifamily units (an annual average of 36 units) during this decade, for a total of 1,076 total units (averaging about 215 units per year).
- As the table shows, the number of single-family permits increased from 137 to 193 between 2001 and 2002, a 41% increase. Since then, the number of permits has jumped back and forth in each year, but has remained fairly steady (hovering around 190 permits per year).
- The most activity for multi-family housing occurred in 2003, where the City had issued permits for 92 units, which were for the Gateway Apartments (60 units) and Willow Run Townhomes II (32 units). Since then, there were 26 units in 2004 (Maple Trail Apartments) and 52 units in 2005 (Traditions of Owatonna).



- The Remainder of Steele County experienced nearly four times less housing activity than Owatonna did between 2001 and 2005. The majority (about 88%) of the building permits issued were for single-family homes, with only 34 multifamily units, all of which were in smaller Cities such as: Blooming Prairie, Ellendale, or Medford. Multifamily housing activity in many rural areas is rare because there is typically no demand for multifamily housing in the smaller communities.

## HOUSING CHARACTERISTICS

- Overall, the County issued a total of 1,140 single-family building permits (84%) and 216 multifamily housing units (16%) between 2001 and 2005, which translates into an annual average of roughly 270 units.
- City Building Officials also stated that there have only been three residential demolitions between 2000 and 2005, indicating a healthy existing housing stock with few dilapidated homes.

<b>TABLE 13</b>			
<b>RESIDENTIAL CONSTRUCTION</b>			
<b>OWATONNA &amp; THE REMAINDER OF STEELE COUNTY</b>			
<b>ANNUAL BUILDING PERMITS ISSUED</b>			
<b>2001 to 2005</b>			
	Single- Family Homes	Multi-Family Homes	Total Housing Units
<b>Owatonna</b>			
2001	137	0	137
2002	193	12	205
2003	201	92	293
2004	175	26	201
2005	188	52	240
<b>Total</b>	<b>894</b>	<b>182</b>	<b>1,076</b>
<b>Remainder of Steele County</b>			
2001	43	4	47
2002	50	4	54
2003	63	6	69
2004	55	12	67
2005	35	8	43
<b>Total</b>	<b>246</b>	<b>34</b>	<b>280</b>
<b>Steele County Total</b>			
2001	180	4	184
2002	243	16	259
2003	264	98	362
2004	230	38	268
2005	223	60	283
<b>Total</b>	<b>1,140</b>	<b>216</b>	<b>1,356</b>
Sources: City of Owatonna; Steele County Planning Department; various city clerks; Maxfield Research Inc.			

## FOR-SALE MARKET ANALYSIS

### Introduction

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

### Home Sales

Table 14 displays data on home sales in the City of Owatonna and the Remainder of Steele County for the years 2000 through 2005. The data was obtained from the Steele County Assessors Office. The table shows the annual number of sales, average sale price, annual change in average sale price, median sale price, and percentage increases in both categories.

The following are key points from the table:

- The average sale price in Owatonna increased steadily from \$113,639 in 2000 to \$169,942 in 2005, an increase of 50%. This equates to an average annual increase in the average sale price of 8.4%.
- A total of 3,675 homes were sold in Steele County between 2000 and 2005. The most active year was 2004, when 692 residential sales were transacted in the County. This increase in the number of sales since 2000 was, in all likelihood, a result of declining interest rates, which allowed many more people to qualify for mortgages or potential buyers could buy more home than in previous years.

Year	Owatonna				Remainder of Steele County				Steele County Total			
	No. Sold	Avg. Sales Price	Avg. % Change	Median Price	No. Sold	Avg. Sales Price	Avg. % Change	Median Price	No. Sold	Avg. Sales Price	Avg. % Change	Median Price
2000	382	\$113,639	-	\$108,200	109	\$98,099	-	\$89,500	491	\$110,189	-	\$104,049
2001	465	\$122,635	7.9%	\$116,000	118	\$114,126	16.3%	\$99,800	583	\$120,913	9.7%	\$112,721
2002	432	\$135,516	10.5%	\$126,000	108	\$113,961	-0.1%	\$109,600	540	\$131,205	8.5%	\$122,720
2003	546	\$153,467	13.2%	\$143,250	136	\$131,629	15.5%	\$122,850	682	\$149,112	13.6%	\$139,182
2004	549	\$156,958	2.3%	\$147,000	143	\$140,015	6.4%	\$129,900	692	\$153,457	2.9%	\$143,466
2005	556	\$169,942	8.3%	\$155,000	131	\$136,454	-2.5%	\$119,900	687	\$163,556	6.6%	\$148,307
<b>Total</b>	<b>2,930</b>				<b>745</b>				<b>3,675</b>			
<b>00-05 Change</b>		<b>50%</b>		<b>43%</b>		<b>39%</b>		<b>34%</b>		<b>48%</b>		<b>43%</b>

Sources: Steele County Assessor, Maxfield Research Inc.

- On average, the number of home sales in Owatonna has accounted for between 78% (2000) and 81% (2005) of all residential sales in Steele County.

## FOR-SALE MARKET ANALYSIS

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- In 2005, the average price of the homes sold in Owatonna was about \$170,000. Using the industry standard that a household could afford to purchase a home priced 3.0 to 3.5 times their income, a household with an income of \$48,500 to \$57,000 could afford to purchase a home priced at \$170,000. Income data as illustrated in Table 3 of this report shows that in 2005, Owatonna had about 4,357 non-senior households (age 15-64) with incomes above \$48,500 (59% on the total non-senior households) who are potential buyers for these moderately priced homes.
- Based on household income data from Table 3, the median income of householders in Owatonna was just over \$50,000 in 2005. Using the same standard of 3.0 to 3.5 times the median income, the average price a household could afford in Owatonna is \$150,000 to \$175,000. According to data from Table 14, the median resale price in Owatonna for 2005 was \$155,000.

### Current Supply of Homes on the Market

Tables 15 shows the number of homes currently listed for sale in Owatonna and the Remainder of Steele County (including the Cities of Blooming Prairie, Ellendale, and Medford), distributed into six price ranges. The data was provided by the Southeast Minnesota Association of Realtors MLS. Key findings from our assessment of the actively listed homes in the Market Area are:

- A total of 185 homes were listed for-sale with the regional Multiple Listing Service in Steele County in January 2006. In Owatonna there were 142 listings with an additional 43 listed in the Remainder of Steele County. MLS listings generally account for the majority of all residential sale listings in a given area. There were 110 homes listed for sale in Owatonna in our previous study in 2003, about a 30% increase, which may indicate a healthy growth in the supply of homes in Owatonna.
- The least expensive home currently on the market in Owatonna is listed at \$71,900 as of January 2006. Using the maximum standard that a household can afford a home priced at 3.5 times their annual income, an income of \$20,550 would be needed to afford the least expensive home listed for sale in Owatonna. Based on household income data in Table 3, close to 85% of Owatonna's households could afford to purchase a home priced at \$71,900 in the community.
- About two-thirds of the homes listed in both Owatonna and the Remainder of the County were over \$150,000. A household would need an income of about \$43,000 to afford a home priced at \$150,000. About 60% of Steele County households have annual incomes at or above \$43,000. In addition, about 44% of the homes currently listed in the County are above \$200,000, which may indicate a healthy supply of upper-end homes targeted towards doctors, lawyers, and other upper-management position jobs.
- Approximately one-third of homes listed for sale in Owatonna are priced from \$125,000 to \$175,000.

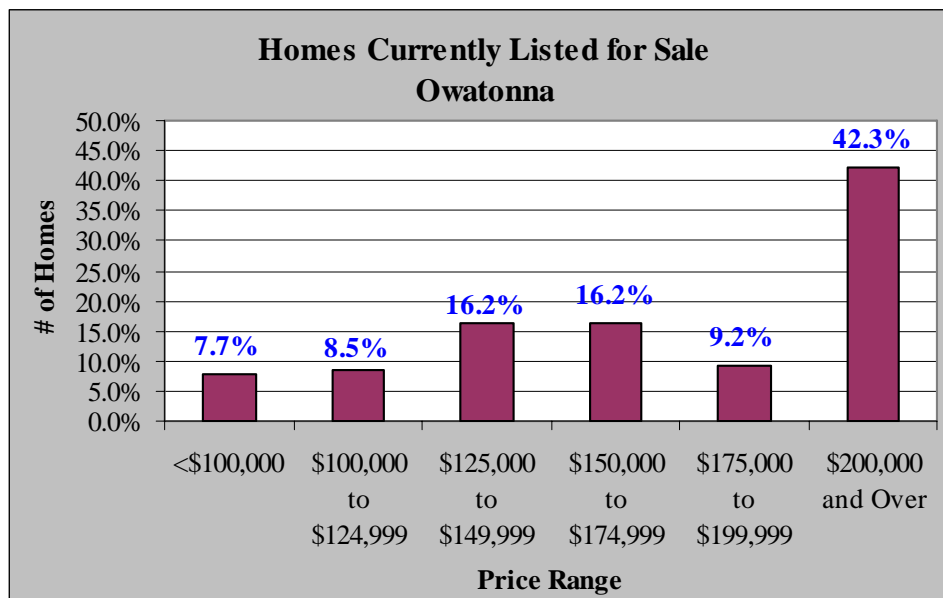
## FOR-SALE MARKET ANALYSIS

**TABLE 15**  
**SINGLE-FAMILY HOMES CURRENTLY LISTED FOR-SALE**  
**STEELE COUNTY**  
**January 2006**

Owatonna			Remainder of Steele County*			Total Steele County		
Price Range	No.	Pct.	Price Range	No.	Pct.	Price Range	No.	Pct.
<\$100,000	11	7.7%	<\$100,000	6	14.0%	<\$100,000	17	9.2%
\$100,000 to \$124,999	12	8.5%	\$100,000 to \$124,999	6	14.0%	\$100,000 to \$124,999	18	9.7%
\$125,000 to \$149,999	23	16.2%	\$125,000 to \$149,999	3	7.0%	\$125,000 to \$149,999	26	14.1%
\$150,000 to \$174,999	23	16.2%	\$150,000 to \$174,999	2	4.7%	\$150,000 to \$174,999	25	13.5%
\$175,000 to \$199,999	13	9.2%	\$175,000 to \$199,999	4	9.3%	\$175,000 to \$199,999	17	9.2%
\$200,000 and Over	60	42.3%	\$200,000 and Over	22	51.2%	\$200,000 and Over	82	44.3%
	142	100%		43	100%		185	100%
Min. \$71,900			Min. \$34,900			Min. \$34,900		
Max. \$445,000			Max. \$419,000			Max. \$445,000		
Med. \$179,425			Med. \$209,900			Med. \$183,900		
Avg. \$196,351			Avg. \$198,630			Avg. \$196,881		

\* Includes the Cities of Blooming Prairie, Ellendale, and Medford  
 Sources: Southeast Minnesota Association of Realtors MLS  
 Maxfield Research Inc.

- The median list price in Owatonna was about \$179,500. This is up from \$153,000 in the 2003 Maxfield Research Housing Study, an increase of 17%. In the Remainder of Steele County, the median list price was \$209,900, up from \$179,000 in 2003, also an increase of 17%.
- The median sale price is generally a more accurate indicator of housing values in a community than the average sale price. Average sale prices can be easily skewed by a few very high-priced or low-priced home sales in any given year, whereas the median sale price better represents the pricing of a majority of homes in a given market.



### Actively Marketing and Pending For-Sale Housing Developments

Maxfield Research Inc. interviewed City administrators and developers/builders of single-family subdivisions and for-sale multi-family developments that are either currently being marketed or are pending or planned to come online in Steele County. We identified 12 actively marketing subdivisions in three communities (Owatonna, Blooming Prairie, and Ellendale) and eight pending developments in three communities (Owatonna, Blooming Prairie, and Medford). Also, according to the Community Development Director at the Housing and Redevelopment Authority in Owatonna, there are 309 lots that remain vacant in the older existing subdivisions. It is estimated that about 85% of these lots are available for new housing.

Information regarding these projects is shown in Table 16. Table 16 shows information on single-family and multi-family subdivisions, including total lots, lots available, base lot prices, base home prices, and buyer profile/additional comments.

The following are key points about these projects.

#### Active Subdivisions

- There are 12 actively marketing subdivisions that contain a total of 1,194 residential lots, 999 of which were listed as available (vacant, remaining for purchase), as of February 2006. Owatonna contained 9 of the 12 subdivisions, which accounted for 918 of the total lots and 764 of the available lots (about 95% of the available lot supply in Steele County).
- Of the 1,194 total lots, there were 973 single-family lots, with 801 that are available for purchase (80% of the lot supply). The remaining 221 lots are for multi-family lots, of which 198 were still available for purchase (approximately 90% of the lot supply). All of the multi-family lots are located in the City of Owatonna.
- There are nine single-family subdivisions, one multi-family subdivision, and three subdivisions that have a combination of both single-family and multi-family lots.
- Lot prices in the active subdivisions in Owatonna ranged from \$25,000 to \$92,000 and average around \$35,000. The majority of the lots are targeted towards the entry-level and move-up buyers, with limited lots for upper-end buyers. Upper-end lots can be found in the *Majestic Oaks*, *North Bluffs*, and *North County Additions*.
- Base home prices (including the lot price) in the active subdivisions in Owatonna ranged from \$150,000 to over \$450,000. The average home price was about \$230,000.
- According to developers and sales agents interviewed, four subdivisions in Owatonna will likely attract entry-level and first-time homebuyers: *Eden Valley 2<sup>nd</sup> Addition* townhomes and four-plexes, lower-end homes at *Emerald Acres*, *Linnhaven 2<sup>nd</sup> & 3<sup>rd</sup> Addition*, and the *Sherwood Heights* subdivision. Typical base prices for entry-level homes are about \$150,000 to \$200,000.

## FOR-SALE MARKET ANALYSIS

**TABLE 16  
ACTIVE & PENDING HOUSING DEVELOPMENTS  
OWATONNA AND THE REMAINDER OF STEELE COUNTY  
February 2006**

<b>Subdivision Name</b>	<b>Type</b>	<b>-- Lot/Unit Inventory -- Approved Available</b>	<b>Base Lot Price</b>	<b>Base Home Price (incl. lot price)</b>	<b>Buyer Profile/Comments</b>
<b>Active Subdivisions</b>					
<b>Owatonna</b>					
Country Creek 5th	SF	71 64	\$29,900-\$38,900	\$230,000 - \$350,000	Upper Income, professionals, families
Eden Valley 2nd Addition	MF	26 18	\$32,000-\$34,000	\$175,000 - \$185,000	Middle income, starter homes. 146 total lots. 30
	MF	120 116	\$28,000	\$175,000	four-plex lots
Emerald Acrs No. 3	SF	50 44	\$25,900-\$32,900	\$175,000 - \$300,000	Entry-level buyers for low-end, move-ups for
	MF	17 12	\$24,900	\$169,900 - \$199,900	\$240,000+. Townhomes attract singles, working
					professionals and seniors
Linnhaven 2nd & 3rd Addition	SF	31 20	\$25,000-\$36,000	\$150,000 - \$200,000	Starter homes, younger families
Majestic Oaks	SF	150 150	\$49,000-\$92,000	\$300,000+	Upper-end SF and TH lots. Mostly target upper
	MF	22 22	\$36,000	\$300,000	management professionals, doctors, etc. TH's
					along the pond. 4-phases
North Bluff Estates	SF	135 101	\$26,900-\$89,900	\$200,000 - \$250,000	
	MF	36 30			
North Country #1 & #2	SF	118 90	\$28,500-\$88,000	\$220,000 - \$450,000	Move-up and upper-end homes with families and
			Avg.: \$36,000		some empty nesters.
Sherwood Heights #5	SF	22 14	\$25,000-\$35,000	\$199,000	Entry-level homes
Willow Creek #4, #5, & #6	SF	32 21	\$30,000	\$200,000 - \$300,000	Move-up buyers, mostly families
Total Lots in Older Subdivisions*	SF	309 260			
	SF	918 764			
	MF	221 198			
	<b>Owatonna Active</b>	<b>1,139 962</b>			
<b>Blooming Prairie</b>					
Prairie Village North	SF	17 6	N/A	\$125,000 - \$150,000	Affordable SEMCAC homes. Have not sold
<b>Ellendale</b>					
Countryview Estates	SF	30 24	N/A	N/A	
Edgewood Heights	SF	8 7	N/A	N/A	
	SF	973 801			
	MF	221 198			
	<b>Total Active</b>	<b>1,194 999</b>			

## FOR-SALE MARKET ANALYSIS

<b>TABLE 16, Cont.</b> <b>ACTIVE &amp; PENDING HOUSING DEVELOPMENTS</b> <b>OWATONNA AND THE REMAINDER OF STEELE COUNTY</b> <b>February 2006</b>						
<b>Subdivision Name</b>	<b>Type</b>	<b>-- Lot/Unit Inventory --</b>		<b>Base Lot Price</b>	<b>Base Home Price (incl. lot price)</b>	<b>Buyer Profile/Comments</b>
		<b>Approved</b>	<b>Available</b>			
<b><u>Pending Subdivisions</u></b>						
<b>Owatonna</b>						
Country Creek 6th Addition	SF	25	25	N/A	\$300,000 - \$400,000	Most likely upper income. Just been approved for final plat.
	MF	12	12	N/A	N/A	
Maple Creek Highlands	SF	52	52	\$40,000-\$80,000	\$250,000's	In platting, 2008 groundbreaking
	MF	26	26	\$40,000-\$80,000	\$250,000's	
Partridge Addition	SF	37	37	\$33,900-\$39,900	\$200,000+	Bidding for streets in 2 weeks, plan to begin marketing in Sept. 2006.
	MF	19	19	\$26,900	\$199,000 - \$220,000	
Autumn Hills	SF	15	15	\$2,000	\$148,000	City owned Section 8 lots (CASA)
	SF	129	129			
	MF	57	57			
	<b>Owatonna Pending</b>	<b>186</b>	<b>186</b>			
<b>Blooming Prairie</b>						
Peterson 2nd Addition	SF	11	11	\$30,000-\$40,000	\$200,000+	No infrastructure yet, begin construction in Summer 2006.
Prairie 3rd Addition	MF	48	48	N/A	\$280,000	Received preliminary plat approval. High-end townhomes, up to 48 units on 24 lots.
Bray Addition	SF	18	18	N/A	N/A	In the annexation process. Begin infrastructure in Fall 2007, up to 30 acres.
<b>Medford</b>						
Scenic Heights	SF	23	23	N/A	N/A	Single-family, twinhomes, & patio homes. Have received petition for annexation & prelim. plat for 1st 2 phases
	MF	15	15	N/A	N/A	
Riverview Addition	MF	20	20	N/A	N/A	Plans currently under review
	<b>Total Pending</b>			<b>Total Active &amp; Pending</b>		
	SF	181	181	SF	1,154	982
	MF	140	140	MF	361	338
	<b>Total</b>	<b>321</b>	<b>321</b>	<b>Total</b>	<b>1,515</b>	<b>1,320</b>
* 309 lots in older existing subdivisions remain vacant, of which about 85% are estimated to be available for new housing						
Source: Maxfield Research Inc.						

## FOR-SALE MARKET ANALYSIS

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- Move-up buyers are typically looking for homes in the \$200,000 to \$300,000 price range. Subdivisions such as *Country Creek 5<sup>th</sup> Addition*, *North Bluff Estates*, *North Country Additions*, and the *Willow Creek Additions* will likely attract middle-income move-up buyers.
- Of the 221 multi-family lots/units in Owatonna, two-thirds of them are in the Eden Valley 2<sup>nd</sup> Addition. Eden Valley has a total of 26 twinhome lots and 30 four-plex lots (120 total units) for a total of 146 units that would be available. Most of the units are targeted towards entry-level buyers priced at around \$175,000.
- The upper-end townhome project in Owatonna (*Majestic Oaks*) is located along a pond with attractive views. These homes will likely attract empty-nesters. Unit prices in these projects are start at about \$300,000.
- We identified three single-family subdivisions located outside of Owatonna. There is one subdivision located in the City of Blooming Prairie (*Prairie Village North*) and two located in the City of Ellendale (*Countryview Estates* and *Edgewood Heights*).
- *Prairie Village North* (Blooming Prairie) has a total of 17 lots with 6 that are currently available. These are SEMCAC homes made affordable for first-time homebuyers priced between \$125,000 and \$150,000. According to the City Administrator, there does not seem to be a market for affordable homes seeing that Prairie Village North has had a difficult time selling the lots.
- The two subdivisions in Ellendale (platted in 2004) have a total of 38 lots with 31 that are currently available for sale. We were unable to obtain any information on the lot and home prices.
- In addition to the available lots in the 9 active subdivisions surveyed in Owatonna, there are also about 309 lots in several smaller active subdivisions and also scattered lots in older subdivisions throughout the City. Available lots in older subdivisions include lots that have not sold for various reasons (such as size, location, or features), and also lots purchased by neighbors and kept vacant on purpose. We estimate that about 85% of these lots (roughly 260 lots) are available for new housing.
- Based on an average of about 180 single-family homes built per year (based on homes built between 2001 and 2005), Owatonna's 1,150 lot supply (includes pending subdivisions) equates to a lot supply of over six years. We believe that a three- to five-year supply of lots is an appropriate balance between providing adequate consumer choice and minimizing developers' carrying costs. This indicates that Owatonna has a sufficient lot supply of single-family homes through the remainder of the decade.
- About 220 townhomes were built in Owatonna during the 2000s, or about 36 units annually. At this pace, Owatonna's 202 available lots/units would satisfy demand through the remainder of the decade. However, multifamily owned housing has been gaining in popularity, and the current supply may satisfy needs for about five years. It should be noted, however, that to maintain choice, additional units could be needed by then.

## FOR-SALE MARKET ANALYSIS

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### Pending For-Sale Subdivisions

In addition to the actively marketed developments, three planned/pending developments in Owatonna were identified. These developments could add 129 single-family homes and 57 townhomes to the City if built as currently proposed. Another five pending developments were identified in the Remainder of the County. These could add 83 multi-family units and 52 single-family homes in the Cities Blooming Prairie and Medford. Information on pending subdivisions can be found in Table 16 above.

#### Owatonna

Welker Construction is currently developing the *Country Creek 6<sup>th</sup> Addition*. This subdivision will consist of 25 single-family lots and 12 multifamily lots targeted toward upper-income households. They have just received final plat approval and will likely come online this year. Homes are estimated to range from \$300,000 to \$400,000.

Hall Construction is also working with Oakridge Builders in developing the *Maple Creek Highlands Subdivision*. Maple Creek has plans for about 52 single-family lots and 26 townhome units. Lot prices will range from \$40,000 to \$80,000, with homes estimated to be in the \$250,000 range. They are currently in the platting stages and do not expect to break ground until 2008.

The third pending subdivision is the *Partridge Addition* located on Partridge Avenue and East Rose Street. Greg Horecka and Partners Development have plans for 37 single-family lots and 19 townhome units on 22 acres of land. Lot prices will range from \$33,900 to \$39,900 for single-family and \$26,900 for the townhomes. Estimated homes prices will be \$200,000+ for single-family homes and from \$199,000 to \$220,000 for townhome units. They plan to begin marketing by September of this year.

The City also has plans for 15 single-family lots in the *Autumn Hills Subdivision*. These lots are owned by the City and will be for Section 8 low-income households. The Community Activity Set-Aside Program (CASA) will help provide funding for these homes. Homes are priced at \$148,000.

#### Blooming Prairie

There are currently three pending/planned subdivisions in the City of Blooming Prairie with 29 single-family lots and 24 multi-family lots (with upwards of 48 units). The first pending development is the *Peterson 2<sup>nd</sup> Addition*, which has a total of 11 single-family lots with estimated lot prices of \$30,000 to \$40,000. Homes will likely be priced at \$200,000 and up. There is no infrastructure yet, but they plan to begin construction in Summer 2006. The second planned development is the *Prairie 3<sup>rd</sup> Addition*, which has received preliminary plat approval for 24 townhome lots for up to 48 townhome units. These will be higher-end homes priced at about \$280,000. The third planned subdivision is the *Bray Addition*, which has plans for 18 single-family lots on about 30 acres. The City is currently in the process of annexing some land to

## FOR-SALE MARKET ANALYSIS

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incorporate the Bray addition. If all goes accordingly, they plan to begin infrastructure by Fall 2007.

### Medford

We identified two pending subdivisions in the City of Medford, as of February 2006. The first development is *Scenic Heights*, which has plans for 23 single-family lots and 15 multi-family lots (twinhomes and patio homes). They have received a petition for annexation and preliminary plat approval for the first two phases. The timing of the development is still undetermined. The second planned subdivision is the *Riverview Addition*, which has plans for 20 multi-family lots. The plans are currently under review and the exact timing and concept is still being determined.

### **Mobile Homes**

Maxfield Research Inc. investigated the availability of mobile homes and mobile home parks in Steele County. Traditionally, research shows that mobile homes usually serve as an alternative to permanent housing, and during times of housing scarcity, the number of homes usually rises.

Table 17 below displays information pertaining to the identified traditional mobile home parks in the County. Our research revealed that two traditional mobile home parks exist in the City of Owatonna and one exists in the City of Medford. Currently, Colonial Manor houses 216 mobile homes, Skyline Gardens contains 97 homes, and Lazy U Mobile Park has 165 homes, for a total of 478 pads. As of February 2006, we identified a total of 23 vacancies at all of the properties, for a vacancy rate of 4.8%. The following paragraphs summarize the mobile home parks in the County.

Colonial Manor, located at 24<sup>th</sup> Avenue Northwest in Owatonna, contains a total of 216 pads, of which there are ten vacant. All of the pads are rented (for \$225 per month) to residents with owned homes. Tenants pay all utilities (water/sewer, garbage, electric). Most of the homes are occupied by working families and seniors. The majority of the tenants work in Owatonna. They will be raising rents to \$240 per month starting in March.

Skyline Gardens, located at 2126 3<sup>rd</sup> Avenue Northwest in Owatonna, has a total of 97 pads. As of February 2006, there are a total of 9 vacant pads. Most of the pads are rented to residents with owned homes ranging from \$220 to \$230 per month. There are a few tenants that are renting the home and the pad. Tenant pays all utilities (garbage pick-up included). There are more three-bedroom units than two-bedroom units. The majority of the residents are working families with very few seniors. Most of the tenants work in the Owatonna area, with some commuting to Rochester and Northfield.

Lazy U Mobile Park, located at 4100 66<sup>th</sup> Street Northwest in Medford, has a total of 165 pads. When we surveyed them in February 2006, they had a total of 4 vacant pads. All of the pads are rented to residents with owned homes for \$230 per month. The rent includes water, sewer, and garbage, while the tenants pay the electricity. Most of the units are three-bedrooms, with a few one- and two-bedrooms. They have a fairly wide mix of tenants, with the majority being families, and about 5% seniors. Most of the tenants work in Medford or Owatonna.

## FOR-SALE MARKET ANALYSIS

**TABLE 17**  
**MOBILE HOME PARKS**  
**OWATONNA STUDY AREA**  
**February 2006**

Project Name/ Address	Total Pads	Vacant	Rent Range	Comments
<i>Owatonna</i>				
<b>Colonial Manor</b> 24th Avenue NW	216	10	\$225 (pad only)	All owned by residents, no rentals owned by park owner; garbage pick-up included in rent; Mgmt. requires upkeep of units; Profile: wide range of residents: lots of seniors and families. Majority work in Owatonna. Will be raising rents to \$240 in March.
<b>Skyline Gardens</b> 2126 3rd Ave. NW	97	9	\$220 - \$230 (pad only)	All owned by residents; garbage pick-up included in rent; more 3BR than 2 BR; Profile: mostly families, not many seniors. Most work in Owatonna, with few commuting to Rochester/Northfield. 3-4 are renting the home/pad. Business has been slow lately.
<i>Medford</i>				
<b>Lazy U Mobile Park</b> 4100 66th St. NW	165	4	\$230 (pad only)	Only owner-occupied homes, no renters allowed in the park; water/sewer/garbage are included in rent; mostly 3BR units; Profile: wide range of people, mostly families, about 5% seniors. Most work locally in Medford or Owatonna (Cabella's, Target, Wal-mart).

Source: Maxfield Research Inc.

### For-Sale Interviews Summary

Maxfield Research Inc. interviewed area real estate agents, local developers, builders, and other persons familiar with Owatonna's owner-occupied market to solicit their impressions of the current for-sale housing market in the community. The following are key points from those interviews.

- Most of the people interviewed said the housing market in Owatonna and Steele County is very good and stable. There seems to be plenty of housing available with very few shortages in Owatonna.
- The majority of the people interviewed felt that there is a need for affordable entry-level homes in Owatonna, but because of the high construction costs, it is very difficult to build without some form of subsidy. Many of these increased costs were the result of the impact made by Hurricane Katrina.
- Some have felt that there is a good supply of upper-end single-family homes in Owatonna, although there seems to be a need for larger upper-end lots. People are becoming more demanding of space and require bigger lot sizes to accommodate their families and children.
- There were mixed reactions towards townhome and multifamily units in Owatonna. Some felt that the townhomes were selling better than the single-family homes and that there may

## FOR-SALE MARKET ANALYSIS

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be a need for additional four-plexes, eight-plexes and such. Others have mentioned that there are too many townhomes on the market and that there is not much of a demand for them as buyers have been rare. It was also stated that there is a demand for one-level townhomes for seniors, as well as some upper-end townhome units.

- It was also mentioned that Owatonna is a growing community that is on the move. More major corporations are coming to the City, more blue-collar upper-management jobs are being created, and there is no indication that it will be slowing down. This will ultimately create demand for housing in general, but more specifically for upper-end homes.
- As for some of the communities outside of Owatonna, Blooming Prairie is experiencing the most housing activity in the Remainder of the County (3 pending subdivisions with 77 total lots). The housing stock values in Blooming Prairie have increased dramatically, as they seem to have surpassed housing values in Owatonna. It is very difficult to find a home for less than \$100,000 in Owatonna.
- The close proximity to all the Cities (Owatonna, Rochester, Austin, Albert Lea) in the southeast section of Minnesota is an excellent drawing factor for living in Blooming Prairie.
- The City of Medford is also showing signs of growth with two pending subdivisions for about 60 total lots. These lots will likely satisfy demand for housing in Medford for the next three-to-five years.

### Introduction

Maxfield Research Inc. identified and surveyed larger rental properties of twelve or more units in Owatonna. In addition, interviews were conducted with real estate agents, rental housing management firms, private owner landlords, and others in the community familiar with Owatonna's rental housing stock.

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

Although it was beyond the scope of the study to inventory and aggregate the number of scattered single-family homes that are rented in the Market Area, Maxfield Research Inc. did interview some private homeowners on the properties that they manage to get a rough gauge of the single-family home rental market. We are well aware of the role these homes play in the general occupancy rental housing market. Rented single-family homes and general occupancy market rate apartments compete for some of the same target markets. Results of the survey can be found in the Rental Market Interview Summary.

### General-Occupancy Rental Projects

Our research of Steele County's general occupancy rental market included a survey of 31 larger apartment properties in February 2006. These projects represent a combined total of 854 units, including 433 market rate units, 163 affordable units, and 258 subsidized units. At the time of our survey, 35 market rate units, eight affordable units, and eleven subsidized units were vacant, resulting in an overall vacancy rate of 6.3%. Our previous study, completed in January 2003, found six vacancies among market rate units, four vacant in affordable units, and seven vacant in subsidized projects, for an overall vacancy rate of 2.9%.

The overall vacancy rate of 6.3% is higher than the industry standard of 5% vacancy for a stabilized rental market, which promotes competitive rates, ensures adequate choice, and allows for unit turnover. The soft market indicates an oversupply of rental housing for all major sectors of the rental market: low-income, moderate-income, and market rate.

Tables 18, 19, and 20 summarize information on general occupancy projects surveyed. Table 18 shows information on market rate projects, Table 19 shows information on affordable projects, and Table 20 shows information on subsidized projects. The following are key points from our survey of these developments.

#### *Market Rate*

- There are 433 units in the eighteen market rate developments surveyed. We found 35 total vacant units, for a vacancy rate of 8.1%. Vacancies were scattered among all buildings in Owatonna. This vacancy rate is significantly higher than the 2.7% vacancy rate surveyed in

## RENTAL MARKET ANALYSIS

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January 2003, which indicates a slowdown in the rental housing market. Based on high vacancies, Owatonna seems to have an adequate supply of market rate units as of February 2006.

- Gateway Apartments is the newest market rate general occupancy building built since the previous study completed in January 2003. Gateway Apartments also has the highest rents in Owatonna, at \$790 per month for one-bedroom units, \$940 to \$1,000 per month for two-bedroom units, and \$1,040 to \$1,205 per month for three-bedroom units. Currently, there is one vacancy in this building. Although monthly rents at the Gateway are about 60% higher than the average in Owatonna, the added features and amenities, such as underground parking, in-unit washer and dryers, and bay windows warrant these higher rents.
- The majority of market rate units are two-bedroom (257 units, or about 60%), followed by one-bedroom (144 units, or 33%), and then studios and three-bedroom units (16 units in each, or 3.5%). There were only three properties that offered studio units and four properties that offered three-bedroom units.
- The monthly rents for studios ranged from \$230 to \$470, and averaged \$325. One-bedroom monthly rents ranged from \$380 to \$790, and averaged \$500. Two-bedroom monthly rents ranged from \$450 to \$1,000 and averaged about \$600. Three-bedroom monthly rents ranged from \$620 to \$1,205, and averaged about \$920. It should be noted that we were unable to obtain current rents for Topaz Holdings.
- There have been only three market rate general occupancy projects built since 1980; and only two built since 2000. The age of the units may indicate the need for updating or renovating.
- A common laundry room with coin-operated washers and dryers is available in all properties surveyed, except Northwest Manor. Gateway Apartments is the only property with washer and dryers in each unit.
- About 60% of the properties surveyed have detached garages either included in the monthly rent or are available for an extra fee. The fees for garages range from \$35 to \$50 per month. Only Gateway Apartments has underground parking, which is included in the monthly rents.
- Although the resident profile varied considerably from project to project, nearly all respondents indicated that a wide range of ages and household types were represented at each project.

### *Affordable*

- We identified five affordable projects (including four in Owatonna and one in Blooming Prairie), all of which were financed through the Low Income Housing Tax Credit (LIHTC) program, otherwise known as the Section 42 program. The maximum income limit for residency at these projects ranges from 40% to 60% of the area median income. Income limits are shown in the *Subsidized Housing Assistance Program* in Figure 1 (page 50).

## RENTAL MARKET ANALYSIS

**TABLE 18**  
**MARKET RATE GENERAL OCCUPANCY RENTAL HOUSING**  
**CITY OF OWATONNA**  
**February 2006**

<b>Project Name/ Address</b>	<b>Year Built</b>	<b>Total Units</b>	<b>Vacant</b>	<b>Unit Mix</b>	<b>Rent Range</b>	<b>Unit Size</b>	<b>Comments</b>
<b>Gateway Apartments</b> 325 Hoffman Drive Owatonna	2004	60	1	23 - 1BR 28 - 2BR 9 - 3BR	\$790 \$940 - \$1,000 \$1,040 - \$1,205	721 - 768 884 - 1,098 1,105 - 1,325	3-story building with: UG parking (included), community room, exercise room, game room, in-unit W/D, storage, walk-in closets, patio/balcony, bay windows, cable included. Tenant pays gas/electric. Profile: majority singles, about 5 families, 6 seniors. They have a waiting list of about 6 names (all 3BR's). There are also two 2BR's that are furnished & rent for \$1,400/mo.
<b>Park Village Apts I &amp; II</b> 114 22nd Street NW/ 2250 N. Cedar Ave. Owatonna	2001/ 2002	36	5	4 - 1BR 32 - 2BR	\$460 - \$595 \$525 - \$759	700 928 - 1,028	Detached garage included; dishwasher; balcony (2nd & 3rd floor only); storage in-unit; coin-op laundry in building; New bldg. has laundry hookups in apts.; garbage disposals; and automatic garage door opener. Tenant pays electric. Profile: wide range, majority are young singles.
<b>Subland Apartments</b> 140 West Pearl Owatonna	1999	15	0	14 - 1BR 1 - 2BR	\$425 - \$480 \$600	700 N/A	3-story building; tenant pays heat & electric; off-street parking; coin-laundry; some balconies; short waiting list.
<b>Crestwood Apartments</b> 216 12th St. NE Owatonna	1979	11	0	2 - 1BR 7 - 2BR 2 - 3BR	\$450 \$540 \$645	740 836 932	One 2 1/2-story building; off-street parking; rent includes all utilities; coin-op laundry; Profile: Mostly married w/children, 2 singles, 1 couple, rest single-parents
<b>Summit Manor</b> 166 22nd Street NW Owatonna	1978	18	3	1 - 1BR 17 - 2BR	\$455 \$600	650 828	Rent includes detached garage; wall-unit A/C; coin-op laundry; dishwasher; balcony/patio; tenant pays all utilities. Profile: all young, single-parents, some couples, not many seniors.
<b>Hilltop Manor</b> 1208 NE 3rd Avenue Owatonna	1978	12	3	1 - 1BR 11 - 2BR	\$470 \$595	700 1,000	3-story building, balcony, detached garage for \$47/mo., coin-laundry, off-street parking. Tenant pays electric. Profile: mostly couples, singles, no seniors. Currenty offering 1/2 month free.
<b>Apache Apartments</b> 236 12th St. NE Owatonna	1976	11	0	2 - 1BR 7 - 2BR 2 - 3BR	\$450 \$550 \$650	740 836 932	One 2-story building; off-street parking; rent includes all utilities; coin-op laundry; some walk-in showers; Profile: not available.
<b>Northwest Manor</b> 218 21st Street NW Owatonna	1975	24	2	9 - 1BR 15 - 2BR	\$450 \$520 - \$550	650 750 - 800	Four 2BR units have balconies; gas heat is incl. in rent; 16 detached garages at \$45/mo.; Profile: wide range, married couples, few kids, about half seniors.
<b>Clifton Apartments</b> 1927-2019 Hartle Ave Owatonna	1974	48	0	12 - 1BR 36 - 2BR	\$495 \$540	700 1,000	Two 3-story 18-unit and one 12-unit building; tenant pays electric; coin operated laundry; some balconies, off-street parking, 38 detached garages at \$40/mo.; Profile: mostly single workers, families, few seniors. Low turnover, short waiting list.

## RENTAL MARKET ANALYSIS

**TABLE 18, Continued**  
**MARKET RATE GENERAL OCCUPANCY RENTAL HOUSING**  
**CITY OF OWATONNA**  
**February 2006**

<b>Cedar Hills</b> 215 22nd Street NW Owatonna	1970s	42	4	6 - STU 12 - 1BR 24 - 2BR	\$230 \$385 - \$400 \$450	N/A N/A N/A	3-story building, tenant pays electricity; laundry on each floor, storage rooms, off-street parking lot, some balconies. Profile: mostly singles, single-parents, couples, about 5-6 seniors.
<b>Academy Apartments</b> 706/714 Academy St. Owatonna	1968	22	2	12 - 1BR 10 - 2BR	\$475 \$545	600 750	Two 11-unit buildings; renter pays for gas and elec.; detached garages-\$40/mo.; coin-op laundry; cats allowed w/deposit; picnic area; storage lockers; Profile: wide range of residents, few seniors. Currently offering \$300 of 1st mo. rent & lower security deposit.
<b>Schuh Apartments</b> 445 State Avenue Owatonna	1965	14	1	2 - EFF 4 - 1BR 8 - 2BR	\$450 - \$470 \$500 \$600	600 - 700 700 - 800 1,000	2-story building, off-street parking (23 spots), coin-laundry, all utilities included. Charge extra for A/C unit. Profile: mixture of residents, single-mothers, couples, families, 3 seniors. Offer \$200 off 13th month on 1-year lease. Wait list for ground floor apt.
<b>MontClair Apartments</b> 205-213 13th St. SW Owatonna	1950s	21	0	21 - 1BR	\$393	400	Three seven-unit bldgs being renovated; electric not included in rent; no garages; wall-unit A/C included; coin-op laundry in each building; outdoor pool w/ patio area; Profile: Avg. age 45 years, mostly singles, from young adults to seniors, no children. They have a waiting list.
<b>Tower Apartments</b> 421-431 State Avenue Owatonna	1932	22	4	8 - Stu 10 - 1BR 4 - 2BR	\$350 - \$375 \$475 \$575	N/A N/A N/A	Two 3-level buildings (11 units each); all utilities included at 431 State, tenants pay electric in 421 State. 6 detached garages for \$50/mo. (all occupied); off-street parking, wall-unit A/C; some fireplaces; coin-op laundry; Profile: Mostly singles, some families.
<b>Cedar Ridge</b> 107 NW 22nd Street Owatonna	N/A	18	2	3 - 1BR 15 - 2BR	\$380 \$515	N/A N/A	3-story building, balcony, off-street parking, coin-laundry, detached garage for \$40/mo. Tenant pays electricity. Profile: Mostly families, couples, no seniors.
<b>Topaz Holdings</b> 112 NW 21st Street Owatonna	N/A	18	2	3 - 1BR 15 - 2BR	N/A	N/A	2-story building, balcony
<b>Westgate Apartments</b> 585 Adams Avenue Owatonna	N/A	23	2	11 - 1BR 9 - 2BR 3 - 3BR	\$475 \$530 \$620 - \$705	N/A N/A N/A	3-story building, detached garages for \$40/mo., off-street parking, wall A/C, coin laundry, tenant pays all utilities except water & cable. Profile: single-parents, families, couples. Offer 6 months of garage rental free with 1-year lease and purchase of garage.
<b>Skyview Estates</b> 250 21st Street NW Owatonna	N/A	18	4	18 - 2BR	\$575	N/A	2-story building, balcony, detached garage (included), laundry. Utilities vary by resident. Profile: wide mixture of families and couples.
<b>Totals</b>		<b>433</b>	<b>35</b>	<b>8.1%</b>		<b>Unit Mix =</b>	<b>16 - Stu</b> <b>144 - 1BR</b> <b>257 - 2BR</b> <b>16 - 3BR</b>

Source: Maxfield Research Inc.

## RENTAL MARKET ANALYSIS

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- Eight vacant units were identified (4.9% vacancy rate) in Steele County as of February 2006. However, all eight vacancies were units located at Woodbridge Apartments. Woodbridge is an apartment-style building, versus townhome units like the other affordable projects. Contributing to vacancies is the fact that it is a little older, lacks some of the amenities found at the newer projects, and has small two-bedroom unit sizes. Two-bedroom rents at Woodbridge have been discounted from \$575 per month to \$550 per month because of four recent evictions and will remain until the vacancies are filled. **Excluding Woodbridge Apartments, there are no vacant affordable rental units in Owatonna.**
- The five affordable apartment projects contain a total of 163 units. The majority of the units are three-bedroom (104 units) followed by two-bedroom (56 units). There are only three one-bedroom units and no studio or efficiency affordable units. The vast majority of tenants are families, including a high percentage of single-parents.
- Along with income limits for residents, the projects have maximum rents that are based on a percentage of median income – usually 40% to 50% of median income. With these limits, rents at the affordable projects range from \$480 for the one-bedroom, \$404 to \$550 for two-bedroom units, and \$495 to \$700 for three-bedroom units. These rents are similar to many of the market rate projects, and there is likely some market overlap.
- The LIHTC program was established in 1986 – thus all of these buildings were developed since then, with the oldest being Woodbridge (opened in 1993). The remaining properties were all built within the last ten years and have many of the more modern amenities that few other rental properties in the County have such as attached garages, automatic garage door openers, washers and dryers in the units, central air, dishwashers, and playgrounds.

### *Subsidized*

- All of the subsidized projects are HUD Section 8 or Rural Development (formerly FmHA) projects, requiring rent of 30% of a resident's adjusted gross income (AGI). Five of the projects are subsidized through Rural Development, while four of the projects receive subsidies through HUD Section 8. All properties were built prior to 1990, with Heather Court as the most recent subsidized property (built in 1989).
- The nine projects offer a total of 258 subsidized rental units in the County. Eleven vacancies were reported by building managers, translating to a vacancy rate of 4.3%. Typically, subsidized rental properties should be able to maintain vacancy rates of 3% or less in most housing markets. Over half of the vacancies were found at Ellendale Square in the City of Ellendale. Excluding Ellendale Square, the remaining six projects in Owatonna had a total of five vacancies out of 242 units, for a vacancy rate of 2.1%.
- About 44% of the units at the surveyed apartments are two-bedroom units (113 units), 28% are three-bedrooms (73 units) and 26% are one-bedrooms (52 units). There are also six units that have four bedrooms (2%). There were no efficiency or studio units were identified in the subsidized projects.

## RENTAL MARKET ANALYSIS

**TABLE 19**  
**AFFORDABLE GENERAL OCCUPANCY RENTAL HOUSING**  
**OWATONNA AND THE REMAINDER OF STEELE COUNTY**  
**February 2006**

<b>Project Name/ Address</b>	<b>Year Built</b>	<b>Total Units</b>	<b>Vacant</b>	<b>Unit Mix</b>	<b>Rent Range</b>	<b>Unit Size</b>	<b>Comments</b>
<b>Willow Run II Townhomes</b> 2785 3rd Avenue NE Owatonna	2004	32	0	32 - 3BR	\$700 \$860 (MR)	1,338	Tenant pays heat/electric; attached garage; W/D in unit; dishwasher; pantry; patio; mini-blinds; storage in-unit; playground. Profile: All families. 28 tax credit units. Waiting list of 29 names at Willow Run/Cedar Run. Avg. turnover about 2 units/mo. at all 3 properties.
<b>Prairie Village Townhomes</b> 320-342 4th St. SE Blooming Prairie	2000	12	0	5 - 2BR 1 - 2BR 6 - 3BR	\$404 \$340(handicap) \$495	1,320 1,355 1,510	Section 42 tax credit building; resident pays for gas, electric, phone, cable; attached garage with auto opener included; playground in courtyard; central air; washers and dryers in units; walk-in closets; patio; low turnover. Profile: young, single mothers with 1-2 children.
<b>Willow Run I Townhomes</b> 2630 3rd Avenue NE Owatonna	1999	24	0	24 - 3BR	\$700 \$860 (MR)	1,200	Tenant pays heat/electric; attached garage; W/D in unit; dishwasher; pantry; patio; mini-blinds; storage in-unit; playground; basketball hoop; gazebo; Profile: mostly young working families with kids. 22 tax credit units.
<b>Cedar Run Townhomes</b> 2300 Cedar Avenue N Owatonna	1997	24	0	24 - 3BR	\$700 \$860 (MR)	1,200	Tenant pays heat/electric; attached garage; W/D in-unit; dishwasher; patio; mini-blinds; storage in-unit; playground; basketball hoop; gazebo; Profile: working families with 2-4 children, some single-parent families. All tax credit units.
<b>Woodbridge Apartments</b> 614/616/618 Bridge St. Owatonna	1993	71	8	3 - 1BR 50 - 2BR * 18 - 3BR	\$480 \$575 \$695	623 702 - 870 1,175	3-bldg. Sec. 42 (tax credit) project; resident pays electric; detached garage is \$40/mo.; wall-unit A/C; coin-op laundry on each floor; dishwasher; balcony/patio; walk-in closets; \$25 storage lockers on each floor; mini-blinds; playground/picnic area; Profile: Mostly families, some students, few seniors. 40% using Sect. 8 vouchers.
<b>Totals</b>		<b>163</b>	<b>8</b>	<b>4.9%</b>	<b>Unit Mix =</b>	<b>3 - 1BR</b> <b>56 - 2BR</b> <b>104 - 3BR</b>	
* 2BR rent is currently discounted to \$550 because of recent higher vacancies (4 evictions)							
Source: Maxfield Research Inc.							

## RENTAL MARKET ANALYSIS

- Although exact figures were unavailable, interviews with the project managers indicated that a sizable majority of the residents at projects subsidized through Rural Development are receiving some sort of rental assistance. This enables them to pay 30% of their income for rent, even if 30% of their income is below the basic rent. Without rental assistance, very low income residents would be required to pay the basic, regardless if it was greater than 30% of their income. The fact that most households in Rural Development projects receive rental assistance is an indication that most of these households have an annual income of about \$17,000 or less (a household earning \$17,000 paying 30% of their income for rent would pay a rent of \$425 – about the average basic rent at Rural Development projects).
- Unit and common area amenities are limited at the subsidized projects. Various features and amenities found at most subsidized developments include playground/picnic areas, balcony/patios, walk-in showers, and various forms of storage space. Nearly all units are able to house window or wall-unit air-conditioners, but air conditioners must be supplied by the tenant. One project features detached garages renting for \$35 per month, with the remaining offering only off-street parking for their residents.

### *Subsidized Housing Assistance Program*

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

<b>Figure 1 Income Limits Steele County Housing Choice Voucher Program</b>	
<u>Family Size</u>	<u>Very Low-Income</u>
1 Person	\$22,200
2 People	\$25,400
3 People	\$28,550
4 People	\$31,750
5 People	\$34,250
6 People	\$36,800
7 People	\$39,350
8 People	\$41,900

Source: Owatonna HRA

## RENTAL MARKET ANALYSIS

**TABLE 20**  
**SUBSIDIZED GENERAL-OCCUPANCY RENTAL HOUSING**  
**OWATONNA AND THE REMAINDER OF STEELE COUNTY**  
**February 2006**

<b>Project Name/ Address</b>	<b>Year Built</b>	<b>Total Units</b>	<b>Vacant</b>	<b>Unit Mix</b>	<b>Rent Range</b>	<b>Unit Size</b>	<b>Comments</b>
<b>Heather Court</b> 635-639 Hilltop Owatonna	1989	36	0	24 - 2BR 12 - 3BR	30% of AGI	748 902	2-story Rural Development project; off-street parking; tenant pays electricity; coin-op laundry; basketball court, some walk-in showers. Minimum and maximum rents range from \$395 to \$565 for 1BR's and \$425 to \$607 for 2BR's.
<b>North Court Townhouses</b> 1512 St. Paul Road Owatonna	1989	29	0	2 - 1BR 18 - 2BR 7 - 3BR 2 - 4BR	30% of AGI	624 864 1,008 1,168	Rural Development tax-credit project; off-street parking; tenant pays heat & electric; some walk-in showers; balcony/patio; coin-op laundry room. Minimum and maximum rents range from \$395 to \$565 for 1BR's, \$425 to \$595 for 2BR's, \$450 to \$640 for 3BR's, & \$475 to \$665 for 4BR's.
<b>Cedardale North</b> 324 Cedardale Dr. Owatonna	1988	16	0	10 - 1BR 6 - 2BR	30% of AGI	624 768	Rural Development project; off-street parking; tenant pays electric; coin-op laundry; some walk-in showers. 1 vacating end of Feb. Minimum and maximum rents range from \$375 to \$520 for 1BR's and \$410 to \$455 for 2BR's.
<b>Cedardale West</b> 325 Cedardale Drive Owatonna	1985	16	0	14 - 1BR 2 - 2BR	30% of AGI	624 768	Rural Development project; off-street parking; some walk-in showers; coin-op laundry; rent includes all utilities except electricity. 2 vacating end of Feb. Minimum and maximum rents range from \$370 to \$535 for 1BR's and \$405 to \$560 for 2BR's.
<b>Cedar Green Townhomes</b> 315 22nd Street SE Owatonna	1980	30	0	20 - 2BR 10 - 3BR	30% of AGI	869 954	Section 8 and tax credit project; tenant pays electric; window-unit A/C must be provided by resident; some 2BR units have patios; W/D hook-ups in-unit; storage space available; detached garages \$35/mo.; playground/picnic area; beauty shop, no pets allowed. Max rents are \$617 & \$682 for 2BR's & 3BR's, respectively. Waiting list of about 16 names
<b>Park View Heights</b> 429 St. Paul Place Owatonna	1979	48	1	8 - 2BR 36 - 3BR 4 - 4BR	30% of AGI	911 1,035 1,283	2-story Section 8 project; off-street parking; tenant pays heat/electric; some walk-in showers; balcony/patio; W/D hook-ups in-unit. Max rents are \$623/2BR, \$664/3BR, \$746/4BR. Utility allowance: \$75/2BR, \$98/3BR, \$137/4BR. Mostly families, 2 seniors. Waiting list of about 25 names.
<b>Lincoln Square Apts.</b> 433 16th Street NE Owatonna	1975	55	4	26 - 1BR 25 - 2BR 4 - 3BR	30% of AGI	625 825 1,125	Fourty-four units are Section 236, eleven are Section 8. The five 3-story buildings just completed remodeling of roofs, windows, siding, kitchen, vanity in bathrooms, doors, carpeting, & plumbing. Wall-unit A/C, dishwasher, disposal; microwave; mini-blinds; playground/picnic area w/ BBQ. Profile: wide mix, singles, families, few seniors. Wait list for Section 8 units. Currently offering 1/2 mo. rent free w/1-year lease. Minimum and maximum rents range from \$491 to \$541 for 1BR's, \$613 to \$675 for 2BR's, & \$745 to \$820 for 3BR's.
<b>Ivanhoe Townhomes</b> 615/625 Linn Avenue Owatonna	1973	12	0	8 - 2BR 4 - 3BR	30% of AGI	782 905	Section 8 project; max rents of \$444/\$530 for 2BR/3BR's; off-street parking; rent includes all utilities; W/D hook-ups in-unit; utility room.
<b>Ellendale Square</b> 7th St. & 2nd Ave. Ellendale	1983	16	6	14 - 1BR 2 - 2BR	30% of AGI	600 700	2-story Rural Development project; tenant pays electric; coin-op laundry on each floor; emergency pull-cord system; A/C wall sleeve; comm. room w/kitchen; Profile: Average 70 years, some younger disabled residents. Converted to General Occupancy in Nov. 2005. Currently offering 1 month free with 1-year lease. Minimum and maximum rents range from \$405 to \$595 for 1BR's and \$435 to \$625 for 2BR's.
<b>Totals</b>		<b>258</b>	<b>11</b>	<b>4.3%</b>			

Source: Maxfield Research Inc.

## RENTAL MARKET ANALYSIS

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Currently, there are 113 vouchers issued. Because the majority of these households have very low incomes, very few could afford rental housing in Owatonna without the assistance of the Voucher program. Demand for the program is high, as there is at least a two year waiting list.

### **Pending Rental Developments in Steele County**

There are currently no pending general occupancy rental housing developments in Steele County.

### **Rental Market Interview Summary**

Interviews with area rental property managers, real estate agents, private owners, and other persons familiar with the rental market in Owatonna were conducted to solicit their impressions of the rental housing market in the community. The following are some key points from these interviews:

- Many of the property managers have expressed that the current market rate rental housing market is very soft, as there are many vacancies throughout Owatonna. The current high vacancy rate of 8.1% supports the expressed views.
- Managers and owners of rental housing in the community indicated that there is a high demand for newer market rate rental units in Owatonna. Many of the existing general occupancy market rate apartments were built before 1980 and may be in need of some rehab work, which can be unattractive when trying to fill vacancies. Also, the success of the Gateway Apartments (built in 2004) supports demand for a new market rate apartment building.
- The City of Owatonna Landlord Association (COLA) has received positive feedback and has helped many landlords grasp a better understanding of the rental market in Owatonna. One manager felt that since the creation of COLA, security has increased at the buildings and it has done wonders in filtering out tenants that do not meet the qualifications (credit, criminal history, etc).
- A few of the property managers have stated that they have been at full occupancy and are filling vacancies, despite the soft market in Owatonna.
- Many of Owatonna's rental housing stock is composed of medium-size (12 to 18 units) structures targeted at the low- to moderate-income market. Many of these smaller buildings were built prior to 1985, and do not feature a variety of contemporary amenities.

#### *Single-Family Rental Housing*

We interviewed three owners of rental housing sites around Owatonna in order to help gauge the market for single-family rental housing. These units also include duplexes, tri-plexes, four-plexes, and a seven-plex building. The following are some key findings from our interviews.

## RENTAL MARKET ANALYSIS

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- The owners we interviewed owned a total of 72 units in a variety of buildings scattered throughout the City of Owatonna. As of February 2006, we found a total of 10 vacant units, for a vacancy rate of about 14%. We identified efficiency units, one-bedroom units, and two-bedroom units. Rents ranged from \$350 to \$400 per month for efficiencies; \$300 to \$550 per month for one-bedroom units; and \$400 to \$650 per month for two-bedroom units. The utilities paid by tenants at each development varied.
- All of the private owners mentioned that the rental market is currently very soft and that everyone is having a difficult time filling vacancies. There are a lot of advertisements in the paper and many “For Rent” signs in front of the buildings.
- One of the owners stated that the rental market is overbuilt and that rates for his developments have lowered across the board. Two-bedroom units were going for \$650 per month two years ago and have since lowered to \$400 per month. He is currently offering one month free, that also includes: cable, laundry, garage, microwave, and all utilities, and is still having a hard time filling units. He also predicted a 30% vacancy rate in the next two years.
- Another owner mentioned that he used to have a waiting list and could easily fill the units, but recently, he can go two weeks without having a single phone call inquiring about the units.
- The tenant profile varies among all properties with anyone from their early 20s to late 60s. While some properties have majority single parents, others have majority seniors. Overall, there seems to be a wide mixture of tenants.
- It was mentioned that the smaller complexes seem to be easier to rent than the larger complexes.

### Senior Housing Defined

#### *Introduction*

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

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

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

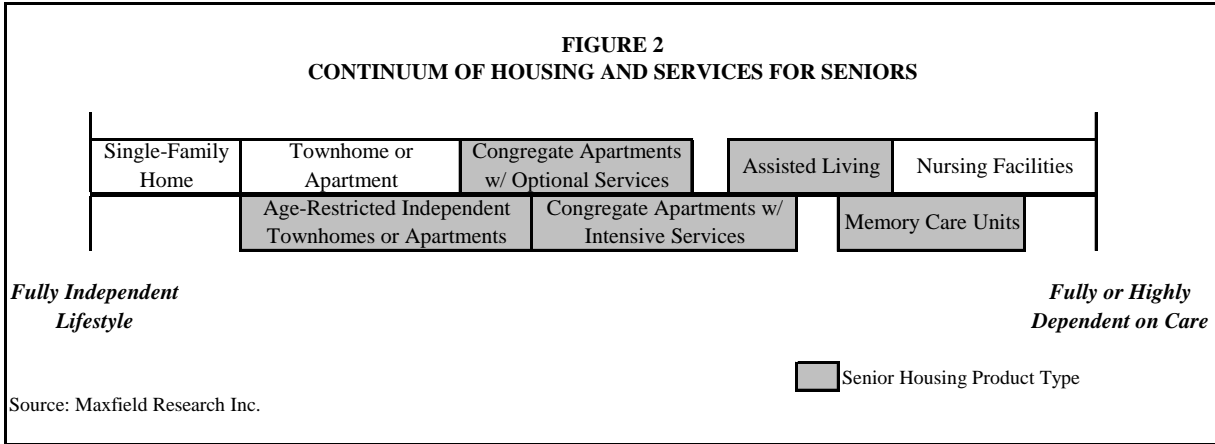
Congregate/Service-Intensive; where support services such as meals and light housekeeping are included in the monthly rents;

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

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

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

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



### Senior Housing in Steele County

As of February 2006, Maxfield Research identified 13 senior housing projects in Steele County. These projects contain a total of 492 units. Five of the projects are subsidized, while the remaining nine are market rate.

Table 21 provides information on subsidized projects and Table 22 provides information on market rate projects. Information in both tables includes year built, number of units, unit mix, number of vacant units, rents, and general comments about each project.

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

#### Subsidized Senior Housing Projects

- There were a total of 203 units in the County’s five subsidized senior projects. There was only one vacant unit among these projects as of February 2006, resulting in a vacancy rate of 0.5%.
- One of the properties converted to general occupancy (Ellendale Square) in November 2005 and is no longer restricted to seniors. We have included Ellendale Square in our analysis of the general occupancy rental housing market. Monthly rents at all of the properties in Table 21 are based on 30% of the tenant’s adjusted gross income (AGI).
- Three of the subsidized senior projects (*Cedardale South*, *Cedar Place* and *Ivanhoe Apartments*) are located in Owatonna. These projects have a combined total of 168 units, or 83 percent of the County total. Only one vacancy was identified in Cedardale South, indicating that the market for subsidized senior housing in Owatonna is strong. The County’s other two subsidized projects are located in Medford (20 units) and Blooming Prairie (15 units).
- Overall, the unit sizes at the subsidized senior projects are considerably smaller than many of the previously mentioned general-occupancy rental projects, and smaller than most of the market rate senior rental projects.

**SENIOR HOUSING ANALYSIS**

**TABLE 21  
SUBSIDIZED SENIOR HOUSING  
OWATONNA AND THE REMAINDER OF STEELE COUNTY  
February 2006**

Project Name/City	Year Built	No. of Units	No. Vacant	Unit Mix/Sizes/Rents			Comments
				No.	Type	Sizes	
<b>Subsidized</b>							
<b>Cedardale South</b> 345 Cedardale Dr. Owatonna	1984	36	1	35 - 1BR 1 - 2BR	634 832	30% of AGI	3-story Rural Development project with minimum rents of \$380-\$530 for 1BR's & \$410-\$560 for 2BR's; off-street parking; community room; rent includes all utilities except electricity; some walk-in closets & showers; coin op laundry room; emergency call system. They have a short waiting list.
<b>Medford Manor</b> 216 SE 1st Street Medford	1982	20	0	20 - 1BR	550	30% of AGI	Section 8 project w/rents ranging from \$0 - \$507; off-street parking; rent includes all utilities except electricity; some walk-in showers; coin-op laundry; emergency call system.
<b>Cedar Place</b> 2211 Hartle Ave. Owatonna	1980	68	0	67 - 1BR 1 - 2BR	449 554	30% of AGI	Section 8 senior/disabled project; Market rents are \$604 & \$687 for 1BR's and 2BR's, respectively; tenants pay electric; detached garages - \$35/mo.; wall-unit A/C must be supplied by resident; walk-in showers; coin-op laundry; community room; library; game room; Profile: Avg. age 73 years, 2 couples. Waiting list of about 13 names.
<b>Prairie Villa</b> 455 2nd Street SE Blooming Prairie	1980	15	0	15 - 1BR	870	30% of AGI	Rural Development project operating under Section 8. Market rents are \$455/mo.; off-street parking; rent includes all utilities except electricity; community room; some walk-in showers; coin-op laundry; emergency call system. Avg. age is 82, no couples. Usually turn about 1 unit/year.
<b>Ivanhoe Apts.</b> 220/230 18th St. SW Owatonna	1973	64	0	64 - 1BR	416	30% of AGI	Section 8 project; two 2-story buildings; off-street parking; max rent of \$420 that includes all utilities; community room; some walk-in showers; coin-op laundry; playground, emergency call system.
<b>Totals</b>		<b>203</b>	<b>1</b>	<b>0.5%</b>			

Source: Maxfield Research Inc.

## SENIOR HOUSING ANALYSIS

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- Market rate (ceiling) monthly rents range from a low of \$380 for a one-bedroom unit at Cedardale South to \$687 for a two-bedroom unit at Cedar Place.
- There has not been a senior subsidized project built in over twenty years, indicating that most of projects may be in need of rehabilitation.

Subsidized senior housing offers affordable rents to qualified lower income seniors and handicapped/disabled persons. Typically, rents are tied to residents' incomes with rents based on 30 percent of adjusted gross income (AGI), or a rent that is below the fair market rent. Two Federal government agencies, the Department of Housing and Urban Development (HUD) and the United States Department of Agriculture's Rural Development, provide funding for the vast majority of subsidized senior housing projects. In Steele County, the HUD Section 8 program sponsors three of the projects, with the remaining two classified as Rural Development projects.

For those households meeting the age and income qualifications, subsidized senior housing is usually the most affordable rental option available. However, despite their affordability, these projects are generally older than other rental housing projects, have smaller units and offer few, if any services to residents. Due to the age of the units and lengthy times of residency, updating and maintenance of unit features, flooring, and wall coverings are generally infrequent. The condition of these projects should continue to decline, due to insufficient government funding and the infrequent turnover of units. Although the desirability of these projects is in decline, the affordability of these units continues to keep vacancy rates relatively low, as it is often the only option available for low-income senior and/or disabled persons in need of housing.

### Market Rate Senior Projects

Maxfield Research Inc. identified eight existing market rate, senior projects in Steele County. These projects contain 289 rental units, and represent all five previously defined levels of care on the senior housing continuum displayed in Figure 2. Park Place has both congregate and assisted living units. The projects are listed in Table 22 by the type of service they provide. The following are key findings from each level of care:

#### *Adult/Few Services*

- There are four adult/few service facilities with a total of 143 units. Two of the projects, *Morehouse Place and Realife Cooperative*, are owner-occupied cooperatives for active older adults. Under the cooperative model, residents buy a share of the corporation that owns the building and then leases their unit from the corporation for a monthly fee. The remaining two properties, *Southway Manor and Heather Haus* (Blooming Prairie), are senior rental projects that offer few services. There are currently three vacancies, all of which are at Realife Cooperative, for a vacancy rate of 2.1% as of February 2006.
- Realife Cooperative requires an entrance fee of \$13,200-\$23,550 for its one-bedroom units and \$19,550-\$25,000 for the two-bedroom units. Morehouse Place requires an entrance fee of \$22,935 to \$23,565 for its one-bedroom units and \$25,583 to \$41,988 for its two-bedroom units.

# SENIOR HOUSING ANALYSIS

**TABLE 22**  
**MARKET RATE SENIOR HOUSING**  
**OWATONNA AND THE REMAINDER OF STEELE COUNTY**  
**February 2006**

Project Name/City	Year Built	No. of Units	No. Vacant	Unit Mix/Sizes/Rents			Comments	
				No.	Type	Sizes		Monthly Rent
<b>Adult/Few-Services</b>								
<b>Morehouse Place</b> 353 Lemond Rd. Owatonna	1998	46	0	14 - 1BR 32 - 2BR	828 - 856 935 - 1,624	\$22,935 - \$23,565 \$659 - \$690 \$25,583 - \$41,988 \$752 - \$1,152	^ Cooperative project; underground parking included in fee; dishwasher; disposal; some fireplaces; balcony/patio; W/D in-unit; storage locker in garage; emergency call; craft room; wood shop; gardening; library; billiard table; car wash; exercise room; porch; guest suite (\$25); limited activity program; Profile: Avg. age 77 years, 12 couples; 30/70 male/female. Waiting list of 15 names.	
<b>Southway Manor</b> 2260 Hartle Avenue Owatonna	1997	45	0	12 - 1BR 33 - 2BR	770 - 850 975 - 1,100	\$660 - \$710 \$785 - \$885	Tuck-under garages - \$50/mo.; detached garages - \$40/mo.; wall-unit A/C; dishwasher; disposal; walk-in closet; balcony/patio; 2/3 of units have W/D; coin-op laundry also; community room; Profile: Avg. age 76 years.	
<b>Realife Cooperative</b> 235 22nd St. SW Owatonna	1988	32	3	14 - 1BR 18 - 2BR	614 - 659 817 - 914	\$13,200 - \$23,550 \$551 - \$592 \$19,550 - \$25,000 \$709 - \$836	^ Cooperative project; 20 detached garages are \$25/mo. (full); off-street parking; garden plots; community/activity/dining room; reading alcoves w/books; craft/woodworking room; patio; storage bins; gazebo; Profile: Avg. age 85 years, 5 couples. They have a small waiting list. They turnover about 6 units/year.	
<b>Heather Haus</b> 223 4th St. NW Blooming Prairie	1995	20	0	16 - 1BR 4 - 2BR	537 - 607 713	\$745 - \$775 \$845	Optional-Service facility offers emergency response system; individ. controlled heat & A/C; walk-in shower; storage space; detached garage (\$35/mo.); free use of laundry facilities; garden plots; community & private dining; community lounge w/fireplace; chapel; scheduled transportation; activities; weekly hskping; and several optional services; Profile: Avg. age 85 years, 40/60 male/female, no couples. Waiting list (6 names)	
		<b>143</b>	<b>3</b>	<b>2.1%</b>				
^ Tenants are required to purchase shares of the cooperative for the amount listed.								
<b>Congregate</b>								
<b>Park Place</b> 125 Park Street Owatonna	2001	35	0	27 - 1BR 8 - 2BR	507 - 605 848	\$1,125 - \$1,340 \$1,590	Congregate care facility; Noon meal included in rent; Continental breakfast \$67.00/mo.; Dinner \$160.00/mo.; Housekeeping service; Activities program; transportation arrangements; Laundry service available for \$9.00/load; home care services for \$9/15 minutes. Avg. age is 87, 4 couples.	
<b>The Brooks</b> 2480 St. Paul Road Owatonna	2000	50	0	40 - 1BR (A) 4 - 1BR (B) 2 - 1BR (C) 4 - 2BR (D)	528 644 825 1,000	\$1,950 \$2,150 \$2,350 \$2,550	Congregate/Service-Intensive facility; basic fees include: utilities, all laundry, housekeeping, one meal (noon), meds administration, personal care assistance, & activities; congregating dining; beauty/barber shop; fireplace room; exercise room; 7 detached garages available at \$50.00/mo.; Profile: Avg. age mid-80's, 30/70 mix of male/female, 50% of residents with Elderly Waivers.	
		<b>85</b>	<b>0</b>	<b>0.0%</b>				

**SENIOR HOUSING ANALYSIS**

**TABLE 22 (Continued)  
MARKET RATE SENIOR HOUSING  
OWATONNA AND THE REMAINDER OF STEELE COUNTY  
February 2006**

Project Name/City	Year Built	No. of Units	No. Vacant	Unit Mix/Sizes/Rents			Comments
				No.	Type	Sizes	
<b>Assisted Living</b>							
<b>Park Place</b> 125 Park Street Owatonna	2001	15	0	7 - Studio	452	\$2,575	Assisted Living facility; all meals and snack included; two personal care packages available \$2,575-\$2,675/mo. for Level 1, \$2,950-\$3,050 for Level 2; laundry service; transportation arrangements; activities program; housekeeping/linen service; medication administration included. Avg. age is 87, no couples.
				8 - 1BR	540	\$2,675	
<b>Alterra Sterling House</b> 334 Cedardale Dr. Owatonna	1996	20	0	19 - Private	225	\$2,385	Assisted Living facility; emergency call system; garden carts; community library/activity/dining room; outdoor patio; chapel services; FT activity director; 3 meals/day; personal care (ADL)/medication dispensation/health monitoring; hskp, linen, & laundry service included; Profile: Avg. age 85 years, 1 couple. They have a waiting list of about 20 names.
				1 - Companion	300	\$1,725/person	
		<b>35</b>	<b>0</b>	<b>0.0%</b>			
<b>Memory Care</b>							
<b>Clairebridge Cottage</b> 364 Cedardale Dr. Owatonna	1999	26 (beds)	0	22 - Standard	225	\$2,695	Memory Care facility; emergency call system; garden carts; community library/activity/dining room; outdoor patio/wandering area; game room; FT activity director; 3 meals/day; personal care/medication dispensation/health monitoring; hskp, linen, & laundry service included; chapel services; Profile: Avg. age 87 years, no couples. They have a waiting list of about 15 names.
				2 - Dbl Occ.	300	\$2,150/per person	
		<b>Adult</b>	<b>143</b>	<b>3</b>			
		<b>Congregate</b>	<b>85</b>	<b>0</b>			
		<b>Assisted Living</b>	<b>35</b>	<b>0</b>			
		<b>Memory Care</b>	<b>26</b>	<b>0</b>			
		<b>289</b>	<b>3</b>	<b>1.0%</b>			

Source: Maxfield Research Inc.

## SENIOR HOUSING ANALYSIS

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- Monthly rents/fees at all four properties range from \$551 to \$775 for one-bedroom units and \$709 to \$1,152 for two-bedroom units. Unit sizes ranged from 537 square feet to 856 square feet for one-bedroom units, and 713 square feet to 1,624 square feet for two-bedroom units.
- Three of the properties have detached garages for a monthly charge of \$25 to \$40, while one property has underground parking included in the monthly rent (Morehouse Place).
- The average age of residents varied at each development, with residents at Southway Manor and Morehouse Place averaging 76 years and 77 years, respectively, while the Realife Cooperative and Heather Haus had older residents, averaging about 85 years old.

### *Congregate*

- We identified two congregate/service-intensive projects for a total of 85 units in Owatonna. As February 2006, there were no vacancies in either projects. Our previous study done in January 2003 yielded only one vacancy, which indicates that the market for congregate housing remains strong.
- *Park Place* is a 35-unit congregate facility built in 2001. Monthly rents range from \$1,125 to \$1,340 for one-bedroom units and \$1,590 for two-bedroom units. Rents included a noon meal, housekeeping services, activities program, and transportation arrangements. Additional meals and services can be purchased for an extra fee. The average age of the residents is 87 years old with four couples. There is also an assisted living component at Park Place.
- The Brooks is a 50-unit congregate/service-intensive facility built in 2000. Monthly rents range from \$1,950 to \$2,350 for one-bedroom units and \$2,550 for two-bedroom units. This project is more service-intensive and includes some personal care assistance, which is reflected in the higher monthly rents. They have seven detached garages available for \$50 per month, as well as a beauty/barber shop, exercise room, and community dining room. The average age of the residents is about 85 years old. It is important to note that The Brooks is a congregate/assisted living hybrid. While the base service package would classify the project as a service-intensive congregate project, residents can also receive assisted living care should they require such services.

### *Assisted Living*

- There are two assisted living facilities in Owatonna, with a total of 35 units. As of February 2006, there were no vacancies at either project. Assisted living units tend to have higher vacancies mainly due to the high turnover among frailer seniors, although Owatonna's assisted living facilities have experienced low vacancies with long waiting lists. This indicates a strong market for assisted living in Owatonna.
- In addition to the 35-unit congregate component, *Park Place* has a 15-unit assisted living wing. There are seven studio units and eight one-bedroom units with monthly rents of \$2,575 and \$2,675, respectively. Rents include three meals a day and snacks, laundry and

## SENIOR HOUSING ANALYSIS

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housekeeping/linen services, activities, medication administrations, transportation arrangements, and some personal care services. The average age is 87 years old with no couples.

- The other assisted living facility is the *Alterra Sterling House*, a 20-unit building built in 1996. Units consist of 19 private suites for \$2,385 per month and one companion suite for \$1,725 per person per month. Monthly rents include three meals a day, laundry and housekeeping/linen services, activities, medication dispensation, health monitoring, and some personal care services. The average age is 85 years old with one couple.

### *Memory Care*

- We identified only one memory care facility, *Clairebridge Cottages*, in the City of Owatonna. This project was built in 1999 and has a total of 26 beds. There are 22 standard beds for \$2,695 per month and 2 double beds for \$2,150 per person per month. Rents are the highest among all levels on the senior housing continuum due to the intense levels of services needed for the memory-impaired residents. Monthly rents include three meals a day, laundry and housekeeping/linen services, activities, emergency call, medication dispensation, health monitoring, and personal care services. The average age of the residents is 87 years old. There currently have no vacancies with a waiting list of about 15 names.

## Pending Senior Housing Projects

We identified three senior housing projects that are currently under construction or nearing completion in Owatonna as of February 2006. Table 23 shows a list of the pending senior projects in Owatonna.

The first is a Section 202 subsidized adult/few-services rental project that would be located on the north end of town off 24<sup>th</sup> Place called the *Maple Trail Apartments*. This project is about 95% complete and should be ready for opening in March 2006. It will consist of 25 one-bedroom units at 540 square feet, in which residents will pay 30% of their income. Tenants will also pay heat and electricity. Features and amenities include: controlled entry, activity room, laundry facilities, community room, and a courtyard. This project is managed by Accessible Space Inc.

The second pending project is an assisted living and memory care facility called the *Traditions of Owatonna*, which is being developed by Winkelman Building Corporation. This project is located adjacent to the previously mentioned Maple Trail Apartments on the north side of Owatonna. Traditions of Owatonna will consist of 42 assisted living units and 10 memory care units. Rents will start at \$2,100 for one-bedroom units, \$2,750 for two-bedroom units, and \$3,300 for the memory care studios. Five of the units have already been rented. This project is currently under construction and is expected to be completed by June 2006.

**SENIOR HOUSING ANALYSIS**

**TABLE 23  
PENDING SENIOR HOUSING DEVELOPMENTS  
OWATONNA AND THE REMAINDER OF STEELE COUNTY  
February 2006**

Project Name/City	Year Expected	No. of Units	No. Vacant	Unit Mix/Sizes/Rents			Comments
				No.	Type	Monthly Rent	
<b>Adult/Few-Services</b>							
Maple Trail Apartments 165 24th Place NW Owatonna	2006	25	25	25 - 1BR	540	30% of AGI	Section 202 building opening sometime this year. Tenants pay heat & electric. Controlled entry, activity room, community room, laundry facilities.
<b>Congregate</b>							
Countryside Senior Housing County Highway 6 & Eldorado Drive Owatonna	2006	35	35	18 - 1BR 6 - 1BR/Den 11 - 2BR	503 - 528 615 - 751 716 - 886	\$1,500 \$1,650 \$1,700 - \$1,775	Congregate care facility; One meal included in rent; weekly light housekeeping service; activities program; transportation; social, wellness, & educational programs; staff supervision. Additional services available for a fee.
<b>Assisted Living</b>							
Countryside Senior Housing County Highway 6 & Eldorado Drive Owatonna	2006	26	26	12 - 1BR 5 - 1BR/Den 9 - 2BR	528 - 565 605 - 615 747 - 886	\$2,550 \$2,650 \$2,860 - \$3,100	Assisted Living facility; 2 daily meals included; initial care needs assessment; periodic wellness checks; weekly housekeeping/laundry; activities program; case mgmt.; assistance with med. appointments; transportation; 24-hour staff.
Traditions of Owatonna 24th Place NW Owatonna	2006	42	37	38 - 1BR 4 - 2BR	550 - 625 820	\$2,100 \$2,750	Assisted Living project; emergency call system; activity director; 3 meals/day; personal care (ADL)/medication dispensation/health monitoring; hskp, linen, & laundry, 24-hour staff.
<b>Memory Care</b>							
Traditions of Owatonna 24th Place NW Owatonna	2006	10	10	10 - STU	400	\$3,300	Memory care project; emergency call system; activity director; 3 meals/day; personal care (ADL)/medication dispensation/health monitoring; additional personal care services; hskp, linen, & laundry, 24-hour staff.

Source: Maxfield Research Inc.

## SENIOR HOUSING ANALYSIS

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The third pending project is *Countryside Senior Housing*, which will consist of 35 congregate units and 26 assisted living units. The congregate units will have one-bedroom units starting at \$1,500 per month at roughly 500 square feet. One-bedroom plus den units will start at \$1,650 per month and range from 615 square feet to 750 square feet. Two-bedroom units will range from \$1,700 to \$1,775 per month, with unit sizes ranging from 715 square feet to 890 square feet. Monthly rents in the congregate units will include: all utilities, weekly light housekeeping, one meal per day, transportation, and social, wellness, and educational programs.

The assisted living units will start at \$2,550 per month for one-bedroom units, with roughly 550 square feet. One-bedroom plus den units start at \$2,650 per month with 615 square feet, while two-bedroom units will range from \$2,650 to \$3,100 per month with unit sizes ranging from 750 square feet to 890 square feet. Monthly rents at the assisted living units will include: all utilities, initial care needs assessment with periodic wellness checks, two daily meals, weekly housekeeping and linen laundering, continual health monitoring, activities program, case management, medical arrangements, transportation, and 24-hour staffing.

The Countryside Senior Housing is being developed by Ecumen and is currently under construction. This project is expected to be completed by the end of summer/early fall of 2006.

If both Traditions and Countryside come online at about the same time, market conditions will be very competitive in the short-term. Combined, both projects should satisfy demand for senior housing for the remainder of the decade.

### Introduction

Previous sections of this study analyzed the existing housing supply and the growth and demographic characteristics of the population and household base in the Steele County. This section of the report presents our estimates of housing demand in the County from 2005 through 2015.

### Demographic Profile and Housing Demand

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

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

### 6. *Older seniors*

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

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

The baby boom generation will have the biggest effect on the housing market in Owatonna as their life cycle continues. Baby boomers are currently ages 42 to 60, and as they age over this decade, they will increase the population in the age groups 45 to 54 and 55 to 64. The 45 to 54 and 55 to 64 age groups in Owatonna will see increases of 697 and 961 people, respectively, during this decade. Some of these baby boomers will prefer more expensive single-family homes, while others who become empty nesters may prefer to downsize or desire maintenance-free alternatives. With the baby busters following in the baby boomers' wake, the age group 35 to 44 will decline, somewhat decreasing the overall demand for move-up housing.

## Housing Demand Calculations

Demand for additional housing in Owatonna will primarily come from household growth, although replacement need will also contribute to the need for additional residential development. Pent-up rental demand can also be a source of housing demand. We did not find pent-up demand in the County, as the rental vacancy rate is above the 5% stabilized rate. Table 24 shows our calculations of general-occupancy housing demand in Owatonna from 2005 to 2015.

Table 1 in the *Demographic Analysis* section shows that Owatonna is projected to add 1,725 households between 2005 and 2015. We also project that Owatonna can capture 20% of growth in the Remainder of the County (40 households) by providing sufficient housing choices, for a total potential growth of up to 1,765 households. Another factor in calculating demand for housing is an examination of replacement need.

Replacement need is generated from the loss of housing, or the need to replace housing units that are physically or functionally obsolete (i.e., they no longer meet the needs of the current housing market). A review of the age of Owatonna's housing stock from the U.S. Census revealed that about 1,750 housing units were built prior to 1940. We estimate that about .5% of these units should be replaced annually, or about nine units. This would result in a replacement need for 90 housing units between 2005 and 2015.

## HOUSING DEMAND ANALYSIS

Based on demographic and market trends, we believe that 14% to 16% of the housing demand from household growth and replacement need in Owatonna between 2005 and 2015 (about 260 to 300 units) will be for rental housing. The remaining 84% to 86% of demand through the remainder of the decade (about 1,560 to 1,600 units) will be for owned housing.

Pent-up rental demand is another source of housing demand. A healthy rental market is expected to have a vacancy rate of about 5% to allow for sufficient consumer choice and unit turnover. With pent-up demand (a shortage of units), persons who would normally form their own rental households instead room with other persons in a housing unit, live with their parents, or live in housing outside of the area and commute to jobs. In Owatonna, we found that the overall vacancy rate was 6.3% among the general-occupancy rental supply – indicating no pent-up demand.

<b>TABLE 24</b>			
<b>HOUSING DEMAND SUMMARY</b>			
<b>OWATONNA</b>			
<b>2005 to 2015</b>			
		<b>Owatonna</b>	
Household growth*			1,765
(plus) Replacement need		+	90
(equals) Total housing demand		=	1,855
(times) Percent rental demand	x	14% to 16%	
(equals) Rental housing demand	=	260 to 297	
(plus) Pent-up rental demand	+	0	0
(minus) Units added since 2005 or pending**	-	138	138
<b>(equals) Total rental housing demand</b>	<b>=</b>	<b>122 to</b>	<b>159</b>
(times) Percent owner demand	x	84% to 86%	
<b>(equals) Total owner housing demand</b>	<b>=</b>	<b>1,558 to</b>	<b>1,595</b>
*Includes Owatonna (1,725) plus 20% of growth in Remainder of County (40)			
** Maple Trail Apartments, Countryside Senior, and Traditions are all pending			
Source: Maxfield Research Inc.			

We then subtract units built since 2005 and any pending or planned rental units that will be coming online. In Owatonna, Maple Trail Apartments is planned to open with 25 units in the next couple of months; Countryside Senior Housing Campus is planned to open in Summer of 2006 with 61 units; and Traditions of Owatonna is also planned to open in the Summer of 2006 with 52 units. Subtracting the units at these three projects results in remaining demand for about 120 to 160 rental units in Owatonna from 2005 to 2015.

It should also be noted that our demand calculations do not factor in changes in interest rates that may occur in the future. This is primarily because of their unpredictability. Over the past several years, low mortgage interest rates and easier financing have made homeownership more obtainable to people who were traditionally renters. Because home mortgage rates are currently

low, the likelihood is that if there is a change, rates will increase. If they rise significantly, new home construction would likely slow and a greater percentage of new households would seek rental housing. The people most impacted would be first-time homebuyers and others seeking moderately priced homes, since these buyers typically have very little down payment money and must finance nearly the entire cost of a home.

### *For-Sale Housing Needs*

Table 24 shows that there is a projected demand for about 1,560 to 1,600 additional owner-occupied housing units in Owatonna between 2005 and 2015. We estimate that a little over 80% of the demand for owned housing will be for single-family homes (about 1,250 to 1,350 homes), and the remaining 20% for multifamily units (280 to 320), such as condominiums and townhomes. Based on wages at jobs being created, a portion of the demand for single-family homes will be from first-time buyers seeking modestly priced homes. This decade, a large portion of entry-level demand is being met by existing homes on the market. In addition, there are four active subdivisions that have newer modestly priced (less than \$200,000) homes in Owatonna (Eden Valley, Emerald Acres, Linnhaven, and Sherwood Heights).

Demand for multifamily owned housing is primarily generated by empty nesters. Condominiums and townhomes generally appeal to empty nesters because they offer a more maintenance-free environment (allowing more time for travel or other activities) than a single-family home. Younger households are generally attracted to townhomes if they are more affordable than single-family homes. Because new single-family homes in Owatonna are less than new townhomes in price, we believe that most younger households will prefer single-family homes.

### *General Occupancy Rental Housing Needs*

Based on the calculations in Table 24, demand exists for an additional 100 to 140 general occupancy rental units in Owatonna between 2005 and 2015. Our review of the rental housing market indicates that about 60% of the demand in Owatonna is for market rate units (60 to 80 units), and about 40% is for affordable/subsidized units (40 to 60 units).

Our research found that there have been only three market rate apartments built in Owatonna in the last 25 years. Our interviews revealed that there is demand for newer, contemporary units, as the last market rate apartment built (Gateway Apartments) has performed very well. Thus, we project that there would be demand from existing residents for a new market rate product. Building a new apartment complex would also free up units in older market rate buildings that have rents affordable to most lower-income groups. This will help satisfy demand from lower-income renters by 2015.

### **Independent Senior Housing Demand**

Table 25 presents our demand calculations for market rate independent senior housing in Steele County in 2005 and 2010.

## HOUSING DEMAND ANALYSIS

- In order to determine demand for independent senior housing, the potential market is reduced to those households that are both age and income qualified. The age-qualified market is defined as seniors age 55 and older, although independent living projects will primarily attract seniors age 65 and older.
- We calculate that the minimum income needed to afford monthly rents is \$25,000, since seniors with this income could afford a monthly rent of \$833 based on spending 40% of their income, which is about a typical starting rent for a two-bedroom apartment in the independent senior projects in the area. In addition, we add households with incomes between \$15,000 and \$24,999 who would be able to supplement their incomes with the proceeds from a home sale. We estimate the number of age/income-qualified senior households in Steele County in 2005 to be 4,025 households.

**TABLE 25**  
**MARKET RATE INDEPENDENT SENIOR HOUSING DEMAND**  
**STEELE COUNTY**  
**2005 & 2010**

	2005			2010		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of \$15,000 to \$24,999 <sup>1</sup>	140	228	373	179	235	387
(times) Homeownership Rate	x 90%	x 89%	x 79%	x 90%	x 89%	x 79%
(equals) Potential Market	= 126	= 203	= 295	= 161	= 209	= 306
(plus) # of Households w/ Incomes of \$25,000+ <sup>1</sup>	+ 1,629	+ 954	+ 818	+ 2,075	+ 1,064	+ 847
(equals) Total Potential Market Base	= 1,755	= 1,157	= 1,113	= 2,236	= 1,273	= 1,153
(times) Short-Term Capture Rate	x 0.5%	x 7.5%	x 13.5%	x 0.5%	x 7.5%	x 13.5%
<b>(equals) Short-Term Demand Potential</b>	= <b>9</b>	= <b>87</b>	= <b>150</b>	= <b>11</b>	= <b>95</b>	= <b>156</b>
Total Market Rate Demand Potential	= <b>246</b> ↗			= <b>262</b> ↗		
	<b>With Services</b>	<b>Without Services</b>		<b>With Services</b>	<b>Without Services</b>	
(times) % for housing w/services & w/o services	x 45%	x 55%		x 45%	x 55%	
(equals) Demand potential	= 111	= 135		= 118	= 144	
(plus) Demand from Outside Market Area (15%)	+ 20	+ 24		+ 21	+ 25	
(equals) Total Long-Term Demand	= 130	= 159		= 139	= 170	
(minus) Existing Competitive Units <sup>2</sup>	- 81	- 136		- 81	- 136	
(equals) Excess Short-Term Demand	= 49	= 23		= 58	= 34	
(minus) Pending Competitive Independent Units	- 0	- 0		- 33	- 0	
(equals) Total Demand Potential	= 49	= 23		= 25	= 34	
(times) Percent capturable in Owatonna	x 75%	x 75%		x 75%	x 75%	
<b>(equals) Excess Demand in Owatonna</b>	= <b>37</b>	= <b>17</b>		= <b>19</b>	= <b>25</b>	

<sup>1</sup> 2010 income-qualified figures adjusted for inflation (\$28K or more + homeowners w/ inc. of \$17-28K)  
<sup>2</sup> competitive units includes all adult market rate rental, all congregate rental, and all ownership projects at 95% occupancy (market equilibrium)

Source: Maxfield Research Inc.

## HOUSING DEMAND ANALYSIS

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- Adjusting to include appropriate long-term capture rates for each age cohort (0.5% of households age 55 to 64, about 7.5% of households age 65 to 74, and 13.5% of households age 75 and over) results in a market rate demand potential for 246 independent senior rental units in 2005.
- Independent demand in Steele County is split into housing that offers no basic support services “adult” and housing that offers meals and basic support services on an optional basis “congregate.” Based on the age distribution of the County population, we project that just over 55% of the County demand will be for adult housing without services (135 units) and 45% will be for congregate housing with services (111 units).
- Some additional demand will come from outside the Market Area. We estimate that 15% of the long-term demand for independent senior rental housing will be generated by seniors currently residing outside the Market Area. This demand will consist primarily of parents of adult children living in the Market Area, individuals who live just outside the Market Area and have an orientation to the area, as well as former residents who desire to return. Together, the demand from Market Area seniors and demand from seniors who would relocate to the Market Area results in a total long-term demand for 130 congregate rental units and 159 adult units in 2005.
- Next, existing competitive market rate units available in the County are subtracted (minus a vacancy factor of 5% to allow for sufficient consumer choice and turnover). Subtracting the existing competitive and pending market rate units, results in total demand potential for 49 congregate units and 23 adult units in 2005.
- No one community, including Owatonna, would be able to capture 100% of the demand. Since the majority of the Market Area seniors live in Owatonna, and because Owatonna is the primary service center in Steele County, containing health care and shopping in addition to other services, we believe that it can capture 75% of the County demand for congregate projects with services and 75% of adult projects without services. **This results in total demand for 37 market rate congregate units and 17 adult units in Owatonna in 2005.**
- Adjusting for inflation, we have estimated that households with incomes of \$28,000 or more and homeowners with incomes of \$17,000 to \$27,999 would income qualify for market rate independent senior housing in 2010. Considering the growth in the older adult base, the income distribution of the older adult population in 2010, and accounting for the pending senior projects in the development pipeline (Countryside Senior Housing and Traditions of Owatonna), our methodology projected that there **will be excess demand for 19 congregate units and 25 adult units in the City of Owatonna by 2010.**

### Assisted Living Demand Estimates

Table 26 presents our calculations for assisted living housing demand in the Market Area. The first step in determining the potential demand for assisted living units is to identify the age/income-qualified market, based on a senior’s ability to pay the monthly fees.

## HOUSING DEMAND ANALYSIS

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- The primary market for assisted living housing in the Market Area is seniors age 75 and over with incomes of \$35,000 or more. An income of \$35,000 and an 80% allocation of that income on housing translate to an affordable monthly fee of about \$2,300, approximately the starting price for basic units with three daily meals at assisted living projects in rural Minnesota. A portion of senior homeowners with lower incomes could also afford assisted living housing upon allocating the proceeds from the sale of their homes toward assisted living housing. It should also be noted that there are a significant number of seniors who will spend down their assets in order to avoid institutional care. In addition, other prospective residents may be able to afford assisted living rents with financial assistance from family members or with assistance from long-term care insurance. For seniors with less means who have spent down assets, Elderly Waivers are also available.
- Because the vast majority (90% according to an ALFA survey) of assisted living residents are single, our demand methodology separates the number of senior households that live alone from those that live with a spouse or other relative. We have further broken down the number of senior households by household type and income. Those households living alone with incomes of \$20,000 or less are those that would qualify based on a higher allocation of income to housing and the sale of assets to produce additional monthly income that could be allocated to assisted living housing. From these figures, we have applied acceptable capture rates to each income group and household type to derive the potential income-qualified market. As shown in Table 32, there were 342 potential income-qualified households in the County in 2005.
- Because demand for assisted living housing is need-driven, we then reduce the age/income-qualified market to account for the potential market needing assistance. Studies by several government agencies indicate that about 30% of all non-institutionalized seniors age 75 and over need assistance with at least three activities of daily living and would be a potential market for assisted living housing. Applying this proportion to the age/income-qualified household base yields a potential assisted living market base of 103 households in the County.
- From this total, existing assisted living housing in the Market Area must be subtracted. There were two assisted living projects in the County (Park Place and Alterra Sterling House in Owatonna). Subtracting these units, minus lower-income seniors utilizing Elderly Waivers and factoring in a 7% vacancy rate, reduces the potential market base to 70 units in the County in 2005.
- Due to the availability of home health care service providers, and the likelihood of family members providing limited assistance, we estimate that 65% of the age/income-qualified market needing assistance will be able to remain in their homes. The remaining 35% will need assisted living housing within the short-term. Applying this market penetration rate results in a local short-term demand of 24 units in 2005.

# HOUSING DEMAND ANALYSIS

**TABLE 26**  
**ASSISTED LIVING DEMAND**  
**STEELE COUNTY**  
**2005 & 2010**

Age/Income*	2005						2010					
	HHs 75+ Lvg. Alone	Capture Rate	Potential HHs	Non-single HH's 75+	Capture Rate	Potential HHs	HHs 75+ Lvg. Alone	Capture Rate	Potential HHs	Non-single HH's 75+	Capture Rate	Potential HHs
	75+											
\$20,000>	288	25%	72	316	5%	16	321	25%	80	353	5%	18
\$20-\$34,999	81	75%	61	411	15%	62	76	75%	57	383	15%	57
\$35,000<	36	100%	36	477	20%	95	39	100%	39	513	20%	103
<b>Total</b>	<b>405</b>		<b>169</b>	<b>1,204</b>		<b>173</b>	<b>436</b>		<b>176</b>	<b>1,249</b>		<b>178</b>
Total potential income-qualified market						<b>342</b>						<b>354</b>
(times) Percent needing assistance w/ 2+ ADL/IADL's					x	<u>30%</u>					x	<u>30%</u>
(equals) Age/income qualified market needing assistance					=	103					=	106
(less) Existing/pending assisted living units/beds (less 7% vacancy rate)					-	<u>33</u>					-	<u>96</u>
(equals) Net age/income qualified market needing assistance					=	70					=	10
(times) Short-term market penetration rate of 35%					x	<u>35%</u>					x	<u>35%</u>
(equals) Short-term demand from senior households					=	24					=	4
(plus) Proportion from outside the market area (20%)					+	6					+	1
(equals) Total market area assisted living demand					=	<b>30</b>					=	<b>4</b>

\* To account for inflation, we use 2010 income ranges of <\$23,000, \$23,000-\$39,999, and \$40,000+.

Source: Maxfield Research Inc.

## HOUSING DEMAND ANALYSIS

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- We estimate that 20% of the demand for assisted living in Owatonna would come from seniors currently living outside the Market Area. This supplemental demand would include seniors currently living just outside the Market Area, former residents desiring to return to the area or parents of adult children currently living in the Market Area. Thus, we calculate that **demand exists for 30 units of market rate assisted living housing in the County in 2005**. Since Owatonna is the commercial/medical center of the Market Area and contains the majority of its population, we estimate that Owatonna could capture nearly all of this demand.
- We follow the same methodology and utilize the projected incomes of older senior households to estimate demand in 2010. Accounting for senior growth, then subtracting the pending units at the Countryside Senior Housing Campus and Traditions of Owatonna projects (a total of 63 units) from the age/income qualified market, **we find that there will be little remaining demand. The two pending projects will satisfy assisted living demand through the remainder of this decade and into the next.**

## HOUSING RECOMMENDATIONS

### Introduction

This section recommends housing development concepts for Owatonna from 2005 to 2015, based on the demand analysis and interviews with persons knowledgeable about the Owatonna housing market. A summary of these development concepts is shown in Table 27. Detailed recommendations for each housing type follow the table. It is important to note that these proposed concepts are intended to act as a development guide and that similar product could be successful as well.

<b>TABLE 27 RECOMMENDED HOUSING DEVELOPMENT OWATONNA 2005 to 2015</b>				
		<b>Purchase Price/ Monthly Rent Range*</b>	<b>No. of Units</b>	<b>Pct. of Total</b>
<b>Owner-Occupied Housing</b>				
<b>Single-Family</b>				
	Entry-level	\$150,000 - \$200,000	120 - 140	10%
	Move-up	\$200,000 - \$300,000	820 - 870	65%
	Executive	\$300,000+	310 - 340	25%
	<b>Total</b>		<b>1,250 - 1,350</b>	<b>100%</b>
<b>Condominium/Townhomes</b>				
	Entry-level	\$150,000 - \$200,000	180 - 200	64%
	Upper-end	\$200,000+	100 - 120	36%
	<b>Total</b>		<b>280 - 320</b>	<b>100%</b>
<b>General Occupancy Rental Housing</b>				
	Market Rate Rental Housing	\$575 - \$1,000	60 - 80	60%
	Affordable/Subsidized Rental Housing		40 - 60	40%
	<b>Total</b>		<b>100 - 140</b>	<b>100%</b>
<b>Senior Housing</b>				
	Adult/Few-Services	\$800 - \$1,000	<b>20 - 25</b>	100%
* Prices/Rents are quoted in 2006 dollars.				
Source: Maxfield Research Inc.				

### Owatonna Recommendations

#### Single-Family Housing

We recommend maintaining a three- to five-year lot supply, which ensures adequate consumer choice without excessively prolonging developer-carrying costs. Owatonna currently has a supply of about 765 available lots, with another roughly 130 lots planned to come on-line in the next year in the Country Creek, Maple Creek, Partridge, and Autumn Hills subdivisions. To maintain a minimum lot supply of three years, Owatonna will not need to add new lots (in addition to what is pending) for about another four years, or 2010. The existing lot supply is well balanced in terms of price points and there is about a seven-year supply of entry-level, move-up, and executive lots in Owatonna.

**Overall, the remaining lots in the existing and pending subdivisions should adequately accommodate the demand for move-up and executive single-family homes in Owatonna for at least the next five years.**

We estimate a demand for 1,250 to 1,350 new single-family homes in Owatonna between 2005 and 2015 – or about 125 to 135 new homes per year. Based on demographic trends and interviews with Realtors and builders, we project that most of the demand (65%) will be for move-up homes (\$200,000 to \$300,000) in Owatonna. This equates to a need for **820 to 870 new move-up homes in the next ten years**. We project 25% of the demand will be for executive homes priced over \$300,000. **This equates to a need for the development of 310 to 340 executive homes between 2005 and 2015.**

Based on land, labor, and building costs, it is very difficult to build new single-family homes for less than \$200,000. Most of this demand for modestly priced single-family homes will be satisfied by existing homes for sale. We anticipate an increase in the supply of existing modestly priced homes to become for-sale in Owatonna with the opening of Maple Trail Apartments, Countryside Senior Housing and the Traditions of Owatonna Assisted Living facility. These homes will accommodate a portion, but not all of the demand. **We recommend the development of 120 to 140 homes priced between \$150,000 and \$200,000 over the next ten years** to satisfy entry-level demand not satisfied by existing homes on the market. With approximately 80 entry-level lots (lots in the \$30,000 to \$35,000 range) currently available, as well as the Autumn Hills development, we find that the private market is doing an adequate job providing affordable single-family housing in the Owatonna market.

#### For-Sale Multifamily Housing

In Owatonna, the target market for for-sale multifamily housing (twinhomes, townhome, and condominiums) has been empty-nesters and young seniors who want to own their residence but do not want the responsibility of maintenance. In larger housing markets with high housing costs, younger households also find purchasing multifamily units to be generally more affordable than purchasing new single-family homes. This is not the case in Owatonna, and thus, there is little demand from younger households.

## HOUSING RECOMMENDATIONS

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Based on recent development trends and demographic growth trends, we project that between 2005 and 2015, about 64% of the for-sale multifamily demand will be for units priced between \$150,000 and \$200,000 (180 to 200 units). The remaining 36% of demand (100 to 120 units) will be for units priced above \$200,000.

Existing subdivisions in Owatonna have a capacity for over 200 townhome units and the pending Maple Creek Highlands and the Partridge Addition will accommodate another 37 townhome units (with base prices beginning at about \$175,000). **We project that the existing subdivisions in Owatonna, along with the pending subdivisions will satisfy the demand for for-sale multifamily housing in Owatonna for the remainder of the decade.**

### **General-Occupancy Rental Housing**

#### *Market Rate*

While our analysis of the rental market found that the overall vacancy rate is well above the 5% stabilized rate in Owatonna, we also find that Owatonna has an older rental housing stock as there have only been three market rate general occupancy apartments built since the 1980s. **Based on our interviews and research, demand exists for newer, contemporary market rate units. We project demand for about 60 to 80 market rate rental units from 2005 to 2015 in Owatonna.**

**We recommend developing a general occupancy apartment complex with between 50 to 64 units, as well as a 10 to 16-unit townhome development in the City of Owatonna.** We suggest phasing the apartment units in two buildings of about 25 to 35 units each. While the Gateway Apartment project (built in 2004) has performed well, we suggest bringing a new apartment building online no sooner than 2008, because of the high overall apartment vacancy rate in Owatonna.

To appeal to the target market (young professionals and some seniors), we suggest the proposed apartment project have a unit mix consisting of approximately 20% to 25% one-bedroom units, 60% to 65% two-bedroom units, and 10% to 20% two-bedroom plus den/three-bedroom units. Further, rents should range from about \$600 to \$625 for one-bedroom units, \$650 to \$750 for two-bedroom units, and \$800 to \$900 for two-bedroom plus den/three-bedroom units.

In addition to apartment units, we find that demand exists for some larger townhome units for families – including those who are new to the community and want to rent until they find a home for purchase. An additional 10 to 16 townhome units could be supported in Owatonna through the remainder of this decade. We recommend a project with rents of approximately \$750 to \$800 for two-bedroom units and \$850 to \$950 for three-bedroom units. Units should feature an attached two car garage and in-unit washer/dryers.

## HOUSING RECOMMENDATIONS

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### *Affordable/Subsidized*

Success of the Willow Run Townhomes II tax-credit building suggests high demand for a new affordable/subsidized rental complex in Owatonna. Units at the Willow Run II were absorbed very quickly, as they currently have a waiting list of 29 names (all families).

Also, if a new market rate development is added to Owatonna, several units in older market rate buildings with rents affordable to lower- and moderate-income households will become available as existing residents “step-up” into the new market rate apartment.

We find excess demand for 40 to 60 affordable rental units for low- and moderate-income households in Owatonna between 2005 and 2015. **We recommend the development of two 20 to 30-unit tax-credit townhome developments with low- and moderate incomes. We suggest three-bedroom and four-bedroom units that should be built to satisfy demand from larger families.**

### **Independent Senior Housing**

We find that existing and pending projects will satisfy demand for congregate housing. There remains, however, some demand for “adult” senior housing. **We recommend a project with up to 25 units. The project could be rental, cooperative, or condominium. However, based on the success of existing cooperatives, we believe that an additional cooperative or a condominium project would be successful in Owatonna.** It may be financially difficult to develop a stand-alone adult project with fewer than 30 units. Thus, these units may need to be a component of an existing senior housing facility.

### **Assisted Living Housing**

We find that the two pending facilities, along with the existing projects will satisfy assisted living demand for the next 10 years. **Therefore, we do not recommend building any additional assisted living facilities through 2015.**

### **Memory Care Housing**

We also identified one pending memory care facility with 10 beds that will be part of the Traditions of Owatonna assisted living facility. **We find that the new development, along with the existing Clairbridge Cottages will satisfy memory care demand in Owatonna for the remainder of the decade and do not recommend adding any additional units.**