

Comprehensive Housing Needs Analysis for Owatonna, Minnesota

Prepared for:

City of Owatonna
Owatonna, MN

June 2023



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Research & Consulting

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September 27, 2023

Mr. Troy Klecker
Community Development Director
City of Owatonna
540 West Hills Circle
Owatonna, MN 55060

Dear Mr. Klecker:

Attached is the *Comprehensive Housing Needs Analysis for Owatonna, Minnesota* conducted by Maxfield Research and Consulting, LLC. The study projects general occupancy housing demand and senior housing demand through 2030. The study also provides recommendations on the amount and type of housing that could be built in Owatonna to satisfy demand from current and future residents through this decade.

The study identifies a potential demand for about 1,577 new housing units through 2030 divided between general-occupancy housing (44.9%) and age-restricted senior housing (55.1%). Our inventory of general-occupancy rental housing found an overall vacancy rate of 1.0% among the inventoried rental housing stock in Owatonna. The low vacancy rate indicates pent-up demand for additional rental units in the City; however, however over 400 rental units are planned or under construction and they will satisfy demand if they all moved forward. Although new residential lots will be needed over the next seven years to accommodate product type preference, the current lot supply in Owatonna is sufficient to meet demand in the short-term. The senior housing industry is still recovering from the pandemic and is experiencing elevated vacancies; however demand is strong for senior housing attractive to active seniors. Detailed information regarding recommended housing concepts can be found in the *Conclusions and Recommendations* section at the end of the report.

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

Sincerely,

MAXFIELD RESEARCH AND CONSULTING, LLC

Matt Mullins Andrew McIntyre
Vice President Research Associate

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

A handwritten signature in black ink that reads "Andrew McIntyre".

Attachment

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Key Findings

This section highlights key findings from the Comprehensive Housing Needs Analysis completed for the City of Owatonna. Calculations of projected housing demand are provided through 2030 for general occupancy rental housing and for sale housing. In addition, recommendations for housing products to meet demand over the short-term are found in the *Conclusions and Recommendations* section of the report.

Key Findings

1. Despite the COVID-19 pandemic, the Owatonna housing market and economy have largely fared strong since 2020. Owatonna home prices have increased over 36% between 2019 and 2022 while the unemployment rate has been exceptionally low over the past few years. Employers have plenty of job openings, but like most cities across Minnesota they have more job openings than labor to fill job vacancies.
2. Owatonna has continued to experience growth over the last two decades, however population growth decelerated over the past decade. Between 2000 and 2010 the city grew by rapid 14.1% while the past decade Owatonna grew by a slower 3.2%. More recently, over the past three years, Owatonna has grown by 2.2% to 27,000. Growth of the city can largely be attributed to a combination of new single family subdivisions, largely on the outskirts of City limits, as well as more recently a number of new rental properties. Through the current decade, we are projecting a higher growth rate of about 10% through 2030.
3. The aging baby boomer generation (ages 59 to 77 in 2023) is impacting the composition of Owatonna's population. Younger seniors (ages 65 to 74) are projected to grow by 14% and older seniors (75+) are projected to grow by 21%. This shift will result in demand for alternative housing products; both for-sale and rental housing types.
4. Although the Owatonna's unemployment rate has recovered from the pandemic high, the labor force has not fully recovered as the labor participation rate is down from workers leaving the work force (i.e. early retirement, child care needs, etc.) As such, Owatonna employers are facing a tight labor market and have more job openings than employees to fill open positions.
5. Owatonna, in contrast to many outstate smaller communities, has gone through an explosion of rental growth. Over the past eight years the City has constructed seven new market rate rental buildings and two affordable, income-restricted rental units. The three newest projects in the city, all market rate developments built in 2022, include, The Pearl, Apartments, on Mound. In addition, there are over 400 units in the development pipeline that are either under construction, approved, or pending. Although the vacancy rate is extremely low, vacancies are expected to soften given the vast amount

KEY FINDINGS

of new rental construction on the horizon. Demand will be muted for several years given the velocity of new rental construction expected to deliver in the short-term.

6. Owatonna's senior population is projected to experience continued growth over the decade. However, the senior housing market is still recovering from lost occupancies through the course of the pandemic. Although the active adult product has no vacancies, independent living, assisted living, and memory care all posted higher than expected vacancy rates. Maxfield Research projects another year plus to reach stabilized occupancy. In addition, there are a lack of independent living units in the City. The strongest demand this decade will be for active and independent seniors.
7. Owatonna's for-sale market has experienced exponential price growth between 2010 and 2022, especially over the past few years from the pandemic housing boom. Over this time frame Owatonna's median resale price increased 110.9% from \$128,988 in 2010 to \$271,985 in 2022. Much of the city's for sale single family home sale growth has occurred in the northwest and southeastern portions of the City. The Southeast quadrant is particularly desirable for families with the opening of Owatonna's new high school for the 2023-2024 school year. However, price acceleration has leveled with the rapid uptick in mortgage rates over the past year that has resulted in few homes for sale and an affordability crunch on buyers. Home sales will remain depressed until buyer confidence returns with stabilized mortgage rates and consumer confidence related to the health of the economy.
8. A number of residential projects are in the City's development pipeline. The rental market in particular, has a number of projects in various stages including three projects currently under construction and an additional project that has received approval. The focus on rental housing distinguishes Owatonna from other small towns that are desperate for rental housing.

Purpose and Scope of Study

Maxfield Research and Consulting, LLC. was engaged by the City of Owatonna to conduct a *Comprehensive Housing Needs Analysis* for Owatonna, Minnesota. The Housing Needs Analysis provides recommendations on the amount and types of housing that should be developed in order to meet the needs of current and future households who choose to reside in the city

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

Demographic Analysis

- The population in Owatonna has grown every decade since 1900. Population growth has ranged from 1.7% growth between 1900 and 1910 to 31.6% growth between 1950 and 1960. In contrast, the PMA lost population between 1900 and 1910 (-2.3%) but has gained population every decade since and reached a growth high of 18.3% between 1950 and 1960.
- Owatonna's population has grown by over 20,000 (20,859) people from 5,561 people in 1900 to 26,420 people in 2020. The PMA has grown by 20,882 people from 16,524 people in 1900 to 37,406 people in 2019.
- Projections indicate Owatonna will experience a 0.9% increase in population between 2023 and 2030. The projected population increase will be lower than the population increase experienced between 2010 and 2020 (2.6%) and between 2000 and 2010 (8.6%).
- Between 2030 and 2035 Owatonna is also projected to experience a 0.9% population growth.
- In 2010 household size in Owatonna was 2.54. In comparison, household size was 2.55 in the PMA, 2.58 in the PMA Remainder, 2.55 in the Southeast Minnesota Planning Area and 2.54 in the State of Minnesota as a whole. By 2020, estimates of household size had fallen to 2.50 in Owatonna, 2.52 in the Southeast Minnesota Planning Area, 2.52 in the PMA, 2.59 in the PMA Remainder, and 2.53 in Minnesota.
- Owatonna's household size is projected to be 2.49 by 2030 and decrease slightly to 2.48 by 2035. Owatonna's projected household size will be less than the state's, which is projected to be 2.54 in 2030 and 2.53 in 2035.
- In 2023, the largest adult age cohorts are estimated to be those age 35 to 44 and 54 to 65 which each represent 12.9% of all age cohorts. In comparison, in the PMA Remainder, PMA,

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Southeast Minnesota Planning Area, and Minnesota the 55 to 64 age cohort is the sole largest adult age cohort.

- In 2023, the median income for Owatonna is \$76,941 across all ages. The median income is forecast to rise by 8.2% to \$83,249 by 2028.
- The highest median income in Owatonna was recorded among those between the ages of 35 and 44 at \$91,008 in 2023. In 2030, those between the ages of 45 to 54 are expected to be the highest income earners with a median income of \$103,085.
- In 2010, 73.7% of Owatonna households were owner households. This number increased slightly by 2023 to 74.6%. The proportion of owner households in Owatonna exceeded the state proportion, which was 72.3% in 2023.
- One and two-person renter households in Owatonna accounted for nearly 75% (74.9%) of renter households in 2023.
- Owner households were most likely to contain two people in Steele County, representing 40.6% of households.
- In all geographies, with the exception of Owatonna, married couples without children represent the largest household type. These households account for 32.3% of all households in the PMA in 2023, a decrease of 0.4% from 32.7% of all households in the PMA in 2010. In contrast, the largest household type in Owatonna is the living alone category which represents 32.6% of all households in 2023, an increase of 4.7% from 2010.
- Owatonna reported a 2022 average net worth of \$669,464 and a median net worth of \$186,995.

Housing Characteristics

- Between 2004 and 2022, 1,700 new residential units were permitted in Owatonna. Of those 1,700 units, 57.1% were issued for single-family units while 42.9% were issued for multifamily units.
- Between 2010 and 2022 there were 115 residential demolition permits issued per year in Owatonna: an average of nine residential demolition permits per year.
- Housing within the City of Owatonna was newer than housing in the Remainder of the PMA. The median age of housing stock in the City of Owatonna was 1975 compared to 1971 in the Remainder of the PMA. When combined, the overall median age of housing stock for both owner-occupied and renter-occupied was 1973.
- Single-family houses are the dominant housing type in Owatonna and the PMA. Over 91% of owner-occupied housing in Owatonna and over 92% of owner-occupied housing in the

EXECUTIVE SUMMARY

PMA are single-family homes. Single family homes accounted for the largest portion (50.3%) of renter-occupied homes in the PMA (22.6%) but not Owatonna where the largest portion of renter-occupied homes were in structures with 20 to 29 units (19.3%) followed by single family homes (18.1%).

- Owner-occupied homes in Owatonna and the PMA had median values of \$183,400 and \$185,200, respectively, in 2021. Median contract rent in Owatonna and the PMA was \$770 and \$760, respectively, in 2021.
- Median income in the PMA was significantly higher among owner-occupied households (\$85,909) compared to renter occupied households (\$32,493). Similarly, within Owatonna, owner-occupied households (\$85,909) were significantly higher compared to renter occupied households (\$31,692).
- The majority of PMA residents (89.0%) did not move during the last year. Mobility was slightly higher in the City of Owatonna where 87.4% of the population did not move the previous year.
- Among PMA residents that moved, they were most likely to move within the county (6.0%).
- Of those who reported a move in the PMA, 13.7% were between the ages of 18 and 24, 20.4% were between the ages of 25 and 34, and 15.0% were between the ages of 35 and 44. In addition, 28.3% of those under 18 reported a move.

Employment Trends

- Between 2010 and 2020 the City of Owatonna lost 304 employees, a decline of 1.7%. The PMA lost 451 employees a decline of 2.2%. In comparison, the Southeast Minnesota Planning and Minnesota experienced increases of 3.6% and 5.6%, respectively.
- From 2020 and 2030, the City of Owatonna is projected to decrease by 57 employees, a decrease of 0.4%. The PMA, in contrast, is projected to lose 401 employees, a decline of 2.0%. In comparison, the Southeast Minnesota Planning and Minnesota are both expected to experience increases of 7.0% and 10.2%, respectively.
- In the City of Owatonna, the Financial Activities industry reported the highest weekly wage, \$1,627, or approximately \$84,604 annually in the fourth quarter of 2022. Similar to Owatonna, throughout the PMA, the Financial Activities industry reported the highest weekly wage, \$1,584, or approximately \$82,368 annually in the fourth quarter of 2022.
- In 2020, 61.2% of workers who live in Owatonna are also employed in Owatonna. Faribault was the next largest work destination for Owatonna residents, with 6.6% of workers living in Owatonna commuting to Faribault. Rochester also was a large work destination for Owatonna residents with 4.1% of workers living in Owatonna commuting to Rochester.

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- Commuting patterns in the PMA were similar to those in the City of Owatonna. The City of Owatonna was the largest work destination for PMA residents (55.4%) and the largest home destination for PMA workers (40.0%).
- The largest employer in the county was Federated Mutual Insurance Company with 1,205 employees, operating in the insurance industry. Viracon, Inc. a manufacturing company, was the second largest employer with 1,350 employees.
- The manufacturing industry was overwhelmingly the most represented industry among top employers in Owatonna. Manufacturing represented eight of the thirteen largest employers in the city (61.5%). The only other industry with multiple large employers was healthcare with two of the thirteen largest employers (15.4%). Owatonna, as a major regional center is home to Allina Hospital and a clinic in the Mayo Clinic Health system.

Rental Housing Market Analysis

- In total, Maxfield Research surveyed 1,070 general occupancy market rate rental units in Owatonna spread across 36 multifamily developments (12 units and larger) At the time of the survey, there were four vacant units representing a vacancy rate of 0.4%.
- Affordable/subsidized projects make-up 181 and 292 units, respectively. At the time of the survey, there were no vacant affordable units and twelve subsidized vacancies with a vacancy rate of 4.1%.

Senior Housing Market Analysis

- Between 2010 and 2023, the fastest growing population in Owatonna is the 65 to 74 age group, which experienced a 57.8% increase in population, an addition of 961 people. This was also the case in the PMA Remainder where 39.2% of the population between 75 and 84 increased between 2010 and 2023, an addition of 363 people.
- With a homeownership rate of 75.5% for all Owatonna households over the age of 65, a large number of residents would be able to use proceeds from the sales of their homes toward senior housing alternatives. The resale of single-family homes would allow additional senior households to qualify for market rate housing products, since equity from the home sale could be used as supplemental income for alternative housing. These considerations are factored into our demand calculations.
- Maxfield Research identified 20 senior housing properties in the PMA. Combined, these projects contain a total of 813 senior housing units. Fourteen of the senior housing properties are market rate, totaling 587 units (72.2% of the supply), and there are six affordable senior housing projects, totaling 226 units (27.8%).

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- Based on our survey, 57.1% of units provide service-enhanced housing, for a total of 464 units. These include 2 independent living units, 339 assisted living units, and 123 memory care units. The remaining 42.9% (349 units) are active adult units, including 226 affordable units (deep- and shallow-subsidy), 45 market rate units, and 78 cooperative/ownership active adult units.
- There are 271 assisted living units in the PMA (excluding Traditions I and II for which vacancies were unable to be obtained), 50 of which are vacant for a 18.5% vacancy rate.
- The City of Owatonna has the highest number of senior housing units in the PMA, with 712 units (85% of the total), followed by Blooming Prairie with 50 units (6.0% of the inventory), Medford with 44 units (5.3%), and Ellendale with 29 units (3.5%).

Housing Affordability

- About 61% (60.9%) of renter households and 14.8% of owner householders are estimated to be paying more than 30% of their income for housing costs in Owatonna. Compared to the Minnesota average, the percentage of cost burdened renter households is higher than the state average (46.0%), but lower than the state average for owner households (18.0%).
- The number of cost burdened households in Owatonna increases proportionally based on lower incomes. About 91% (90.5%) of renters with incomes below \$35,000 are cost burdened and 48.0% of owners with incomes below \$50,000 are cost burdened.
- Owatonna has 113 allotted housing choice vouchers available and 95 are currently in use.
- The majority of vouchers in the Steele County PMA are in use in the City of Owatonna (94%) while 6% of vouchers are used in other Steele County communities.

For-Sale Housing Market Analysis

- Between 2010 and 2022, there has been an average of 417 residential sales per year in Owatonna. In contrast, in the PMA Remainder, which includes the rest of Steele County excluding Owatonna, there were an average of 79 closed sales per year between 2010 and 2022. The number of closed sales in Owatonna represented over 84% (84.1%) of all closed sales in the Steele County PMA.
- Median Resale prices in Owatonna increased 126.6% from \$120,038 in 2010 to \$271,985 in 2022. In contrast, between the same time frame, the overall PMA increased by an even greater 130.2% while the Southeast Minnesota Planning Area increased by 118.2%.

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- As of March 22, 2023, there were twenty-one homes listed for sale in Owatonna and eight homes listed for sale in the Remainder of the PMA. All home listings in both Owatonna and the PMA Remainder were single family homes and none were multifamily homes.
- The median list prices in Owatonna and the PMA Remainder as of March 23, 2023 are \$349,000 and \$289,900, respectively. The median sale price is generally a more accurate indicator of housing values in a community than the average sale price. Average sale prices can be easily skewed by a few very high-priced or low-priced home sales in any given year, whereas the median sale price better represents the pricing of a majority of homes in a given market.
- Based on a median list price of \$324,450 in the PMA (includes both Owatonna and the PMA Remainder), the income required to afford a home at this price would be between \$92,700 and \$108,150, based on the standard of 3.0 to 3.5 times the median income (and assuming these households do not have a high level of debt). A household with significantly more equity (in an existing home and/or savings) could afford a higher priced home. About 38.2% of PMA households have annual incomes at or above \$92,700.
- The majority of single and multifamily homes listed for sale in Owatonna are priced between \$200,000 and \$300,000 (33.3%) and \$300,000 and \$400,000 (28.6%). In the PMA Remainder, the majority of single and multifamily homes listed for sale in the PMA Remainder are also priced between \$200,000 and \$300,000 (36.4%) and \$300,000 and \$400,000 (27.3%).
- One-story listings were the most common type of property in both Owatonna, accounting for 71.4% of listings. Similarly, in the PMA Remainder, one story listings were also the most common property type, representing 65.6% of all listings.
- There are just over 80 vacant single family lots in newer subdivisions. Given the projected lot absorption of roughly 21 lots per year between 2023 and 2030, the lot supply is sufficient in the near-term to meet future demand, but new lots will be needed to be platted soon to be future demand.

Development Pipeline

- As of May 2023, there are four planned rental projects and one planned for sale housing project either under construction or in the planning process. Four of the five rental projects are market rate (421 total units). East Gate II, a MHFA Tax Credit project, is the lone affordable development in the pipeline (49 units). Mineral Springs Estates is the lone pending for sale project.

Housing Needs Analysis

- Based on our calculations, demand exists in Owatonna for the following general occupancy product types between 2023 and 2030:
 - Market rate rental 152 units (After 421 units in Pipeline)
 - Affordable rental 157 units
 - Subsidized rental 157 units
 - For-sale single-family I 155 units (After absorption of 84 lots)
 - For-sale multifamily 86 units (After absorption of 8 lots)

- In addition, we find demand for multiple senior housing product types. By 2030, demand in Owatonna for senior housing is forecast for the following:
 - Active adult ownership 191 units
 - Active adult market rate rental 170 units
 - Active adult affordable 208 units
 - Active adult subsidized 0 units
 - Independent Living 258 units
 - Assisted Living 10 units
 - Memory Care 31 units

- The following page shows recommended product types for the City of Owatonna over the next seven years.

EXECUTIVE SUMMARY

RECOMMENDED HOUSING DEVELOPMENT CITY OF OWATONNA 2023 to 2030				
		Purchase Price/ Monthly Rent Range ¹	No. of Units	Development Timing
Owner-Occupied Homes				
<i>Single Family</i>				
	Entry-level	<\$250,000	30 - 35	Ongoing
	Move-up	\$250,000 - \$375,000	125 - 130	Ongoing
	Executive	\$400,000+	45 - 50	Ongoing
	Total		200 - 215	
<i>Townhomes/Twinhomes/Detached Townhomes/Villas</i>				
	Entry-level	<\$225,000	25 - 30	Ongoing
	Move-up	\$250,000 - \$325,000	45 - 50	Ongoing
	Executive	\$350,000+	25 - 30	Ongoing
	Total		95 - 110	
Total Owner-Occupied			295 - 325	
General Occupancy Rental Housing				
<i>Market Rate Rental Housing</i>				
	Apartment-style (moderate)	\$975/1BR - \$1,400/3BR	100 - 120	2025+
	Townhomes (move up)	\$1,450/2BR - \$1,675/3BR	30 - 40	2025+
	Total		130 - 160	
<i>Affordable Rental Housing</i>				
	Apartment-style	Moderate Income ²	90 - 100	2024+
	Townhomes	Moderate Income ²	30 - 40	2024+
	Subsidized	30% of Income ³	60 - 70	2024+
	Total		180 - 210	
Total Renter-Occupied			310 - 370	
Senior Housing (i.e. Age Restricted)				
	Senior Cooperative(s)	\$75,000+	75 - 80	2024+
	Active Adult Market Rate Rental ⁴	\$1,200/1BR - \$1,500/2BR	100 - 120	2024+
	Active Adult Affordable Rental ⁴	Moderate Income ³	100 - 120	2024+
	Independent Living/Congregate	\$1,850/1BR - \$2,900+/2BR	100 - 120	2025+
	Memory Care	\$4,000/EFF - \$5,000/2BR	20 - 24	2026+
	Total		395 - 464	
Total - All Units			1,000 - 1,159	
¹ Pricing in 2023 dollars. Pricing can be adjusted to account for inflation. ² Affordability subject to income guidelines per Minnesota Housing Finance Agency (MHFA). See Table HA-1 for Steele County Income limits. ³ Subsidized housing will be difficult to develop financially. ⁴ Alternative development concept is to combine active adult affordable and market rate active adult into mixed-income senior communities.				
Source: Maxfield Research & Consulting, LLC.				

Introduction

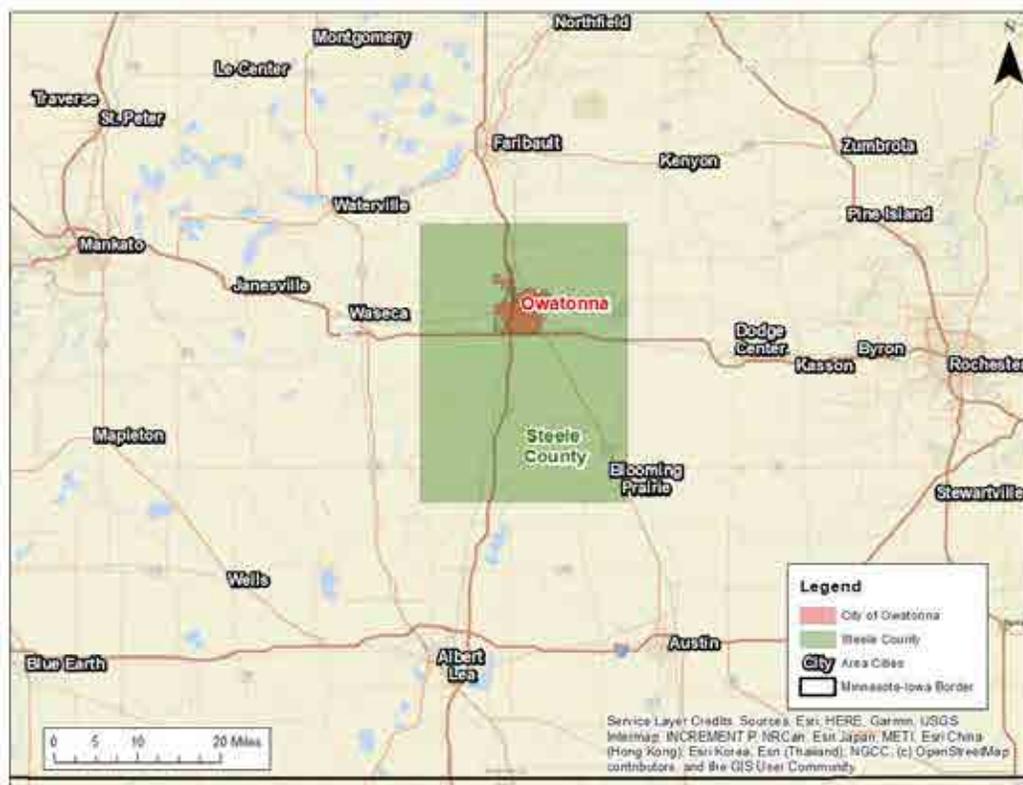
This section of the report examines factors related to the current and future demand for both owner and renter-occupied housing in Owatonna, Minnesota. It includes an analysis of population and household growth trends and projections, projected age distribution, household income, household types and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

Owatonna PMA

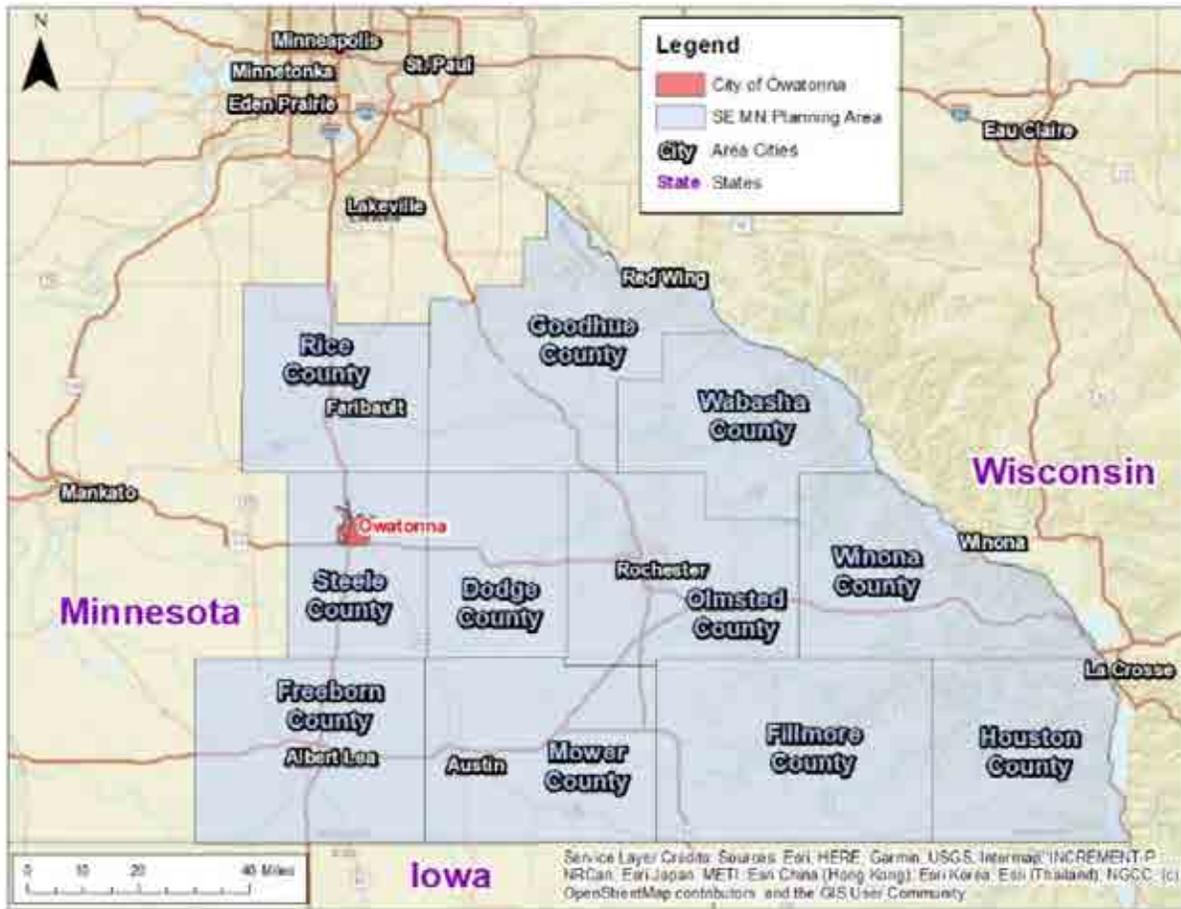
For purposes of the study, the Primary Market Area (PMA) encompasses all of Steele County.

In some cases, additional demand for housing will come from individuals moving from just outside the county, those who return from other locations (particularly young households returning after pursuing their degrees or elderly returning from retirement locations), and seniors who move to be near their adult children living in Owatonna and Steele County. Demand generated from within and outside of Steele County is considered in the demand calculations presented later in this analysis. The maps on the following page highlight the City of Owatonna, the PMA, and Southeast Minnesota Planning Region, which includes the following counties: Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, & Winona.

City of Owatonna and PMA



City of Owatonna and Southeast Minnesota Planning Area



Central Park and Historic Wells Fargo Bank

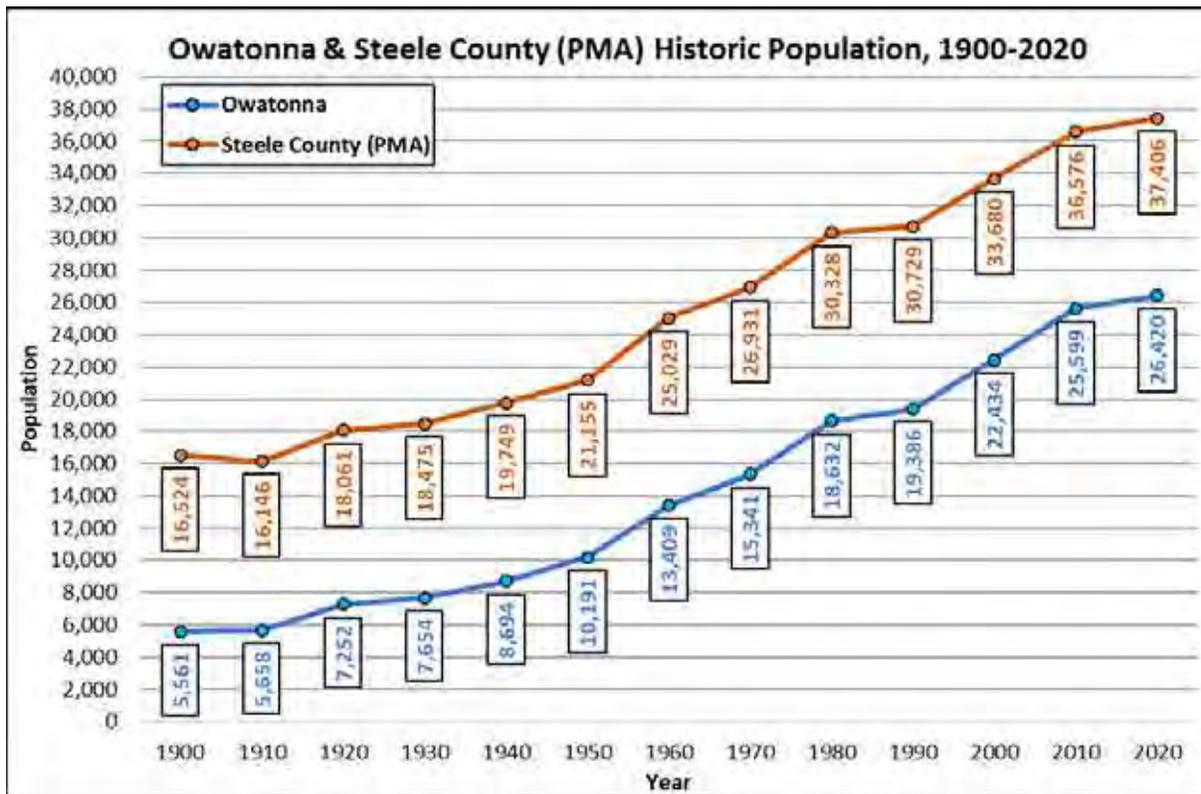


Downtown Owatonna

Historic Population

The figure on the following page shows Owatonna and the PMA’s (Steele County’s) historic population from 1900 to 2020. Data was obtained from the US Census Bureau, ESRI (a national demographics service provider), and the Owatonna Development Plan.

- The population in Owatonna has grown every decade since 1900. Population growth has ranged from 1.7% growth between 1900 and 1910 to 31.6% growth between 1950 and 1960. In contrast, the PMA lost population between 1900 and 1910 (-2.3%) but has gained population every decade since and reached a growth high of 18.3% between 1950 and 1960.
- Owatonna’s population has grown by over 20,000 (20,859) people from 5,561 people in 1900 to 26,420 people in 2020. The PMA has grown by 20,882 people from 16,524 people in 1900 to 37,406 people in 2019.
- Decades with the largest population growth in Owatonna include: 1950 to 1960 (31.6%), 1910 to 1920 (28.2%), and 1970 to 1980 (21.5%). Decades with the largest population growth in the PMA include: 1950 to 1960 (18.3%), 1970 to 1980 (12.6%), and 1920 to 1930 (11.9%).





Legend of Owatonna – Mineral Springs Park

Population and Household Growth from 2000 to 2020

Tables D-1 and D-2 present the population and household growth of Owatonna, the PMA Remainder, which includes all of Steele County sans the City of Owatonna, The PMA, which includes all of Steele County, the Southeast Minnesota Planning Region, and the State of Minnesota in 2000, 2010, and 2020. The data is sourced from the U.S. Census. Additionally, data for Owatonna, the PMA Remainder, and the PMA from tables D-1 and D-2 is also presented in graph format.

Population

- The population of Owatonna grew by 14.1% between 2000 and 2010 from 22,434 to 25,599. The growth of Owatonna between 2000 and 2010 (14.1%) was greater than the growth in the PMA Remainder (-2.3%), the PMA (8.6%), the Southeast Minnesota Planning Area (7.5%), and Minnesota (7.8%).
- From 2010 to 2020, the population of Owatonna grew to 26,420, a much lower increase in population (3.2%) than between 2000 and 2010 (14.1%). Owatonna's growth between 2010 and 2020 (3.2%) was less than that of the Southeast Minnesota Planning Area (4.7%) and Minnesota (7.6%) but more than the PMA Remainder (0.1%) and the overall PMA (2.3%).
- From 2000 to 2020, the most significant percent change in population occurred in Owatonna (17.8%), followed by the State of Minnesota (16.0%), the Southeast Minnesota Planning Area (12.6%), and the PMA (11.1%). The PMA Remainder declined in population 2.3% during the same time frame.

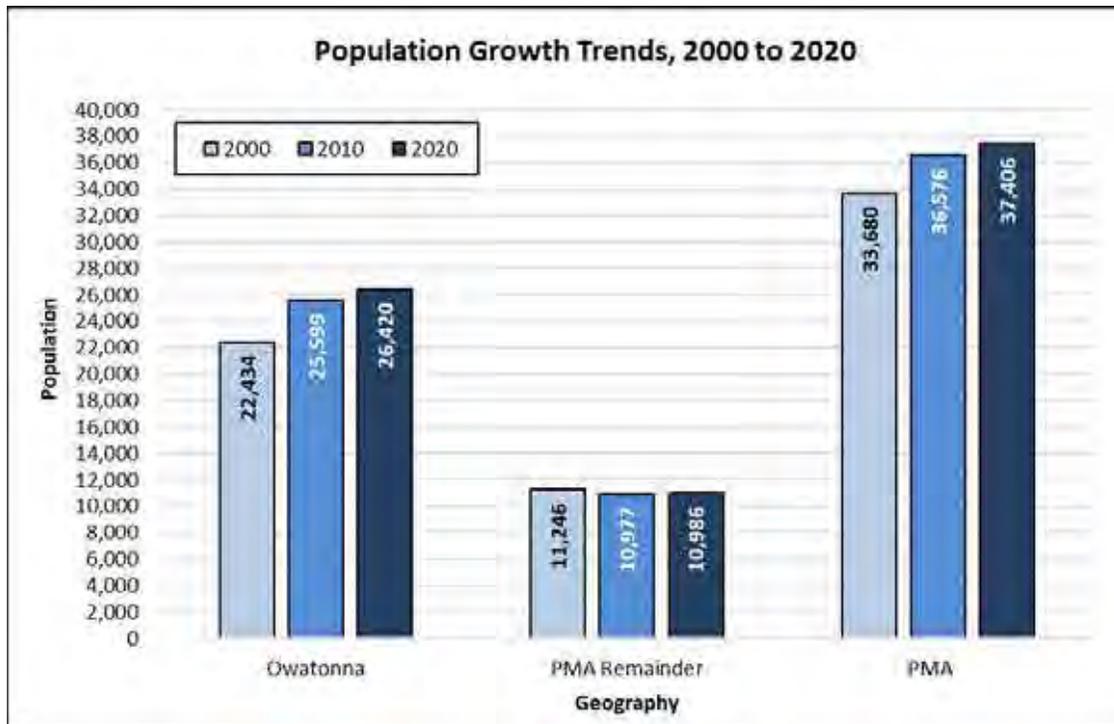
DEMOGRAPHIC ANALYSIS

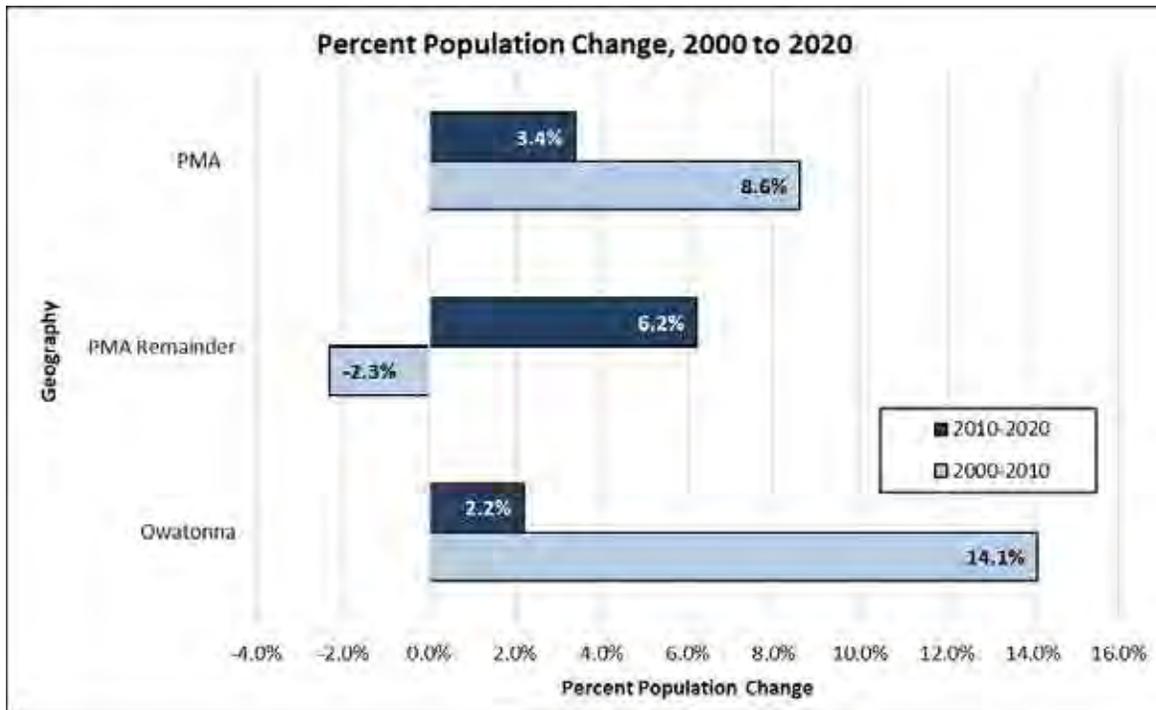
**TABLE D-1
HISTORIC POPULATION
CITY OF OWATONNA, PMA REMAINDER, PMA, SE MINNESOTA PLANNING REGION, & STATE OF MINNESOTA
2000 - 2020**

	Historic Population			Change			
	Census			2000 - 2010		2010 - 2020	
	2000	2010	2020	No.	Pct.	No.	Pct.
Owatonna	22,434	25,599	26,420	3,165	14.1%	821	3.2%
PMA Remainder	11,246	10,977	10,986	-269	-2.4%	9	0.1%
PMA	33,680	36,576	37,406	2,896	8.6%	830	2.3%
SE Minnesota Planning Area	460,102	494,684	517,852	34,582	7.5%	23,168	4.7%
Minnesota	4,919,479	5,303,925	5,706,494	384,446	7.8%	402,569	7.6%

Note: The PMA includes all of Steele County. The PMA Remainder includes all of Steele County sans the City of Owatonna. The SE Minnesota Planning Area includes the following counties: Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, & Winona.

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





Households

Household growth trends are typically a more accurate indicator of housing needs than population growth since a household is, by definition, an occupied housing unit. However, additional demand can result from changing demographics of the population base, which results in demand for different housing products.

- The number of Owatonna households grew by 15.7% between 2000 and 2010 from 8,704 to 10,068. The growth in the number of Owatonna households between 2000 and 2010 (15.7%) was greater than the growth in the PMA Remainder (2.9%), PMA (11.6%), Southeast Minnesota Planning Area (10.8%), and Minnesota (8.0%).
- From 2010 to 2020, the number of Owatonna households grew to 10,584, a lower increase in households (5.1%) than between 2000 and 2010. Owatonna’s household growth between 2010 and 2020 (5.1%) was greater than that of the PMA Remainder (-0.5%) and the PMA (3.4%) but less than the Southeast Minnesota Planning Area (6.0%) and Minnesota (8.0%).

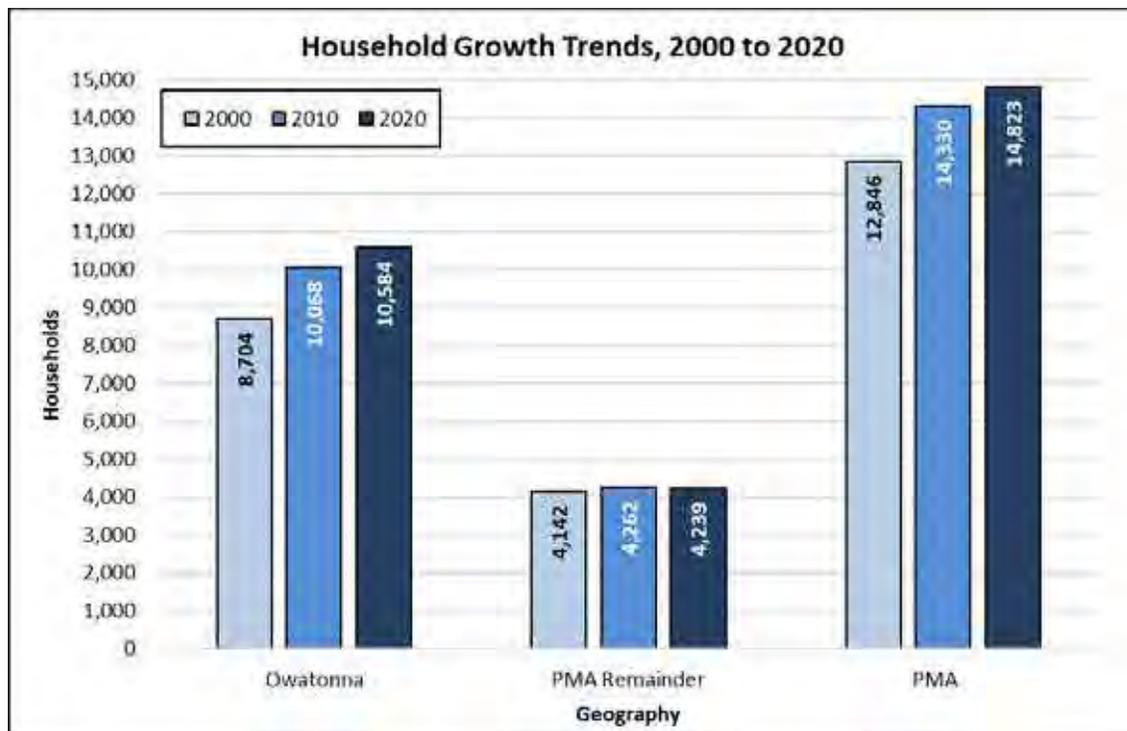
DEMOGRAPHIC ANALYSIS

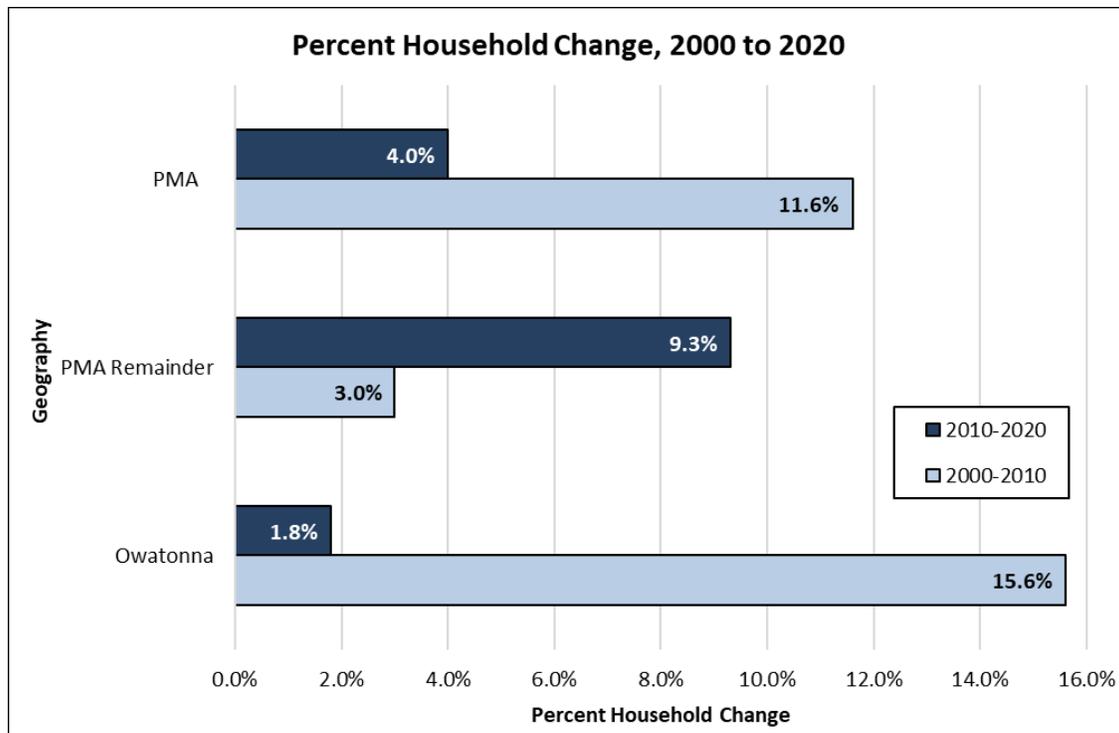
**TABLE D-2
HISTORIC HOUSEHOLDS
CITY OF OWATONNA, PMA REMAINDER, PMA, SE MINNESOTA PLANNING REGION, & STATE OF MINNESOTA
STEELE COUNTY
2000 - 2020**

	Historic Households			Change			
	Census			2000 - 2010		2010 - 2020	
	2000	2010	2020	No.	Pct.	No.	Pct.
Owatonna	8,704	10,068	10,584	1,364	15.7%	516	5.1%
PMA Remainder	4,142	4,262	4,239	120	2.9%	-23	-0.5%
PMA	12,846	14,330	14,823	1,484	11.6%	493	3.4%
SE Minnesota Planning Area	174,764	193,690	205,311	18,926	10.8%	11,621	6.0%
Minnesota	1,895,127	2,087,227	2,253,990	192,100	10.1%	166,763	8.0%

Note: The PMA includes all of Steele County. The PMA Remainder includes all of Steele County sans the City of Owatonna. The SE Minnesota Planning Area includes the following counties: Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, & Winona.

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





Population and Household Estimates and Projections

Table D-3 presents population and household growth trends and projections for Owatonna, the PMA Remainder, PMA, the Southeast Minnesota Planning Area, and the State of Minnesota through 2035. Estimates for 2020 and projections through 2035 are based on information from ESRI, the Minnesota State Demographic Center, and adjustments by Maxfield Research and Consulting, LLC based on local trends. Additionally, data for Owatonna and Steel County from table D-3 is also presented in graph format.

Please note that Maxfield Research & Consulting generated population and household projects and have adjusted projections based on a variety of factors, including:

- Strong growth since 2020 and the pandemic-led housing boom.
- Building permits. Maxfield adjusted projections based on issued building permits and projected occupancy of new housing units. Furthermore, a person per household formula was applied to each building permit.
- Development Pipeline: Based on housing projects that have been planned, approved, or within the planning process; we have modified projections based on projects that are expected to move forward. In addition, housing projects are adjusted for the construction timeframe, absorption period, and expected persons per household for each housing type.

DEMOGRAPHIC ANALYSIS

**TABLE D-3
POPULATION GROWTH TRENDS AND PROJECTIONS
CITY OF OWATONNA, PMA REMAINDER, PMA, SE MINNESOTA PLANNING REGION, & STATE OF MINNESOTA
2000 - 2035**

	Historic Census			Estimate (Maxfield)	Projected (Maxfield)			Change					
	2000	2010	2020	2023	2028	2030	2035	2000 - 2010		2010 - 2020		2020 - 2030	
								No.	Pct.	No.	Pct.	No.	Pct.
Population													
Owatonna	22,434	25,599	26,420	27,600	28,650	29,000	29,500	3,165	14.1%	821	3.2%	2,580	9.8%
PMA Remainder	11,246	10,977	10,986	10,985	10,950	10,900	10,850	-269	-2.4%	9	0.1%	-86	-0.8%
PMA	33,680	36,576	37,406	38,585	39,600	39,900	40,350	2,896	8.6%	830	2.3%	2,494	6.7%
SE Minnesota Planning Area	460,102	494,684	517,852	524,090	537,390	542,710	553,650	34,582	7.5%	23,168	4.7%	24,858	4.8%
State of Minnesota	4,919,479	5,303,925	5,706,494	5,827,170	5,886,323	6,034,205	6,155,860	384,446	7.8%	402,569	7.6%	327,711	5.7%
Households													
Owatonna	8,704	10,068	10,584	10,900	11,500	11,625	11,900	1,364	15.7%	516	5.1%	1,041	9.8%
PMA Remainder	4,142	4,262	4,239	4,225	4,210	4,200	4,180	120	2.9%	-23	-0.5%	-39	-0.9%
PMA	12,846	14,330	14,823	15,125	15,710	15,825	16,080	1,484	11.6%	493	3.4%	1,002	6.8%
SE Minnesota Planning Area	174,764	193,690	205,311	208,500	214,571	217,000	221,950	18,926	10.8%	11,621	6.0%	11,689	5.7%
State of Minnesota	1,895,127	2,087,227	2,253,990	2,305,000	2,355,000	2,375,000	2,430,000	192,100	10.1%	166,763	8.0%	121,010	5.4%
Persons Per Household													
Owatonna	2.58	2.54	2.50	2.53	2.49	2.49	2.48						
PMA Remainder	2.72	2.58	2.59	2.60	2.60	2.60	2.60						
PMA	2.62	2.55	2.52	2.55	2.52	2.52	2.51						
SE Minnesota Planning Area	2.63	2.55	2.52	2.51	2.50	2.50	2.49						
State of Minnesota	2.60	2.54	2.53	2.53	2.50	2.54	2.53						

Note: The PMA includes all of Steele County. The PMA Remainder includes all of Steele County except for the City of Owatonna. The SE Minnesota Planning Area includes the following counties: Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, & Winona.

Sources: U.S. Census; State of Minnesota Demographer; ESRI; & Maxfield Research and Consulting, LLC.

DEMOGRAPHIC ANALYSIS

- Interest rates, Inflation, and Economy. The Federal Reserve's tightening monetary policy to fight inflation has pushed interest rates up to their highest levels in 20+ years. These aggressive rate hikes over the past few years have impacted real estate markets; both the residential and multifamily sectors. Tighter underwriting, more equity, and higher rates are slowing down new construction as developers and builders put projects on hold. Maxfield Research has taken a slowdown in consideration for our short-term projections.

Finally, Minnesota Demographer's estimates for Owatonna in 2022 indicate inconsistencies between population and household growth. Based on the state demographers estimates Owatonna has seen rapid population growth against lower household growth resulting in a massive shift in the persons per household in Owatonna. Given the growth of rental housing, demographic trends of baby boomers and Millennials, Maxfield Research finds stronger household growth against slower population growth. This leads to a smaller household size which is higher housing demand.

The following bullet points summarize growth trends from Table D-3.

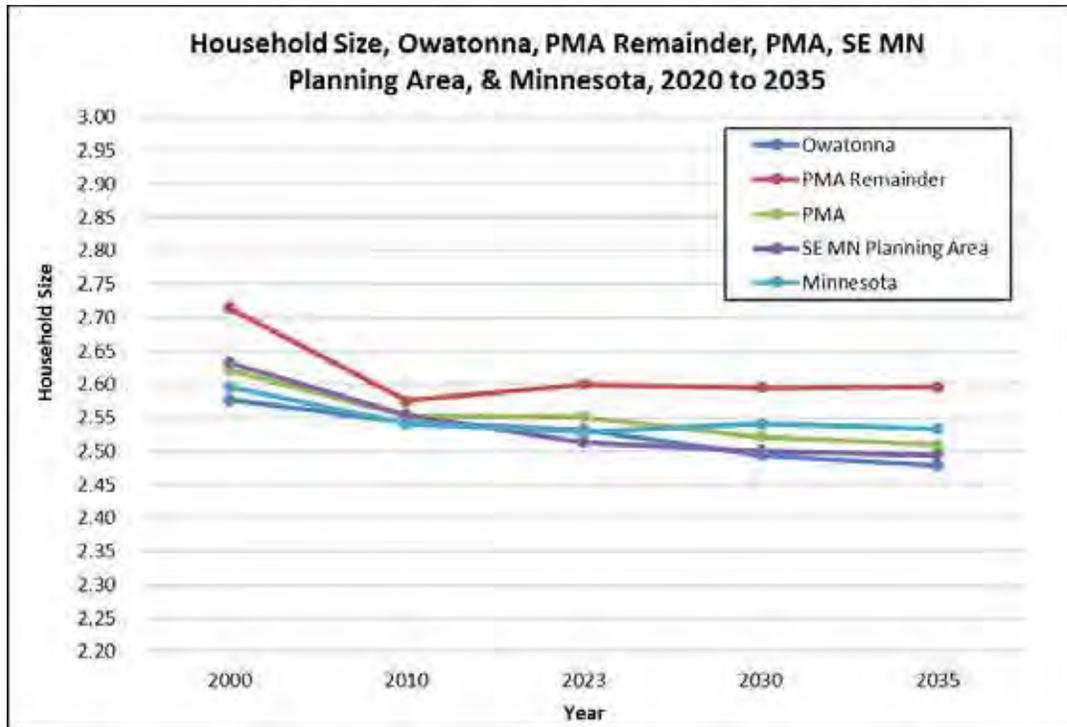
- Projections indicate Owatonna will experience a 5.1% increase in population between 2023 and 2030. The projected population increase will be lower than the population increase experienced between 2010 and 2020 (3.2%) and between 2000 and 2010 (14.1%).
- Between 2030 and 2035 Owatonna is projected to experience a 1.7% population growth.
- The overall PMA's population is expected to grow at a rate of 3.5% between 2023 and 2030 and by 1.2% from 2030 and 2035.
- Due to declining household size, household growth is projected to outpace population growth. A 6.7% increase in households between 2023 and 2030 and a 2.4% increase in households between 2030 and 2035 is forecast for Owatonna.

Household Size

Household size is calculated by dividing the number of persons in households by the number of households (or householders). Nationally, the average number of people per household has been declining for over a century; however, there have been sharp declines starting in the 1960s and 1970s. Persons per household in the U.S. were about 4.5 in 1916 and declined to 3.2 in the 1960s. Over the past 60 years, it dropped to 2.60 as of the 2000 Census.

The declining household size has been caused by many factors, including: aging, higher divorce rates, cohabitation, smaller family sizes, demographic trends in marriage, etc. Most of these changes have resulted from shifts in societal values, the economy, and improvements in health care that have influenced how people organize their lives. Table D-3 highlights the declining household size in Steele County and its submarkets.

- In 2010 household size in Owatonna was 2.54. In comparison, household size was 2.55 in the PMA, 2.58 in the PMA Remainder, 2.55 in the Southeast Minnesota Planning Area and 2.54 in the State of Minnesota as a whole. By 2020, estimates of household size had fallen to 2.50 in Owatonna, 2.52 in the Southeast Minnesota Planning Area, 2.52 in the PMA, 2.59 in the PMA Remainder, and 2.53 in Minnesota.
- Owatonna's household size is projected to decrease to 2.49 by 2030 and to 2.48 by 2035. Owatonna's projected household size will be less than the state's, which is projected to be 2.54 in 2030 and 2.53 in 2035.
- The PMA Remainder's household size is projected to be 2.60 by 2030 and remain at 2.60 in 2035. This is more than Owatonna's household size in both 2030 (2.49) and 2035 (2.48) and likely due to the more rural character of the PMA Remainder.
- In 2030 the PMA Remainder is projected to have the largest household sizes at 2.60 followed by Minnesota (2.54) and the PMA (2.52). The Southeast Minnesota Planning Area (2.50) and Owatonna (2.49) are forecast to have the lowest household sizes.
- By 2035 the PMA Remainder is again projected to have the largest household size at 2.60 followed by Minnesota (2.53) and the PMA (2.51). The Southeast Minnesota Planning Area (2.49) and Owatonna (2.48) are forecast to have the lowest household sizes.



Age Distribution Trends

Table D-4 shows the distribution of persons within nine age cohorts for Owatonna, the PMA Remainder, PMA, the Southeast Minnesota Planning Area, and the State of Minnesota in 2000 and 2010 with estimates for 2023 and projections for 2028 and 2030. The 2000 and 2010 age distribution data is from the U.S. Census Bureau. Maxfield Research and Consulting, LLC derived the 2023 estimates and 2028 and 2030 projections from ESRI with adjustments made to reflect local trends.

The key points from the table are found below.

- In 2010, the largest adult age cohort in Owatonna, the PMA Remainder, PMA, Southeast Minnesota Planning Area, and Minnesota were those between the ages of 45 and 54.
- In 2023, the largest adult age cohorts in Owatonna are estimated to be those between 35 and 44 and those between 55 and 64 which each represent 12.9% of all age cohorts. In comparison, in the PMA Remainder, PMA, Southeast Minnesota Planning Area, and Minnesota the 55 to 64 age cohort is the sole largest adult age cohort.
- In 2030, the largest adult age cohort is projected to be those between 35 and 44 in Owatonna, the Southeast Minnesota Planning Area, and Minnesota. In the PMA Remainder and PMA, the largest group is projected to be those 55 and 64.

DEMOGRAPHIC ANALYSIS

**TABLE D-4
POPULATION AGE DISTRIBUTION
OWATONNA, PMA REMAINDER, PMA, SE MINNESOTA PLANNING AREA, & MINNESOTA
2000 to 2030**

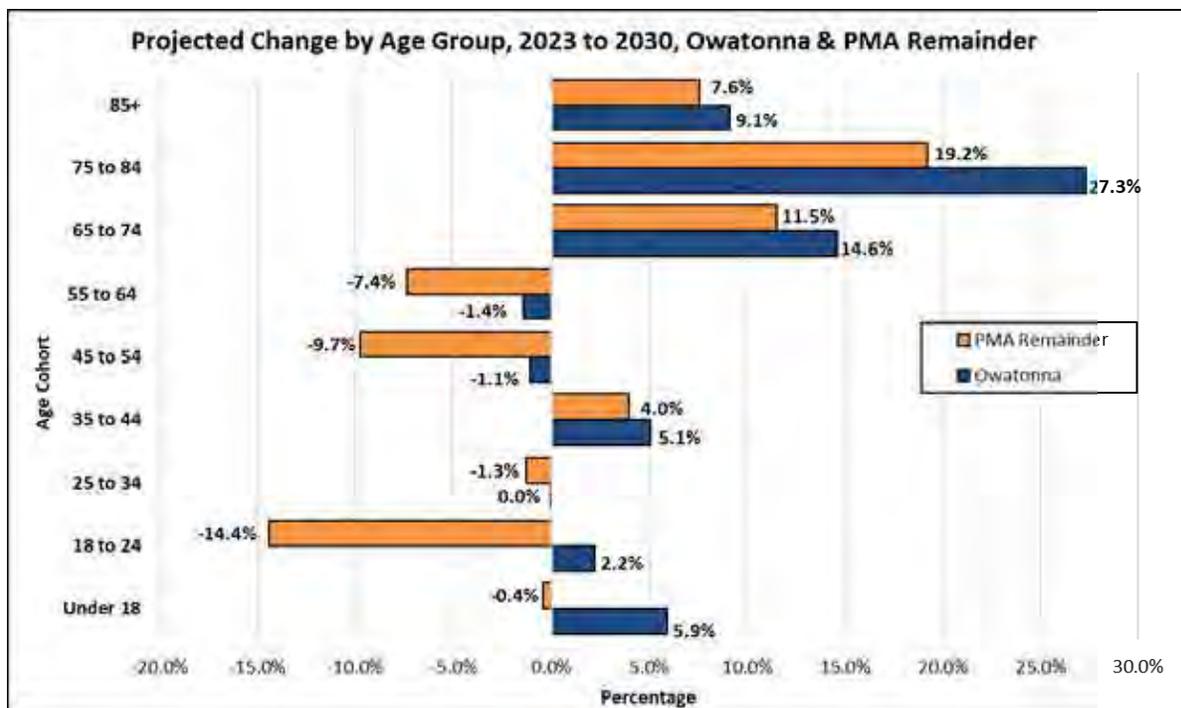
	Number of People					Change					
	U.S. Census		Estimate	Forecast		U.S. Census		Estimate/Forecast			
	2000	2010	2023	2028	2030	2000-2010		2010-2023	2023-2030		
	No.	No.	No.	No.	No.	No.	Pct.	No.	Pct.	No.	Pct.
Owatonna											
Under 18	6,302	6,890	6,817	7,134	7,221	588	9.3%	-73	-1.1%	404	5.9%
18 to 24	1,875	1,889	2,042	2,063	2,088	14	0.7%	153	8.1%	46	2.2%
25 to 34	3,058	3,365	3,422	3,381	3,422	307	10.0%	57	1.7%	0	0.0%
35 to 44	3,637	3,368	3,560	3,696	3,741	-269	-7.4%	192	5.7%	181	5.1%
45 to 54	2,912	3,661	3,312	3,237	3,277	749	25.7%	-349	-9.5%	-35	-1.1%
55 to 64	1,754	2,882	3,560	3,467	3,509	1,128	64.3%	678	23.5%	-51	-1.4%
65 to 74	1,417	1,663	2,732	3,094	3,132	246	17.4%	1,069	64.3%	400	14.6%
75 to 84	1,042	1,225	1,435	1,805	1,827	183	17.6%	210	17.2%	392	27.3%
85+	437	656	718	774	783	219	50.1%	62	9.4%	65	9.1%
Total	22,434	25,599	27,600	28,650	29,000	3,165	14.1%	3,051	11.9%	1,400	5.1%
PMA Remainder											
Under 18	3,102	2,760	2,483	2,475	2,472	-342	-11.0%	-277	-10.1%	-10	-0.4%
18 to 24	873	707	780	668	667	-166	-19.0%	73	10.3%	-113	-14.4%
25 to 34	1,255	1,141	1,263	1,248	1,247	-114	-9.1%	122	10.7%	-16	-1.3%
35 to 44	1,825	1,391	1,252	1,303	1,302	-434	-23.8%	-139	-10.0%	50	4.0%
45 to 54	1,555	1,788	1,406	1,270	1,269	233	15.0%	-382	-21.4%	-137	-9.7%
55 to 64	1,044	1,464	1,571	1,456	1,455	420	40.2%	107	7.3%	-116	-7.4%
65 to 74	765	926	1,285	1,434	1,433	161	21.0%	359	38.8%	148	11.5%
75 to 84	617	548	670	799	799	-69	-11.2%	122	22.3%	129	19.2%
85+	210	252	275	296	295	42	20.0%	23	9.0%	21	7.6%
Total	11,246	10,977	10,985	10,950	10,940	-269	-2.4%	8	0.1%	-45	-0.4%
PMA											
Under 18	9,404	9,650	9,338	9,544	9,616	246	2.6%	-312	-3.2%	278	3.0%
18 to 24	2,748	2,596	2,817	2,693	2,713	-152	-5.5%	221	8.5%	-104	-3.7%
25 to 34	4,313	4,506	4,707	4,633	4,668	193	4.5%	201	4.5%	-39	-0.8%
35 to 44	5,462	4,759	4,785	4,990	5,027	-703	-12.9%	26	0.5%	243	5.1%
45 to 54	4,467	5,449	4,707	4,554	4,589	982	22.0%	-742	-13.6%	-119	-2.5%
55 to 64	2,798	4,346	5,093	4,950	4,988	1,548	55.3%	747	17.2%	-106	-2.1%
65 to 74	2,182	2,589	4,013	4,554	4,589	407	18.7%	1,424	55.0%	576	14.3%
75 to 84	1,659	1,773	2,122	2,614	2,633	114	6.9%	349	19.7%	511	24.1%
85+	647	908	1,003	1,069	1,077	261	40.3%	95	10.5%	74	7.4%
Total	33,680	36,576	38,585	39,600	39,900	2,896	8.6%	2,009	5.5%	1,315	3.4%
SE MN Planning Area											
Under 18	119,920	119,272	116,872	120,375	121,567	-648	-0.5%	-2,400	-2.0%	4,695	4.0%
18 to 24	46,129	48,239	47,168	47,828	48,301	2,110	4.6%	-1,071	-2.2%	1,133	2.4%
25 to 34	55,994	62,251	66,035	63,949	64,582	6,257	11.2%	3,784	6.1%	-1,453	-2.2%
35 to 44	74,105	59,412	65,511	69,323	70,010	-14,693	-19.8%	6,099	10.3%	4,498	6.9%
45 to 54	60,659	74,315	60,794	60,725	61,326	13,656	22.5%	-13,521	-18.2%	532	0.9%
55 to 64	39,462	58,840	70,228	63,949	64,582	19,378	49.1%	11,388	19.4%	-5,646	-8.0%
65 to 74	30,587	36,088	53,981	60,725	61,326	5,501	18.0%	17,893	49.6%	7,345	13.6%
75 to 84	23,305	24,036	29,873	36,005	36,362	731	3.1%	5,837	24.3%	6,488	21.7%
85+	9,941	12,231	13,626	14,510	14,653	2,290	23.0%	1,395	11.4%	1,027	7.5%
Total	460,102	494,684	524,090	537,390	542,710	34,582	7.5%	29,406	5.9%	18,620	3.6%
MN											
Under 18	1,286,894	1,284,063	1,281,977	1,277,332	1,309,422	-2,831	-0.2%	-2,086	-0.2%	27,445	2.1%
18 to 24	470,434	502,799	518,618	506,224	518,942	32,365	6.9%	15,819	3.1%	324	0.1%
25 to 34	673,138	715,586	792,495	771,108	790,481	42,448	6.3%	76,909	10.7%	-2,014	-0.3%
35 to 44	824,182	681,094	757,532	800,540	820,652	-143,088	-17.4%	76,438	11.2%	63,120	8.3%
45 to 54	665,696	807,898	693,433	682,813	699,968	142,202	21.4%	-114,465	-14.2%	6,535	0.9%
55 to 64	404,869	629,364	775,014	700,472	718,070	224,495	55.4%	145,650	23.1%	-56,943	-7.3%
65 to 74	295,825	354,427	582,717	647,496	663,763	58,602	19.8%	228,290	64.4%	81,046	13.9%
75 to 84	212,840	222,030	297,186	364,952	374,121	9,190	4.3%	75,156	33.8%	76,935	25.9%
85+	85,601	106,664	128,198	135,385	138,787	21,063	24.6%	21,534	20.2%	10,589	8.3%
Total	4,919,479	5,303,925	5,827,170	5,886,323	6,034,205	384,446	7.8%	523,245	9.9%	207,035	3.6%

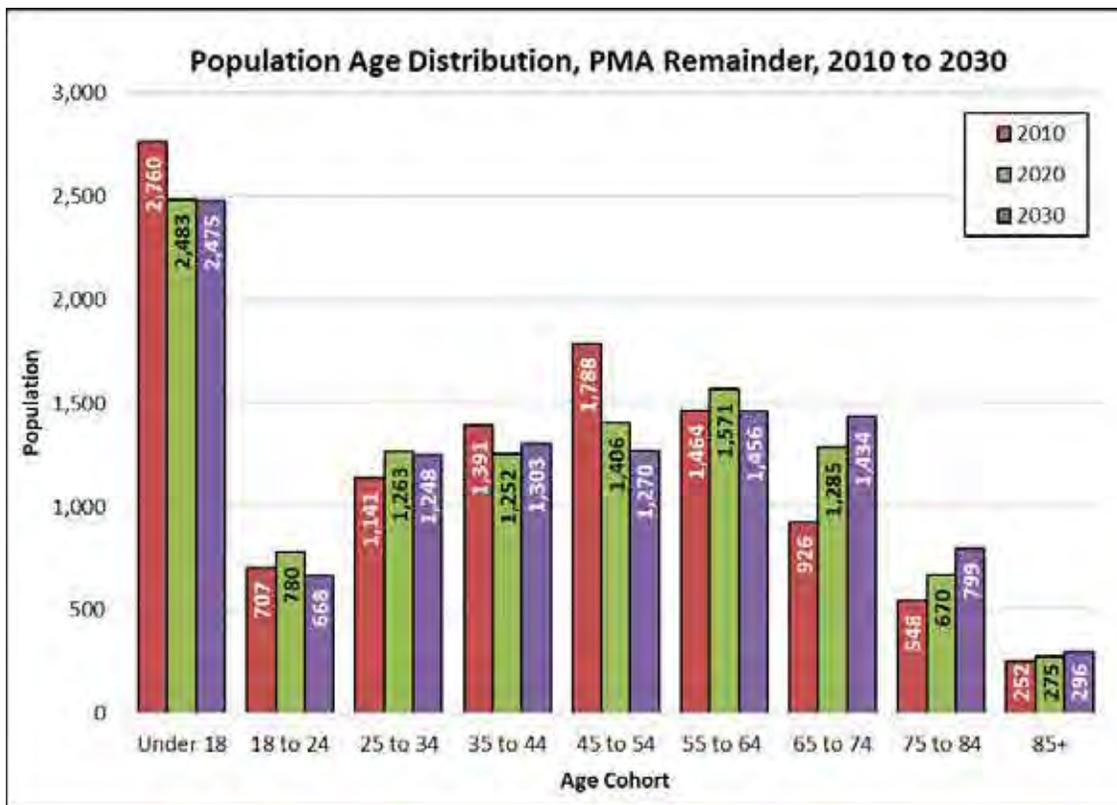
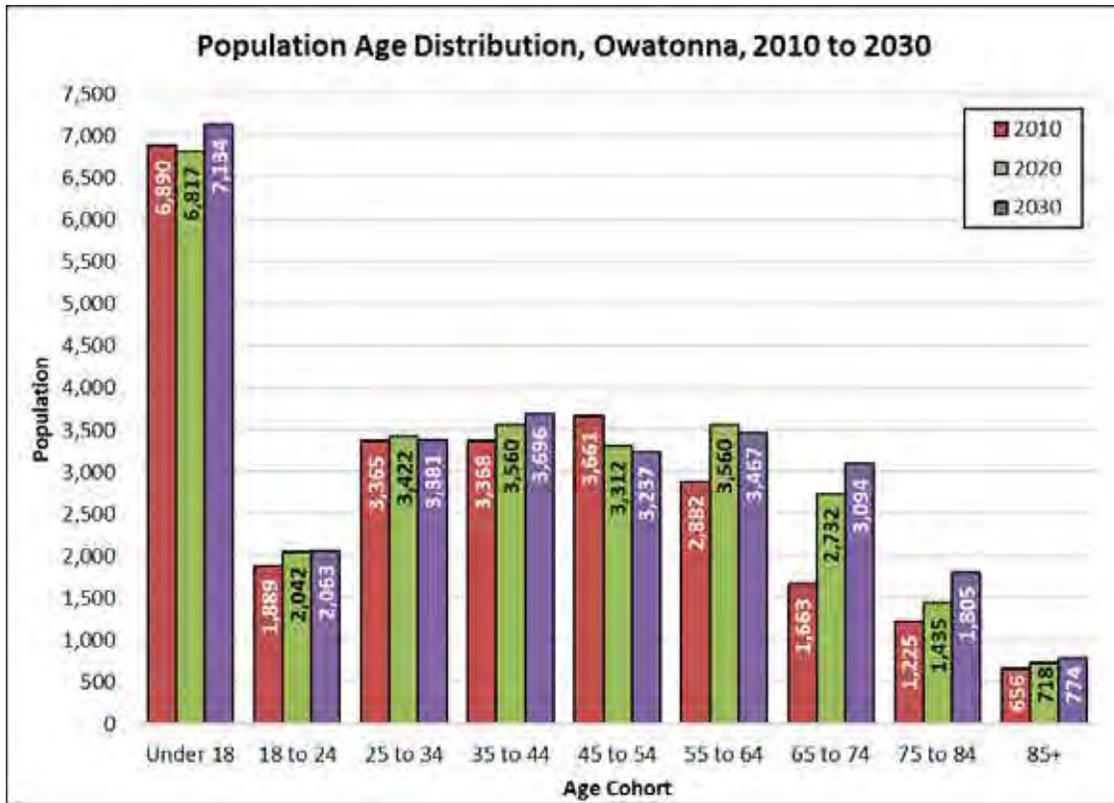
Note: The Southeast Minnesota Planning Area includes the following counties: Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, & Winona. The PMA includes all of Steele County. The PMA Remainder includes all of Steele County except for the City of Owatonna.

Source: U.S. Census Bureau; ESRI; Maxfield Research and Consulting, LLC.

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- In Owatonna, the largest adult age cohort numerically in 2030 is projected to be those between the ages of 35 to 44 (3,741). The age cohort that is projected to experience the greatest percentage growth between 2023 and 2030 are those age 75 to 84, which is forecast to increase by 27.3%.
- The largest 2023 to 2030 proportional growth is expected to occur among the 75 to 84 age cohort in all geographies: Owatonna (27.3% increase), the PMA Remainder (19.2% increase), PMA (24.1% increase), the Southeast Minnesota Planning Area (21.7%), and Minnesota (25.9% increase) between 2023 and 2028.
- Owatonna's 65 and older population is expected to grow in each age cohort from 2023 to 2030. The increasing older adult population reflects larger state and national trends of an aging population, largely due to aging of the sizable baby boom generation.

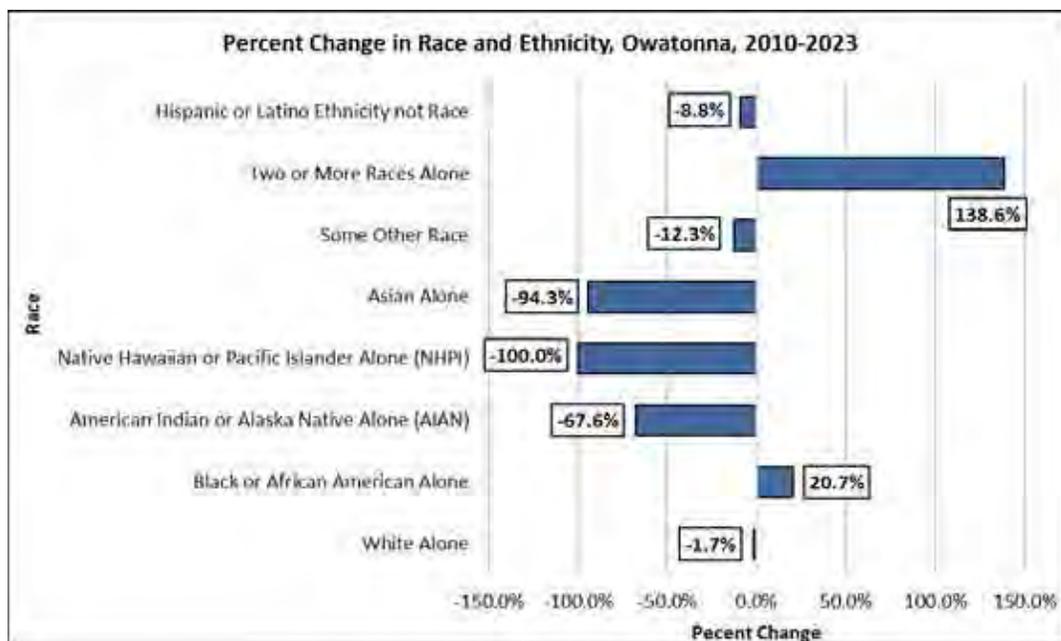




Race of Population

The race of the population illustrates the diversity for Owatonna, the PMA Remainder, PMA, Southeast Minnesota Planning Area, and State of Minnesota. Data for 2010 was obtained from the U.S. Census while data for 2023 was obtained from American Community Survey’s 2021 (2017-2021) Five-year estimates adjusted to 2023 by Maxfield Research.

- The majority of Owatonna residents reported their race as “White Alone” in 2010 (91.2%) and 2023 (89.6%).
- From 2010 to 2023, Owatonna increased its population in only the Two or More Alone and Black or African American Alone racial groups. Residents reporting their race as Two or More Races Alone increased 138.6% while residents reporting their race as Black or African American Alone increased 20.7%. Most racial groups experienced decreases in population with the Asian Alone category decreasing by 100.0%, the Asian Alone category decreasing by 94.3%, the American Indian or Alaska Native Alone (AIAN) population decreasing by 67.6%, the Some Other Race Category decreasing by 12.3%, and the White Alone Category decreasing by 1.7%.
- Owatonna’s Hispanic or Latino Ethnicity category decreased by 8.8%. Note that those identifying as Hispanic or Latino is separate from the racial categories. For example, those identifying as Hispanic or Latino could also identify as White Alone or Black or African Alone.
- Those identifying as Hispanic or Latino made up 6.7% of Owatonna’s population in 2023, down from 7.3% in 2010. However, in the PMA Remainder, the proportion of those identifying as Hispanic or Latino increased from 3.8% of the population in 2010 to 11.8% of the population in 2023.



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**TABLE D-5
POPULATION DISTRIBUTION BY RACE
OWATONNA, PMA REMAINDER, PMA, SE MN PLANNING AREA, & STATE OF MINNESOTA
2010 & 2023**

	White Alone		Black or African American Alone		American Indian or Alaska Native Alone (AIAN)		Native Hawaiian or Pacific Islander Alone (NHP)		Asian Alone		Some Other Race		Two or More Races Alone		Hispanic or Latino <i>Ethnicity not Race</i>	
	2010	2023	2010	2023	2010	2023	2010	2023	2010	2023	2010	2023	2010	2023	2010	2023
	Number															
Owatonna	23,350	24,739	984	1,280	66	23	3	0	237	15	568	537	391	1,006	1,868	1,836
PMA Remainder	10,688	10,005	29	8	20	14	5	26	44	141	72	280	119	511	414	1,296
PMA	34,038	34,744	1,013	1,288	86	37	8	26	281	156	640	817	510	1,517	2,282	3,132
SE MN Planning Area	451,152	456,060	12,389	20,161	1,717	1,740	197	379	12,010	16,485	8,918	9,722	8,301	19,542	24,805	31,352
State of Minnesota	4,524,062	4,703,232	274,412	386,808	60,916	54,151	2,156	2,403	214,234	291,213	103,000	123,327	125,145	266,036	250,258	328,666
Percentage																
Owatonna	91.2%	89.6%	3.8%	4.6%	0.3%	0.1%	0.0%	0.0%	0.9%	0.1%	2.2%	1.9%	1.5%	3.6%	7.3%	6.7%
PMA Remainder	97.4%	91.1%	0.3%	0.1%	0.2%	0.1%	0.0%	0.2%	0.4%	1.3%	0.7%	2.5%	1.1%	4.7%	3.8%	11.8%
PMA	93.1%	90.0%	2.8%	3.3%	0.2%	0.1%	0.0%	0.1%	0.8%	0.4%	1.7%	2.1%	1.4%	3.9%	6.2%	8.1%
SE MN Planning Area	91.2%	87.0%	2.5%	3.8%	0.3%	0.3%	0.0%	0.1%	2.4%	3.1%	1.8%	1.9%	1.7%	3.7%	5.0%	6.0%
State of Minnesota	85.3%	80.7%	5.2%	6.6%	1.1%	0.9%	0.0%	0.0%	4.0%	5.0%	1.9%	2.1%	2.4%	4.6%	4.7%	5.6%
Note: The PMA includes all of Steele County. The PMA Remainder includes all of the PMA Remainder except for the City of Owatonna. The Southeast Minnesota Planning Area includes the following counties: Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, & Winona.																
Sources: U.S. Census Bureau; Maxfield Research and Consulting, LLC.																

Household Income by Age of Householder

The estimated distribution of household incomes in Owatonna, the PMA Remainder, PMA, and Minnesota for 2023 and 2030 are shown in Tables D-6, D-7, D-8, and D-9. The data was estimated by Maxfield Research and Consulting, LLC based on income trends provided by ESRI. The data helps ascertain the demand for different housing products based on the size of the market at specific cost levels.

The Department of Housing and Urban Development defines affordable housing costs as 30% of a household's adjusted gross income. For example, a household with an income of \$50,000 per year would be able to afford a monthly housing cost of about \$1,250. Maxfield Research and Consulting, LLC utilizes a figure of 25% to 30% for younger households and 40% or more for seniors, since seniors generally have lower living expenses and can often sell their homes and use the proceeds toward rent payments.

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

Table D-6 presents household income by the age of the householder in Owatonna for 2023 and 2030.

- In 2023, the median income for Owatonna is \$76,941 across all ages. The median income is forecast to rise by 11.5% to \$85,772 by 2030.
- The Remainder of the PMA's 2023 median income is 8.2% higher than in Owatonna. This trend is expected to continue in 2030 when the PMA Remainder's median income is projected to be 11.8% higher than in Owatonna.
- The highest median income in Owatonna was recorded among those between the ages of 35 and 44 at \$91,008 in 2023. In 2030, those between the ages of 45 to 54 are expected to be the highest income earners with a median income of \$103,085.
- The 75+ age cohort had the lowest median income in both 2023 (\$38,706) and 2030 (\$44,723). Older age groups tend to be retired and therefore have lower incomes than those in their prime working age.
- Between 2023 and 2030 the median income of householders between the ages of 65 and 74 in Owatonna is forecast to experience the greatest growth, increasing 24.4% from \$69,053 in 2023 to \$85,909 in 2030. Other age cohorts experiencing median income growth of more than 15% include those: 55-64 (15.8%), 75+ (15.5%), and Under 25 (15.4%).

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- Between 2023 and 2030 the median income of householders between the ages of 35 and 44 in Owatonna is forecast to experience the lowest growth, increasing 10.1% from \$91,008 in 2023 to \$100,201 in 2030.

TABLE D-6 HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER CITY OF OWATONNA (Number of Households) 2023 and 2030								
	Age of Householder							
	Total	Under 25	25-34	35-44	45-54	55-64	65 -74	75+
2023								
Less than \$15,000	681	49	90	83	64	121	99	174
\$15,000 to \$24,999	668	34	80	50	46	100	127	231
\$25,000 to \$34,999	630	44	103	62	44	86	96	195
\$35,000 to \$49,999	1,491	101	239	179	166	215	252	339
\$50,000 to \$74,999	1,894	94	302	298	339	347	321	193
\$75,000 to \$99,999	2,228	82	372	437	420	452	334	131
\$100,000 to \$149,999	2,065	30	275	525	466	441	261	66
\$150,000 to \$199,999	809	7	139	177	182	174	91	39
\$200,000+	435	0	38	114	114	108	47	14
Total	10,900	441	1,639	1,924	1,840	2,044	1,629	1,382
<i>Median Income</i>	\$76,941	\$49,475	\$76,443	\$91,008	\$90,193	\$83,328	\$69,053	\$38,706
2030								
Less than \$15,000	592	50	70	68	48	79	86	191
\$15,000 to \$24,999	543	28	60	29	29	63	107	226
\$25,000 to \$34,999	624	44	90	58	37	71	107	218
\$35,000 to \$49,999	1,366	92	207	172	136	175	229	355
\$50,000 to \$74,999	1,780	100	267	282	279	297	319	236
\$75,000 to \$99,999	2,511	104	395	481	423	467	433	208
\$100,000 to \$149,999	2,594	44	344	630	535	530	379	132
\$150,000 to \$199,999	1,129	10	183	236	235	236	152	77
\$200,000+	486	0	45	116	116	114	64	32
Total	11,625	472	1,660	2,071	1,839	2,032	1,876	1,676
<i>Median Income</i>	\$85,772	\$57,080	\$85,114	\$100,201	\$103,085	\$96,460	\$85,909	\$44,723
Change - 2023 to 2030								
Less than \$15,000	-89	0	-20	-14	-17	-41	-13	17
\$15,000 to \$24,999	-126	-6	-21	-21	-17	-37	-20	-5
\$25,000 to \$34,999	-6	-0	-14	-4	-7	-15	11	23
\$35,000 to \$49,999	-124	-9	-32	-7	-30	-40	-24	17
\$50,000 to \$74,999	-114	6	-34	-17	-59	-51	-2	43
\$75,000 to \$99,999	284	22	23	44	3	16	99	77
\$100,000 to \$149,999	529	14	68	104	69	89	118	66
\$150,000 to \$199,999	319	3	43	59	53	62	61	38
\$200,000+	51	0	7	2	2	5	17	18
Total	725	31	20	147	-1	-12	247	294
<i>Median Income</i>	\$8,831	\$7,605	\$8,672	\$9,192	\$12,893	\$13,132	\$16,856	\$6,017

Sources: ESRI; Maxfield Research and Consulting LLC.

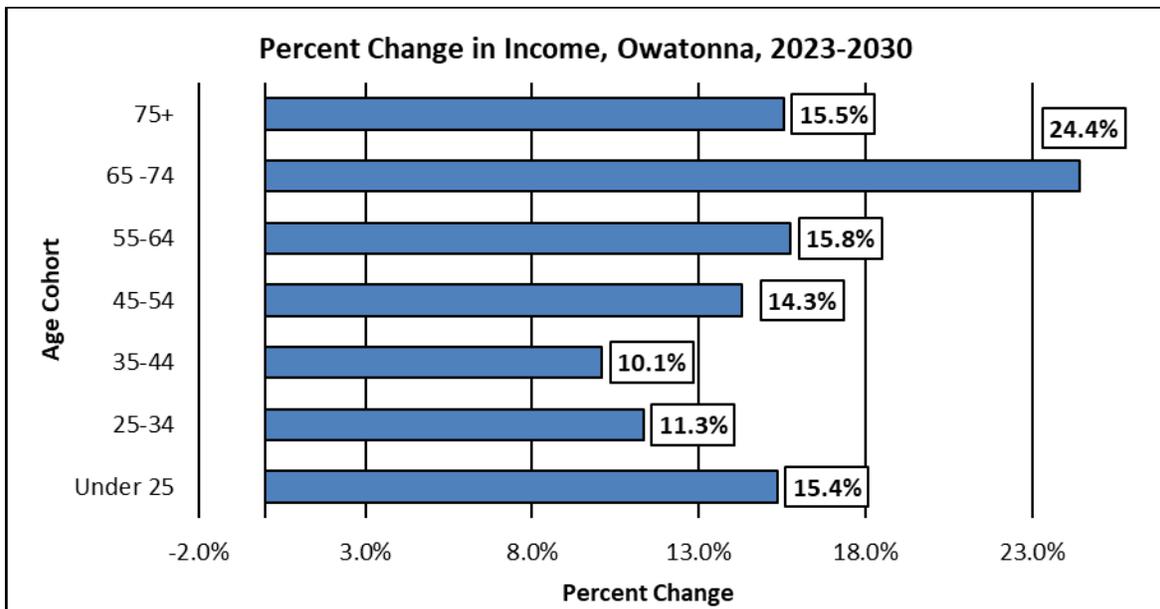
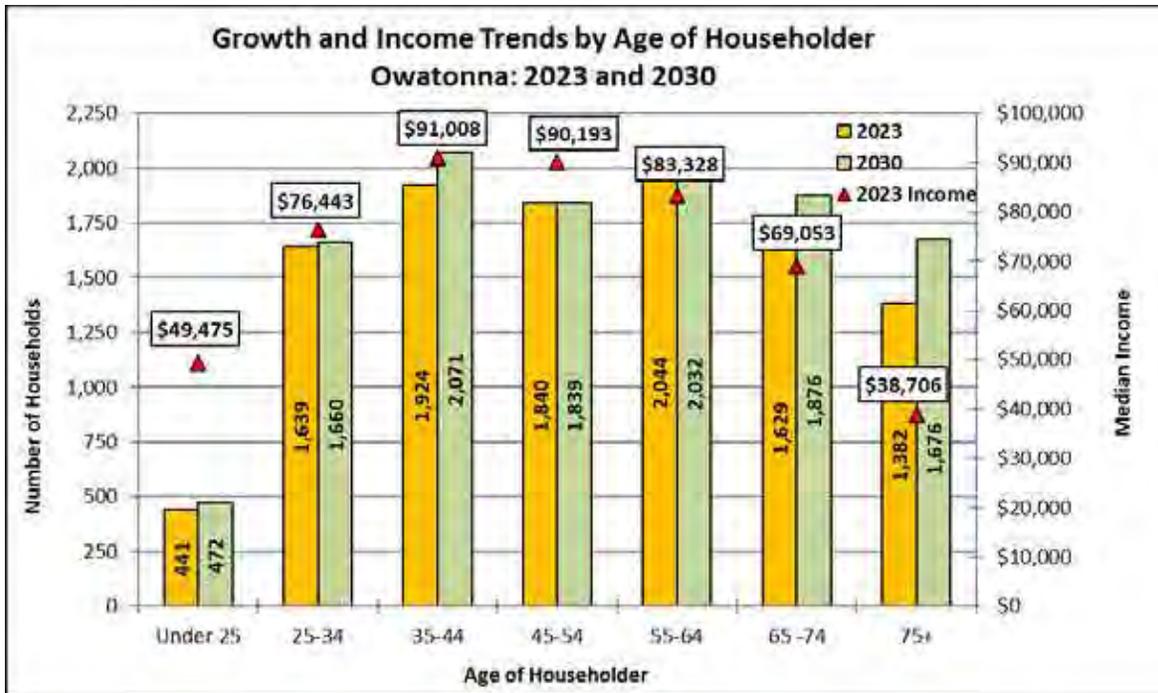


Table D-7 shows the median income for the PMA Remainder submarket for 2023 and 2030.

- The 2023 median income for the PMA Remainder is \$83,284 across all age cohorts. The median income is expected to rise to \$95,930 in 2030, a 15.2% increase in median income.

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TABLE D-7 HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER PMA REMAINDER (Number of Households) 2023 and 2030								
	Age of Householder							
	Total	Under 25	25-34	35-44	45-54	55-64	65 -74	75+
2023								
Less than \$15,000	147	8	17	12	16	26	25	44
\$15,000 to \$24,999	194	4	21	7	7	36	40	79
\$25,000 to \$34,999	252	8	40	21	19	34	38	92
\$35,000 to \$49,999	461	18	62	36	53	64	105	124
\$50,000 to \$74,999	796	16	108	87	127	176	190	92
\$75,000 to \$99,999	798	19	104	127	148	197	141	62
\$100,000 to \$149,999	1,002	14	112	226	217	224	141	68
\$150,000 to \$199,999	354	1	65	66	70	65	44	42
\$200,000+	222	0	16	54	64	48	29	11
Total	4,225	87	545	637	721	870	752	614
Median Income	\$83,284	\$58,775	\$81,256	\$104,580	\$99,902	\$87,278	\$72,524	\$47,732
2030								
Less than \$15,000	99	6	15	8	6	17	16	33
\$15,000 to \$24,999	135	3	13	6	6	19	29	60
\$25,000 to \$34,999	160	4	23	10	8	21	27	67
\$35,000 to \$49,999	418	15	55	30	40	48	99	131
\$50,000 to \$74,999	760	19	105	74	97	147	200	117
\$75,000 to \$99,999	763	17	96	122	115	168	160	86
\$100,000 to \$149,999	1,086	17	119	247	207	223	181	92
\$150,000 to \$199,999	540	2	94	99	99	97	70	81
\$200,000+	238	0	18	58	63	46	34	18
Total	4,200	82	538	653	640	787	816	685
Median Income	\$95,930	\$69,856	\$92,942	\$113,095	\$112,603	\$100,561	\$84,441	\$66,898
Change - 2023 to 2030								
Less than \$15,000	-48	-2	-2	-4	-10	-10	-9	-11
\$15,000 to \$24,999	-58	-1	-8	-1	-1	-17	-10	-20
\$25,000 to \$34,999	-91	-4	-17	-11	-11	-13	-11	-25
\$35,000 to \$49,999	-43	-3	-7	-6	-13	-16	-6	7
\$50,000 to \$74,999	-36	4	-2	-13	-30	-29	10	25
\$75,000 to \$99,999	-35	-2	-8	-6	-33	-28	19	24
\$100,000 to \$149,999	84	3	7	21	-10	-1	40	25
\$150,000 to \$199,999	186	1	28	32	29	32	26	38
\$200,000+	16	0	2	4	-1	-1	6	7
Total	-25	-5	-7	17	-81	-83	64	71
Median Income	\$12,646	\$11,081	\$11,686	\$8,515	\$12,701	\$13,283	\$11,917	\$19,166
*PMA Remainder includes all of Steele County except for the City of Owatonna.								
Sources: ESRI; Maxfield Research and Consulting LLC.								

- The highest income earners are those age 35 to 44 in 2023 (\$104,580) and 2030 (\$113,095).
- The 75 plus age cohort is forecast to experience the greatest income growth, increasing 40.2% between 2023 to 2030.

DEMOGRAPHIC ANALYSIS

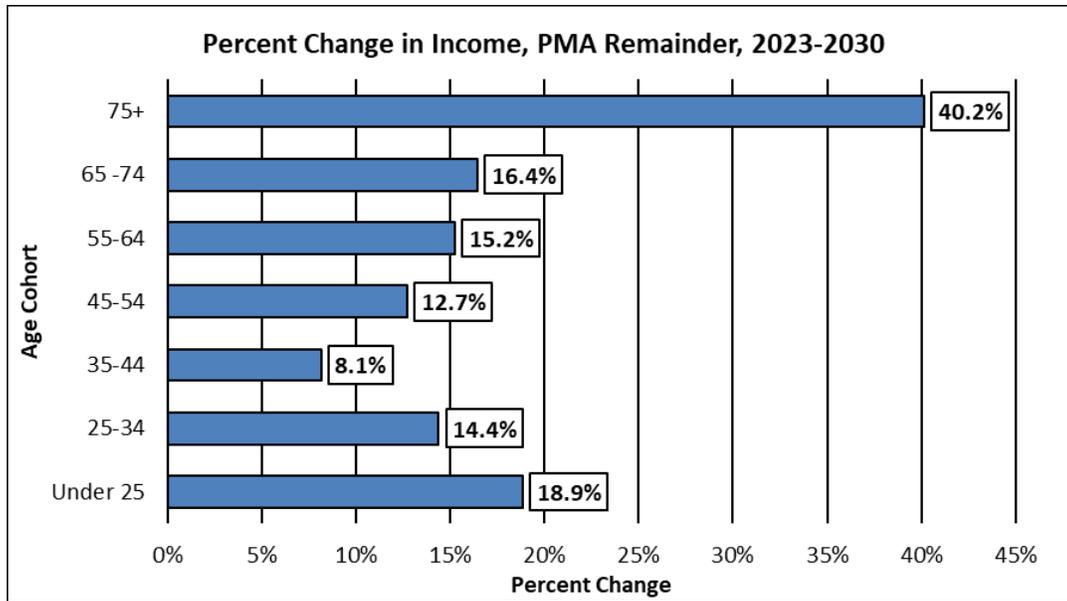
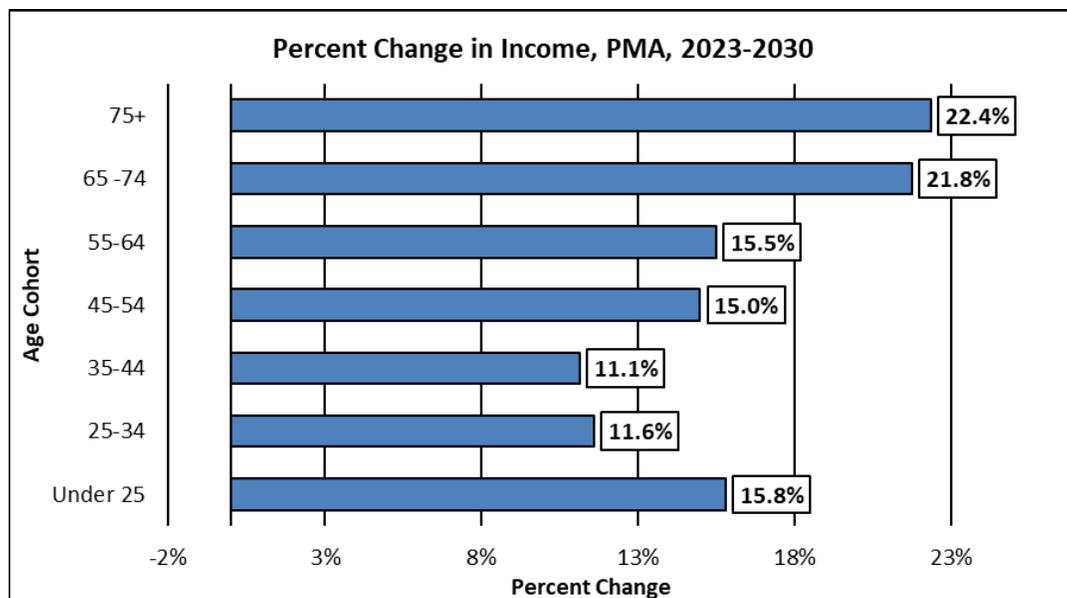


Table D-8 displays the median income among age cohorts for all of the PMA.

- In 2023, the median income of the PMA is \$78,485, rising 12.2% to \$88,093 in 2030.
- The highest earners in the PMA in 2023 are those age 35 to 44 in 2023 (\$94,914). In 2030 the highest earners in the PMA are those 45 to 54 (\$106,759).
- The largest gain in median income was reported among those 75+. This age cohort is projected to experience a 22.4% increase in median incomes, from \$40,858 in 2023 to \$49,990 in 2030.



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TABLE D-8 HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER PMA (Number of Households) 2023 and 2030								
	Age of Householder							
	Total	Under 25	25-34	35-44	45-54	55-64	65 -74	75+
2023								
Less than \$15,000	825	57	107	95	80	146	126	215
\$15,000 to \$24,999	854	40	98	56	54	131	167	307
\$25,000 to \$34,999	878	53	142	79	62	119	136	287
\$35,000 to \$49,999	1,952	120	301	212	218	277	357	467
\$50,000 to \$74,999	2,693	111	407	384	467	524	512	287
\$75,000 to \$99,999	3,027	98	475	565	570	652	474	191
\$100,000 to \$149,999	3,080	44	388	757	686	670	403	134
\$150,000 to \$199,999	1,165	9	207	243	254	239	133	80
\$200,000+	652	0	54	166	177	154	74	26
Total	15,125	532	2,178	2,558	2,568	2,912	2,383	1,994
Median Income	\$78,485	\$50,502	\$77,486	\$94,914	\$92,843	\$84,605	\$70,185	\$40,858
2030								
Less than \$15,000	685	55	83	76	52	93	103	222
\$15,000 to \$24,999	671	33	72	35	35	79	133	284
\$25,000 to \$34,999	784	48	111	68	45	90	135	286
\$35,000 to \$49,999	1,770	103	260	198	174	220	328	488
\$50,000 to \$74,999	2,553	118	376	353	378	446	528	355
\$75,000 to \$99,999	3,262	117	487	598	536	638	593	293
\$100,000 to \$149,999	3,693	58	461	875	745	759	566	230
\$150,000 to \$199,999	1,679	13	275	337	338	336	222	159
\$200,000+	728	0	59	177	181	161	100	50
Total	15,825	546	2,184	2,717	2,484	2,821	2,708	2,367
Median Income	\$88,093	\$58,485	\$86,465	\$105,474	\$106,759	\$97,706	\$85,461	\$49,990
Change - 2023 to 2030								
Less than \$15,000	-140	-2	-24	-19	-27	-53	-23	7
\$15,000 to \$24,999	-183	-8	-26	-21	-19	-52	-34	-23
\$25,000 to \$34,999	-94	-5	-30	-11	-17	-29	-0	-1
\$35,000 to \$49,999	-181	-17	-41	-14	-44	-57	-30	21
\$50,000 to \$74,999	-140	7	-32	-31	-90	-78	16	68
\$75,000 to \$99,999	236	19	12	32	-34	-15	119	102
\$100,000 to \$149,999	613	15	73	118	59	89	163	96
\$150,000 to \$199,999	513	4	68	94	84	97	89	79
\$200,000+	75	0	5	10	4	6	26	24
Total	700	13	6	159	-84	-91	325	373
Median Income	\$9,608	\$7,983	\$8,980	\$10,560	\$13,916	\$13,101	\$15,275	\$9,132

*PMA includes all of Steele County.
Sources: ESRI; Maxfield Research and Consulting LLC.

Table D-9 displays the median income across age cohorts for Minnesota.

DEMOGRAPHIC ANALYSIS

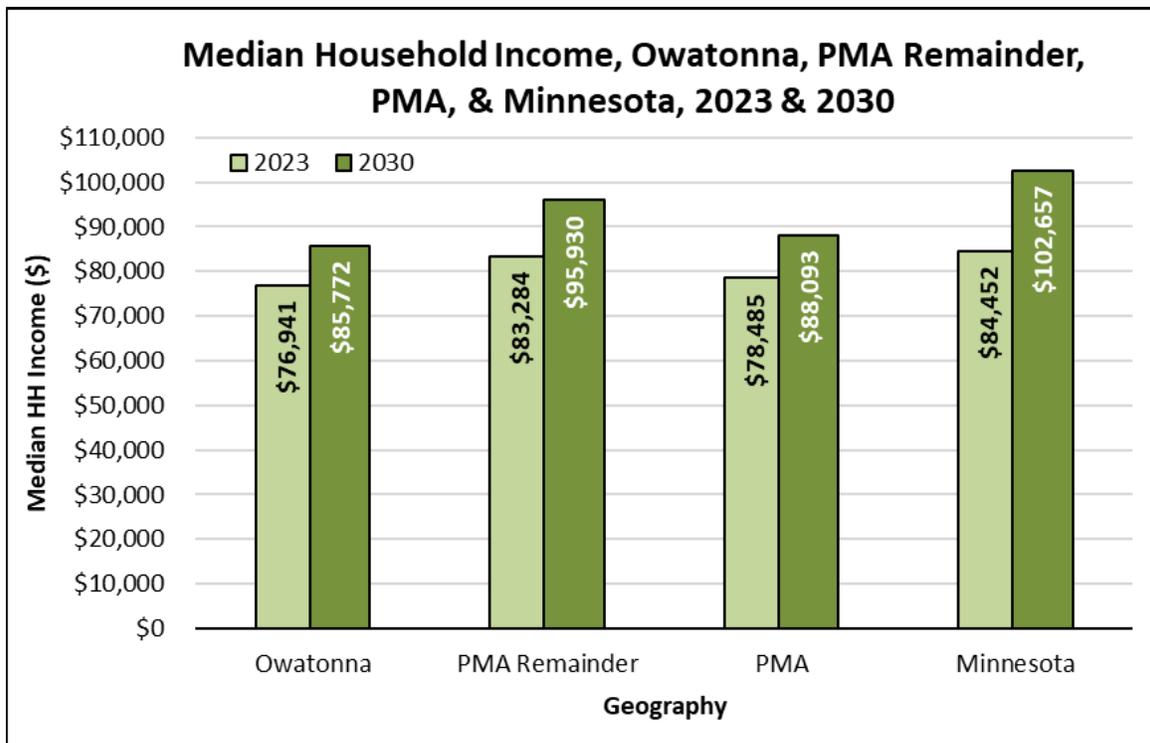
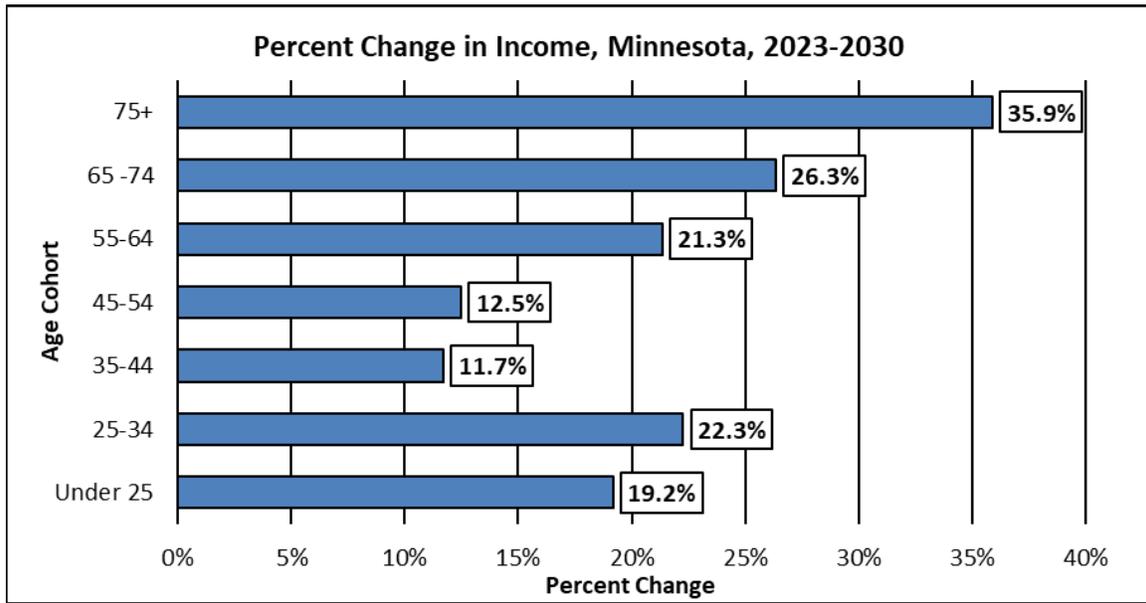
TABLE D-9 HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER MINNESOTA (Number of Households) 2023 and 2030								
	Age of Householder							
	Total	Under 25	25-34	35-44	45-54	55-64	65 -74	75+
2023								
Less than \$15,000	147,681	15,769	21,055	14,871	15,625	26,079	23,490	30,791
\$15,000 to \$24,999	125,001	8,917	16,336	9,646	10,290	18,565	21,737	39,511
\$25,000 to \$34,999	138,428	9,950	21,418	14,067	11,814	19,891	23,140	38,149
\$35,000 to \$49,999	233,477	15,957	38,117	26,928	24,009	34,035	43,475	50,956
\$50,000 to \$74,999	390,936	18,773	64,254	57,474	56,783	73,817	76,782	43,053
\$75,000 to \$99,999	345,264	12,296	61,349	66,718	57,545	68,955	54,694	23,707
\$100,000 to \$149,999	470,037	8,917	78,411	110,929	95,655	96,360	57,148	22,617
\$150,000 to \$199,999	225,841	2,159	36,301	48,230	50,686	49,948	24,893	13,624
\$200,000+	228,336	1,126	25,774	53,053	58,689	54,368	25,243	10,082
Total	2,305,000	93,865	363,015	401,916	381,094	442,018	350,602	272,489
<i>Median Income</i>	\$84,452	\$46,857	\$84,249	\$104,728	\$106,618	\$93,972	\$71,876	\$44,056
2030								
Less than \$15,000	116,132	14,272	14,648	11,422	11,379	16,156	18,309	29,945
\$15,000 to \$24,999	94,516	7,329	11,433	6,769	6,827	10,906	16,751	34,502
\$25,000 to \$34,999	112,432	9,161	15,720	10,999	8,344	12,925	19,477	35,804
\$35,000 to \$49,999	206,498	15,140	31,797	23,268	19,723	24,235	38,955	53,381
\$50,000 to \$74,999	360,183	19,190	55,020	49,497	47,411	58,163	77,520	53,381
\$75,000 to \$99,999	356,846	14,272	59,308	66,843	55,755	62,606	63,886	34,177
\$100,000 to \$149,999	542,713	12,247	88,604	124,801	102,407	99,766	77,131	37,757
\$150,000 to \$199,999	311,289	3,472	49,304	65,573	62,962	61,798	40,513	27,667
\$200,000+	274,391	1,350	31,440	63,881	64,479	57,355	37,007	18,879
Total	2,375,000	96,432	357,275	423,054	379,287	403,911	389,550	325,492
<i>Median Income</i>	\$102,657	\$55,838	\$103,004	\$116,961	\$119,923	\$114,032	\$90,801	\$59,867
Change - 2023 to 2030								
Less than \$15,000	-31,549	-1,498	-6,407	-3,448	-4,246	-9,923	-5,182	-846
\$15,000 to \$24,999	-30,485	-1,588	-4,903	-2,877	-3,462	-7,659	-4,987	-5,009
\$25,000 to \$34,999	-25,996	-789	-5,698	-3,068	-3,470	-6,966	-3,662	-2,344
\$35,000 to \$49,999	-26,978	-817	-6,319	-3,660	-4,286	-9,801	-4,520	2,425
\$50,000 to \$74,999	-30,753	417	-9,233	-7,977	-9,372	-15,654	738	10,327
\$75,000 to \$99,999	11,582	1,975	-2,042	124	-1,790	-6,348	9,192	10,470
\$100,000 to \$149,999	72,677	3,330	10,193	13,872	6,753	3,406	19,983	15,140
\$150,000 to \$199,999	85,448	1,313	13,002	17,343	12,276	11,850	15,620	14,042
\$200,000+	46,056	224	5,666	10,828	5,790	2,987	11,764	8,796
Total	70,000	2,566	-5,740	21,138	-1,808	-38,106	38,947	53,002
<i>Median Income</i>	\$18,206	\$8,981	\$18,754	\$12,233	\$13,306	\$20,061	\$18,925	\$15,812

Sources: ESRI; Maxfield Research and Consulting LLC.

- In 2023, Minnesota's median income is \$84,452, rising 21.6% to \$102,657 in 2030.

DEMOGRAPHIC ANALYSIS

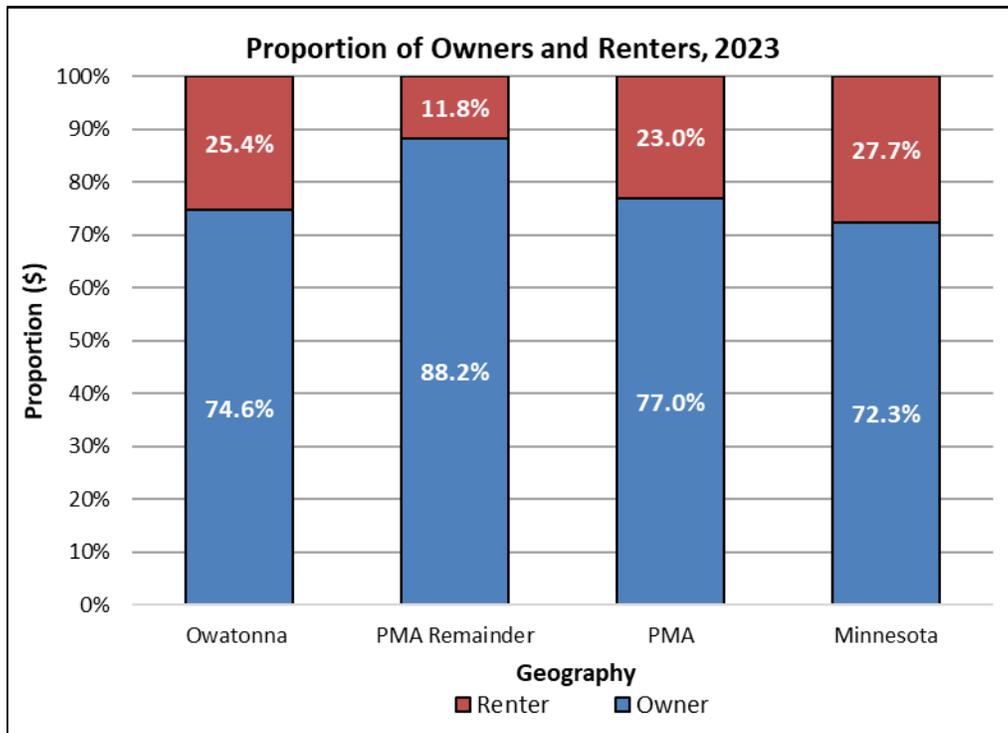
- The highest earners in the PMA were those age 45 to 54 in 2023 (\$106,618) and 2030 (\$119,923).
- The largest gain in median income was reported among those age 75+. This age cohort is projected to experience a 35.9% increase in median incomes, from \$44,056 in 2023 to \$59,867 in 2030.



Tenure by Age of Householder

Table D-10 shows 2010 and 2023 tenure data for Owatonna, the PMA Remainder, PMA, and Minnesota by age cohort from the U.S. Census Bureau. This data is useful in determining demand for certain types of housing since housing preferences change throughout an individual’s life cycle.

- In 2010, 73.7% of Owatonna households were owner households. This number increased slightly by 2023 to 74.6%. The proportion of owner households in Owatonna exceeded the state proportion, which was 72.3% in 2023.
- The proportion of owner households in the PMA largely reflects the trends in Owatonna. In the PMA, which includes all of Steele County, 77.0% of households were owner occupied in 2023, a decrease from 77.7% in 2010.
- In Owatonna, the proportion of owner households peaks between the ages of 45 to 54 at 79.6% owner households. In comparison, in the PMA Remainder, the proportion of owner households peaks later in the 55 to 64 age cohort at 93.2%.



DEMOGRAPHIC ANALYSIS

**TABLE D-10
TENURE BY AGE OF HOUSEHOLDER
OWATONNA, PMA REMAINDER, STEELE COUNTY, SE MINNESOTA PLANNING AREA, & MINNESOTA
2010 AND 2023**

Age	Owatonna				PMA Remainder				PMA				Minnesota		
	2010		2023		2010		2023		2010		2023		2010	2023	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	Pct.	Pct.	
15-24	Own	139	31.6%	121	27.3%	40	43.5%	42	47.8%	179	33.6%	162	30.4%	19.8%	19.1%
	Rent	301	68.4%	321	72.7%	52	56.5%	45	52.2%	353	66.4%	370	69.6%	80.2%	80.9%
	Total	440	100.0%	441	100.0%	92	100.0%	87	100.0%	532	100.0%	532	100.0%	100.0%	100.0%
25-34	Own	1,029	62.3%	1,077	65.7%	407	78.9%	430	78.9%	1,436	66.3%	1,503	69.0%	56.1%	52.8%
	Rent	622	37.7%	562	34.3%	109	21.1%	115	21.1%	731	33.7%	675	31.0%	43.9%	47.2%
	Total	1,651	100.0%	1,639	100.0%	516	100.0%	545	100.0%	2,167	100.0%	2,178	100.0%	100.0%	100.0%
35-44	Own	1,408	74.8%	1,343	69.8%	622	84.7%	563	88.4%	2,030	77.6%	1,908	74.6%	75.0%	73.3%
	Rent	474	25.2%	581	30.2%	112	15.3%	74	11.6%	586	22.4%	650	25.4%	25.0%	26.7%
	Total	1,882	100.0%	1,924	100.0%	734	100.0%	637	100.0%	2,616	100.0%	2,558	100.0%	100.0%	100.0%
45-54	Own	1,717	81.6%	1,465	79.6%	874	90.2%	668	92.7%	2,591	84.3%	2,126	82.8%	81.7%	80.0%
	Rent	386	18.4%	375	20.4%	95	9.8%	53	7.3%	481	15.7%	442	17.2%	18.3%	20.0%
	Total	2,103	100.0%	1,840	100.0%	969	100.0%	721	100.0%	3,072	100.0%	2,568	100.0%	100.0%	100.0%
55-64	Own	1,404	82.7%	1,617	79.1%	782	93.2%	811	93.2%	2,186	86.2%	2,449	84.1%	84.7%	82.7%
	Rent	294	17.3%	427	20.9%	57	6.8%	59	6.8%	351	13.8%	463	15.9%	15.3%	17.3%
	Total	1,698	100.0%	2,044	100.0%	839	100.0%	870	100.0%	2,537	100.0%	2,912	100.0%	100.0%	100.0%
65-74	Own	857	84.0%	1,285	78.9%	524	92.3%	681	90.5%	1,381	87.0%	1,949	81.8%	84.9%	83.9%
	Rent	163	16.0%	344	21.1%	44	7.7%	71	9.5%	207	13.0%	434	18.2%	15.1%	16.1%
	Total	1,020	100.0%	1,629	100.0%	568	100.0%	752	100.0%	1,588	100.0%	2,383	100.0%	100.0%	100.0%
75+	Own	869	68.2%	987	71.4%	463	85.1%	518	84.4%	1,332	73.3%	1,501	75.3%	70.0%	71.7%
	Rent	405	31.8%	395	28.6%	81	14.9%	96	15.6%	486	26.7%	493	24.7%	30.0%	28.3%
	Total	1,274	100.0%	1,382	100.0%	544	100.0%	614	100.0%	1,818	100.0%	1,994	100.0%	100.0%	100.0%
TOTAL	Own	7,423	73.7%	7,894	74.6%	3,712	87.1%	3,712	88.2%	11,135	77.7%	11,599	77.0%	73.0%	72.3%
	Rent	2,645	26.3%	3,006	25.4%	550	12.9%	513	11.8%	3,195	22.3%	3,526	23.0%	27.0%	27.7%
	Total	10,068	100.0%	10,900	100.0%	4,262	100.0%	4,225	100.0%	14,330	100.0%	15,125	100.0%	100.0%	100.0%

The PMA includes all of Steele County.

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

Tenure by Household Size

Tables D-11 and D-12 show the distribution of households by size and tenure in Owatonna, the PMA Remainder, PMA, and Minnesota in 2023. This data is useful in that it sheds insight into unit types that may be most needed in Owatonna.

- Household size for renters tends to be smaller than for owners. This trend is a result of the typical market segments for rental housing, including households that are younger and are less likely to be married with children, as well as older adults and seniors who choose to downsize from their single-family homes. In 2023, 60.4% of renter households in Owatonna were one-person households. In comparison, in the PMA Remainder, 35.6% of renter households were one-person households.
- This trend is reflected in all other geographies as 56.9% of renter households were one-person households in the PMA and 46.2% of renter households were one-person households in Minnesota.
- One and two-person renter households in Owatonna accounted for nearly 75% (74.9%) of renter households in 2023.
- Owner households were most likely to contain two people in the PMA, representing 41.8% of households.

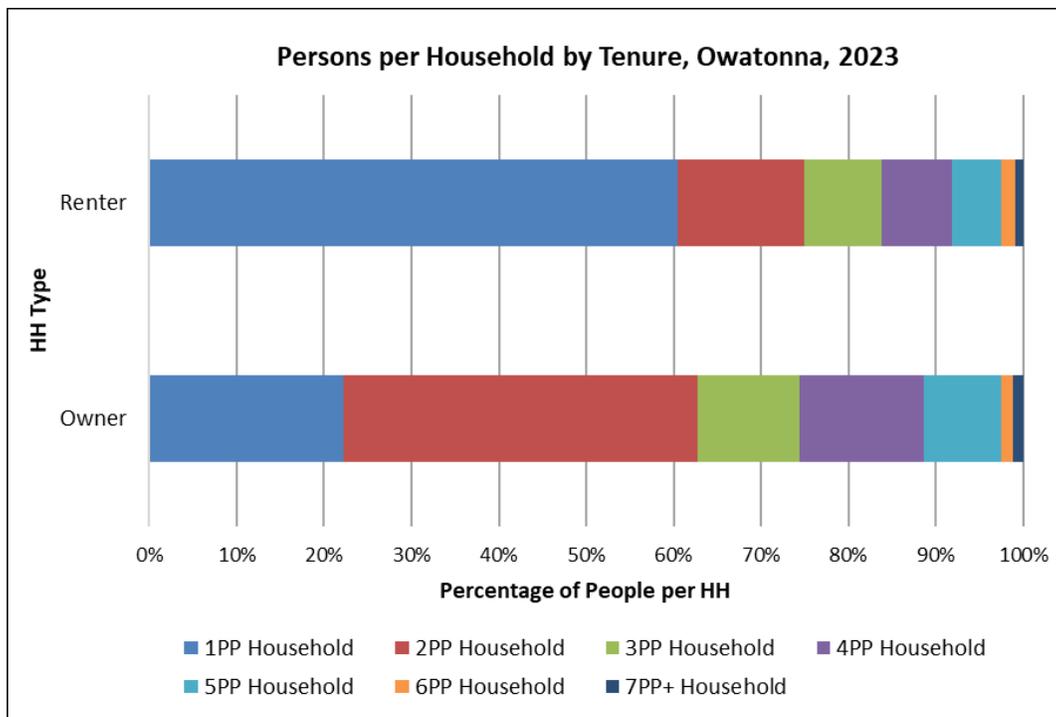


TABLE D-11
OWNER HOUSEHOLDS BY SIZE
OWATONNA, PMA REMAINDER, PMA, SE MN PLANNING AREA, & MINNESOTA
2023

Size	Owatonna		PMA Remainder		PMA		Minnesota
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
1PP Household	1,752	22.2%	715	19.4%	2,472	21.3%	22.2%
2PP Household	3,205	40.6%	1,640	44.4%	4,848	41.8%	38.9%
3PP Household	917	11.6%	436	11.8%	1,355	11.7%	14.8%
4PP Household	1,126	14.3%	469	12.7%	1,597	13.8%	14.3%
5PP Household	696	8.8%	286	7.8%	984	8.5%	6.4%
6PP Household	103	1.3%	77	2.1%	180	1.5%	2.2%
7PP+ Household	95	1.2%	68	1.8%	163	1.4%	1.4%
Total	7,894	100%	3,690	100%	11,599	100%	100%

Note: PMA includes all of Steele County. PMA Remainder includes all of Steele County except for the City of Owatonna.

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

TABLE D-12
RENTER HOUSEHOLDS BY SIZE
OWATONNA, PMA REMAINDER, PMA, SE MN PLANNING AREA, & MINNESOTA
2023

Size	Owatonna		PMA Remainder		PMA		Minnesota
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
1PP Household	1,816	60.4%	182	35.6%	2,007	56.9%	46.2%
2PP Household	436	14.5%	144	28.2%	579	16.4%	26.7%
3PP Household	269	8.9%	67	13.0%	336	9.5%	11.6%
4PP Household	241	8.0%	62	12.2%	304	8.6%	8.2%
5PP Household	168	5.6%	46	9.1%	214	6.1%	4.0%
6PP Household	50	1.7%	8	1.7%	59	1.7%	1.9%
7PP+ Household	27	0.9%	1	0.2%	28	0.8%	1.4%
Total	3,006	100%	510	100%	3,526	100%	100%

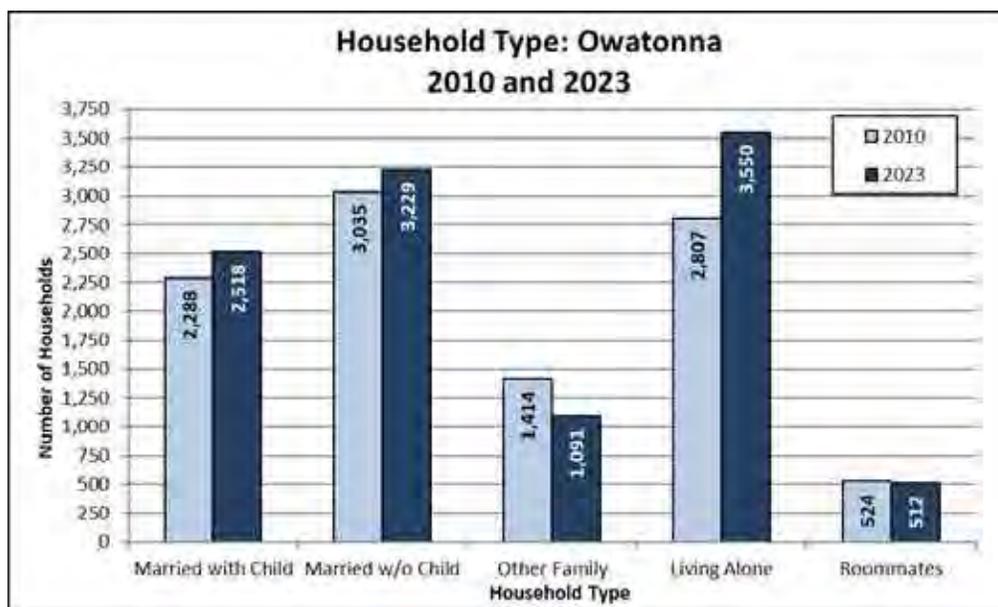
Note: PMA includes all of Steele County. PMA Remainder includes all of Steele County sans Owatonna.

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

Household Type

Table D-13 shows a breakdown of the type of households present in Owatonna, the PMA Remainder, PMA, Southeast Minnesota Planning Area, and State of Minnesota in 2010 and 2023. The data is useful in assessing housing demand since the household composition often dictates the type of housing needed and preferred. The following key points are summarized from Table D-13.

- In all geographies, with the exception of Owatonna, married couples without children represent the largest household type. These households account for 32.3% of all households in the PMA in 2023, a decrease of 0.4% from 32.7% of all households in the PMA in 2010. In contrast, the largest household type in Owatonna is the living alone category which represents 32.6% of all households in 2023, an increase of 4.7% from 2010.
- Those living alone are the second largest proportion of households in all geographies with the exception of Owatonna (where it's the largest category at 32.6% of all households). The growing proportion of single person households reflects several demographic and cultural shifts. The biggest contributing factor is the aging of the population. Additionally, younger generations are delaying marriage and having children.
- Owatonna's second largest category is married couples without children. As of 2023 this category represents 29.6% of all households.
- The PMA Remainder (-172 households) and Southeast Minnesota Planning Area (-523 households) both lost married couples with children between 2010 and 2023. In contrast, both Owatonna and Minnesota gained married couples with children. Owatonna experienced an increase of 58 married couple households with children (1.8%) while Minnesota increased by 16,320 married couple households with children (3.7%).



DEMOGRAPHIC ANALYSIS

**TABLE D-13
HOUSEHOLD TYPE
OWATONNA, PMA REMAINDER, PMA, SE MINNESOTA PLANNING AREA, & MINNESOTA
2010 & 2023**

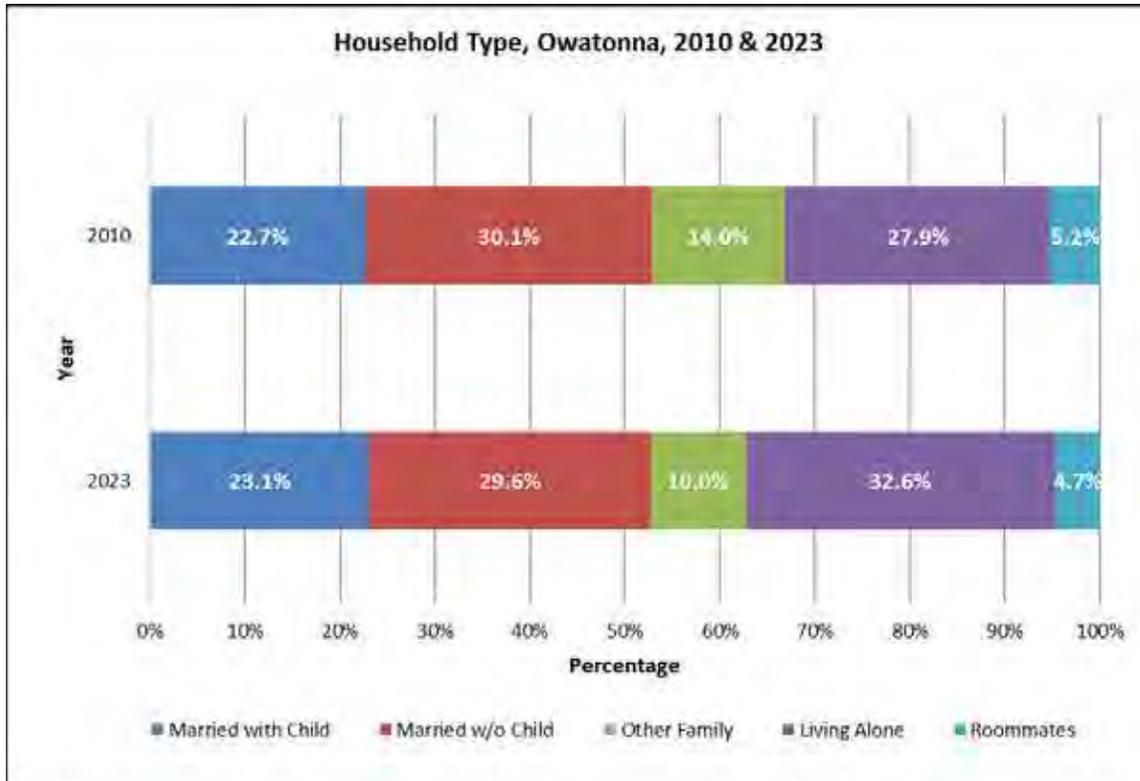
Households	Total HH's		Family Households						Non-Family Households			
			Married w/ Child		Married w/o Child		Other *		Living Alone		Roommates **	
	2010	2023	2010	2023	2010	2023	2010	2023	2010	2023	2010	2023
Owatonna Total	10,068	10,900	2,288	2,518	3,035	3,229	1,414	1,091	2,807	3,550	524	512
PMA Remainder	4,262	4,225	1,000	828	1,653	1,662	481	660	940	909	188	165
PMA	14,330	15,125	3,288	3,346	4,688	4,891	1,895	1,751	3,747	4,459	712	678
SE MN Planning Area	193,690	208,500	41,544	41,021	62,455	67,430	24,626	25,630	52,934	60,471	12,131	13,947
State of Minnesota	2,087,227	2,305,000	443,212	459,532	617,297	693,483	288,506	310,404	584,008	664,580	154,204	177,001
Percent												
Owatonna Total	100.0%	100.0%	22.7%	23.1%	30.1%	29.6%	14.0%	10.0%	27.9%	32.6%	5.2%	4.7%
PMA Remainder	100.0%	100.0%	23.5%	19.6%	38.8%	39.3%	11.3%	15.6%	22.1%	21.5%	4.4%	3.9%
PMA	100.0%	100.0%	22.9%	22.1%	32.7%	32.3%	13.2%	11.6%	26.1%	29.5%	5.0%	4.5%
SE MN Planning Area	100.0%	100.0%	21.4%	19.7%	32.2%	32.3%	12.7%	12.3%	27.3%	29.0%	6.3%	6.7%
State of Minnesota	100.0%	100.0%	21.2%	19.9%	29.6%	30.1%	13.8%	13.5%	28.0%	28.8%	7.4%	7.7%
	Change 2010-2023											
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Owatonna Total	832	8.3%	230	10.1%	194	6.4%	-323	-22.8%	743	26.5%	-12	-2.2%
PMA Remainder	-37	-0.9%	-172	-17.2%	9	0.6%	179	37.2%	-31	-3.3%	-23	-12.1%
PMA	795	5.5%	58	1.8%	203	4.3%	-144	-7.6%	712	19.0%	-34	-4.8%
SE MN Planning Area	14,810	7.6%	-523	-1.3%	4,975	8.0%	1,004	4.1%	7,537	14.2%	1,816	15.0%
State of Minnesota	217,773	10.4%	16,320	3.7%	76,186	12.3%	21,898	7.6%	80,572	13.8%	22,797	14.8%

* Single-parents with children

** Includes unmarried couples without children and group quarters

Note: PMA includes all of Steele County. PMA Remainder includes all of Steele County sans Owatonna. The Southeast MN Planning Area includes the following counties: Dodge, Fillmore Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, & Winona.

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



Net Worth

Table D-14 shows household net worth in Owatonna, the PMA, PMA Remainder, Southeast Minnesota Planning Area, and Minnesota in 2022. Simply stated, net worth is the difference between assets and liabilities, or the total value of assets after the debt is subtracted. The data was compiled and estimated by ESRI based on the Survey of Consumer Finances and Federal Reserve Board data. According to the 2020 Survey of Consumer Finances, for families, the 2019 median homeowner’s net housing worth was \$255,000 compared to a median net worth of just over \$6,300 for renters.¹

- Owatonna reported a 2022 average net worth of \$669,464 and a median net worth of \$186,995. Median net worth is generally a more accurate depiction of wealth than the average figure. A few households, each with a large net worth, can significantly skew the average. Communities with high levels of farming equipment and land assets tend to also increase the average and median net worth in those areas.

¹Fig. 2. Family median and mean net worth, by selected characteristics of families: Housing status from Neil Bhutta et al.; “Changes in U.S. Family Finances from the Survey of Consumer Finances”; *Federal Reserve*; Sept. 2020, [Changes in U.S. Family Finances from 2016 to 2019: Evidence from the Survey of Consumer Finances, Vol. 106, No. 5 \(federalreserve.gov\)](https://www.federalreserve.gov/publications/2020/changes-in-u-s-family-finances-from-2016-to-2019-evidence-from-the-survey-of-consumer-finances-vol-106-no-5).

TABLE D-14
ESTIMATED NET WORTH BY AGE OF HOUSEHOLDER
OWATONNA, PMA REMAINDER, PMA, SOUTHEAST MINNESOTA PLANNING AREA, & STATE OF MINNESOTA
2022

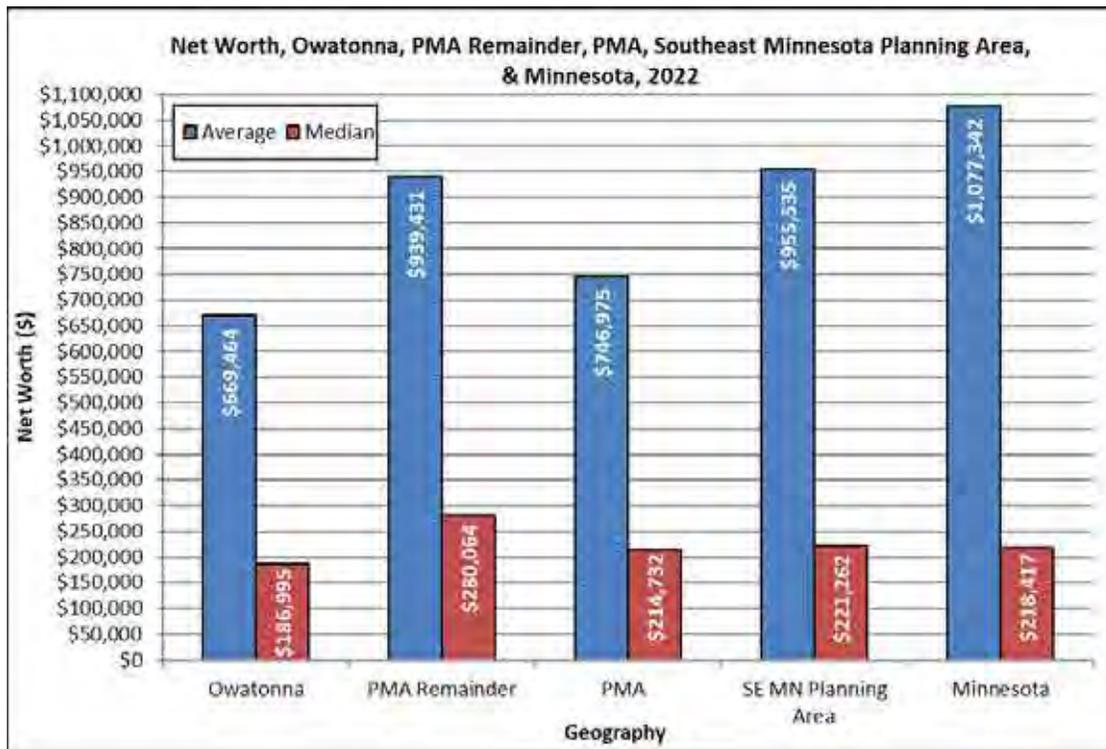
	Age of Householder							
	Total		Under 25		25-34		35-44	
	Average	Median	Average	Median	Average	Median	Average	Median
Owatonna	\$669,464	\$186,995	\$44,926	\$17,192	\$103,020	\$53,594	\$445,296	\$165,587
PMA Remainder	\$939,431	\$280,064	\$65,458	\$57,393	\$126,523	\$83,071	\$570,960	\$209,155
PMA	\$746,975	\$214,732	\$48,822	\$21,047	\$109,314	\$61,826	\$478,701	\$175,907
SE MN Planning Area	\$955,535	\$221,262	\$49,388	\$16,651	\$125,434	\$60,733	\$632,026	\$184,090
State of Minnesota	\$1,077,342	\$218,417	\$46,789	\$14,159	\$131,735	\$55,465	\$731,256	\$189,410
	45-54		55-64		65-74		75+	
	Average	Median	Average	Median	Average	Median	Average	Median
Owatonna	\$780,476	\$264,147	\$1,067,995	\$283,746	\$1,016,247	\$378,926	\$708,636	\$253,470
PMA Remainder	\$989,591	\$297,128	\$1,221,995	\$375,971	\$1,257,772	\$465,313	\$1,295,026	\$359,650
PMA	\$843,184	\$273,609	\$1,114,567	\$312,943	\$1,097,087	\$411,582	\$894,944	\$279,347
SE MN Planning Area	\$1,100,177	\$283,499	\$1,466,576	\$340,128	\$1,440,362	\$416,706	\$1,094,043	\$288,679
State of Minnesota	\$1,346,508	\$301,299	\$1,728,780	\$356,210	\$1,564,837	\$417,989	\$1,142,149	\$291,368

Note: PMA includes all of Steele County. The Southeast Minnesota Planning Area includes Dodge County, Fillmore County, Freeborn County, Goodhue County, Houston County, Mower County, Olmsted County, Rice County, Steele County, Wabasha County, and Winona County.

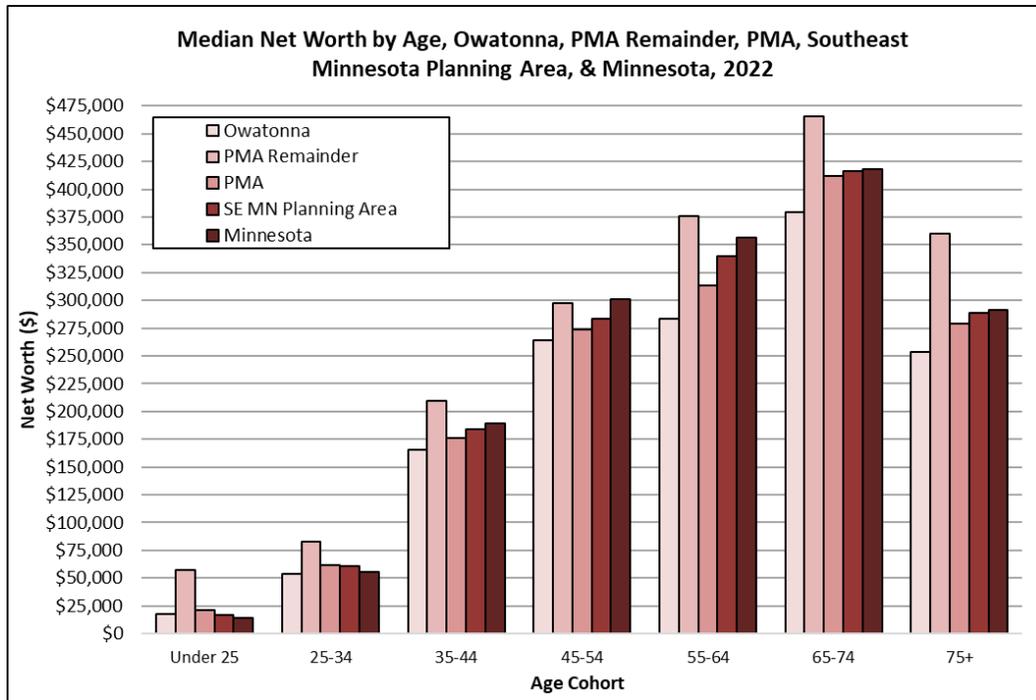
Sources: ESRI; Maxfield Research and Consulting, LLC.

DEMOGRAPHIC ANALYSIS

- The PMA Remainder had the highest median net worth among all compared geographies at \$280,064. This was followed by the Southeast Minnesota Planning Area (\$221,262), Minnesota (\$218,417), the PMA (\$214,732), and Owatonna (\$186,995).
- Of all compared geographies, the State of Minnesota had the highest average net worth of \$1,077,342. This was followed by the Southeast Minnesota Planning Area (\$955,535), the PMA Remainder (\$939,431), the PMA (\$746,975), and Owatonna (\$669,464).
- Median net worth rises with age, peaking between 55 and 74 when adults are in peak earning years. After age 75, median net worth begins to decline as more people leave the workforce and live on fixed incomes.



- Among younger age cohorts (under 25), the highest median net worth was reported in the PMA Remainder (\$57,393). In the 35 to 44 age cohort the highest median net worth was reported in the PMA Remainder (\$209,155) while in the other middle-aged cohort, those 45 to 54, the highest median net worth was reported in the State of Minnesota (\$301,299). Of those 75+, the PMA Remainder reported the highest net worth (\$359,650).



Summary of Demographic Trends

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

- The population in Owatonna has grown every decade since 1900. Population growth has ranged from 1.7% growth between 1900 and 1910 to 31.6% growth between 1950 and 1960. In contrast, the PMA lost population between 1900 and 1910 (-2.3%) but has gained population every decade since and reached a growth high of 18.3% between 1950 and 1960.
- Projections indicate Owatonna will experience a 5.1% increase in population between 2023 and 2030. The projected population increase will be higher than the population increase experienced between 2010 and 2020 (3.2%) but above the increase experienced between 2000 and 2010 (14.1%).
- Between 2030 and 2035 Owatonna is also projected to experience a 1.7% population growth.
- In 2010 household size in Owatonna was 2.54. In comparison, household size was 2.55 in the PMA, 2.58 in the PMA Remainder, 2.55 in the Southeast Minnesota Planning Area and 2.54 in the State of Minnesota as a whole. By 2020, estimates of household size had fallen to 2.50 in Owatonna, 2.52 in the Southeast Minnesota Planning Area, 2.52 in the PMA, 2.59 in the PMA Remainder, and 2.53 in Minnesota.

DEMOGRAPHIC ANALYSIS

- Owatonna's household size is projected to decrease to 2.49 by 2030 and to 2.48 by 2035. Owatonna's projected household size will be less than the state's, which is projected to be 2.54 in 2030 and 2.53 in 2035.
- In 2023, the largest adult age cohorts in Owatonna are estimated to be those between 35 and 44 and those between 55 and 64 which each represent 12.9% of all age cohorts. In comparison, in the PMA Remainder, the PMA, Southeast Minnesota Planning Area, and Minnesota, the 55 to 64 age cohort is the sole largest adult age cohort.
- In 2023, the median income for Owatonna is \$76,941 across all ages. The median income is forecast to rise by 11.5% to \$85,772 by 2030.
- The highest median income in Owatonna was recorded among those between the ages of 35 and 44 at \$91,008 in 2023. In 2030, those between the ages of 45 to 54 are expected to be the highest income earners with a median income of \$103,085.
- In 2010, 73.7% of Owatonna households were owner households. This number increased slightly by 2023 to 74.6%. The proportion of owner households in Owatonna exceeded the state proportion, which was 72.3% in 2023.
- One and two-person renter households in Owatonna accounted for nearly 75% (74.9%) of renter households in 2023.
- Owner households were most likely to contain two people in the PMA, representing 41.8% of households.
- In all geographies, with the exception of Owatonna, married couples without children represent the largest household type. These households account for 32.3% of all households in the PMA in 2023, a decrease of 0.4% from 32.7% of all households in the PMA in 2010. In contrast, the largest household type in Owatonna is the living alone category which represents 32.6% of all households in 2023, an increase of 4.7% from 2010.
- Owatonna reported a 2022 average net worth of \$669,464 and a median net worth of \$186,995.

Introduction

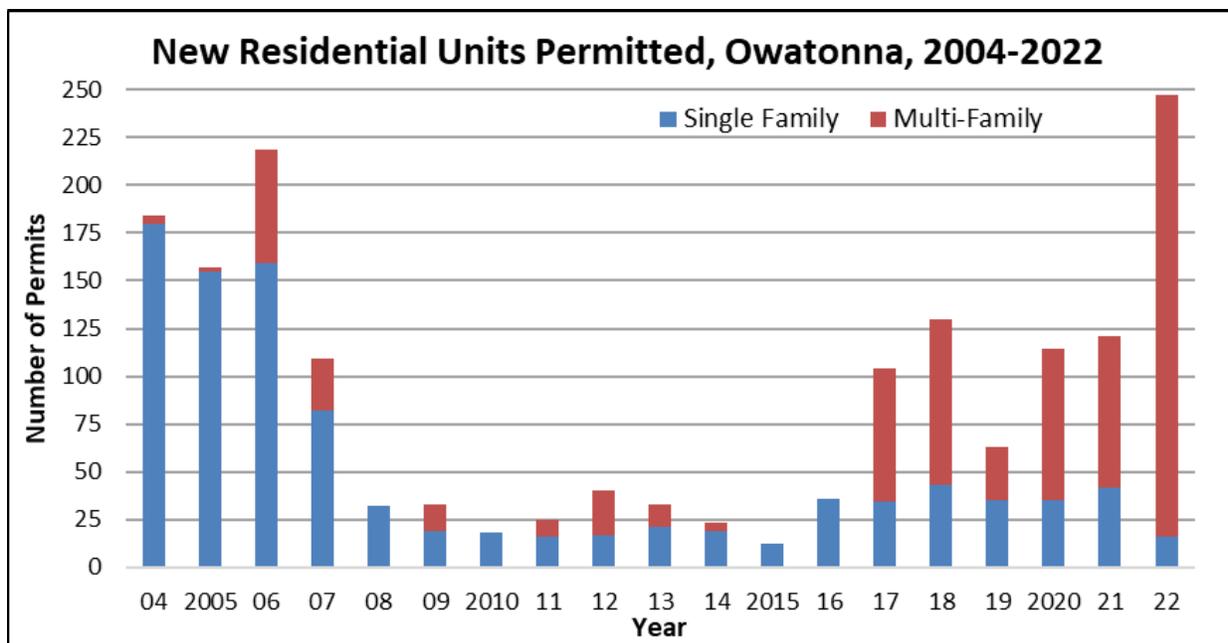
The variety and condition of the housing stock in a community provides the basis for an attractive living environment. Housing functions as a building block for neighborhoods and goods and services. We examined the housing market in Owatonna by reviewing data on the age of the existing housing supply; examining residential building trends since 2004; and reviewing housing data from the American Community Survey.

Residential Construction Trends

Building Permits

Maxfield Research obtained data on the number of new construction housing units from 2004 through 2022 in Owatonna from the City. Table HC-1 displays the number of building permits issued for new construction of residential units in Owatonna.

- Between 2004 and 2022, 1,700 new residential units were permitted in Owatonna. Of those 1,700 units, 57.1% were issued for single-family units while 42.9% were issued for multifamily units.
- From 2004 to 2007, 669 new residential units were permitted in the PMA. Permitted units fell sharply between 2008 and 2016 when only 252 permits units were recorded. Permitted units then increased to 532 new residential units between 2017 and 2021. As of 2022 permitted units totaled 247 units, up 104.1% from 121 permits in 2021. In addition, the 247 permitted units in 2022 is up 204.9% from the 2004 to 2021 average of 81 units annually.



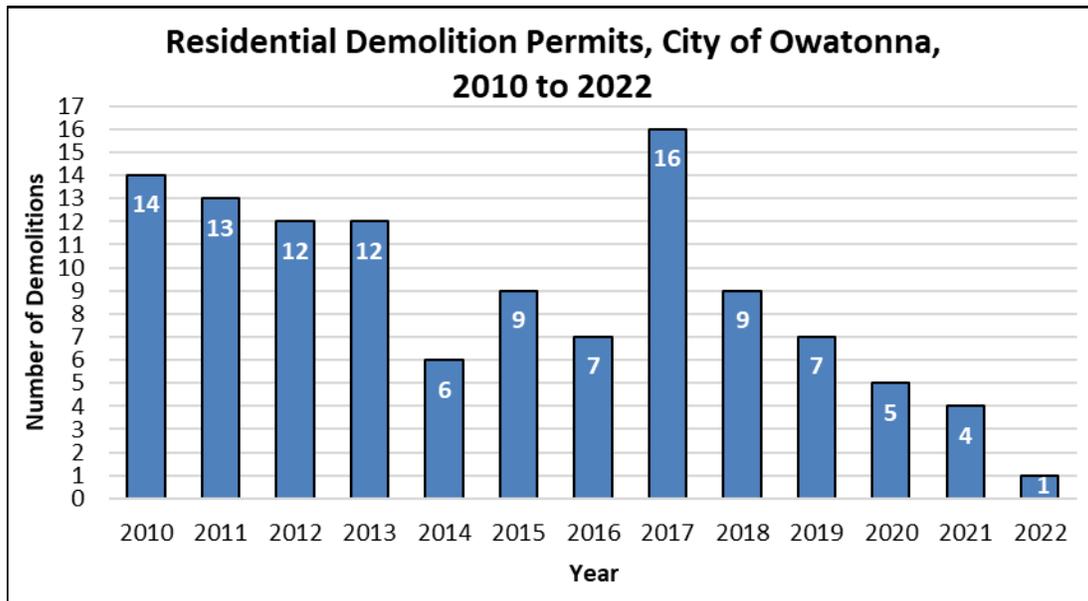
HOUSING CHARACTERISTICS

- Nearly 51% (50.9%) of permitted single family units (494 units) were issued between 2004 and 2007 while 49.1% of permitted single family units (477 units) have been permitted since 2007. In 2022, 231 multifamily units were permitted; constituting 31.7% of all permitted units between 2004 and 2022.

HC-1 RESIDENTIAL CONSTRUCTION BUILDING PERMITS CITY OF OWATONNA 2004-2022			
City of Owatonna			
Year	SF	MF	Total
2004	180	4	184
2005	155	2	157
2006	159	60	219
2007	82	27	109
2008	32	0	32
2009	19	14	33
2010	18	0	18
2011	16	9	25
2012	17	23	40
2013	21	12	33
2014	19	4	23
2015	12	0	12
2016	36	0	36
2017	34	70	104
2018	43	87	130
2019	35	28	63
2020	35	79	114
2021	42	79	121
2022	16	231	247
Total	971	729	1,700
Summary	SF	MF	Total
2004-2009	627	107	734
2010-2014	91	48	139
2015-2019	160	185	345
2020-2022	93	389	482
Sources: City of Owatonna & Maxfield Research and Consulting LLC			

Residential Demolition Permits

Maxfield Research obtained data on the number of housing units demolished from 2004 through 2022 from the City of Owatonna. On the following page is a chart that depicts the number of residential buildings demolished per year.



- Between 2010 and 2022 there were 115 residential demolition permits issued per year in Owatonna: an average of nine residential demolition permits per year.
- The most residential demolition permits issued in the city were in 2017 (16) and 2010 (14).
- Over the last five years demolition permits issued in Owatonna were as follows: 2018, 9 permits; 2019, 7 units; 2018, 9 permits; 2020, 5 permits; 2021, 4 permits; and 2022, 1 permit.

American Community Survey

The American Community Survey (“ACS”) is an ongoing statistical survey administered by the U.S. Census Bureau that is sent to approximately 3 million addresses annually. The survey gathers data previously contained only in the long form of the decennial census. As a result, the survey provides a more “up-to-date” portrait of demographic, economic, social, and household characteristics every year, not just every ten years. The most recent ACS highlights data collected between 2014 and 2018. It should be noted that all ACS surveys are subject to sampling error and uncertainty. The ACS reports margins of errors (MOEs) with estimates for most standard census geographies. The MOE is shown by reliability from low, medium to high. Due to the MOE, 2018 ACS data may have inconsistencies with previous 2010 Census data.

Tables HC-3 through HC-10 show key data from the American Community Survey for the City of Owatonna, PMA, and PMA Remainder.

Occupied Housing Units by Tenure

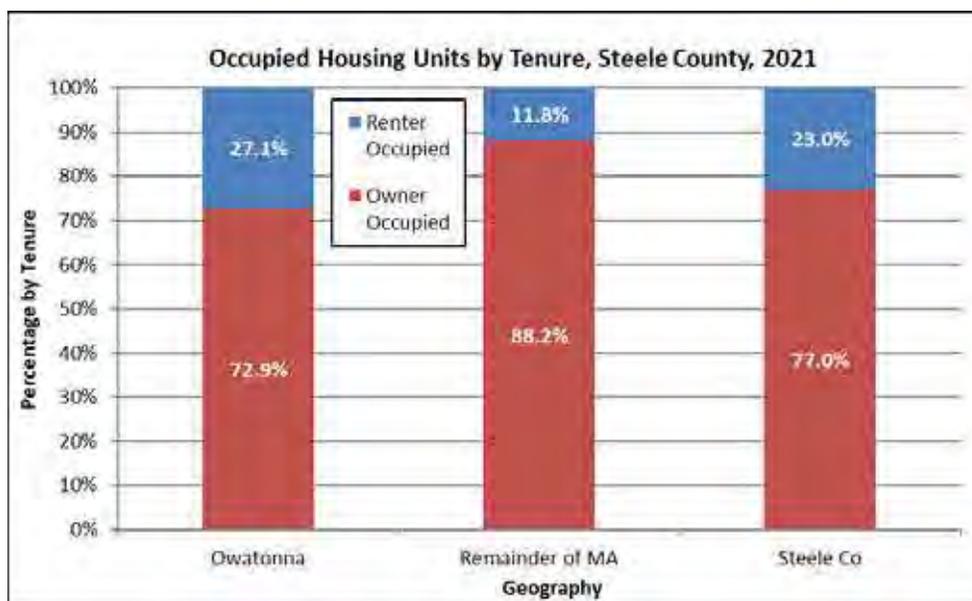
Tenure is a key variable that analyzes the propensity for householders to rent or own their housing unit. Tenure is an integral statistic used by numerous governmental agencies and private sector industries to assess neighborhood stability. Table HC-3 shows the tenure by occupied housing units in 2021.

- Housing in the PMA is largely owner occupied. In 2021, 72.9% of housing units were owner occupied while 23.0% of housing units were renter occupied in the PMA.
- The proportion of renter occupied units was higher within the City of Owatonna than in the Remainder of the PMA. In Owatonna, 27.1% of households were renter occupied in 2021 compared to 11.8% in the Remainder of the PMA.

TABLE HC-2 OCCUPIED HOUSING UNITS BY TENURE PRIMARY MARKET AREA 2021						
Year/Occupancy	Owatonna		PMA Remainder		PMA	
	Pct.	Pct.	No.	Pct.	No.	Pct.
Owner Occupied	7,890	72.9%	3,598	88.2%	11,488	77.0%
Renter Occupied	2,940	27.1%	483	11.8%	3,423	23.0%
Total	10,830	100.0%	4,081	100.0%	14,911	100.0%

Note: The PMA Remainder includes all of Steele County with the exception of the City of Owatonna. The Market Area includes all of Steele County.

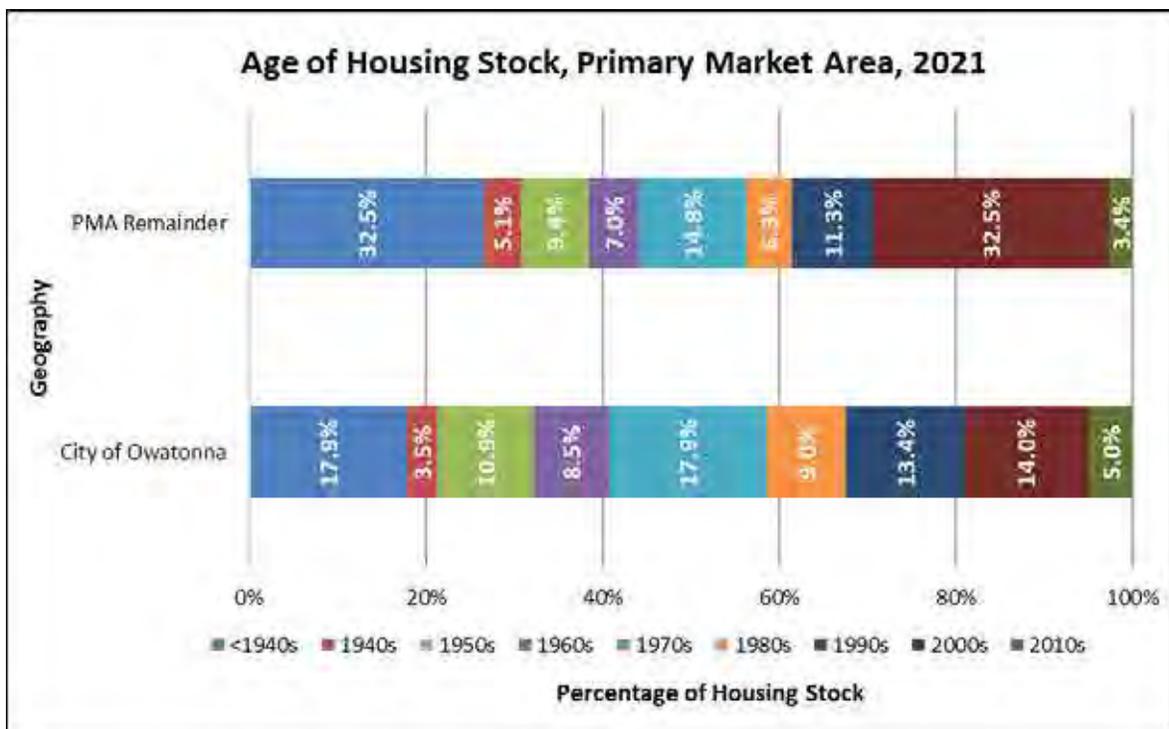
Sources: U.S. Census Bureau-American Community Survey; Maxfield Research and Consulting, LLC.



Age of Housing Stock

The following graph shows the age distribution of the housing stock based on data from the U.S. Census Bureau and the American Community Survey (5-Year estimates). Table HC-4 includes the number of housing units built in the City of Owatonna, the PMA Remainder, and the PMA, prior to 1940 and during each decade since.

- In the City of Owatonna, the 1970s and before 1940 represented the largest time periods for built housing. Each time period represented 17.9% of the built housing stock.
- However, in the PMA Remainder, the largest time period for built housing was prior to 1940 when 32.5% of the housing stock was built.



- The older housing stock in the PMA Remainder is also illustrated in the median year built. Homes in the City of Owatonna reported a median year built of 1975 compared to 1971 in the PMA Remainder.
- Owner and renter occupied housing was the same median age in the PMA. Owner-occupied housing and renter-occupied housing both reported a median age of 1973.

HOUSING CHARACTERISTICS

**TABLE HC-3
AGE OF HOUSING STOCK
PRIMARY MARKET AREA
2021**

	Total Units	Med. Yr. Built	Year Unit Built																			
			<1940		1940s		1950s		1960s		1970s		1980s		1990s		2000s		2010s		2020s	
			No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
CITY OF OWATONNA																						
Owner-Occupied	7,890	1976	1,238	15.7%	216	2.7%	985	12.5%	646	8.2%	1,471	18.6%	545	6.9%	1,164	14.8%	1,298	16.5%	327	4.1%	0	0.0%
Renter-Occupied	2,940	1973	696	23.7%	160	5.4%	194	6.6%	271	9.2%	469	16.0%	429	14.6%	285	9.7%	220	7.5%	216	7.3%	0	0.0%
Total	10,830	1975	1,934	17.9%	376	3.5%	1,179	10.9%	917	8.5%	1,940	17.9%	974	9.0%	1,449	13.4%	1,518	14.0%	543	5.0%	0	0.0%
PMA REMAINDER																						
Owner-Occupied	3,598	1970	1,244	34.6%	180	5.0%	307	8.5%	230	6.4%	538	15.0%	210	5.8%	388	10.8%	368	0.3	131	3.6%	2	0.1%
Renter-Occupied	483	1971	83	17.2%	29	6.0%	76	15.7%	57	11.8%	65	13.5%	47	9.7%	73	15.1%	47	0.2	6	1.2%	0	0.0%
Total	4,081	1971	1,327	32.5%	209	5.1%	383	9.4%	287	7.0%	603	14.8%	257	6.3%	461	11.3%	415	0.3	137	3.4%	2	0.0%
PMA TOTAL																						
Owner-Occupied	11,488	1973	2,482	21.6%	396	3.4%	1,292	11.2%	876	7.6%	2,009	17.5%	755	6.6%	1,552	13.5%	1,666	14.5%	458	4.0%	2	0.0%
Renter-Occupied	3,423	1973	779	22.8%	189	5.5%	270	7.9%	328	9.6%	534	15.6%	476	13.9%	358	10.5%	267	7.8%	222	6.5%	0	0.0%
Total	14,911	1973	3,261	21.9%	585	3.9%	1,562	10.5%	1,204	8.1%	2,543	17.1%	1,231	8.3%	1,910	12.8%	1,933	13.0%	680	4.6%	2	0.0%

Note: The PMA Remainder includes all of Steele County with the exception of the City of Owatonna. The PMA includes all of Steele County. Renter occupied median income in the Remainder of the PMA excludes Berlin Township for which no data is available.

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

Housing Units by Structure and Tenure

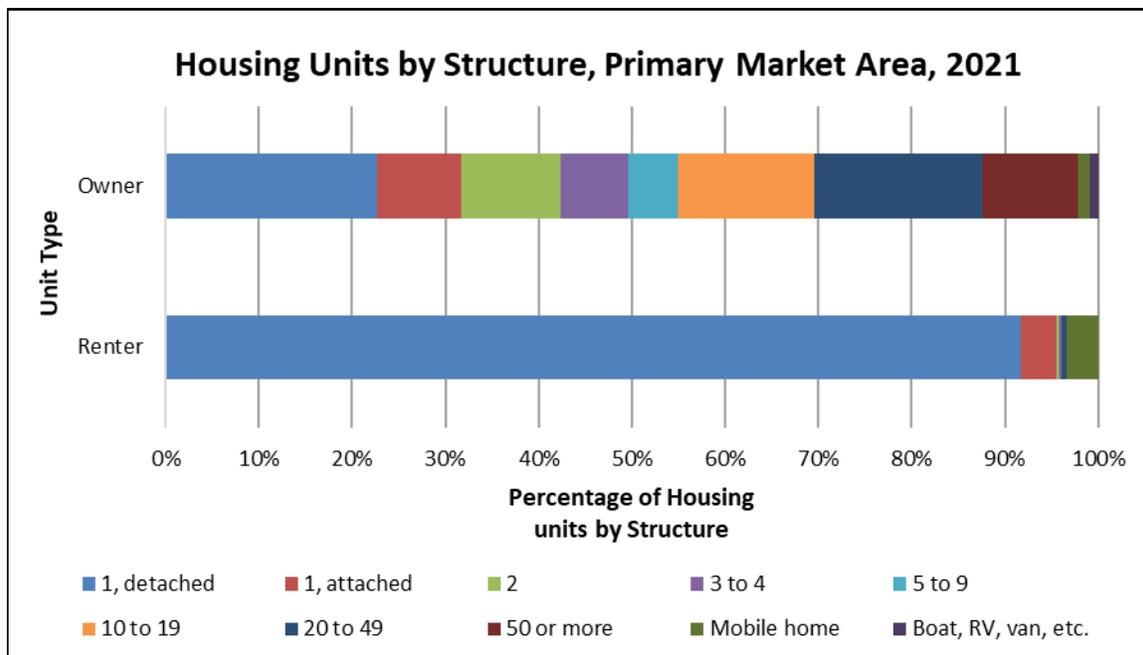
Table HC-4 shows the housing stock in Owatonna, the PMA Remainder, the PMA, and Minnesota by type of structure and tenure based on the 2017 to 2021 ACS estimates.

- Single-family detached units are the dominate housing type for owner-occupied units in the City of Owatonna (91.5%) and the PMA Remainder (91.7%).

Units in Structure	OWATONNA				PMA REMAINDER				PMA TOTAL				MN	
	Owner-Occupied		Renter-Occupied		Owner-Occupied		Renter-Occupied		Owner-Occupied		Renter-Occupied		Owner-Occupied %	Renter-Occupied %
	Occupied	Pct.	Occupied	Pct.	Occupied	Pct.	Occupied	Pct.	Occupied	Pct.	Occupied	Pct.		
1, detached	7,219	91.5%	532	18.1%	3,317	92.2%	243	50.3%	10,536	91.7%	775	22.6%	85.1%	18.6%
1, attached	382	4.8%	304	10.3%	52	1.4%	5	1.0%	434	3.8%	309	9.0%	7.9%	8.1%
2	33	0.4%	318	10.8%	0	0.0%	46	9.5%	33	0.3%	364	10.6%	0.7%	5.7%
3 to 4	29	0.4%	205	7.0%	0	0.0%	45	9.3%	29	0.3%	250	7.3%	0.5%	6.1%
5 to 9	9	0.1%	173	5.9%	0	0.0%	10	2.1%	9	0.1%	183	5.3%	0.5%	6.7%
10 to 19	0	0.0%	451	15.3%	0	0.0%	47	9.7%	0	0.0%	498	14.5%	0.3%	11.6%
20 to 49	58	0.7%	567	19.3%	5	0.1%	52	10.8%	63	0.5%	619	18.1%	0.7%	16.8%
50 or more	0	0.0%	348	11.8%	0	0.0%	2	0.4%	0	0.0%	350	10.2%	1.4%	24.9%
Mobile home	160	2.0%	9	0.3%	224	6.2%	33	6.8%	384	3.3%	42	1.2%	2.9%	1.4%
Boat, RV, van, etc.	0	0.0%	33	1.1%	0	0.0%	0	0.0%	0	0.0%	33	1.0%	0.0%	0.1%
Total	7,890	100%	2,940	100%	3,598	100%	483	100%	11,488	100%	3,423	100%	100%	100%

Note: The PMA Remainder includes all of Steele County with the exception of the City of Owatonna. The PMA includes all of Steele County.
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research and Consulting LLC.

- Single-family detached units made up the largest share of the renter-occupied units across the county (22.6%). Single-family detached units made up the largest share of renter-occupied units in the City of Owatonna (18.1%) and in the PMA Remainder (50.3%).



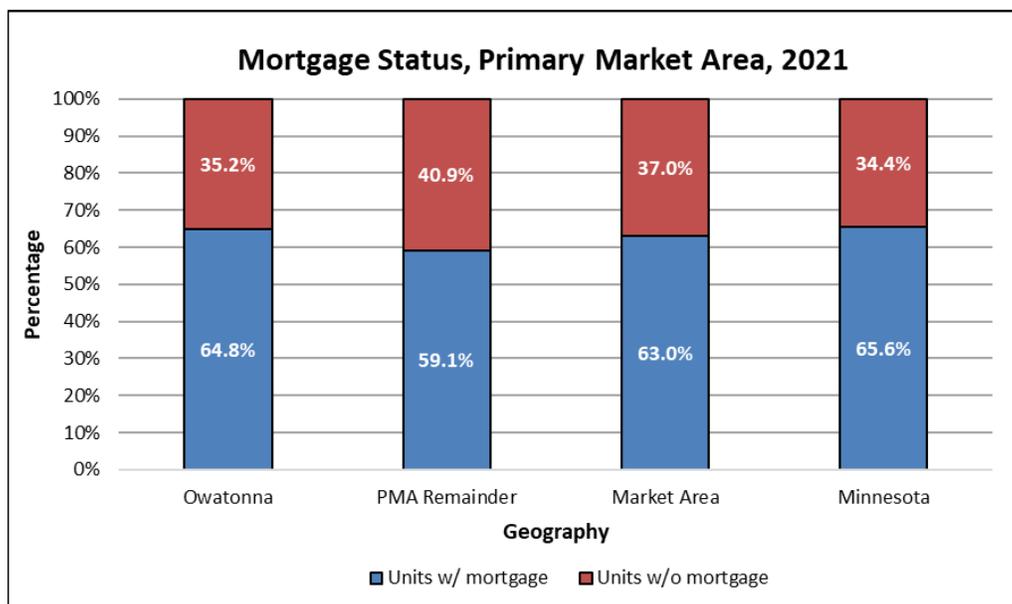
HOUSING CHARACTERISTICS

- Although single family detached units accounted for the largest share of rental units in Owatonna, renter-occupied units in the city were more varied, and larger, than in areas outside Owatonna. Rental properties with 50 or more units accounted for 11.8% of rental units, buildings with 20 to 49 units accounted for 19.3% of rental units and buildings with 10 to 19 units accounted for 15.3% of units in the City of Owatonna. Outside Owatonna, only rental buildings with 20 to 49 units accounted for more than 10% of rental units (10.8%).

Owner-Occupied Housing Units by Mortgage Status

Table HC-5 shows mortgage status from the American Community Survey for 2021 (5-Year estimates). Mortgage status provides information on the cost of homeownership when analyzed in conjunction with mortgage payment data. A mortgage refers to all forms of debt where the property is pledged as security for repayment of debt. A first mortgage has priority claim over any other mortgage or if it is the only mortgage. A second (and sometimes third) mortgage is called a “junior mortgage,” a home equity line of credit (HELOC) would also fall into this category. Finally, a housing unit without a mortgage is owned free and clear and is debt free.

- In the PMA, 63.0% of homes have a mortgage. This is less than the state proportion of 65.6% of homes with a mortgage. Within the PMA 64.8% of homes have a mortgage while 59.1% of homes have a mortgage in the PMA Remainder.
- Most homes did not carry a second mortgage or home equity loan. Of the 63.0% of homes in the PMA with a mortgage, 54.1% did not have a second mortgage or home equity loan.
- Where debt other than a mortgage was reported, it was most likely to be a home equity loan only, with 5.9% of homes with a mortgage in the PMA carrying a home equity loan.



HOUSING CHARACTERISTICS

- Housing units with a mortgage reported a higher median value than those without a mortgage. The median value of housing units with a mortgage was \$187,900 in the PMA compared to \$181,000 for homes without a mortgage.
- Median home prices within the City of Owatonna were lower than those in the Remainder of the PMA. Homes with a mortgage had a median value of \$184,900 in Owatonna, compared to \$202,685 among homes with a mortgage outside the city.
- The median value of home in the State of Minnesota was \$260,500 among homes with a mortgage, 38.6% higher than the median value of homes in the PMA.

**TABLE HC-5
OWNER-OCCUPIED HOUSING UNITS BY MORTGAGE STATUS
PRIMARY MARKET AREA
2021**

Mortgage Status	OWATONNA		PMA REMAINDER		PMA		MN
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
Housing units without a mortgage	2,777	35.2%	1,470	40.9%	4,247	37.0%	34.4%
Housing units with a mortgage/debt	5,113	64.8%	2,128	59.1%	7,241	63.0%	65.6%
<i>Second mortgage only</i>	175	2.2%	70	1.9%	245	2.1%	2.1%
<i>Home equity loan only</i>	478	6.1%	199	5.5%	677	5.9%	6.7%
<i>Both second mortgage and equity loan</i>	30	0.4%	12	0.3%	42	0.4%	0.3%
<i>No second mortgage or equity loan</i>	4,412	55.9%	1,803	50.1%	6,215	54.1%	55.9%
Total	7,890	100.0%	3,598	100.0%	11,488	100.0%	100.0%
Median Value by Mortgage Status							
Housing units with a mortgage	\$184,900		\$202,685		\$187,900		\$260,500
Housing units without a mortgage	\$181,000		\$199,806		\$181,100		\$230,400

Note: The PMA Remainder includes all of Steele County with the exception of the City of Owatonna. The PMA includes all of Steele County.

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

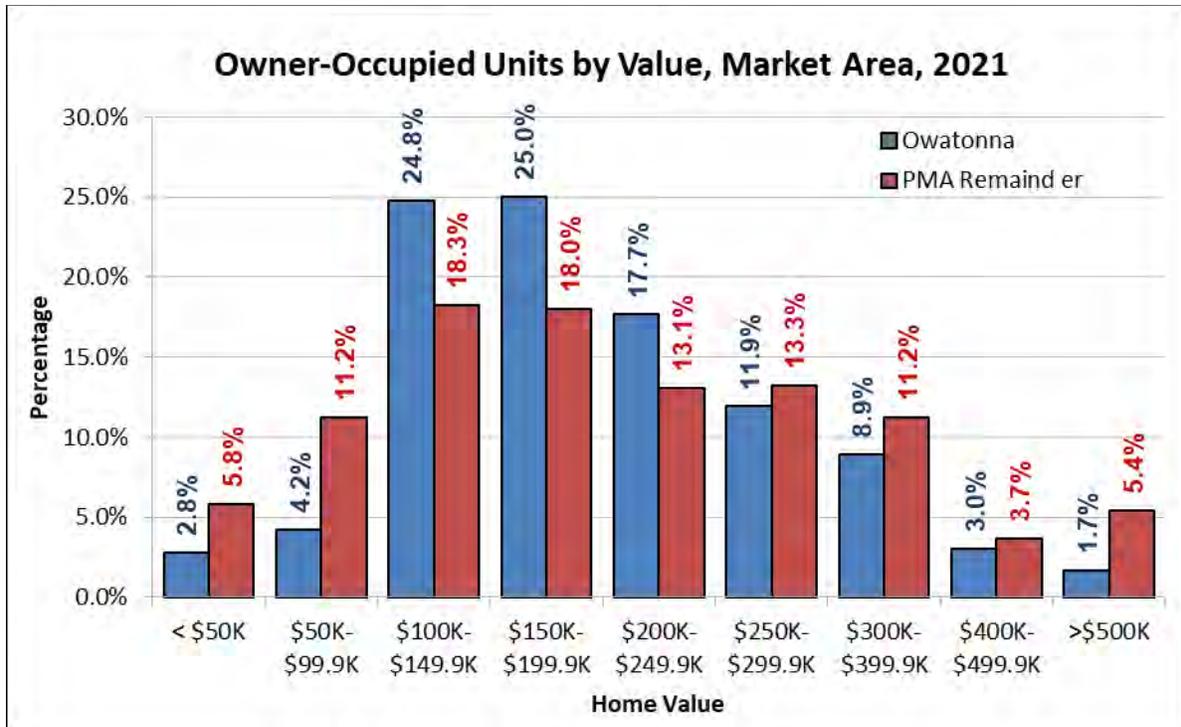
Owner-Occupied Housing Units by Value

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

- Median home value in the PMA Remainder (\$189,805) was 3.5% higher than the median home value in the City of Owatonna (\$183,400) in 2021.
- Median home value in the PMA (\$185,200) was 26.0% lower than in the State of Minnesota (\$250,200) in 2021.

TABLE HC-6 OWNER-OCCUPIED UNITS BY VALUE PRIMARY MARKET AREA 2021							
Home Value	OWATONNA		PMA REMAINDER		PMA		MN
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
Less than \$50,000	221	2.8%	209	5.8%	430	3.7%	5.1%
\$50,000-\$99,999	334	4.2%	404	11.2%	738	6.4%	8.5%
\$100,000-\$149,999	1,955	24.8%	657	18.3%	2,612	22.7%	13.8%
\$150,000-\$199,999	1,974	25.0%	649	18.0%	2,623	22.8%	18.9%
\$200,000-\$249,999	1,393	17.7%	471	13.1%	1,864	16.2%	15.4%
\$250,000-\$299,999	940	11.9%	477	13.3%	1,417	12.3%	11.6%
\$300,000-\$399,999	704	8.9%	404	11.2%	1,108	9.6%	13.3%
\$400,000-\$499,999	238	3.0%	132	3.7%	370	3.2%	6.1%
Greater than \$500,000	131	1.7%	195	5.4%	326	2.8%	7.2%
Total	7,890	100.0%	3,598	100.0%	11,488	100.0%	100.0%
Median Home Value	\$183,400		\$189,805		\$185,200		\$250,200
Note: The PMA Remainder includes all of Steele County with the exception of the City of Owatonna. The PMA includes all of Steele County.							
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research and Consulting LLC.							

- In Owatonna, homes valued between \$150,000 and \$199,999 made up the largest proportion of homes, accounting for 25.0% of owner-occupied units. Another 24.8% of owner-occupied units were valued between \$100,000 and \$149,999.
- The largest proportion of owner-occupied homes in the PMA Remainder was those between \$100,000 and \$149,999 (18.3%) followed by those between \$150,000 and \$199,999 (18.0%).
- A higher proportion of homes in the Remainder of the PMA (20.3%) are valued above \$300,000 compared to the City of Owatonna (13.6%).

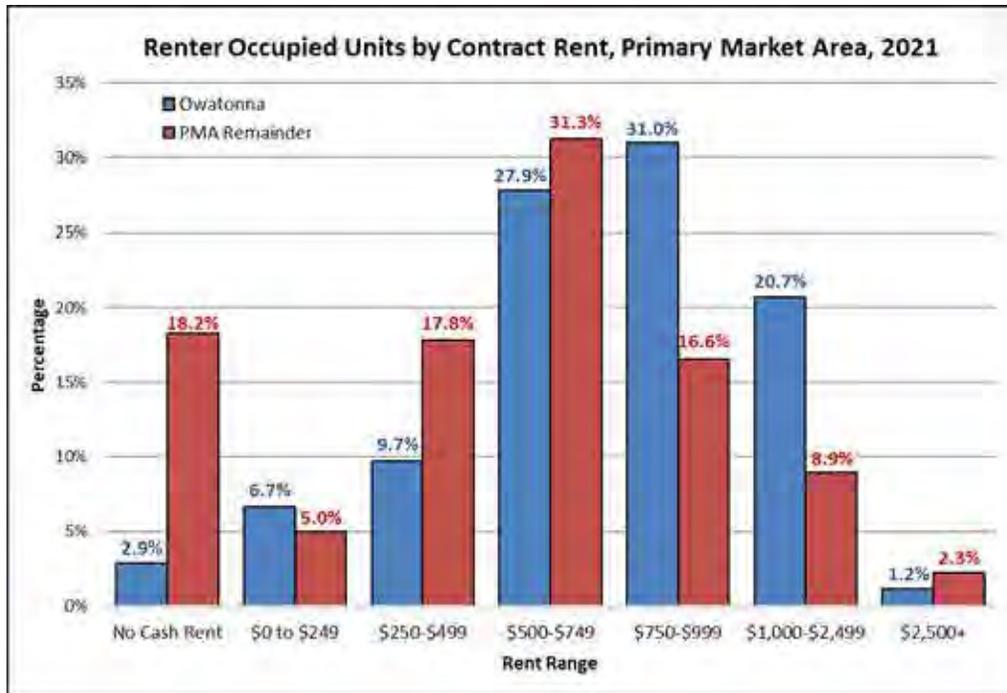


Renter-Occupied Units by Contract Rent

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

- PMA residents were most likely to pay between \$750 and \$999 in monthly rent, with 29.0% of renter occupied units reporting rents in this range.
- Within Minnesota, renters were most likely to pay between \$1,000 and \$2,499 in monthly rent. Approximately, 46.5% of rental units reported rents within this range.
- The median rent in Owatonna was \$770 in 2021, 19.4% higher than the Remainder of the PMA (\$645) but 20.8% lower than the median rent in the State of Minnesota (\$972).

HOUSING CHARACTERISTICS



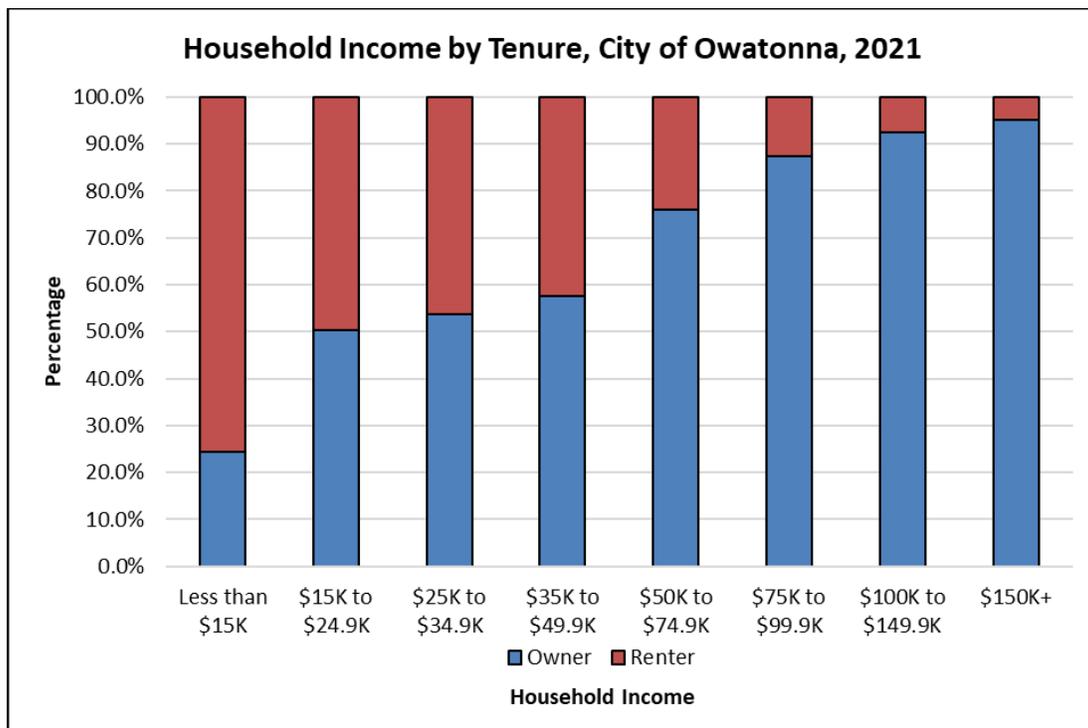
- Housing units without payment of rent (“no cash rent”) make up 5.1% of PMA renters. The proportion was significantly higher in the Remainder of the PMA (18.2%) compared to the City of Owatonna (2.9%). Typically, units may be owned by a relative or friend who lives elsewhere whom allow occupancy without charge. Other sources may include caretakers or ministers who may occupy a residence without charge.

Contract Rent	OWATONNA		PMA REMAINDER		PMA		MN
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
No Cash Rent	86	2.9%	88	18.2%	174	5.1%	4.4%
Cash Rent	2,854	97.1%	395	81.8%	3,249	94.9%	95.6%
\$0 to \$249	196	6.7%	24	5.0%	220	6.4%	4.2%
\$250-\$499	285	9.7%	86	17.8%	371	10.8%	8.4%
\$500-\$749	819	27.9%	151	31.3%	970	28.3%	14.3%
\$750-\$999	911	31.0%	80	16.6%	991	29.0%	20.1%
\$1,000-\$2,499	609	20.7%	43	8.9%	652	19.0%	46.5%
\$2,500+	34	1.2%	11	2.3%	45	1.3%	2.1%
Total	2,940	100.0%	483	100.0%	3,423	100.0%	100.0%
Median Contract Rent	\$770		\$645		\$760		\$972
Note: The PMA Remainder includes all of Steele County with the exception of the City of Owatonna. The PMA includes all of Steele County.							
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research and Consulting LLC.							

Tenure by Household Income

Table HC-8 presents information on tenure by household incomes in the PMA. Data was obtained through the American Community Survey for years 2017-2021.

- Households in Owatonna earning less than \$15,000 annually are likely to be renters. In the city 75.6% of households with incomes below \$15,000 were renter-occupied in 2021.
- In the PMA Remainder, households earning less than \$15,000 annually were more likely to be owner-occupied compared to within Owatonna. Nearly 56% of households earning less than \$15,000 were owner-occupied in the Remainder of the PMA.
- As incomes rise, the proportion of owner-occupied units increases as well. In Owatonna when incomes reached between \$15,000 to \$24,999, slightly more owner households were reported than renter households. Approximately, 50.3% of households in this income bracket were owner occupied in 2021.



- A portion of renter households are referred to as lifestyle renters, those who are financially able to own a home but choose to rent. Lifestyle renters typically have household incomes above \$60,000. Within the PMA approximately 24% (24.1%) of renters have incomes of \$60,000 or greater.
- The median income of renter households was significantly lower than the median income owner households in the PMA. In 2021, owner-occupied households in the PMA reported a median income of \$85,909 compared to \$32,493 among renter-occupied households.

HOUSING CHARACTERISTICS

Income	CITY OF OWATONNA				PMA REMAINDER				PMA			
	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.
Less than \$15,000	220	24.4%	682	75.6%	132	55.9%	104	44.1%	352	30.9%	786	69.1%
\$15,000 to \$24,999	394	50.3%	389	49.7%	138	67.3%	67	32.7%	532	53.8%	456	46.2%
\$25,000 to \$34,999	593	53.8%	510	46.2%	237	90.5%	25	9.5%	830	60.8%	535	39.2%
\$35,000 to \$49,999	735	57.6%	540	42.4%	335	78.8%	90	21.2%	1,070	62.9%	630	37.1%
\$50,000 to \$74,999	1,218	76.0%	385	24.0%	723	88.3%	96	11.7%	1,941	80.1%	481	19.9%
\$75,000 to \$99,999	1,472	87.4%	213	12.6%	663	93.6%	45	6.4%	2,135	89.2%	258	10.8%
\$100,000 to \$149,999	1,759	92.4%	145	7.6%	818	95.2%	41	4.8%	2,577	93.3%	186	6.7%
\$150,000+	1,499	95.2%	76	4.8%	552	97.4%	15	2.6%	2,051	95.8%	91	4.2%
Total	7,890	72.9%	2,940	27.1%	3,598	88.2%	483	11.8%	11,488	77.0%	3,423	23.0%
Median Household Income	\$87,747		\$31,692		\$85,688		\$29,117		\$85,909		\$32,493	

Note: PMA Remainder includes all of Steele County with the exception of the City of Owatonna. The PMA includes all of Steele County.

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

Mobility in the Past Year

Table HC-9 shows the mobility patterns of PMA residents. The information reflects the proportion of residents that reported a move within the last year at the time the ACS survey was conducted. The table presents the estimates of mobility within the last year based on five years of data collection, 2017-2021.

- The majority of PMA residents (89.0%) did not move during the last year. Mobility was slightly higher in the City of Owatonna where 87.4% of the population did not move the previous year.
- Among PMA residents that moved, they were most likely to move within the county (6.0%).
- Of those who reported a move in the PMA, 13.7% were between the ages of 18 and 24, 20.4% were between the ages of 25 and 34, and 15.0% were between the ages of 35 and 44. In addition, 28.3% of those under 18 reported a move.
- Mobility experiences a slight uptick in each submarket among those over age 75. This likely reflects a need, or desire to, downsize homes among retirees. This cohort may move to smaller homes, a senior living facility or to another area to be closer to family. In the PMA 4.9% of those 75 and over moved within the last year compared to 3.7% of those between the ages of 65 and 74.

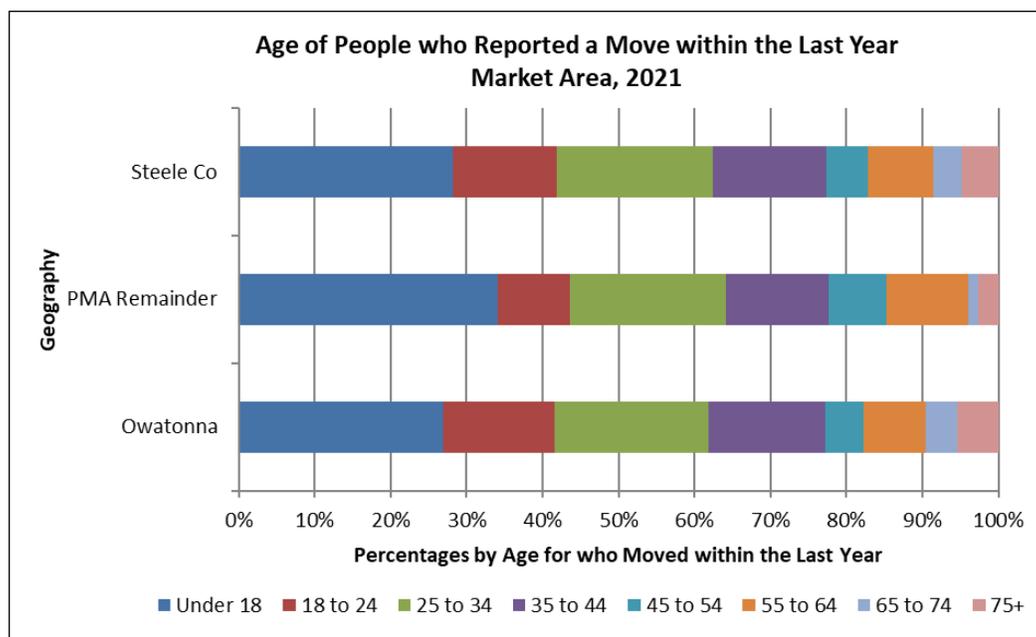
HOUSING CHARACTERISTICS

**TABLE HC-9
MOBILITY IN THE PAST YEAR BY AGE FOR CURRENT RESIDENCE
PRIMARY MARKET AREA
2021**

Age	Not Moved		Moved							
	Same House		Within Same County		Different County		Different State		Abroad	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Owatonna										
Under 18	5,315	85.8%	492	7.9%	168	2.7%	223	3.6%	0	0.0%
18 to 24	1,621	77.1%	292	13.9%	180	8.6%	9	0.4%	0	0.0%
25 to 34	2,276	77.3%	367	12.5%	125	4.2%	178	6.0%	0	0.0%
35 to 44	2,828	84.9%	268	8.0%	153	4.6%	66	2.0%	17	0.5%
45 to 54	3,326	95.4%	55	1.6%	25	0.7%	82	2.4%	0	0.0%
55 to 64	2,986	91.7%	157	4.8%	83	2.5%	30	0.9%	0	0.0%
65 to 74	2,599	94.9%	38	1.4%	59	2.2%	42	1.5%	0	0.0%
75+	1,838	91.2%	109	5.4%	48	2.4%	20	1.0%	0	0.0%
Total	22,789	87.4%	1,778	6.8%	841	3.2%	650	2.5%	17	0.1%
PMA Remainder										
Under 18	2,451	90.2%	150	5.5%	84	3.1%	32	1.2%	0	0.0%
18 to 24	677	90.1%	31	4.1%	26	3.5%	17	2.3%	0	0.0%
25 to 34	1,125	87.5%	73	5.7%	59	4.6%	28	2.2%	0	0.0%
35 to 44	1,141	91.6%	59	4.7%	33	2.6%	13	1.0%	0	0.0%
45 to 54	1,174	95.2%	40	3.2%	19	1.5%	0	0.0%	0	0.0%
55 to 64	1,689	95.3%	46	2.6%	19	1.1%	14	0.8%	5	0.3%
65 to 74	964	99.0%	8	0.8%	0	0.0%	2	0.2%	0	0.0%
75+	869	97.6%	16	1.8%	5	0.6%	0	0.0%	0	0.0%
Total	10,090	92.8%	423	3.9%	245	2.3%	106	1.0%	5	0.0%
PMA										
Under 18	7,766	87.1%	642	7.2%	252	2.8%	255	2.9%	0	0.0%
18 to 24	2,298	80.5%	323	11.3%	206	7.2%	26	0.9%	0	0.0%
25 to 34	3,401	80.4%	440	10.4%	184	4.3%	206	4.9%	0	0.0%
35 to 44	3,969	86.7%	327	7.1%	186	4.1%	79	1.7%	17	0.4%
45 to 54	4,500	95.3%	95	2.0%	44	0.9%	82	1.7%	0	0.0%
55 to 64	4,675	93.0%	203	4.0%	102	2.0%	44	0.9%	5	0.1%
65 to 74	3,563	96.0%	46	1.2%	59	1.6%	44	1.2%	0	0.0%
75+	2,707	93.2%	125	4.3%	53	1.8%	20	0.7%	0	0.0%
Total	32,879	89.0%	2,201	6.0%	1,086	2.9%	756	2.0%	22	0.1%

Note: The PMA Remainder includes all of Steele County with the exception of the City of Owatonna. The PMA includes all of Steele County.

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



Summary of Housing Characteristics

- Between 2004 and 2022, 1,700 new residential units were permitted in Owatonna. Of those 1,700 units, 57.1% were issued for single-family units while 42.9% were issued for multifamily units.
- Over the past year Owatonna experienced a major housing boom within the multifamily sector as over 230 units were permitted in 2022.
- Between 2010 and 2022 there were 115 residential demolition permits issued per year in Owatonna: an average of nine residential demolition permits per year.
- Housing within the City of Owatonna was newer than housing in the Remainder of the PMA. The median age of housing stock in the City of Owatonna was 1975 compared to 1971 in the Remainder of the PMA. When combined, the overall median age of housing stock for both owner-occupied and renter-occupied was 1973.
- Single-family houses are the dominant housing type in Owatonna and the PMA. Over 91% of owner-occupied housing in Owatonna and over 92% of owner-occupied housing in the PMA are single-family homes. Single family homes accounted for the largest portion (50.3%) of renter-occupied homes in the PMA (22.6%) but not Owatonna where the largest portion of renter-occupied homes were in structures with 20 to 29 units (19.3%) followed by single family homes (18.1%).
- Owner-occupied homes in Owatonna and the PMA had median values of \$183,400 and \$185,200, respectively, in 2021. Median contract rent in Owatonna and the PMA was \$770 and \$760, respectively, in 2021.
- Median income in the PMA was significantly higher among owner-occupied households (\$85,909) compared to renter occupied households (\$32,493). Similarly, within Owatonna, owner-occupied households (\$85,909) were significantly higher compared to renter occupied households (\$31,692).
- The majority of PMA residents (89.0%) did not move during the last year. Mobility was slightly higher in the City of Owatonna where 87.4% of the population did not move the previous year.
- Among PMA residents that moved, they were most likely to move within the county (6.0%).
- Of those who reported a move in the PMA, 13.7% were between the ages of 18 and 24, 20.4% were between the ages of 25 and 34, and 15.0% were between the ages of 35 and 44. In addition, 28.3% of those under 18 reported a move.

Employment Trends

Employment characteristics are an important component in assessing housing needs in any given market area. These trends are important to consider since job growth can fuel household and population growth as people generally desire to live near where they work. Long commute times have encouraged households to move closer to major employment centers.

Employment Growth and Projections

Table E-1, below, shows historic and projected employment growth in Owatonna, the PMA, Southeast Minnesota, and Minnesota from 2000 to 2035 based on data from the Minnesota Department of Employment and Economic Development (DEED). The Southeast Minnesota Planning area consists of the following 11 Minnesota Counties: Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, Winona. Following Table E-1 are a summary of key trends.

TABLE E-1 EMPLOYMENT GROWTH TRENDS AND PROJECTIONS PRIMARY MARKET AREA 2000 to 2035								
Annual Employment	City of Owatonna		PMA		Southeast MN Planning Region		Minnesota	
2000	17,280		19,988		225,387		2,608,844	
2005	17,143		20,019		229,647		2,637,323	
2010	17,401		20,272		225,090		2,563,391	
2015	18,162		21,426		237,642		2,774,426	
2020	17,097		19,821		233,121		2,707,821	
2022	16,116		18,961		239,872		2,851,778	
2025 Forecast	16,463		19,244		246,021		2,933,789	
2030 Forecast	17,040		19,420		249,835		2,984,443	
2035 Forecast	17,645		19,715		256,270		3,070,475	
Change	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
2000 - 2010	121	0.7%	284	1.4%	-297	-0.1%	-45,453	-1.7%
2010 - 2020	-304	-1.7%	-451	-2.2%	8,031	3.6%	144,430	5.6%
2020 - 2030	-57	-0.4%	-401	-2.0%	16,714	7.0%	276,622	10.2%
2030 - 2035	605	3.6%	295	1.5%	6,435	2.6%	86,032	2.9%

Note: The PMA includes all of Steele County. The Southeast Minnesota Planning Region includes the following counties: Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona.

Sources: MN DEED; & Maxfield Research and Consulting, LLC.

- Between 2010 and 2020 the City of Owatonna lost 304 employees, a decline of 1.7%. The PMA lost 451 employees a decline of 2.2%. In comparison, the Southeast Minnesota Planning and Minnesota experienced increases of 3.6% and 5.6%, respectively.

EMPLOYMENT TRENDS

- Between 2020 and 2022 the City of Owatonna lost 981 employees, a decline of 5.5%, due to the Covid-19 Pandemic.
- From 2020 and 2030, the City of Owatonna is projected to decrease by 57 employees, a decrease of 0.4%. The PMA, in contrast, is projected to lose 401 employees, a decline of 2.0%. In comparison, the Southeast Minnesota Planning and Minnesota are both expected to experience increases of 7.0% and 10.2%, respectively.
- Between 2030 and 2035 the City of Owatonna is projected to gain 605 employees, an increase of 3.6%. The PMA is projected to gain 295 employees, a 1.5% increase. The Southeast Minnesota Planning and Minnesota are projected to experience increases of 2.6% and 2.9%, respectively.

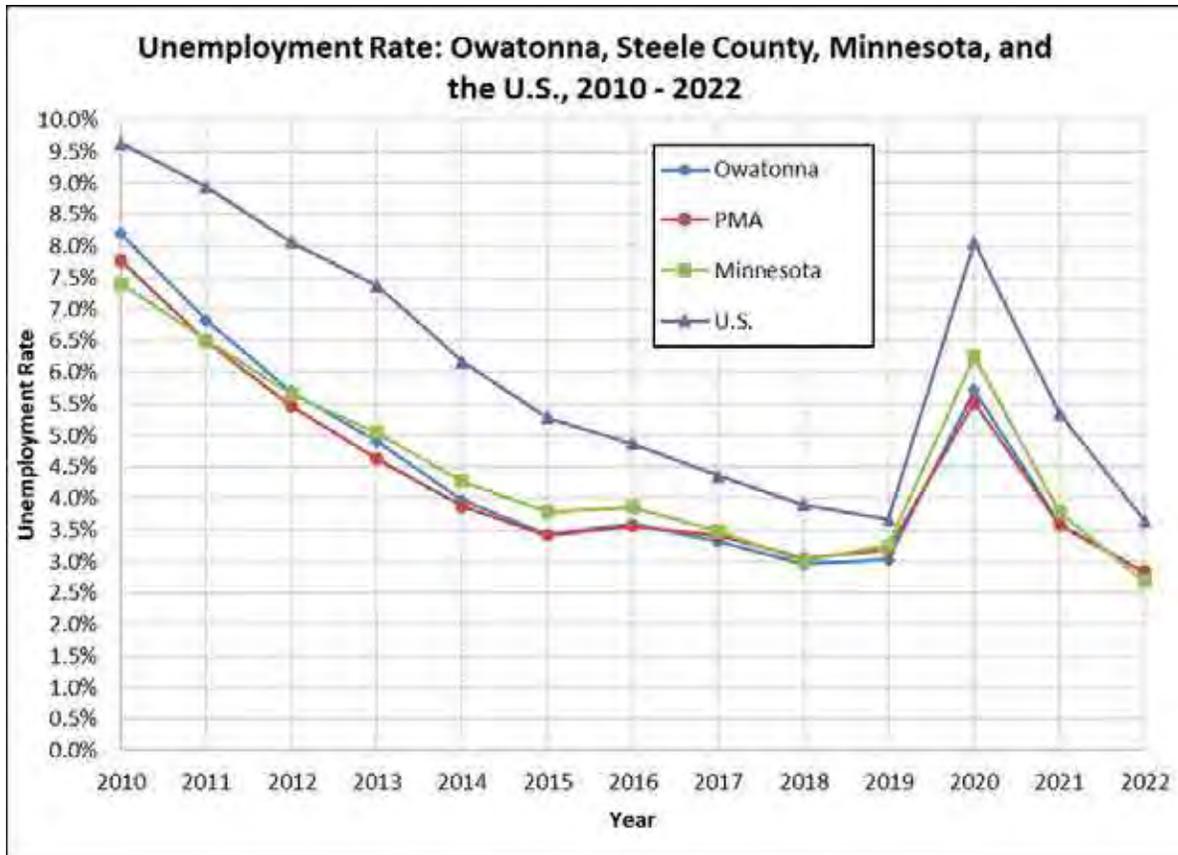
Resident Labor Force

Table E-2, on the following page, presents resident employment data for the City of Owatonna from 2010, when data is first available, through 2022. Data is also provided for the PMA, Minnesota, and U.S. for comparison purposes. 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 Owatonna. The data is obtained from the Minnesota Department of Economic Development (MN DEED).

- Between 2010 and 2022 the labor force in Owatonna contracted by 8.7%, due in part to the Covid-19 Pandemic. The three largest annual declines occurred between 2021 and 2022 (5.2%), 2016 and 2017 (2.9%), and between 2020 and 2021 (2.1%). The largest annual increase in the labor force occurred between 2018 and 2019, when the labor force increased by 3.8%.
- The PMA, similar to Owatonna, experienced a labor force decrease (8.4%) between 2010 and 2022. In contrast, Minnesota and the U.S. experienced labor force increases of 4.6% and 6.8%, respectively.
- The number of employed persons in Owatonna decreased 3.3% (450 employees) between 2010 and 2022. The PMA also experienced a decrease in employees between 2010 and 2022 declining by 3.7% (712 employees). Minnesota experienced a 10.0% increase in employees while the U.S. experienced a 13.8% increase during the same time frame.
- Unemployment in Owatonna dropped from 8.2% in 2010 to 2.8% in 2022. Similarly, unemployment in the PMA dropped from 7.8% in 2010 to 2.8% in 2022.
- Minnesota's unemployment rate, like in Owatonna and the PMA, dropped from 7.4% in 2010 to 2.7% in 2022. The U.S. in both 2010 and 2022 had higher unemployment rates than in Owatonna or the PMA. In 2010 the unemployment rate was 9.6% and dropped to 3.6% in 2022.

EMPLOYMENT TRENDS

TABLE E-2 ANNUAL AVERAGE RESIDENT EMPLOYMENT PRIMARY MARKET AREA 2010 to 2022				
Year	Labor Force	Employed	Unemployed	Unemployment Rate
CITY OF OWATONNA				
2010	14,735	13,527	1,208	8.2%
2011	14,781	13,772	1,009	6.8%
2012	15,080	14,221	859	5.7%
2013	14,969	14,236	733	4.9%
2014	14,898	14,307	591	4.0%
2015	14,800	14,293	507	3.4%
2016	14,759	14,229	530	3.6%
2017	14,337	13,862	475	3.3%
2018	14,259	13,837	422	3.0%
2019	14,801	14,252	449	3.0%
2020	14,500	13,672	828	5.7%
2021	14,191	13,682	509	3.6%
2022	13,458	13,077	381	2.8%
Change 2010-2022				
Number	-1,277	-450	-827	--
Percent	-8.7%	-3.3%	-68.5%	--
PMA				
2010	21,063	19,426	1,637	7.8%
2011	21,165	19,753	1,375	6.5%
2012	21,595	20,400	1,180	5.5%
2013	21,415	20,419	992	4.6%
2014	21,349	20,496	826	3.9%
2015	21,251	20,494	725	3.4%
2016	21,176	20,493	754	3.6%
2017	20,627	19,925	702	3.4%
2018	20,489	19,907	625	3.1%
2019	21,242	20,666	676	3.2%
2020	20,733	19,505	1,143	5.5%
2021	20,333	19,294	729	3.6%
2022	19,284	18,714	547	2.8%
MINNESOTA				
2010	2,940,816	2,723,025	217,791	7.4%
2011	2,952,527	2,760,399	192,127	6.5%
2012	2,949,769	2,783,181	166,588	5.6%
2013	2,961,728	2,812,452	149,275	5.0%
2014	2,979,798	2,852,487	127,310	4.3%
2015	3,005,413	2,891,672	113,740	3.8%
2016	3,023,110	2,906,348	116,761	3.9%
2017	3,071,005	2,963,829	107,176	3.5%
2018	3,075,089	2,982,657	92,431	3.0%
2019	3,108,681	3,007,373	101,307	3.3%
2020	3,134,160	2,938,014	196,145	6.3%
2021	3,039,322	2,924,147	115,174	3.8%
2022	3,077,500	2,994,919	82,580	2.7%
U.S.				
2010	153,888,583	139,063,916	14,824,750	9.6%
2011	153,616,666	139,869,250	13,747,416	8.9%
2012	154,974,583	142,469,083	12,505,583	8.1%
2013	155,389,166	143,929,333	11,459,833	7.4%
2014	155,921,833	146,305,333	9,616,416	6.2%
2015	157,129,916	148,833,416	8,296,333	5.3%
2016	159,187,166	151,435,833	7,751,000	4.9%
2017	160,319,750	153,337,416	6,982,250	4.4%
2018	162,075,000	155,761,000	6,313,916	3.9%
2019	163,538,666	157,538,083	6,000,583	3.7%
2020	160,742,333	147,794,750	12,947,583	8.1%
2021	161,203,916	152,580,666	8,623,250	5.3%
2022	164,287,166	158,291,083	5,996,000	3.6%
Note: The PMA includes all of Steele County. Data is not seasonally adjusted.				
Sources: MN DEED; & Maxfield Research and Consulting LLC.				



Covered Employment by Industry

Table E-3 presents covered employment workforce numbers for the PMA from 2000 through 2022. Covered employment data is calculated as an annual average and *reveals the number of jobs in the designated area*, which are covered by unemployment insurance. Many temporary workforce positions, agricultural, self-employed persons, and some other types of jobs are not covered by unemployment insurance and are not included in the table. The data in both tables is sourced from the Minnesota Department of Employment and Economic Development. The following are key trends derived from the employment data:

- The Manufacturing industry accounted for the largest share of employment in the PMA, with 4,874 employees accounting for 25.7% of employment in 2022.
- Between 2010 and 2022, the Education and Health Services industry experienced the largest numeric growth in the PMA, adding 243 employees, a 7.5% increase.
- The Financial Services industry reported the largest decline in employment between 2010 and 2022, decreasing by 77.0% (1,579 jobs).

EMPLOYMENT TRENDS

- Manufacturing also accounted for the largest share of employment in Owatonna, representing 27.7% of employment.
- The Trade, Transportation and Utilities (19.6% of employment), Education and Health Services (17.5% of employment), and Professional and Business Services (13.8% of employment) industries represented the next largest employment sectors in Owatonna.

City of Owatonna					Change		Percentage of Total			
Industry	2010	2015	2020	2021	2010 - 2021		2010	2015	2020	2021
					No.	Pct.				
Natural Resources & Mining	--	--	126	119	--	--	--	--	0.7%	0.7%
Construction	--	--	393	385	--	--	--	--	2.3%	2.3%
Manufacturing	4,714	5,138	4,773	4,655	-59	-1.3%	27.1%	28.3%	27.9%	28.3%
Trade, Transportation, and Utilities	3,095	2,672	3,064	3,194	99	3.2%	17.8%	14.7%	17.9%	19.4%
Information	114	141	194	201	87	76.3%	0.7%	0.8%	1.1%	1.2%
Financial Services	1,964	1,790	520	498	-1,466	-74.6%	11.3%	9.9%	3.0%	3.0%
Professional and Business Services	2,182	2,942	3,213	3,172	990	45.4%	12.5%	16.2%	18.8%	19.3%
Education and Health Services	2,562	2,668	2,775	2,843	281	11.0%	14.7%	14.7%	16.2%	17.3%
Leisure and Hospitality	1,385	1,425	1,124	1,270	-115	-8.3%	8.0%	7.8%	6.6%	7.7%
Other Services	365	373	318	349	-16	-4.4%	2.1%	2.1%	1.9%	2.1%
Public Administration	599	635	595	614	15	2.5%	3.4%	3.5%	3.5%	3.7%
Totals	17,401	18,162	17,097	16,423	-978	-5.6%				
PMA					Change		Percentage of Total			
Industry	2010	2015	2020	2021	2010 - 2021		2010	2015	2020	2021
					No.	Pct.				
Natural Resources & Mining	165	88	270	291	126	--	0.8%	0.4%	1.4%	1.4%
Construction	543	574	602	587	44	--	2.7%	2.7%	3.0%	2.9%
Manufacturing	5,125	5,646	5,264	5,193	68	1.3%	25.3%	26.4%	26.6%	25.8%
Trade, Transportation, and Utilities	4,169	4,039	3,843	3,915	-254	-6.1%	20.6%	18.9%	19.4%	19.5%
Information	132	170	210	220	88	66.7%	0.7%	0.8%	1.1%	1.1%
Financial Services	2,051	1,855	570	547	-1,504	-73.3%	10.1%	8.7%	2.9%	2.7%
Professional and Business Services	2,247	3,054	3,353	3,324	1,077	47.9%	11.1%	14.3%	16.9%	16.5%
Education and Health Services	3,230	3,292	3,318	3,415	185	5.7%	15.9%	15.4%	16.7%	17.0%
Leisure and Hospitality	1,525	1,547	1,263	1,421	-104	-6.8%	7.5%	7.2%	6.4%	7.1%
Other Services	452	490	435	469	17	3.8%	2.2%	2.3%	2.2%	2.3%
Public Administration	632	669	692	719	87	13.8%	3.1%	3.1%	3.5%	3.6%
Totals	20,272	21,426	19,821	20,101	-171	-0.8%				
Note: the PMA includes all of Steele County.										
Sources: MN DEED, Maxfield Research and Consulting LLC.										

Employment and Wages

Table E-4, on the following page, displays information on employment and wages in the City of Owatonna. The Quarterly Census of Employment and Wages (QCEW) data is sourced from Minnesota DEED for the fourth quarter of 2021 and 2022, the most recent annual data available. All establishments covered under the Unemployment Insurance (UI) Program are required to report wage and employment statistics quarterly to DEED. Federal government establishments are also covered by the QCEW program.

EMPLOYMENT TRENDS

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

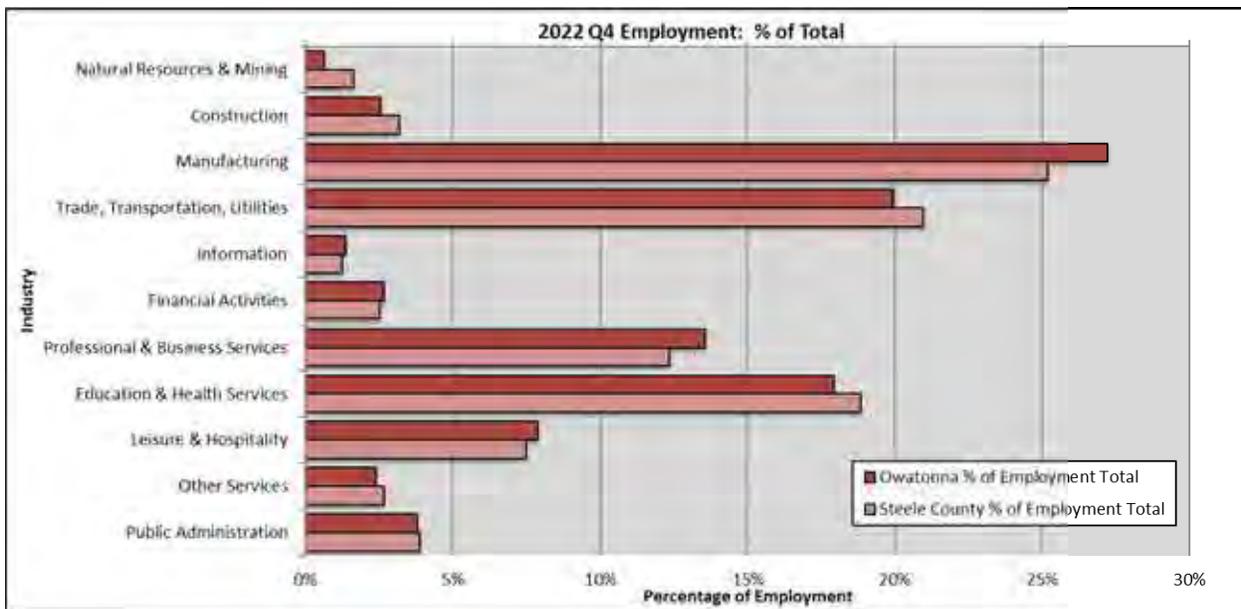
Industry	2021 Q4			2022 Q4			Change 2021 Q3 - 2022 Q3			
	Establish- ments	Employ- ment	Weekly Wage	Establish- ments	Employ- ment	Weekly Wage	Employment #	%	Wage #	%
CITY OF OWATONNA										
Total, All Industries	774	17,232	\$1,063	785	16,175	\$1,101	-1,057	-6.1%	\$38	3.6%
Natural Resources & Mining	5	110	\$1,315	5	102	\$797	-8	-7.3%	(\$518)	-39.4%
Construction	62	379	\$1,437	62	415	\$1,525	36	9.5%	\$88	6.1%
Manufacturing	41	4,583	\$1,216	42	4,403	\$1,216	-180	-3.9%	\$0	0.0%
Trade, Transportation, Utilities	159	3,190	\$834	158	3,222	\$876	32	1.0%	\$42	5.0%
Information	15	206	\$1,064	17	221	\$1,003	15	7.3%	(\$61)	-5.7%
Financial Activities	75	471	\$1,091	79	432	\$946	-39	-8.3%	(\$145)	-13.3%
Professional & Business Services	100	3,193	\$1,217	94	2,193	\$1,627	-1,000	-31.3%	\$410	33.7%
Education & Health Services	145	2,850	\$1,159	153	2,902	\$1,097	52	1.8%	(\$62)	-5.3%
Leisure & Hospitality	86	1,279	\$367	84	1,277	\$386	-2	-0.2%	\$19	5.2%
Other Services	70	359	\$750	75	390	\$797	31	8.6%	\$47	6.3%
Public Administration	16	608	\$1,222	16	615	\$1,123	7	1.2%	(\$99)	-8.1%
PMA										
Total, All Industries	1,097	20,073	\$1,043	1,120	19,101	\$1,082	-972	-4.8%	\$39	3.7%
Natural Resources & Mining	28	294	\$1,120	28	312	\$1,085	18	6.1%	(\$35)	-3.1%
Construction	108	586	\$1,206	109	608	\$1,479	22	3.8%	\$273	22.6%
Manufacturing	69	5,105	\$1,206	67	4,811	\$1,202	-294	-5.8%	(\$4)	-0.3%
Trade, Transportation, Utilities	245	3,902	\$863	248	4,003	\$935	101	2.6%	\$72	8.3%
Information	18	227	\$1,048	20	240	\$992	13	5.7%	(\$56)	-5.3%
Financial Activities	93	523	\$1,077	97	484	\$969	-39	-7.5%	(\$108)	-10.0%
Professional & Business Services	126	3,348	\$1,203	122	2,357	\$1,584	-991	-29.6%	\$381	31.7%
Education & Health Services	189	3,447	\$1,089	202	3,600	\$1,048	153	4.4%	(\$41)	-3.8%
Leisure & Hospitality	104	1,438	\$368	101	1,431	\$388	-7	-0.5%	\$20	5.4%
Other Services	94	478	\$697	103	508	\$736	30	6.3%	\$39	5.6%
Public Administration	23	723	\$1,113	23	740	\$1,032	17	2.4%	(\$81)	-7.3%
Note: The PMA includes all of Steele County										
Sources: Minnesota Department of Employment and Economic Development; Maxfield Research and Consulting LLC.										

- In the City of Owatonna, the Financial Activities industry reported the highest weekly wage, \$1,627, or approximately \$84,604 annually in the fourth quarter of 2022. Similar to Owatonna, throughout the PMA, the Financial Activities industry reported the highest weekly wage, \$1,584, or approximately \$82,368 annually in the fourth quarter of 2022
- The Financial Activities industry accounts for 13.6% of the employment in the City of Owatonna. A large portion of the employment in the Financial Activities industry is due to the presence of Federated Insurance's corporate office in Owatonna.
- The Manufacturing industry, which accounts for the largest share of employment in Owatonna (27.2%), reported an average weekly wage of \$1,525, or approximately \$79,300 annually. Throughout the PMA, the Manufacturing sector represented 25.2% of employment with an average weekly wage of \$1,202 (\$62,504 annually).

EMPLOYMENT TRENDS



- The Construction sector experienced the highest percentage employment growth in Owatonna between the fourth quarter of 2021 and fourth quarter of 2022, increasing by 9.5%. The PMA, in contrast, experienced the greatest employment growth in its Other Services sector between the fourth quarter of 2021 and fourth quarter of 2022, increasing by 6.3%.
- Owatonna’s Professional and Business Services sector reported the largest growth in wages between the fourth quarters of 2021 and 2022 growing 33.7%. Throughout the PMA the Professional and Business Services sector grew by 31.7%. In the PMA, the Construction industry also experienced double digit wage growth, growing by 22.6%.



Commuting Patterns

Proximity to employment is often a primary consideration when choosing where to live, since transportation costs often account for a considerable proportion of households’ budgets. Tables E-5 highlights the commuting patterns of workers in the City of Owatonna in 2020 and the PMA in 2020 (the most recent data available), based on Employer-Household Dynamics data from the U.S. Census Bureau. Home destination is defined as where workers live who are employed in the selection area. Work destination is defined as where workers are employed who live in the selection area.

- As Table E-5 illustrates, 42.9% of people who are employed in the City of Owatonna are also employed in the City of Owatonna.
- In 2020, 61.2% of workers who live in Owatonna are also employed in Owatonna. Faribault was the next largest work destination for Owatonna residents, with 6.6% of workers living in Owatonna commuting to Faribault. Rochester also was a large work destination for Owatonna residents with 4.1% of workers living in Owatonna commuting to Rochester.

TABLE E-5 COMMUTING PATTERNS CITY OF OWATONNA 2020					
Home Destination			Work Destination		
Place of Residence	Count	Share	Place of Employment	Count	Share
Owatonna city, MN	7,527	42.9%	Owatonna city, MN	7,527	61.2%
Faribault city, MN	884	5.0%	Faribault city, MN	807	6.6%
Waseca city, MN	698	4.0%	Rochester city, MN	508	4.1%
Albert Lea city, MN	374	2.1%	Waseca city, MN	209	1.7%
Austin city, MN	306	1.7%	Minneapolis city, MN	154	1.3%
Medford city, MN	285	1.6%	Northfield city, MN	147	1.2%
Blooming Prairie city, MN	263	1.5%	Austin city, MN	131	1.1%
Rochester city, MN	194	1.1%	Medford city, MN	130	1.1%
Minneapolis city, MN	143	0.8%	Albert Lea city, MN	110	0.9%
Mankato city, MN	127	0.7%	St. Paul city, MN	95	0.8%
All Other Locations	6,746	38.4%	All Other Locations	2,490	20.2%
Total All Jobs	17,547		Total All Jobs	12,308	
Home Destination = Where workers live who are employed in the City of Owatonna					
Work Destination = Where workers are employed who live in the City of Owatonna					
Sources: US Census Bureau On the Map; Maxfield Research and Consulting LLC.					

- Commuting patterns in the PMA were similar to those in the City of Owatonna. The City of Owatonna was the largest work destination for PMA residents (55.4%) and the largest home destination for PMA workers (40.0%).

**TABLE E-6
COMMUTING PATTERNS
STEELE COUNTY
2020**

Home Destination			Work Destination		
<u>Place of Residence</u>	<u>Count</u>	<u>Share</u>	<u>Place of Employment</u>	<u>Count</u>	<u>Share</u>
Owatonna city, MN	7,990	40.0%	Owatonna city, MN	9,721	55.4%
Faribault city, MN	958	4.8%	Faribault city, MN	1,204	6.9%
Waseca city, MN	753	3.8%	Rochester city, MN	762	4.3%
Blooming Prairie city, MN	536	2.7%	Blooming Prairie city, MN	464	2.6%
Albert Lea city, MN	432	2.2%	Austin city, MN	303	1.7%
Austin city, MN	427	2.1%	Waseca city, MN	300	1.7%
Medford city, MN	320	1.6%	Northfield city, MN	219	1.2%
Rochester city, MN	226	1.1%	Minneapolis city, MN	217	1.2%
Ellendale city, MN	181	0.9%	Albert Lea city, MN	208	1.2%
Minneapolis city, MN	154	0.8%	Medford city, MN	178	1.0%
All Other Locations	7,993	40.0%	All Other Locations	3,968	22.6%
Total All Jobs	19,970		Total All Jobs	17,544	

Home Destination = Where workers live who are employed in Steele County
 Work Destination = Where workers are employed who live in Steele County

Sources: US Census Bureau On the Map; Maxfield Research and Consulting LLC.

Inflow/Outflow

Table E-7 provides a summary of the inflow and outflow of workers of in the City of Owatonna. Outflow reflects the number of workers living in the City but employed outside of the City while inflow measures the number of workers that are employed in the City but live outside.

- Owatonna is a net importer of workers, with 10,020 workers commuting into the city compared to 4,781 workers leaving the city for work. In addition, 7,527 workers live and work in the city.
- Inflow workers and interior flow workers were most like to work in the “All Other Services” industry, followed by the “Goods Producing” industry.

EMPLOYMENT TRENDS

	Outflow		Inflow		Interior Flow	
City Total	4,781	100.0%	10,020	100.0%	7,527	100.0%
By Age						
Workers Aged 29 or younger	1,153	24.1%	2,211	22.1%	1,555	20.7%
Workers Aged 30 to 54	2,558	53.5%	5,351	53.4%	3,971	52.8%
Workers Aged 55 or older	1,070	22.4%	2,458	24.5%	2,001	26.6%
By Monthly Wage						
Workers Earning \$1,250 per month or less	1,082	22.6%	2,294	22.9%	1,756	23.3%
Workers Earning \$1,251 to \$3,333 per month	1,180	24.7%	2,674	26.7%	2,016	26.8%
Workers Earning More than \$3,333 per month	2,519	52.7%	5,052	50.4%	3,755	49.9%
By Industry						
"Goods Producing"	1,188	24.8%	3,608	36.0%	2,422	32.2%
"Trade, Transportation, and Utilities"	958	20.0%	1,627	16.2%	1,435	19.1%
"All Other Services"	2,635	55.1%	4,785	47.8%	3,670	48.8%

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

City of Owatonna Inflow/Outflow, 2020

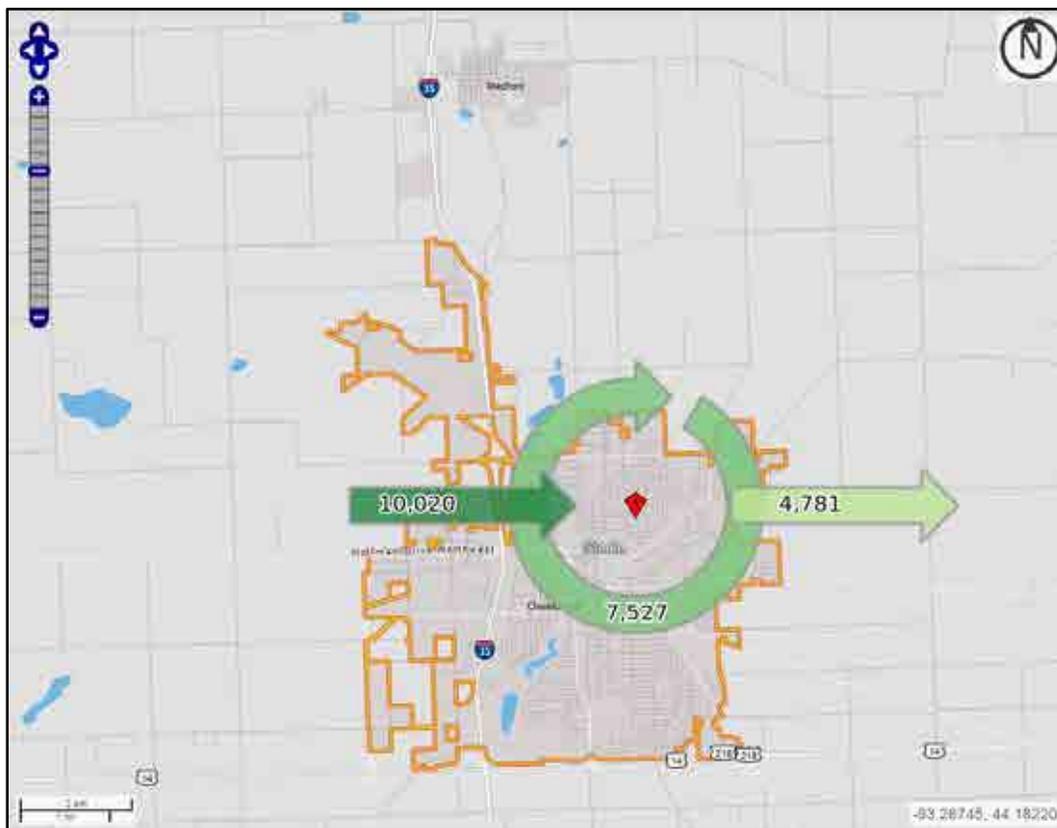


Table E-8 provides a summary of the inflow and outflow of workers in the PMA. Outflow reflects the number of workers living in the PMA but employed outside of the PMA while inflow measures the number of workers that are employed in the PMA but live outside.

EMPLOYMENT TRENDS

	Outflow		Inflow		Interior Flow	
Total	6,639	100.0%	9,065	100.0%	10,905	100.0%
By Age						
Workers Aged 29 or younger	1,595	24.0%	2,113	23.3%	2,242	20.6%
Workers Aged 30 to 54	3,556	53.6%	4,813	53.1%	5,729	52.5%
Workers Aged 55 or older	1,488	22.4%	2,139	23.6%	2,934	26.9%
By Monthly Wage						
Workers Earning \$1,250 per month or less	1,473	22.2%	2,167	23.9%	2,554	23.4%
Workers Earning \$1,251 to \$3,333 per month	1,660	25.0%	2,510	27.7%	2,875	26.4%
Workers Earning More than \$3,333 per month	3,506	52.8%	4,388	48.4%	5,476	50.2%
By Industry						
"Goods Producing"	1,648	24.8%	3,199	35.3%	3,606	33.1%
"Trade, Transportation, and Utilities"	1,310	19.7%	1,631	18.0%	2,021	18.5%
"All Other Services"	3,681	55.4%	4,235	46.7%	5,278	48.4%

Note: The PMA includes all of Steele County.

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

PMA Inflow/Outflow, 2020



- Similar to Owatonna, the PMA is a net importer of workers, with 9,065 workers commuting into the city compared to 6,639 workers leaving the county for work. In addition, 11,518 workers live and work in the county.

EMPLOYMENT TRENDS

- Over half of all PMA workers were aged 30 to 54. In addition, over half of outflow workers (52.8%) and interior flow (50.2%) earned more than \$3,333. Inflow workers were also most likely to earn more than \$3,333 per month (48.4%), but at a lower proportion than outflow and interior flow workers.

Resident Profile

Table E-9 compares characteristics of employed residents living in Owatonna, the PMA, and State of Minnesota in 2020. Information on monthly earnings, age, race and ethnicity, educational attainment and job classification is provided. Both primary and private jobs are included.

TABLE E-9 RESIDENT PROFILE - ALL JOBS BOTH PRIMARY AND PRIVATE OWATONNA, PMA, & MN 2020					
	City of Owatonna		PMA		MN
	No.	Pct.	No.	Pct.	Pct.
Total Jobs					
Total All Jobs	12,308	100.0%	17,544	100.0%	100.0%
Monthly Earnings					
\$1,250 per month or less	2,838	23.1%	4,027	23.0%	23.2%
\$1,251 to \$3,333 per month	3,196	26.0%	4,535	25.8%	24.0%
More than \$3,333 per month	6,274	51.0%	8,982	51.2%	52.8%
Worker Ages					
Age 29 or younger	2,708	22.0%	3,837	21.9%	23.1%
Age 30 to 54	6,529	53.0%	9,285	52.9%	53.1%
Age 55 or older	3,071	25.0%	4,422	25.2%	23.8%
Worker Race and Ethnicity					
White Alone	11,538	93.7%	16,617	94.7%	85.3%
Black or African American Alone	419	3.4%	471	2.7%	6.6%
American Indian or Alaska Native Alone	53	0.4%	66	0.4%	0.9%
Asian Alone	159	1.3%	205	1.2%	5.4%
Native Hawaiian or Other Pacific Islander Alone	15	0.1%	17	0.1%	0.1%
Two or More Race Groups	124	1.0%	168	1.0%	1.7%
Ethnicity					
Not Hispanic or Latino	11,301	91.8%	16,287	92.8%	95.2%
Hispanic or Latino	1,007	8.2%	1,257	7.2%	4.8%
Worker Educational Attainment					
Less than high school	845	6.9%	1,170	6.7%	6.7%
High school or equivalent, no college	2,703	22.0%	3,887	22.2%	19.8%
Some college or Associate degree	3,474	28.2%	5,008	28.5%	26.4%
Bachelor's degree or advanced degree	2,578	20.9%	3,642	20.8%	24.0%
Educational attainment not available (workers aged 29 or younger)	2,708	22.0%	3,837	21.9%	23.1%
Note: The PMA includes all of Steele County.					
Sources: U.S. Census Bureau, Maxfield Research and Consulting, LLC.					

- Owatonna residents earning more than \$3,333 per month account for 51.0% of workers. This is below the proportion of residents earning more than \$3,333 per month in both the PMA (51.2%) and Minnesota (52.8%).
- Workers between the ages of 30 and 54 account for 53.0% of workers, similar to the proportion in both the PMA (52.9%) and the State of Minnesota (52.8%).

EMPLOYMENT TRENDS

- The proportion of workers who live in Owatonna with a high school diploma (22.0%) was slightly less than the PMA (22.2%), but more than in Minnesota (19.8%).
- The proportion of those with a bachelor's degree in Owatonna (20.9%) was slightly more than in the PMA (20.8%), but less than in Minnesota (24.0%).

Major Employers

A portion of employment growth in the Steele County PMA will be generated by the County's largest employers. Table E-10, on the following page, lists top employers in Owatonna along with a description of their primary industry and number of employee count based on information from the City of Owatonna and Owatonna Chamber of Commerce. Data for each company is from the most recent available year. Most data is from 2019 while data for Federated Mutual Insurance Company, Viracon, Inc., and Independent School District #761 is from 2021.

The following are key points from the major employers table.

- The largest employer in the county was Federated Mutual Insurance Company with 1,405 employees, operating in the insurance industry. Viracon, Inc. a manufacturing company, was the second largest employer with 1,350 employees.
- The manufacturing industry was overwhelmingly the most represented industry among top employers in Owatonna. Manufacturing represented eight of the 12 largest employers in the city (66.7%). The only other industry with multiple large employers was healthcare with two of the 12 largest employers (16.7%). Owatonna, as a major regional center is home to Allina Hospital and a clinic in the Mayo Clinic Health system.
- Below, is a photo of one of Owatonna's newest employers, Courtyard by Marriot: Owatonna Downtown. The hotel is not included in the majors employer table but will be important to the revitalization of Downtown.



EMPLOYMENT TRENDS

TABLE E-10 OWATONNA MAJOR EMPLOYERS		
Name	Industry	Employee Count
Federated Mutual Insurance Company*	Insurance	1,405
Viracon, Inc*	Manufacturing	1,350
Independent School District #761*	Education	750
Amesbury Truth **	Manufacturing	630
Bosch**	Manufacturing	540
Daiken**	Manufacturing	450
Jostens**	Manufacturing	416
Allina Hospital**	Manufacturing	406
Wegner**	Manufacturing	370
Mayo Clinic Health System**	Healthcare	350
Cybox International**	Manufacturing	320
Cabela's**	Retail	219
*2021 employee count numbers.		
** 2019 employee count numbers.		
Source: City of Owatonna; Owatonna Chamber of Commerce (OATCC); & Maxfield Research and Consulting LLC.		

Select Major Employers



Jostens



Federated Insurance

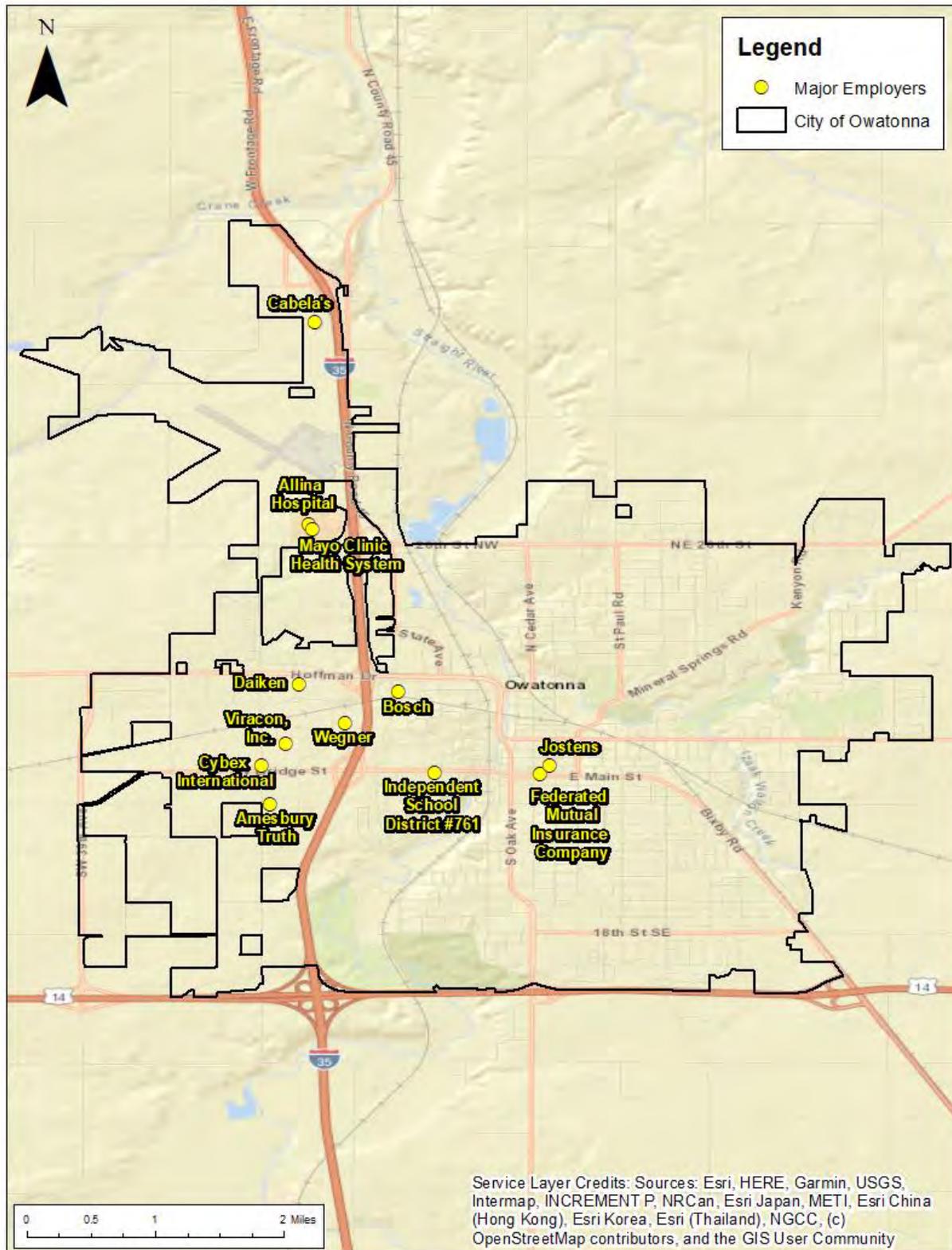


Allina Hospital & Mayo Clinic



Cabela's

Owatonna Major Employers



Employer Survey

Maxfield Research reached out with a survey to representatives of large employers in Owatonna. The questions covered topics such as recent trends in job growth, average wages, and salaries, hiring, relocation and housing considerations. The following points summarize the findings of this survey process.

- Employers stressed that the housing market is an important factor in attracting new employees to the City of Owatonna and that the majority of residents still prefer to own their home rather than rent.
- Many employees commute into Owatonna from smaller nearby communities like Dodge Center. However, some employees even commute from the Southern Twin Cities suburbs. Also, mentioned was the lack of housing within city limits. The city can capitalize on its status as a regional center and draw in more residents with greater housing options.
- None of the surveyed employers are experiencing a contraction in their workforce and many of the surveyed employers have 1,000 plus employees working in Owatonna.
- A theme that emerged was the current lack of affordable rental housing in the City.

Summary of Employment Trends

- Between 2010 and 2020 the City of Owatonna lost 304 employees, a decline of 1.7%. The PMA lost 451 employees a decline of 2.2%. In comparison, the Southeast Minnesota Planning and Minnesota experienced increases of 3.6% and 5.6%, respectively.
- From 2020 and 2030, the City of Owatonna is projected to decrease by 57 employees, a decrease of 0.4%. The PMA, in contrast, is projected to lose 401 employees, a decline of 2.0%. In comparison, the Southeast Minnesota Planning and Minnesota are both expected to experience increases of 7.0% and 10.2%, respectively.
- In the City of Owatonna, the Financial Activities industry reported the highest weekly wage, \$1,627, or approximately \$84,604 annually in the fourth quarter of 2022. Similar to Owatonna, throughout the PMA, the Financial Activities industry reported the highest weekly wage, \$1,584, or approximately \$82,368 annually in the fourth quarter of 2022.
- In 2020, 61.2% of workers who live in Owatonna are also employed in Owatonna. Faribault was the next largest work destination for Owatonna residents, with 6.6% of workers living in Owatonna commuting to Faribault. Rochester also was a large work destination for Owatonna residents with 4.1% of workers living in Owatonna commuting to Rochester.
- Commuting patterns in the PMA were similar to those in the City of Owatonna. The City of Owatonna was the largest work destination for PMA residents (55.4%) and the largest home destination for PMA workers (40.0%).
- Owatonna residents earning more than \$3,333 per month account for 51.0% of workers. This is below the proportion of residents earning more than \$3,333 per month in both the PMA (51.2%) and Minnesota (52.8%).
- The largest employer in the county was Federated Mutual Insurance Company with 1,405 employees, operating in the insurance industry. Viracon, Inc. a manufacturing company, was the second largest employer with 1,350 employees.
- The manufacturing industry was overwhelmingly the most represented industry among top employers in Owatonna. Manufacturing represented eight of the thirteen largest employers in the city (61.5%). The only other industry with multiple large employers was healthcare with two of the thirteen largest employers (15.4%). Owatonna, as a major regional center is home to Allina Hospital and a clinic in the Mayo Clinic Health system.

Introduction

The following section of the report analyzes current market conditions for general occupancy rental housing in Owatonna with applicable comparisons to the Steele County PMA. Topics covered include rental housing data from the American Community Survey, detailed information on individual rental developments in the Market Area. Maxfield Research and Consulting identified and surveyed larger rental properties of 12 or more units in Owatonna.

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

Overview of Rental Market Conditions

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

Table R-1 on the following page presents a breakdown of median gross rent and monthly gross rent ranges by number of bedrooms in renter-occupied housing units from the 2017-2021 ACS in Owatonna, in comparison to the PMA Remainder, the PMA, and Minnesota. Gross rent is defined as the amount of the contract rent plus the estimated average monthly cost of utilities (electricity, gas, and water and sewer) and fuels (oil, coal, wood, etc.) if these are paid by the renter.

- A median gross rent of \$854 was reported in Owatonna. The PMA as a whole had a median gross rent of \$846, which is less than Minnesota's overall median gross income of \$1,081.
- Two-bedroom units were the most common unit type in Owatonna (38.2%) and the PMA (37.1%), which both closely mimic the State proportion (37.1%).
- Owatonna's one-bedroom units made up 37.0% of its total units, its three or more-bedroom units made up 20.7% of its total units, and its units with no bedrooms made up 4.0% of total units. Similarly, Minnesota's one-bedroom units made up 32.6% of its total units, its three or more-bedroom units made up 23.3% of its total units, and its units with no bedrooms made up 7.0% of total units.

RENTAL MARKET ANALYSIS

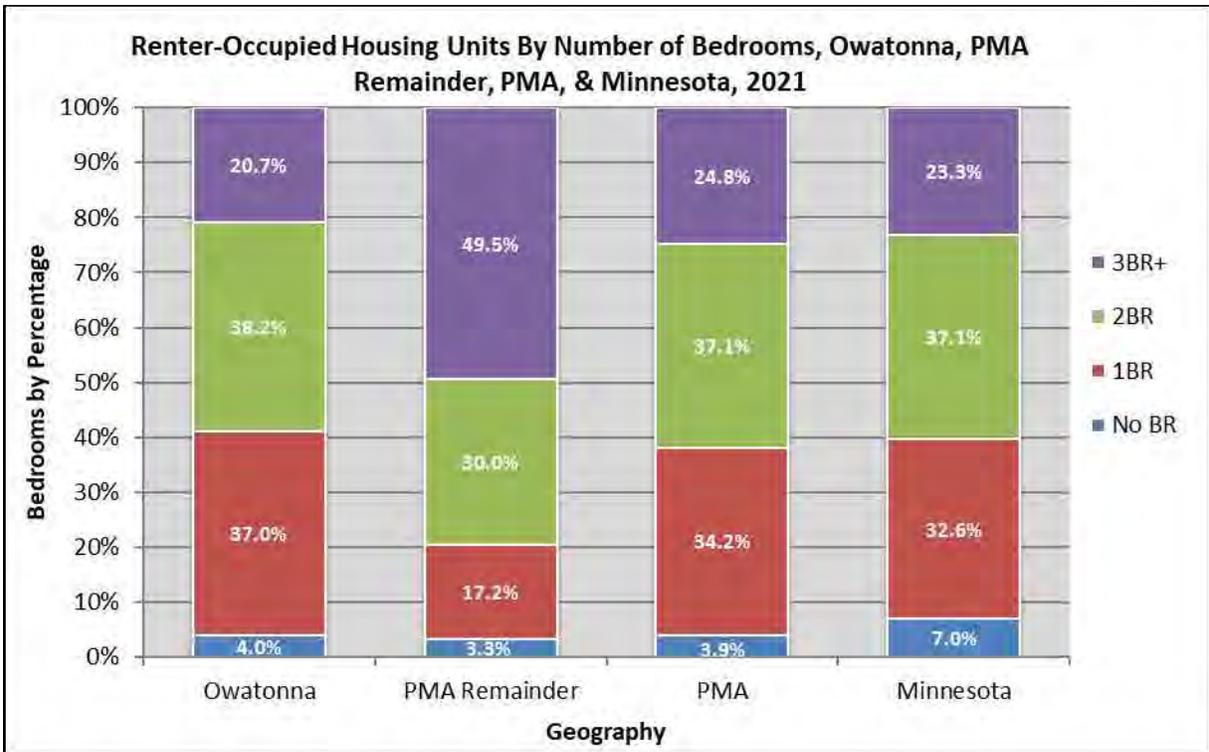
**TABLE R-1
BEDROOMS BY GROSS RENT, RENTER-OCCUPIED HOUSING UNITS
OWATONNA, PMA REMAINDER, PMA, & MINNESOTA
2021**

	Owatonna		PMA Remainder*		PMA		Minnesota	
	#	% of Total	#	% of Total	#	% of Total	#	% of Total
Total:	2,940	100%	483	100%	3,423	100%	618,299	100%
Median Gross Rent	\$854		\$850		\$846		\$1,081	
No Bedroom	119	4.0%	16	3.3%	135	3.9%	43,219	7.0%
Less than \$200	0	0.0%	0	0.0%	0	0.0%	3,242	0.5%
\$200 to \$299	34	1.2%	0	0.0%	34	1.0%	4,418	0.7%
\$300 to \$499	0	0.0%	16	3.3%	16	0.5%	8,024	1.3%
\$500 to \$749	85	2.9%	0	0.0%	85	2.5%	12,288	2.0%
\$750 to \$999	0	0.0%	0	0.0%	0	0.0%	9,819	1.6%
\$1,000 or more	0	0.0%	0	0.0%	0	0.0%	4,497	0.7%
No cash rent	0	0.0%	0	0.0%	0	0.0%	931	0.2%
1 Bedroom	1,087	37.0%	83	17.2%	1,170	34.2%	201,810	32.6%
Less than \$200	82	2.8%	18	3.7%	100	2.9%	18,348	3.0%
\$200 to \$299	136	4.6%	19	3.9%	155	4.5%	19,443	3.1%
\$300 to \$499	349	11.9%	24	5.0%	373	10.9%	27,324	4.4%
\$500 to \$749	367	12.5%	9	1.9%	376	11.0%	48,298	7.8%
\$750 to \$999	100	3.4%	0	0.0%	100	2.9%	58,813	9.5%
\$1,000 or more	53	1.8%	11	2.3%	64	1.9%	27,137	4.4%
No cash rent	0	0.0%	2	0.4%	2	0.1%	2,447	0.4%
2 Bedrooms	1,124	38.2%	145	30.0%	1,269	37.1%	229,435	37.1%
Less than \$200	24	0.8%	1	0.2%	25	0.7%	5,066	0.8%
\$200 to \$299	80	2.7%	0	0.0%	80	2.3%	7,465	1.2%
\$300 to \$499	178	6.1%	23	4.8%	201	5.9%	24,696	4.0%
\$500 to \$749	433	14.7%	63	13.0%	496	14.5%	44,743	7.2%
\$750 to \$999	320	10.9%	21	4.3%	341	10.0%	89,748	14.5%
\$1,000 or more	47	1.6%	11	2.3%	58	1.7%	49,924	8.1%
No cash rent	42	1.4%	26	5.4%	68	2.0%	7,793	1.3%
3 or More Bedrooms	610	20.7%	239	49.5%	849	24.8%	143,835	23.3%
Less than \$200	24	0.8%	2	0.4%	26	0.8%	2,065	0.3%
\$200 to \$299	13	0.4%	12	2.5%	25	0.7%	5,337	0.9%
\$300 to \$499	0	0.0%	43	8.9%	43	1.3%	10,661	1.7%
\$500 to \$749	78	2.7%	48	9.9%	126	3.7%	17,781	2.9%
\$750 to \$999	325	11.1%	61	12.6%	386	11.3%	37,735	6.1%
\$1,000 or more	126	4.3%	13	2.7%	139	4.1%	56,224	9.1%
No cash rent	44	1.5%	60	12.4%	104	3.0%	14,032	2.3%

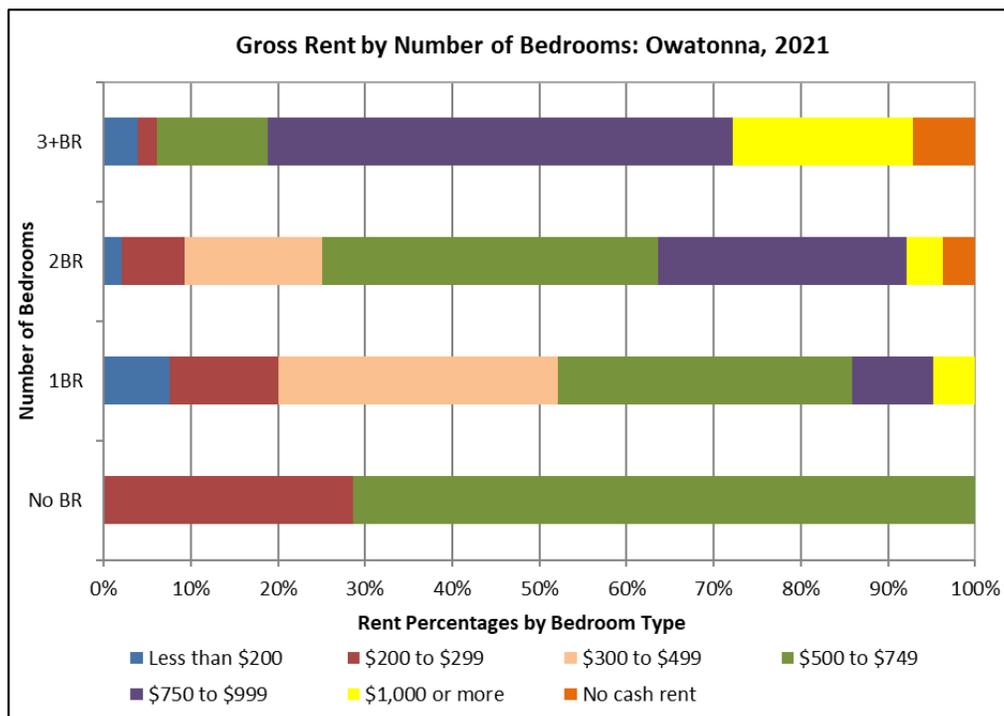
* The PMA Remainder's median gross rent excludes New Berlin Twp., Merton Twp., and Owatonna Twp. for which 2021 data is unavailable.

Note: The PMA Remainder includes all of Steele County with the exception of Owatonna. The PMA includes all of Steele County.

Sources: American Community Survey; Maxfield Research and Consulting, LLC.



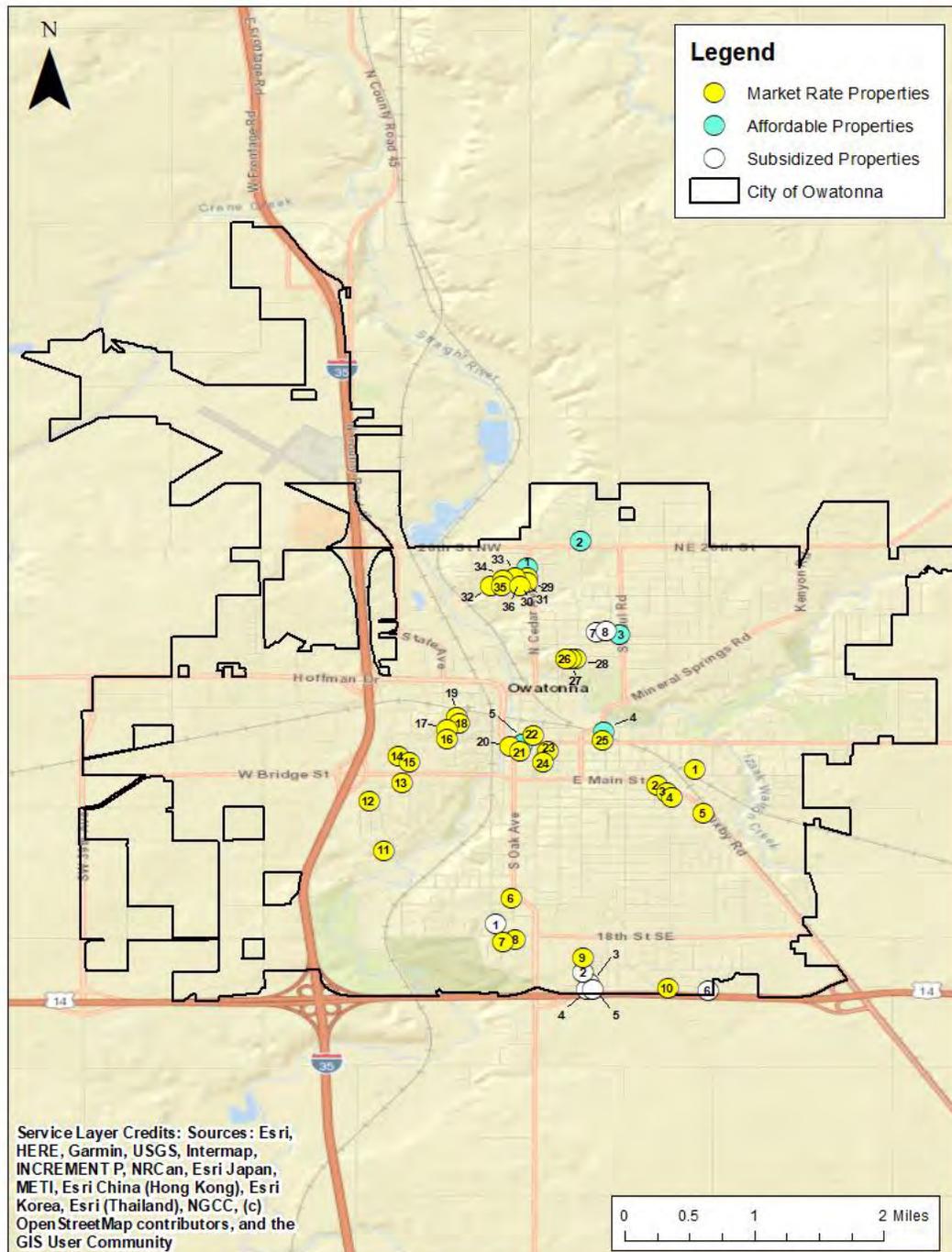
- Approximately 69% (68.7%) of units in Owatonna reported a gross rent of over \$500. In addition, 71.4% of units with no bedroom, 47.8% of one-bedroom units, 74.9% of two-bedroom units, and 93.9% of three-bedrooms reported rents over \$500.



General-Occupancy Rental Projects

Our research of Owatonna’s general occupancy rental market included a survey of 36 market rate apartment properties (12 units and larger), five affordable communities and eight subsidized units during Spring (March/April 2023). Below is a map of all rental properties. A list corresponding to the rental properties follows on the following page.

Rental Properties by Type



Market Rate Properties

1. Eastgate Apartments
2. Chambers Apartments
3. Parkview Apartments
4. Academy Apartments
5. Modern Air Apartments
6. MontClair Apartments
7. South Pointe I Apartments
8. South Pointe II Apartments
9. Clifton Apartments
10. Eden Valley Place
11. Heather Court Apartments
12. Park Plaza I & II
13. Apartments on Mound
14. The Pointe @ Merchant Square
15. Cooper's Court
16. Maple View Apartments
17. Schuh Apartments
18. 520 Adams
19. Westgate Apartments
20. The Gateway
21. Subland Apartments I & II
22. Courtyard Apartments
23. The Pearl
24. 111 Vine
25. Shady Rose
26. Crestwood Apartments
27. Apache Apartments
28. Hilltop Manor
29. Park Village I & II
30. Topaz Apartments
31. Cedar Ridge
32. North View Apartments
33. Summit Manor
34. Cedar Hills
35. Northwest Manor
36. Westwood Apartments

Affordable Properties

1. Cedar Run Townhomes
2. Willow Run Townhomes Phase I & II
3. North Court Townhomes
4. Eastgate
5. Northgate

Subsidized Properties

1. Ivanhoe Townhomes
2. Cedardale Place Apartments/Townhomes
3. Cedardale North
4. Cedardale West
5. Cedardale South
6. Kay Knutson Apartments
7. Parkview Heights
8. Lincoln Square Apartments

These projects represent a combined total of 1,543 units, including 1,070 market rate units, 181 affordable units and 292 subsidized units.

At the time of our survey, four market rate units, no affordable units and twelve subsidized units were vacant. As a result, market rate general occupancy units had a vacancy rate of 0.4%, subsidized units had a vacancy rate of 4.1%, and no affordable units were vacant. The overall vacancy rate in Owatonna for all property types was 1.0%. Vacancy rates were based only on properties where unit mix, and vacancies were obtained during the survey. This is much lower than the industry standard of 5% vacancy for a stabilized rental market, which promotes competitive rates, ensures adequate choice, and allows for unit turnover.

Table R-2 summarizes information on market rate projects, Table R-3 summarizes the amenities and features offered at market rate projects and Table R-4 provides a summary of unit type, vacancies and rent pricing for market rate projects. Note in the summary tables only properties with complete information were included.

Market Rate Projects

- Two-bedroom units accounted for the majority of market rate units in Owatonna. The unit breakout by unit type is summarized below. Note that properties in initial lease up are excluded as is information that is not available for specific unit types.
 - Studio units: 35 | 4.0%
 - One-bedroom units: 298 | 33.9%
 - One-bedroom plus den units: 25 | 2.8%
 - Two-bedroom units: 452 | 51.5%
 - Two-bedroom plus den units: 3 | 0.3%
 - Three-bedroom units: 65 | 7.4%
- The following is the monthly rent ranges and average rent for each unit type:
 - Studio units: \$336 to \$1,785 | Avg. \$905
 - One-bedroom units: \$469 to \$2,100 | Avg. \$1,034
 - One-bedroom plus den units: \$1,170 to \$2,390 | Avg. \$1,570
 - Two-bedroom units: \$700 to \$2,875 | Avg. \$1,190

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- Two-bedroom plus den units: \$2,192 to \$3,541 | Avg. \$2,867
- Three-bedroom units: \$900 to \$1,595 | Avg. \$1,351
- The higher end of the rent ranges can be attributed to the newest properties in Owatonna including The Pearl, Apartments on Mound, The Pointe@ Merchant Square, South Pointe II Apartments, and 111 Vine. All of these projects have been built since 2019.
- Two bedroom plus den units and one bedroom plus den units are the least common unit types in Owatonna. These two unit types make up 0.3% (3 units) and 2.8% (25 units), respectively of all units.

RENTAL MARKET ANALYSIS

TABLE R-2 MARKET RATE RENTAL PROJECTS OWATONNA APRIL 2023									
Project Name/Location	Year Built	Units/ Vacancy	Unit Mix	Vacant	Unit Size	Monthly Rent	Avg Rent	Rent Per Sq Ft.	Amenities/Comments
Market Rate									
The Pearl 130 E Pearl St Owatonna	2022	43 0 0.0%	22 - 1BR 10 - 1BR+D 11 - 2BR	0 0 0	710 - 803 819 - 1,051 1,051 - 1,073	\$1,000 - \$1,245 \$1,245 - \$1,345 \$1,445 - \$1,550	\$1,000 \$1,295 \$1,498	\$1.41 - \$1.55 \$1.28 - \$1.52 \$1.37 - \$1.44	Opened in the Spring of 2022. Amenities at The Pearl include patios/balconies, in unit washer/dryer, stainless steel appliances, a fitness center, terrace with grills, a community room and garage parking.
Apartments on Mound 660 Mound St Owatonna	2022	36 0 0.0%	6 - 1BR 30 - 2BR	0 0	648 918 - 1,146	\$1,095 \$1,195 - \$1,395	\$1,095 \$1,295	\$1.69 \$1.22 - \$1.30	Amenities at the property include hardwood plank flooring, granite countertops, and in unit washer/dryer.
The Pointe @ Merchant Square 325 Florence Ave Owatonna	2022	43 0 0.0%	23 - 1BR 20 - 2BR	0 0	704 - 717 939 - 1,081	\$1,165 - \$1,215 \$1,315 - \$1,420	\$1,190 \$1,368	\$1.65 - \$1.69 \$1.31 - \$1.40	The Pointe @ Merchant Square features the following amenities: stainless steel appliances, hardwood flooring, a fitness center, community patio, common area Wifi, balcony, fireplace, in unit washer/dryer, and garage parking for a fee. Water and trash/sewer is included.
South Pointe II Apartments 175 18th St Sw Owatonna	2020	28 0 0.0%	2 - Studio 12 - 1BR 2 - 1BR+D 12 - 2BR	0 0 0 0	618 - 679 700 778 1,050	\$1,075 - \$1,135 \$1,110 - \$1,210 \$1,265 - \$1,315 \$1,460 - \$1,515	\$1,075 \$1,160 \$1,290 \$1,488	\$1.67 - \$1.74 \$1.59 - \$1.73 \$1.63 \$1.39 - \$1.44	South Pointe II includes the following amenities: fitness center, stainless steel appliances, nine foot ceilings, deck/patio, in unit washer/dryer, and included garage parking. Water, trash, and sewer is included.
111 Vine 111 Vine St Owatonna	2019	54 0 0.0%	4 - Studio 40 - 1BR 3 - 1BR+D 7 - 2BR	0 0 0 0	617 676 840 1,027	\$920 - \$1,015 \$1,070 - \$1,295 \$1,260 - \$1,325 \$1,450 - \$1,495	\$920 \$1,183 \$1,293 \$1,473	\$1.49 - \$1.65 \$1.58 - \$1.92 \$1.50 - \$1.58 \$1.41 - \$1.46	The property offers a fitness center, community room, roof top terrace with fire pit, stainless steel appliances, walk in closets, in unit washer/dryer, and garage parking for a fee.
South Pointe I Apartments 201 18th St Sw Owatonna	2018	37 0 0.0%	23 - 1BR 2 - 1BR+D 12 - 2BR	0 0 0	736 - 837 845 1,099	\$1,050 - \$1,145 \$1,170 - \$1,220 \$1,320 - \$1,400	\$1,098 \$1,195 \$1,360	\$1.37 - \$1.43 \$1.44 - \$1.38 \$1.20 - \$1.20	In unit washer/dryer, hardwood floors, fitness center, stainless steel appliances, and garage parking (\$110). No garages are currently available. Water, trash, and sewer is included.
Park Plaza I & II 310 & 320 Allan Ave Owatonna	2017	66 0 0.0%	10 - 1BR 48 - 2BR 8 - 3BR	0 0 0	700 989 - 1,011 1,365	\$1,125 \$1,335 \$1,595	\$1,125 \$1,335 \$1,595	\$1.61 \$1.32 - \$1.35 \$1.17	Amenities include: central air, dishwasher, washer/dryer, balcony, and on site management.
Eden Valley Place 700 El Dorado Ln Se Owatonna	2012	36 0 0.0%	14 - 2BR 22 - 3BR	0 0	950 - 1,400 1,200	\$1,200 - \$1,400 \$1,325	\$1,300 \$1,325	\$1.00 - \$1.26 \$1.10	Single attached garage, ample closet space, pets allowed, open floor places, private entrances, smoke-free.
The Gateway 325 Hoffman Dr Owatonna	2004	60 0 0.0%	23 - 1BR 28 - 2BR 9 - 3BR	0 0 0	721 - 768 884 - 1,098 1,105 - 1,325	\$1,033 - \$1,061 \$1,183 - \$1,234 \$1,389	\$1,047 \$1,209 \$1,389	\$1.43 - \$1.47 \$1.12 - \$1.34 \$1.05 - \$1.26	The Gateway features the following amenities: fitness center, community room, patio/balcony, in unit washer/dryer, and garage parking. Furnished units are available. In addition water, trash/sewer, and internet are available.
Continued									

RENTAL MARKET ANALYSIS

TABLE R-2 CONTINUED MARKET RATE RENTAL PROJECTS OWATONNA APRIL 2023									
Project Name/Location	Year Built	Units/ Vacancy	Unit Mix	Vacant	Unit Size	Monthly Rent	Avg Rent	Rent Per Sq Ft.	Amenities/Comments
Market Rate									
Park Village I & II 2250 N. Cedar Ave <i>Owatonna</i>	2002/ 2001	36 0 0.0%	4 - 1BR 32 - 2BR	0 0	820 778 - 962	\$1,170 \$1,035 - \$1,275	\$1,170 \$1,155	\$1.43 \$1.33 - \$1.33	Controlled entry, spacious floor plans. In unit washer/dryer and garage included.
Westwood Apartments 135 22nd St Nw <i>Owatonna</i>	2001	12 0 0.0%	3 - 1BR 9 - 2BR	0 0	648 957 - 1,048	N/A N/A	N/A N/A	N/A - N/A N/A - N/A	Open layout, large kitchen, garage stall.
Subland Apartments I & II 140 W Pearl <i>Owatonna</i>	1999	18 0 0.0%	17 - 1BR 1 - 2BR	0 0	650 - 750 850	\$475 - \$550 \$700	\$513 \$700	\$0.73 - \$0.73 \$0.82 - \$0.82	Laundry facilities, balconies in select units, and in downtown Owatonna.
Cooper's Court 614 W Bridge St <i>Owatonna</i>	1993	72 0 0.0%	3 - 1BR 51 - 2BR 18 - 3BR	0 0 0	623 715 - 754 1,175	\$1,200 \$1,250 - \$1,300 \$1,450	\$1,200 \$1,275 \$1,450	\$1.93 \$1.66 - \$1.75 \$1.23	Walking distance to schools, shopping, cat friendly. Amenities include walk in closets, balcony or patio. Security deposit equal to first months rent. Utilities are covered except for electricity. Detached garages are available for \$60 a month. A two bedroom unit will be available in May.
Cedar Ridge 107 Nw 22nd St <i>Owatonna</i>	1987	18 0 0.0%	3 - 1BR 15 - 2BR	0 0	700 850	\$900 \$1,000	\$900 \$1,000	\$1.29 \$1.18	On-site management and maintenance, bike baths, tennis courts, basketball courts, on bus route.
North View Apartments 250 21st St Nw <i>Owatonna</i>	1986	18 1 5.6%	3 - 1BR 15 - 2BR	1 0	468 600 - 700	N/A \$850	N/A \$850	-- \$1.21 - \$1.42	Features a laundry facility, mail area, and garages.
Summit Manor 166 22nd St Nw <i>Owatonna</i>	1978	58 0 0.0%	13 - studio 20 - 1BR 8 1BR+D 14 2BR 3 2BR+D	0 0 0 0 0	449 - 560 699 - 817 843 - 1,106 1,027 - 1,161 1,161 - 1,759	\$1,340 - \$1,383 \$1,537 - \$1,540 \$1,586 - \$2,229 \$1,920 - \$2,207 \$2,192 - \$3,541	\$1,362 \$1,539 \$1,908 \$2,064 \$2,867	\$2.39 - \$2.98 \$1.88 - \$2.20 \$1.43 - \$1.88 \$1.65 - \$1.87 \$1.25 - \$1.89	Controlled access, public transportation available.
Hilltop Manor 1208 NE 3rd Ave <i>Owatonna</i>	1978	12 0 0.0%	1 - 1BR 11 - 2BR	0 0	725 850	N/A N/A	N/A N/A	N/A N/A	On-site maintenance and management, on-site, on bus route.
Westgate Apartments 585 Adams Ave Nw <i>Owatonna</i>	1978	30 0 0.0%	13 - 1BR 14 - 2BR 3 - 3BR	0 0 0	500 600 650	\$644 \$794 \$915	\$644 \$794 \$915	\$1.29 \$1.32 \$1.41	Westgate includes laundry facilities an off street parking. Water, trash/sewer, and cable are included.
Continued									

RENTAL MARKET ANALYSIS

TABLE R-2 CONTINUED									
MARKET RATE RENTAL PROJECTS									
OWATONNA									
APRIL 2023									
Project Name/Location	Year Built	Units/ Vacancy	Unit Mix	Vacant	Unit Size	Monthly Rent	Avg Rent	Rent Per Sq Ft.	Amenities/Comments
Market Rate									
Chambers Apartments 219-227 Chambers Ave <i>Owatonna</i>	1977	12 0 0.0%	12 -2BR	0	725	\$786	\$786	\$1.08 - \$1.08	Remodeled in 2014, off street parking, rent includes lawn care and snow removal.
Apache Apartments 236 12 St Ne <i>Owatonna</i>	1976	11 0 0.0%	2 -1BR 7 -2BR 2 -3BR	0 0 0	740 836 932	\$700 \$800 \$900	\$700 \$800 \$900	\$0.95 \$0.96 \$0.97	Controlled entrances, indoor mailboxes, and a community room.
Cedar Hills 215 22nd St Nw <i>Owatonna</i>	1976	42 1 2.4%	6 -Studio 12 -1BR 24 -2BR	1 0 0	454 689 963	\$336 \$597 \$664	\$336 \$597 \$664	\$0.74 \$0.87 \$0.69	All studio/efficiency are one room, some have full kitchen and other have only a refrigerator. Water and trash/sewer is included.
Crestwood Apartments 216 12th St Ne <i>Owatonna</i>	1976	11 0 0.0%	2 -1BR 7 -2BR 2 -3BR	0 0 0	740 792 932	N/A \$950 N/A	N/A \$950 N/A	-- -- \$1.20 -- --	Updated units, all utilities included, and a community room.
Courtyard Apartments 422 Cedar Ave N <i>Owatonna</i>	1976	23 0 0.0%	7 -Studio 16 -1BR	0 0	475 N/A	\$645 N/A	\$645 N/A	\$1.36 -- --	In downtown area, pet-friendly, controlled access, courtyard, and laundry facilities.
520 Adams 520 Adams Ave Nw <i>Owatonna</i>	1975	34 0 0.0%	N/A 1BR N/A 2BR 2 3BR	0 0 0	500 - 700 600 - 750 800	\$850 - \$900 \$900 - \$950 \$1,100 - \$1,150	\$875 \$925 \$1,125	\$1.21 - \$1.70 \$1.20 - \$1.50 \$1.38 - \$1.44	Lawn care and snow removal paid, close to bus stop and parks.
Northwest Manor 218 21st Nw <i>Owatonna</i>	1975	24 0 0.0%	9 -1BR 15 -2BR	0 0	650 750 - 800	N/A N/A	N/A N/A	-- -- -- --	Laundry facilities.
Topaz Apartments 112 Nw 21st St <i>Owatonna</i>	1975	18 0 0.0%	3 -1BR 15 -2BR	0 0	N/A N/A	N/A \$525	N/A \$525	-- -- -- --	Located in Northern Owatonna near two large parks: Manthey Park and Cashman Park. Easy access to I-35.
Clifton Apartments 1927-2019 Hartle Ave <i>Owatonna</i>	1974	48 0 0.0%	12 -1BR 36 -2BR	0 0	700 800	\$925 - \$975 \$1,025 - \$1,075	\$950 \$1,050	\$1.32 - \$1.39 \$1.28 - \$1.34	On-site management and maintenance.
Continued									

RENTAL MARKET ANALYSIS

TABLE R-2 CONTINUED MARKET RATE RENTAL PROJECTS OWATONNA APRIL 2023									
Project Name/Location	Year Built	Units/ Vacancy	Unit Mix	Vacant	Unit Size	Monthly Rent	Avg Rent	Rent Per Sq Ft.	Amenities/Comments
Market Rate									
Eastgate Apartments 909 Vine St E <i>Owatonna</i>	1974	12 0 0.0%	1 -1BR 11 -2BR	0 0	600 780	N/A N/A	N/A N/A	-- -- -- --	Stainless steel appliances, new flooring and cabinets in renovated units.
Heather Court Apartments 635-639 Hilltop Avenue <i>Owatonna</i>	1973	36 0 0.0%	33 -2BR 3 -3BR	0 0	1,000 1,250	\$880 \$922	\$880 \$922	\$0.88 \$0.74	Heather Court Apartments features the following amenities: a playground and basketball court, on site caretaker, and laundry facilities. Heat, water, and trash/sewer are included.
Parkview Apartments 633 Agnes St <i>Owatonna</i>	1973	15 1 6.7%	2 -1BR 13 -2BR	0 1	650 750	\$1,050 \$1,175	\$1,050 \$1,175	\$1.62 \$1.57	Assigned parking, indoor mailboxes, controlled entry. Renovated.
Shady Rose 352 E Rose St <i>Owatonna</i>	1969	12 0 0.0%	1 -1BR 11 -2BR	0 0	N/A N/A	N/A N/A	N/A N/A	-- -- -- --	Bathroom remodeled, quiet, interior halls cleaned weekly.
Academy Apartments 706/714 Academy St <i>Owatonna</i>	1968	22 1 4.5%	16 -1BR 6 -2BR	1 0	605 750	\$976 - \$1,025 \$1,019	\$1,001 \$1,019	\$1.61 - \$1.69 \$1.36	Across from Jaycee Park, 24-hr emergency maintenance, pet-friendly. Renovated.
Schuh Apartments 445 State Ave <i>Owatonna</i>	1965	14 0 0.0%	2 -Studio 4 -1BR 8 -2BR	0 0 0	600 - 700 700 - 800 1,000	\$750 \$900 - \$950 \$1,100 - \$1,150	\$750 \$925 \$1,125	\$1.07 - \$1.25 \$1.13 - \$1.29 \$1.10 - \$1.15	Amenities include: coin operated laundry facilities, garage parking, and utilities included.
MontClair Apartments 205-213 13th St Sw <i>Owatonna</i>	1963	21 0 0.0%	21 -1BR	0	400	\$620	\$620	\$1.55	Assigned parking, patio, laundry facilities, and fenced backyard. Heat, water, and trash/sewer is included in rent.
Modern Air Apartments 811 E School St Nw <i>Owatonna</i>	1950	16 0 0.0%	6 Studio 7 -1BR 3 -2BR	0 0 0	192 - 320 640 750 - 900	N/A N/A N/A	N/A N/A N/A	-- -- -- -- -- --	Offstreet parking and pet friendly.
Maple View Apartments 421-431 State Ave <i>Owatonna</i>	1932	22 0 0.0%	8 -Studio 10 -1BR 4 -2BR	0 0 0	319 439 - 456 572 - 671	\$386 \$469 \$634	\$386 \$469 \$634	\$1.21 \$1.07 \$1.11	Balcony and laundry facilities.
Total Units/Vacancies/Vacancy Rate*	Total Units:	1,070	Vacancies:	4	Vacancy Rate:	0.4%			
N/A: Not Assessed									
Sources: Property Management Sites; Local news/housing sources; City of Owatonna & Maxfield Research and Consulting LLC.									

RENTAL MARKET ANALYSIS

**TABLE R-3
UNIT TYPE SUMMARY
MARKET RATE RENTAL DEVELOPMENTS
OWATONNA
APRIL 2023**

Unit Type	Total Units	% of Total	Avg. Size	Monthly Rents		
				Range Low - High	Avg. Rent	Avg. Rent/ Sq. Ft.
Studio	35	4.0%	483	\$336 - \$1,785	\$905	\$1.81
1BR	298	33.9%	670	\$469 - \$2,100	\$1,034	\$1.54
1BR+D	25	2.8%	916	\$1,170 - \$2,390	\$1,570	\$1.72
2BR	452	51.5%	910	\$700 - \$2,875	\$1,190	\$1.32
2BR+D	3	0.3%	1,460	\$2,192 - \$3,541	\$2,867	\$1.96
3BR	65	7.4%	1,184	\$900 - \$1,595	\$1,351	\$1.15
Total:	878	100%	834	\$336 - \$3,541	\$1,154	\$1.41

Note: Only includes properties with complete information.
Source: Maxfield Research & Consulting, LLC.



- The majority of the properties surveyed offered either in unit laundry (newer properties) or laundry facilities. It was also common for properties to include water and trash/sewer in the monthly rent.

RENTAL MARKET ANALYSIS

**TABLE R-4
FEATURES/AMENITIES/UTILITIES
MARKET RATE APARTMENT DEVELOPMENTS
OWATONNA
APRIL 2023**

Projects	In-Unit						Common Area							Parking and Utilities									
	Air Conditioning	Refrigerator	Microwave	Dishwasher	Washer/Dryer	Walk-in Closet	Patio/Balcony	Community Room	Laundry Facilities	Elevator	Fitness Center	Storage	BBQ	Play Area	Walking Trail	Heat/Gas	Electricity	Water	Trash/Sewer	Cable	High Speed Internet	Parking	Parking Fee per month
	Market Rate																						
The Pearl	X	X	X	X	X	X	X	X		X	X	X	X			T	T	L	L	T	L	AG	\$125
Apartments on Mound	X	X	X	X	X					X	X	X				T	T	L	L	T	T	S	
The Pointe @ Merchant Square	X	X	X	X	X	X	X	X		X	X	X	X			T	T	L	L	T	T	AG	\$125
South Pointe II Apartments	X	X	X	X	X		X				X		X			T	T	L	L	L	L	AG	Included
111 Vine	X	X	X	X	X	X	S	X		X	X	X	X			T	T	L	L	L	L	UG	\$100
South Pointe I Apartments	X	X	X	X	X		X				X		X			T	T	L	L	T	L	UG	\$110
Park Plaza I & II	X	X	X	X	X		X			X			X		X	T	T	L	L	T	T	AG	\$125
Eden Valley Place	X	X	X	X	X		X									T	T	L	L	T	T	AG	
The Gateway	X	X	X	X	X		X	X		X	X	X	X			T	T	L	L	T	L	UG	
Park Village I & II	X	X			HU		X		X					X	T	T	L	L	T	T	DG		
Westwood Apartments	X	X	X				S		X							L	L	T	T	L	L	DG	
Subland Apartments I & II	X	X							X							T	T	L	L	T	T	S	
Cooper's Court	X	X		X			X		X					X	L	L	L	L	T	T	DG	\$60	
Cedar Ridge	X	X		X			S		X							NA	NA	NA	NA	NA	NA	DG	Included
North View Apartments	X	X					X		X							NA	NA	NA	NA	NA	NA	DG	
Summit Manor	X	X		X			X		X							NA	NA	NA	NA	NA	NA	DG	
Hilltop Manor	X						S		X							T	T	L	L	T	T	S	
Westgate Apartments	X								X							T	T	L	L	L	T	DG	
Chambers Apartments	X	X	X						X							T	T	T	L	T	T	S	
Apache Apartments	X	X						X	X					X	L	L	L	L	T	T	S		
Cedar Hills	X	X					S		X							T	T	L	L	T	T	S	
Crestwood Apartments	X	X				X			X							L	L	L	L	T	T	S	
Courtyard Apartments	X	X							X							L	T	L	L	T	T		
520 Adams	X	X							X							T	T	L	L	T	T	DG	\$50
Northwest Manor	X	X							X							NA	NA	NA	NA	NA	NA	DG	
Topaz Apartments	X						S									T	T	T	T	T	T	S	
Clifton Apartments	X	X		X			X		X							L	T	L	L	T	T	DG	\$60
Eastgate Apartmenets	X	X	X						X							T	T	L	L	T	T	DG	\$50
Heather Court Apartments	X	X							X							L	T	L	L	T	T	S	
Parkview Apartments	X						X		X							NA	NA	NA	NA	NA	NA	S	
Shady Rose	X						X									NA	NA	NA	NA	NA	NA	DG	
Academy Apartments	X	X							X					X	NA	NA	NA	NA	NA	NA	DG		
Schuh Apartments	X	X							X							L	L	L	L	L	L	S	
MontClair Apartments	X	X							X							L	T	L	L	T	T	S	
Modern Air Apartments									X							NA	NA	NA	NA	NA	NA	AG	
Maple View Apartments							X		X							T	T	L	L	T	T	S	

X = Available/Included; S = Some; G=Garage UG = Heated Underground; DG = Detached Garage; S = Surface Parking; LF = Laundry Facilities; HU = Hook Ups; L = Landlord Pays; T = Tenant Pays. NA = Not Assessed

Sources: Maxfield Research and Consulting, LLC.

Select Market Rate Rental Projects in Owatonna

The following are photographs of select market rate general occupancy rental projects in Owatonna:



The Pearl



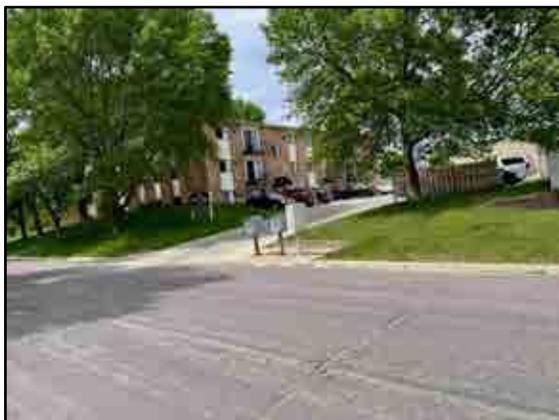
The Pointe @ Merchant Square



Park Plaza



Southpointe I Apartment Homes



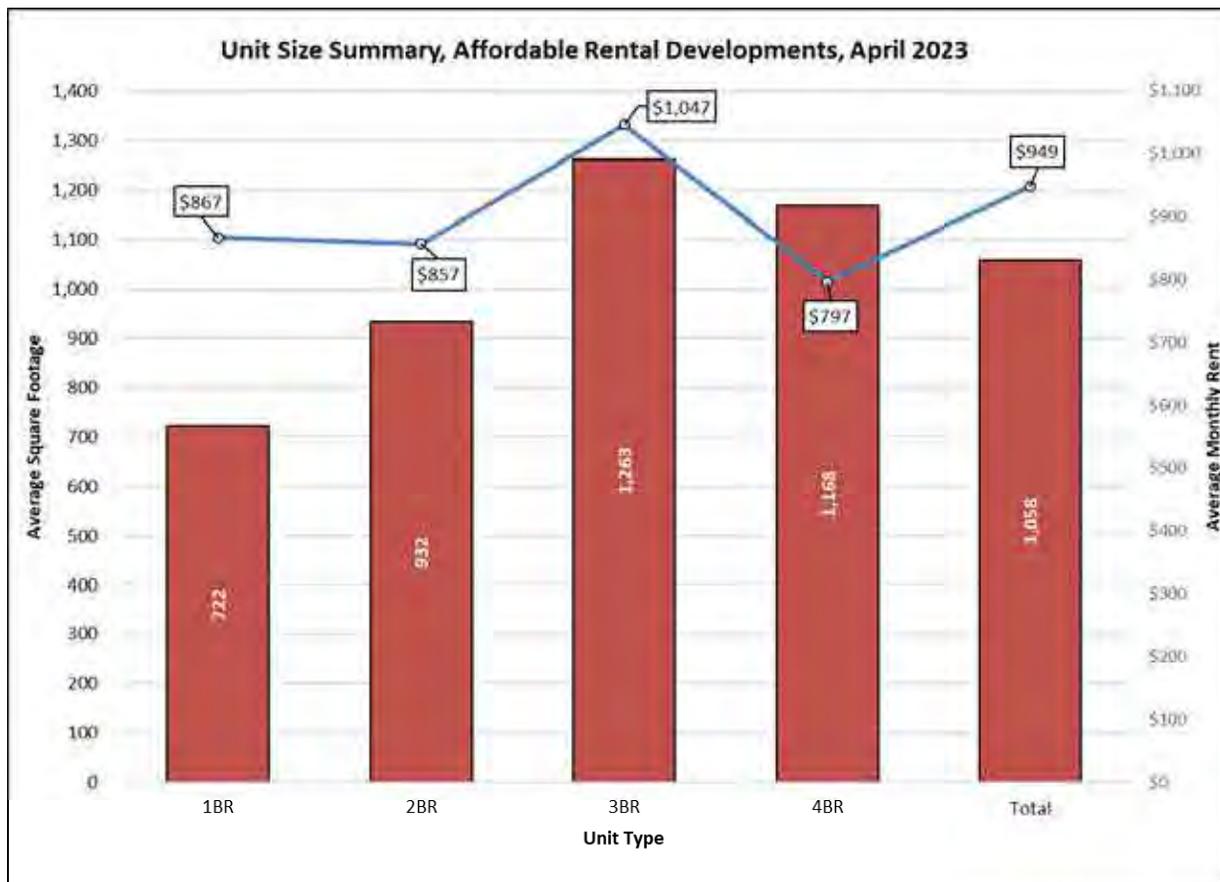
Park Village



Westwood Apartments

Affordable Projects

- There are five affordable projects in Owatonna. These projects constitute 181 units of affordable rental product.
- The affordable projects offered a high proportion of three-bedroom (48.1%) and two-bedroom (33.7%) units. Only 1.1% of the affordable units were four-bedroom units while 17.4% were one-bedroom units.
- Among affordable projects there were no vacancies at the time of the survey.
- All the affordable apartment developments offered laundry either on-site or in-unit.
- All affordable properties offered either balconies or patios and the majority of surveyed properties offered a form of garage parking, either attached or underground. Only North Court Townhomes offered service parking.
- Trash/sewer, and water were included in the rent a most of the projects. Only the newest project, Eastgate, included heat/gas.



RENTAL MARKET ANALYSIS

TABLE R-5 AFFORDABLE RENTAL PROJECTS OWATONNA APRIL 2023									
Project Name/Location	Year Built	Units/ Vacancy	Unit Mix	Vacant	Unit Size	Monthly Rent	Avg Rent	Rent Per Sq Ft.	Amenities/Comments
Affordable									
Eastgate 407 Cherry St <i>Owatonna</i>	2021	36 0 0.0%	20 - 1BR 16 - 2BR	0 0	740 971	\$940 \$925 - \$1,100	\$940 \$1,013	\$1.27 - \$1.27 \$0.95 - \$1.13	Amenities include ceiling fans, 9 foot ceilings, balcony/patio, community room, fitness room, rooftop patio, in unit washer/dryer, and attached garages.
Northgate 131 Rose St <i>Owatonna</i>	2015	36 0 0.0%	9 - 1BR 27 - 2BR	0 0	705 955	\$740 \$845	\$740 \$845	\$1.05 - \$1.05 \$0.88 - \$0.88	Northgate includes a fitness center, patio/balcony, community room, laundry facilities, and garage. Trash is included.
Willow Run Townhomes - Phase I & II 2630 Third Ave Ne (Phase I) 2760 Third Ave Ne (Phase II) <i>Owatonna</i>	1999	56 (Phase I - 24 Phase II - 32) 0 0.0%	56 - 3BR	0	1,300	\$1,071	\$1,071	\$0.82 - \$0.82	Willow Run offers front and back patios, large bedrooms, private entrances, 24-hour maintenance, a basketball court, walking trails, playground, in unit washer/dryer, and garage.
Cedar Run Townhomes 2300 N Cedar Ave <i>Owatonna</i>	1997	24 0 0.0%	24 - 3BR	0	1,250	\$1,071	\$1,071	\$0.86 - \$0.86	24-hour maintenance, near shopping, private entrance, on site management
North Court Townhomes 1512 St. Paul Rd <i>Owatonna</i>	1989	29 0 0.0%	2 - 1BR 18 - 2BR 7 - 3BR 2 - 4BR	0 0 0 0	624 864 1,008 1,168	\$610 - \$803 \$640 - \$833 \$665 - \$878 \$690 - \$903	\$707 \$737 \$772 \$797	\$0.98 - \$1.29 \$0.74 - \$0.96 \$0.66 - \$0.87 \$0.59 - \$0.77	North Court Townhomes offers Off-street assigned parking, on-site laundry, playground, and patios. Rent is based on 30% income or base rates provided, whichever is greater.
Total Units/Vacancies/Vacancy Rate	Total Units:	181	Vacancies:	0	Vacancy Rate:	0.0%			
Sources: Property Management Sites; Local news/housing sources; City of Owatonna & Maxfield Research and Consulting LLC.									

RENTAL MARKET ANALYSIS

TABLE R-6 UNIT TYPE SUMMARY AFFORDABLE RENTAL DEVELOPMENTS OWATONNA APRIL 2023						
Unit Type	Total Units	% of Total	Avg. Size	Monthly Rents		
				Range Low - High	Avg. Rent	Avg. Rent/ Sq. Ft.
1BR	31	17.1%	722	\$740 - \$940	\$867	\$1.20
2BR	61	33.7%	932	\$640 - \$1,100	\$857	\$0.92
3BR	87	48.1%	1,263	\$665 - \$1,071	\$1,047	\$0.83
4BR	2	1.1%	1,168	\$690 - \$903	\$797	\$0.68
Total:	181	100%	1,058	\$640 - \$1,100	\$949	\$0.92

N/A: Not Applicable

Source: Maxfield Research & Consulting, LLC.

R-7 FEATURES/AMENITIES/UTILITIES AFFORDABLE APARTMENT PROJECTS OWATONNA APRIL 2023																							
Projects	In-Unit						Common Area						Parking and Utilities										
	Air Conditioning	Refrigerator	Microwave	Dishwasher	Washer/Dryer	Walk-In Closet	Patio/Balcony	Community Room	Laundry Facility	Elevator	Fitness Center	Storage	BBQ	Play Area	Walking Trail	Heat/Gas	Electricity	Water/Sewer	Trash	Cable	High Speed Internet	Parking	Parking Fee per month
Affordable																							
Eastgate	X	X	X	X	X	X	X	X			X					L	T	L	T	T	T	AG	
Northgate	X	X	X	X	X		X	X	X		X					T	T	T	L	T	T	UG	Included
Willow Run Townhomes - Phase I & II	X	X		X	X		X							X	X	T	T	L	L	T	T	AG	Included
Cedar Run Townhomes	X	X		X	X		X							X		T	T	L	L	T	T	AG	Included
North Court Townhomes	X	X					X		X					X		T	T	L	L	T	T	S	

X = Available/Included; S = Some; G=Garage UG = Heated Underground; DG = Detached Garage; S = Surface Parking; LF = Laundry Facilities; HU = Hook Ups; L = Landlord Pays; T = Tenant Pays. NA = Not Assessed

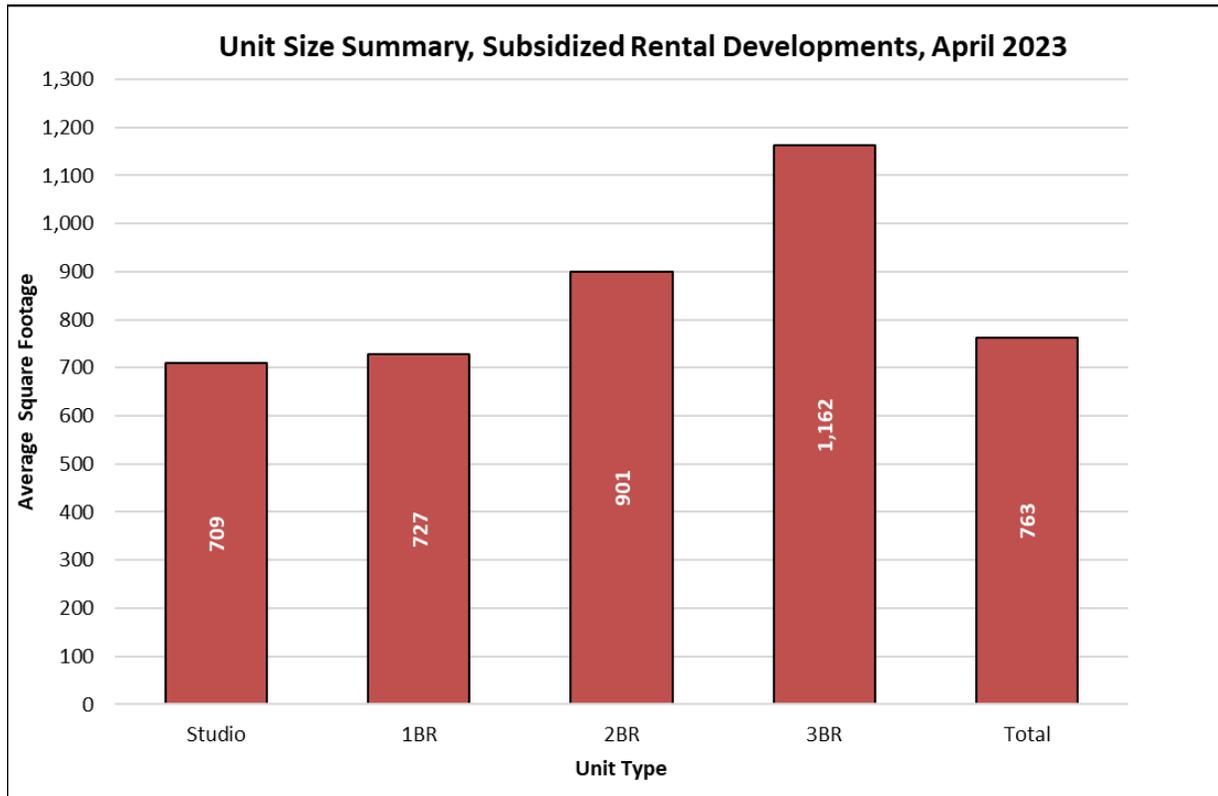
Sources: Maxfield Research and Consulting, LLC.

Subsidized Projects

- There are eight subsidized projects in Owatonna. Combined these eight projects provide 292 general occupancy subsidized units.

RENTAL MARKET ANALYSIS

- One-bedroom units account for the largest share of subsidized units at 68.8% of all subsidized units. Studio-bedroom units account for 14.4% of subsidized units. Two bedroom and three bedroom, units account for 13.4% and 3.4% of subsidized units.
- There were twelve vacancies reported during the survey of properties, resulting in a 4.1% vacancy rate for among subsidized units.



- Trash/sewer, and water were included in the rent a most of the projects.

RENTAL MARKET ANALYSIS

TABLE R-8 SUBSIDIZED RENTAL PROJECTS OWATONNA APRIL 2023									
Project Name/Location	Year Built	Units/ Vacancy	Unit Mix	Vacant	Unit Size	Monthly Rent	Avg Rent	Rent Per Sq Ft.	Amenities/Comments
Kay Knutson Apartments 905 E El Dorado St Se <i>Owatonna</i>	2010	14 0 0.0%	12 - 1BR 2 - 2BR	0 0	540 800	30% Income 30% Income	N/A N/A	N/A N/A N/A	One household member must have qualifying disability, wheelchair accessible, controlled access, and outdoor patio with gas grill.
Cedardale North 324 Cedardale Dr <i>Owatonna</i>	1988	16 0 0.0%	10 - 1BR 6 - 2BR	0 0	624 768	\$505 - \$709 \$540 - \$744	\$607 \$642	\$0.81 - \$1.14 \$0.70 - \$0.97	Assigned off street parking, on-site laundry, controlled entrances, playground, indoor mailboxes. Rent is based on 30% income or base rents provided, whichever is greater.
Cedardale West 325 Cedardale Dr <i>Owatonna</i>	1988	16 0 0.0%	14 - 1BR 2 - 2BR	0 0	624 768	\$535 - \$695 \$570 - \$720	\$615 \$645	\$0.86 - \$1.11 \$0.74 - \$0.94	Off street assigned parking, controlled entrances, indoor mailboxes. Rent is based on 30% income or base rents provided, whichever is greater.
Cedardale South 345 Cedardale Dr <i>Owatonna</i>	1984	33 0 0.0%	33 - 1BR	0	650	\$555 - \$764	\$660	\$0.85 - \$1.18	Section 8. Also, a two bedroom unit available but is for the building manager.
Cedardale Place Apartments/Townhomes 2211 Hartle Ave (Apartments) 315 22nd St SE (Townhomes) <i>Owatonna</i>	1980	98 0 (Apartments- 68 Townhomes - 30) 0.0%	67 - 1BR 21 - 2BR 10 - 3BR	0 0 0	500 - 700 700 - 1,015 1,162	30% Income 30% Income 30% Income	N/A N/A N/A	N/A - N/A N/A - N/A N/A - N/A	Section 8. Amenities include; card operated laundry in the apartments and laundry hookups in the townhomes, a community room, and library. There are four handicapped units available in the apartments.
Park View Heights 429 St. Paul Place <i>Owatonna</i>	1979	48 12 25.0%	8 - 2BR 36 - 3BR 4 - 4BR	3 9 0	911 1,035 1,283	30% Income 30% Income 30% Income	N/A N/A N/A	N/A - N/A N/A - N/A N/A - N/A	Front and back patio, large bedrooms, private entrances, near hopping, 24-hour maintenance, basketball court. Carries a year long waiting list.
Lincoln Square Apartments 433 16th St NE <i>Owatonna</i>	1975	55 0 0.0%	26 - 1BR 25 - 2BR 4 - 3BR	0 0 0	625 825 1,125	\$825 \$1,005 \$1,205	\$825 \$1,005 \$1,205	\$1.32 - \$1.32 \$1.22 - \$1.22 \$1.07 - \$1.07	Central picnic area, pet-friendly, controlled access, bike racks, Section 236. Rent is 30% income or base rents provided, whichever is greater. 8 2BR and 3 1BR project based subsidy
Ivanhoe Townhomes 1615/1625 Linn Ave <i>Owatonna</i>	1973	12 0 0.0%	8 - 2BR 4 - 3BR	0 0	782 905	30% of income 30% of income	N/A N/A	N/A - N/A N/A - N/A	Section 8, off-street assigned parking, indoor mailboxes
Total Units/Vacancies/Vacancy Rate	Total Units 292	Vacancies: 12	Vacancy Rate: 4.1%						
Sources: Property Management Sites; Local news/housing sources; City of Owatonna & Maxfield Research and Consulting LLC.									

RENTAL MARKET ANALYSIS

TABLE R-9 UNIT TYPE SUMMARY SUBSIDIZED RENTAL DEVELOPMENTS OWATONNA APRIL 2023							
Unit Type	Total Units	% of Total	Avg. Size	Monthly Rents			
				Range Low - High	Avg. Rent	Avg. Rent/ Sq. Ft.	
Studio	42	14.4%	709	N/A - N/A	N/A	N/A	
1BR	201	68.8%	727	N/A - N/A	N/A	N/A	
2BR	39	13.4%	901	N/A - N/A	N/A	N/A	
3BR	10	3.4%	1,162	N/A - N/A	N/A	N/A	
Total:	292	100%	763	N/A - N/A	N/A	N/A	

N/A: Not Applicable
 Note: Only includes properties with complete information.
 Source: Maxfield Research & Consulting, LLC.

TABLE R-10 FEATURES/AMENITIES/UTILITIES SUBSIDIZED GENERAL OCCUPANCY RENTAL PROJECTS OWATONNA APRIL 2023																							
Projects	In-Unit						Common Area						Parking and Utilities										
	Air Conditioning	Refrigerator	Microwave	Dishwasher	Washer/Dryer	Walk-in Closet	Patio/Balcony	Community Room	Laundry Facility	Elevator	Fitness Center	Storage	BBQ	Play Area	Walking Trail	Heat/Gas	Electricity	Water/Sewer	Trash	Cable	High Speed Internet	Parking	Parking Fee per month
Subsidized																							
Kay Knutson Apartments	X	X					X	X					X			L	T	L	L	L	L	S	
Cedardale North	X	X						X								L	T	L	L	T	T	S	
Cedardale West	X	X						X								L	T	L	L	T	T	S	
Cedardale South	X	X						X								L	T	L	L	T	T	S	
Cedardale Place Apartments/Townhomes	X							X	X	X			X	X		NA	NA	NA	NA	NA	NA	S	
Park View Heights	X	X						X						X		T	T	L	L	T	T	S	
Lincoln Square Apartments	X													X		L	T	L	L	T	T	S	
Ivanhoe Townhomes	X	X			HU		X	X						X		L	L	L	L	T	T	S	

X = Available/Included; S = Some; G=Garage UG = Heated Underground; DG = Detached Garage; S = Surface Parking; LF = Laundry Facilities; HU = Hook Ups; L = Landlord Pays; T = Tenant Pays. NA = Not Assessed

Sources: Maxfield Research and Consulting, LLC

Select Affordable and Subsidized Rental Projects in Owatonna

The following are photographs of select affordable and subsidized general occupancy rental projects in Owatonna:



**Cedar Run Townhomes
(Affordable)**



**Ivanhoe Apartments
(Subsidized)**



**Kay Knutson Apartments
(Subsidized)**



**Kay Knutson Apartments
(Subsidized)**

RENTAL MARKET ANALYSIS

Table R-11 provides a summary on the number of units and vacancy rates for general occupancy rental projects by type within Owatonna in 2010, 2013, 2016, 2020, and 2023.

Market Rate		Affordable		Subsidized		Total	
Units	Vacancy Rate*	Units	Vacancy Rate*	Units	Vacancy Rate*	Units	Vacancy Rate*
2023							
1,070	0.4%	181	0.0%	292	4.1%	1,543	1.0%
2020							
711	2.3%	271	1.5%	292	1.4%	1,274	1.3%
2016							
571	2.5%	237	1.7%	228	1.8%	1,036	1.9%
2013							
492	5.5%	163	1.8%	258	5.4%	913	4.8%
2010							
456	5.5%	163	3.1%	258	3.9%	877	4.6%
<p>* Vacancy rates are based on participating properties where unit mix and vacancies were provided. Note: 2023 data is from April 2023, 2020 data is from April 2020, 2016 data is from September 2016, 2013 data is from May 2013, and 2010 data is from March 2010.</p>							
Source: Maxfield Research and Consulting, LLC.							

- The 2023 rental breakdown is: 69.3%, market rate, 11.7% affordable, and 18.9% subsidized. In 2020 rental breakdown was: 55.8%, market rate, 21.3% affordable, and 22.9% subsidized. In 2016, the rental breakdown was 55.1% market rate, 22.9% affordable, and 22.0% subsidized. The rental breakdown in 2013 was 53.9% market rate, 17.9% affordable, and 28.2% subsidized. In 2010, the rental breakdown was 52% market rate, 18.6% affordable, and 29.4% subsidized.
- In all analyzed years, total vacancy rates were below 5%. In 2023, market rate units were 0.4% vacant, subsidized units were 4.1% vacant, and no affordable units were vacant.

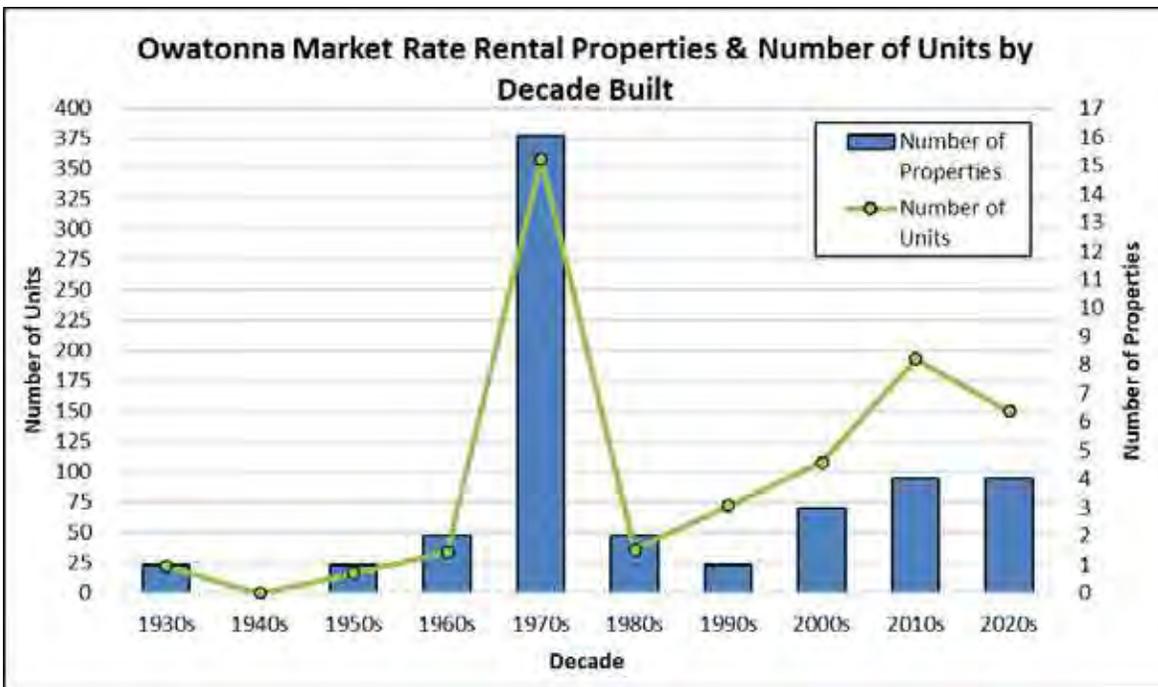
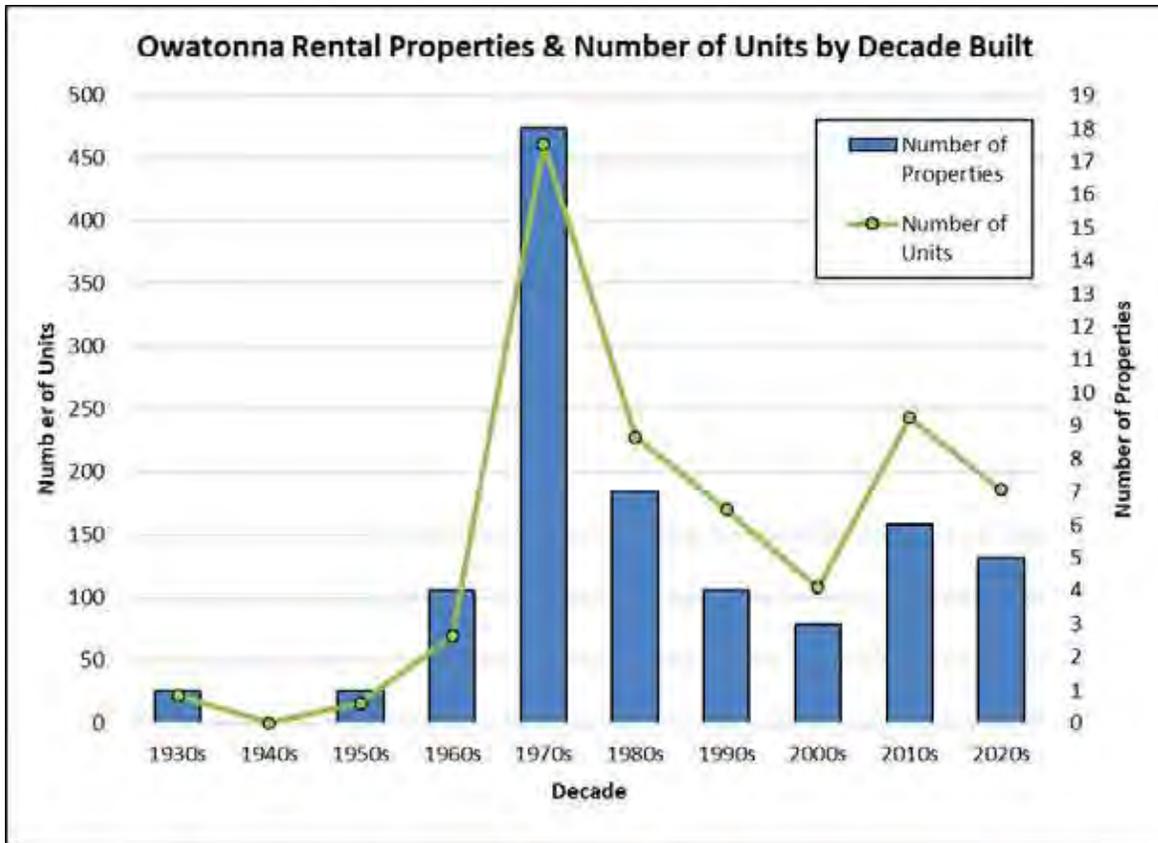
Rental Properties by Year Built

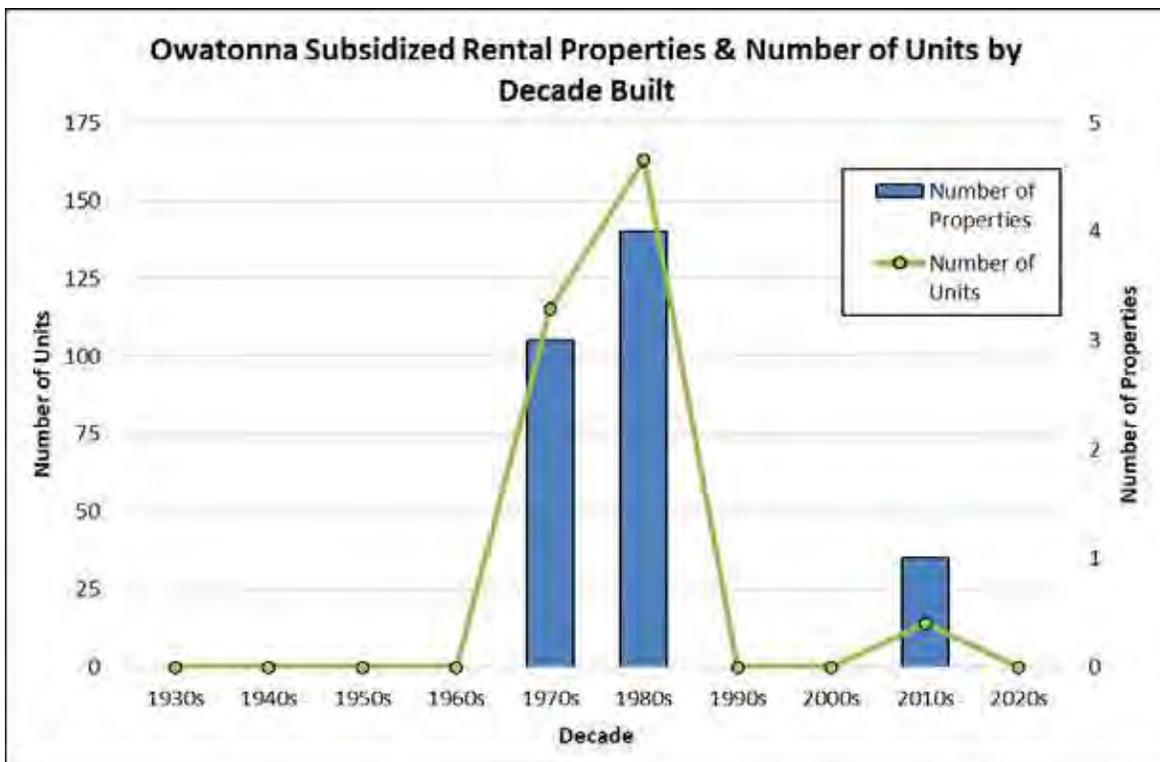
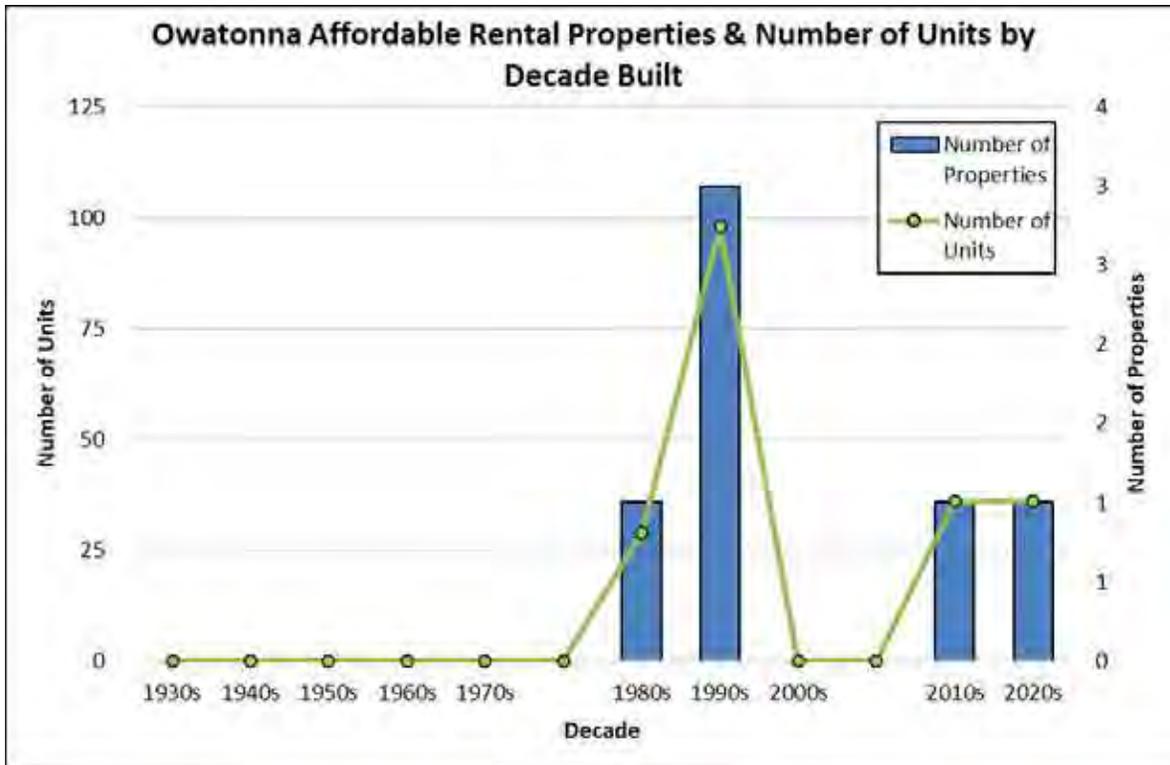
- The majority of Owatonna’s rental projects (18 – 36.7%) were built in the 1970s (461units). Additionally, the majority of the 1970s built properties are classified market rate (83.3% of all properties and 96.6% of all units). The three other rental properties are all subsidized.
- Of all rental properties only six were built prior to 1970. All of the projects built prior to 1970 are market rate and contain a total of 107 units.
- Since 2000, 14 rental projects, comprising 537 units, have been built in Owatonna. Of those 14 projects, 11 (78.6%) are market rate, two are affordable (14.3%) and one is subsidized (7.1%).

RENTAL MARKET ANALYSIS

TABLE R-12 GENERAL OCCUPANCY RENTAL DEVELOPMENT YEAR BUILT CITY OF OWATONNA APRIL 2023			
Property Name/Location	Built	Type	Units
The Pearl - 130 E Pearl St	2022	MR	43
Apartments on Mound - 660 Mound St	2022	MR	36
Eastgate Apartments - 407 Cherry St	2021	AFF	36
The Pointe @ Merchant Square	2021	MR	43
South Pointe II - 175 18th St SW	2020	MR	28
111 Vine - 111 Vine St	2019	MR	54
South Pointe I - 201 18th St Sw	2018	MR	37
Park Plaza I & II - 310 & 320 Allan Ave	2017	MR	66
Northgate - 131 Rose St	2015	AFF	36
Eden Valley Place - 700 El Dorado Ln Se	2012	MR	36
Kay Knutson Apartments - 905 E El Dorado St Se	2010	SUB	14
The Gateway - 325 Hoffman Dr	2004	MR	60
Park Village I & II - 2250 N. Cedar Ave	2002/2001	MR	36
Westwood Apartments - 135 22nd St Nw	2001	MR	12
Willow Run Townhomes Phase I & II- 2630 & 2760 3rd Ave Ne	1999	AFF	56
Subland Apartments - 140 W Pearl	1999	AFF	18
Cedar Run Townhomes - 2300 N cedar Ave	1997	AFF	24
Cooper's Court - 614 W Bridge St	1993	MR	72
North Court Townhomes - 1512 St. Paul Rd	1989	AFF	29
Cedardale North - 324 Cedardale Dr	1988	SUB	16
Cedardale West - 324 Cedardale Dr	1988	SUB	16
Cedardale South - 345 Cedardale Dr	1988	SUB	33
Cedar Ridge - 107 Nw 22nd St	1987	MR	18
North View Apartments - 107 Nw 22nd St	1986	MR	18
Cedardale Place Apartments/Townhomes - 2211 Hartle Ave/315 22nd St SE	1980	SUB	98
Park View Heights - 429 St. Paul Place	1979	SUB	48
Summit Manor - 166 22nd St Nw	1978	MR	18
Lofts on Third - 1208 Ne 3rd Ave	1978	MR	12
Westgate Apartments -585 Adams Ave NW	1978	MR	30
Chambers Apartments - 219-227 Chambers Ave	1977	MR	12
Crestwood Apartments - 216 12 St Ne	1976	MR	11
Apache Apartments - 236 12 St Ne	1976	MR	11
Cedar Hills - 215 22nd St Nw	1976	MR	42
Courtyard Apartments - 422 Cedar Ave N	1976	MR	23
520 Adams - 520 Adams Ave Nw	1975	MR	34
Northwest Manor - 218 21st Nw	1975	MR	24
Topaz Apartments -112 Nw 21st St	1975	MR	18
Lincoln Square Apartments - 433 16th St Ne	1975	SUB	55
Clifton Apartments -1927-2019 Hartle Ave	1974	MR	48
Eastgate Apartments - 909 Vine St E	1974	MR	12
Heather Court Apartments - 635-639 Hilltop Ave	1973	MR	36
Parkview Apartments - 633 Agnes St	1973	MR	15
Ivanhoe Apartments - 1615/1625 Linn Ave	1973	SUB	12
Shady Rose - 352 E Rose St	1969	MR	12
Academy Apartments - 706/714 Academy St	1968	MR	22
Schuh Apartments - 445 State Ave	1965	MR	14
MontClair Apartments - 205-213 13th St Sw	1963	MR	21
Modern Air Apartments - 811 E School St Nw	1950	MR	16
Maple View Apartments - 421-431 State Ave	1932	MR	22
		MR Units	1,012
		Aff Units	199
		Sub Units	292
		All Units	1,503

Source: Maxfield Research & Consulting, LLC.





Natural Occurring Affordable Housing (i.e. Unsubsidized Affordable)

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

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

Because many of these properties have rents that are affordable, project-based, and private housing markets cannot be easily separated. Some households may income-qualify for both market rate and project-based affordable housing, although the gap is widening between market rate and affordable properties as rents in the private market continue to rise. Therefore, it is important to recognize the naturally occurring affordable housing stock to quantify the proportion of units with rents that may be affordable to low and/or moderate-income renters. The analysis does not identify the number of units that are rented to households with incomes at those affordability levels as any tenant that financially qualifies may be able to rent at the property.

Table R-13 illustrates monthly rents by unit type and household size as they relate to affordability. Table R-14 presents a breakdown of all market rate general-occupancy rental properties by household size and area median income (AMI). Table R-15 summarizes property data from Table R-14 based on unit type and affordability. Note that not all properties are included due to rents not being available.

- Among the 843 market rate units inventoried by unit mix and monthly rents, an estimated 59.1% of the units are affordable to householders with incomes at 50% or 60% of AMI. An estimated 24.3% of units are affordable to households with incomes at 80% AMI while 8.9% are affordable to households with incomes at 30% AMI. In addition, 4.6% of units are affordable to households with incomes at 100% of AMI while 3.1% of units are affordable to households with incomes at 120% of AMI.

RENTAL MARKET ANALYSIS

- In total, 35.7% of studio units are affordable to households with incomes at 50% of AMI while 14.3% of studio units are affordable to households with incomes at 30% of AMI. Of all one-bedroom units inventoried, 53.5% are affordable to households with incomes at 50% or 60% of AMI. Of all two-bedroom units, 71.4% are affordable to households with incomes at 50% or 60% of AMI and of all three-bedroom units, 55.8% are affordable to households with incomes at 50% or 60% of AMI.
- Of all market rate studio units inventoried, 6 units are affordable to households with incomes at 30% or less of AMI (14.3%).

RENTAL MARKET ANALYSIS

**TABLE R-13
 MAXIMUM RENT BASED ON HOUSEHOLD SIZE AND AREA MEDIAN INCOME
 STEELE COUNTY (PMA) - 2022 (Effective 04/18/2022 - 05/15/2023)**

Unit Type ¹	HHD Size		Maximum Rent Based on Household Size (@30% of Income)											
	Min	Max	30%		50%		60%		80%		100%		120%	
			Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.
Studio	1	1	\$476 - \$476	\$794 - \$794	\$953 - \$953	\$1,270 - \$1,270	\$1,588 - \$1,588	\$1,905 - \$1,905						
1BR	1	2	\$476 - \$545	\$794 - \$908	\$953 - \$1,089	\$1,270 - \$1,452	\$1,588 - \$1,815	\$1,905 - \$2,178						
2BR	2	4	\$545 - \$680	\$908 - \$1,134	\$1,089 - \$1,361	\$1,452 - \$1,814	\$1,815 - \$2,268	\$2,178 - \$2,721						
3BR	3	6	\$613 - \$790	\$1,021 - \$1,316	\$1,226 - \$1,580	\$1,634 - \$2,106	\$2,043 - \$2,633	\$2,451 - \$3,159						
4BR	4	8	\$680 - \$899	\$1,134 - \$1,498	\$1,361 - \$1,797	\$1,814 - \$2,396	\$2,268 - \$2,995	\$2,721 - \$3,594						

¹ One-bedroom plus den and two-bedroom plus den units are classified as 1BR and 2BR units, respectively. To be classified as a bedroom, a den must have a window and closet.

Note: 4-person Steele County AMI is \$90,700 (2022).

Sources: HUD, Novogradac, & Maxfield Research and Consulting, LLC.

RENTAL MARKET ANALYSIS

TABLE R-14 MULTIFAMILY MARKET RATE RENTAL DEVELOPMENTS ASSESSMENT OF MARKET RATE RENTAL HOUSING BY AFFORDABILITY CALCULATION CITY OF OWATONNA JUNE 2023										
Unit Type/Project Name	Total Units	Rent Range		Min. Income Needed to Afford ¹	Units that are Market Rate Affordability by AMI ²					
		Min	Max		30%	50%	60%	80%	100%	120%
Studio										
South Pointe II Apartments	2	\$1,075 - \$1,135		\$43,000 - \$45,400	--	--	--	2	--	--
111 Vine	4	\$920 - \$1,015		\$36,800 - \$40,600	--	--	1	3	--	--
Summit Manor	13	\$1,340 - \$1,383		\$53,600 - \$55,320	--	--	--	--	13	--
Cedar Hills	6	\$336 - \$336		\$13,440 - \$13,440	6	--	--	--	--	--
Courtyard Apartments	7	\$645 - \$645		\$25,800 - \$25,800	--	7	--	--	--	--
Schuh Apartments	2	\$1,100 - \$1,150		\$44,000 - \$46,000	--	--	--	2	--	--
Maple View Apartments	8	\$634 - \$634		\$25,360 - \$25,360	--	8	--	--	--	--
Total/ Average	42				6	15	1	7	13	0
One-Bedroom					30%	50%	60%	80%	100%	120%
The Pearl	33	\$1,000 - \$1,345		\$40,000 - \$53,800	--	--	26	7	--	--
Apartments on Mound	6	\$1,095 - \$1,095		\$43,800 - \$43,800	--	--	--	6	--	--
The Pointe @ Merchant Square	23	\$1,165 - \$1,215		\$46,600 - \$48,600	--	--	--	23	--	--
South Pointe II Apartments	14	\$1,110 - \$1,315		\$44,400 - \$52,600	--	--	--	14	--	--
111 Vine	43	\$1,070 - \$1,325		\$42,800 - \$53,000	--	--	3	40	--	--
South Pointe I Apartments	25	\$1,050 - \$1,220		\$42,000 - \$48,800	--	--	6	19	--	--
Park Plaza I & II	10	\$1,125 - \$1,125		\$45,000 - \$45,000	--	--	--	10	--	--
The Gateway	23	\$1,033 - \$1,061		\$41,320 - \$42,440	--	--	23	--	--	--
Park Village I & II	4	\$1,170 - \$1,170		\$46,800 - \$46,800	--	--	--	4	--	--
Subland Apartments I & II	17	\$475 - \$550		\$19,000 - \$22,000	16	1	--	--	--	--
Cooper's Court	3	\$1,200 - \$1,200		\$48,000 - \$48,000	--	--	--	3	--	--
Cedar Ridge	3	\$900 - \$900		\$36,000 - \$36,000	--	3	--	--	--	--
Summit Manor	28	\$1,537 - \$2,229		\$61,480 - \$89,160	--	--	--	--	14	14
Westgate Apartments	13	\$644 - \$644		\$25,760 - \$25,760	--	13	--	--	--	--
Apache Apartments	2	\$700 - \$700		\$28,000 - \$28,000	--	2	--	--	--	--
Cedar Hills	12	\$597 - \$597		\$23,880 - \$23,880	--	12	--	--	--	--
Clifton Apartments	12	\$925 - \$975		\$37,000 - \$39,000	--	--	12	--	--	--
Heather Court Apartments	33	\$880 - \$880		\$35,200 - \$35,200	--	33	--	--	--	--
Parkview Apartments	2	\$1,050 - \$1,050		\$42,000 - \$42,000	--	--	2	--	--	--
Academy Apartments	16	\$976 - \$1,025		\$39,040 - \$41,000	--	--	16	--	--	--
Schuh Apartments	4	\$900 - \$950		\$36,000 - \$38,000	--	1	3	--	--	--
MontClair Apartments	21	\$620 - \$620		\$24,800 - \$24,800	--	21	--	--	--	--
Maple View Apartments	10	\$469 - \$469		\$18,760 - \$18,760	10	--	--	--	--	--
Total/Average	357				26	86	91	126	14	14
Continued										

RENTAL MARKET ANALYSIS

**TABLE R-14 CONTINUED
MULTIFAMILY MARKET RATE RENTAL DEVELOPMENTS
ASSESSMENT OF MARKET RATE RENTAL HOUSING BY AFFORDABILITY CALCULATION
CITY OF OWATONNA
JUNE 2023**

Unit Type/Project Name	Total Units	Rent Range		Min. Income Needed to Afford ¹	Units that are Market Rate Affordability by AMI ²					
		Min	Max		30%	50%	60%	80%	100%	120%
Two-Bedroom					30%	50%	60%	80%	100%	120%
The Pearl	11	\$1,445 - \$1,550		\$57,800 - \$62,000	--	--	--	11	--	--
Apartments on Mound	30	\$1,195 - \$1,395		\$47,800 - \$55,800	--	--	25	5	--	--
The Pointe @ Merchant Square	20	\$1,315 - \$1,420		\$52,600 - \$56,800	--	--	4	6	--	--
South Pointe II Apartments	12	\$1,460 - \$1,515		\$58,400 - \$60,600	--	--	--	12	--	--
111 Vine	2	\$1,450 - \$1,495		\$58,000 - \$59,800	--	--	--	2	--	--
South Pointe I Apartments	12	\$1,320 - \$1,400		\$52,800 - \$56,000	--	--	6	6	--	--
Park Plaza I & II	48	\$1,335 - \$1,335		\$53,400 - \$53,400	--	--	48	--	--	--
Eden Valley Place	14	\$1,200 - \$1,400		\$48,000 - \$56,000	--	--	11	3	--	--
The Gateway	28	\$1,183 - \$1,234		\$47,320 - \$49,360	--	--	28	--	--	--
Park Village I & II	1	\$700 - \$700		\$28,000 - \$28,000	--	1	--	--	--	--
Cooper's Court	3	\$1,250 - \$1,300		\$50,000 - \$52,000	--	--	3	--	--	--
Cedar Ridge	15	\$1,000 - \$1,000		\$40,000 - \$40,000	--	15	--	--	--	--
North View Apartments	15	\$850 - \$850		\$34,000 - \$34,000	--	15	--	--	--	--
Summit Manor	17	\$1,920 - \$3,541		\$76,800 - \$141,640	--	--	--	--	5	12
Westgate Apartments	14	\$794 - \$794		\$31,760 - \$31,760	--	14	--	--	--	--
Chambers Apartments	12	\$786 - \$786		\$31,440 - \$31,440	--	12	--	--	--	--
Apache Apartments	7	\$800 - \$800		\$32,000 - \$32,000	--	7	--	--	--	--
Cedar Hills	24	\$664 - \$664		\$26,560 - \$26,560	24	--	--	--	--	--
Crestwood Apartments	7	\$950 - \$950		\$38,000 - \$38,000	--	7	--	--	--	--
Topaz Apartments	15	\$525 - \$525		\$21,000 - \$21,000	15	--	--	--	--	--
Clifton Apartments	36	\$1,025 - \$1,075		\$41,000 - \$43,000	--	36	--	--	--	--
Heather Court Apartments	3	\$922 - \$922		\$36,880 - \$36,880	--	3	--	--	--	--
Parkview Apartments	13	\$1,175 - \$1,175		\$47,000 - \$47,000	--	--	13	--	--	--
Academy Apartments	6	\$1,019 - \$1,019		\$40,760 - \$40,760	--	6	--	--	--	--
Schuh Apartments	8	\$1,100 - \$1,150		\$44,000 - \$46,000	--	5	3	--	--	--
Maple View Apartments	4	\$634 - \$634		\$25,360 - \$25,360	4	--	--	--	--	--
Total/ Average	377				43	121	141	45	5	12

Continued

RENTAL MARKET ANALYSIS

**TABLE R-14 CONTINUED
MULTIFAMILY MARKET RATE RENTAL DEVELOPMENTS
NATURALLY OCCURRING RENTAL HOUSING
CITY OF OWATONNA
JUNE 2023**

Unit Type/Project Name	Total Units	Rent Range		Min. Income Needed to Afford ¹	Units that are Market Rate Affordability by AMI ²					
		Min	Max		30%	50%	60%	80%	100%	120%
Three Bedroom					30%	50%	60%	80%	100%	120%
Park Plaza I & II	8	\$1,595 - \$1,595		\$63,800 - \$63,800	--	--	--	8	--	--
Eden Valley Place	22	\$1,325 - \$1,325		\$53,000 - \$53,000	--	--	22	--	--	--
The Gateway	9	\$1,389 - \$1,389		\$55,560 - \$55,560	--	--	9	--	--	--
Cooper's Court	3	\$1,450 - \$1,450		\$58,000 - \$58,000	--	--	3	--	--	--
Summit Manor	28	\$1,537 - \$2,229		\$61,480 - \$89,160	--	--	2	19	7	--
Westgate Apartments	3	\$915 - \$915		\$36,600 - \$36,600	--	3	--	--	--	--
Apache Apartments	2	\$900 - \$900		\$36,000 - \$36,000	--	2	--	--	--	--
520 Adams	2	\$1,100 - \$1,150		\$44,000 - \$46,000	--	2	--	--	--	--
Total/ Average	77				0	7	36	27	7	0

¹ Based on a 30% allocation of income to housing for general-occupancy. Senior housing is excluded from the calculation.

² Market rate housing that has rents that could be classified as "unsubsidized affordable" units based on the monthly rents and adjusted for household size.

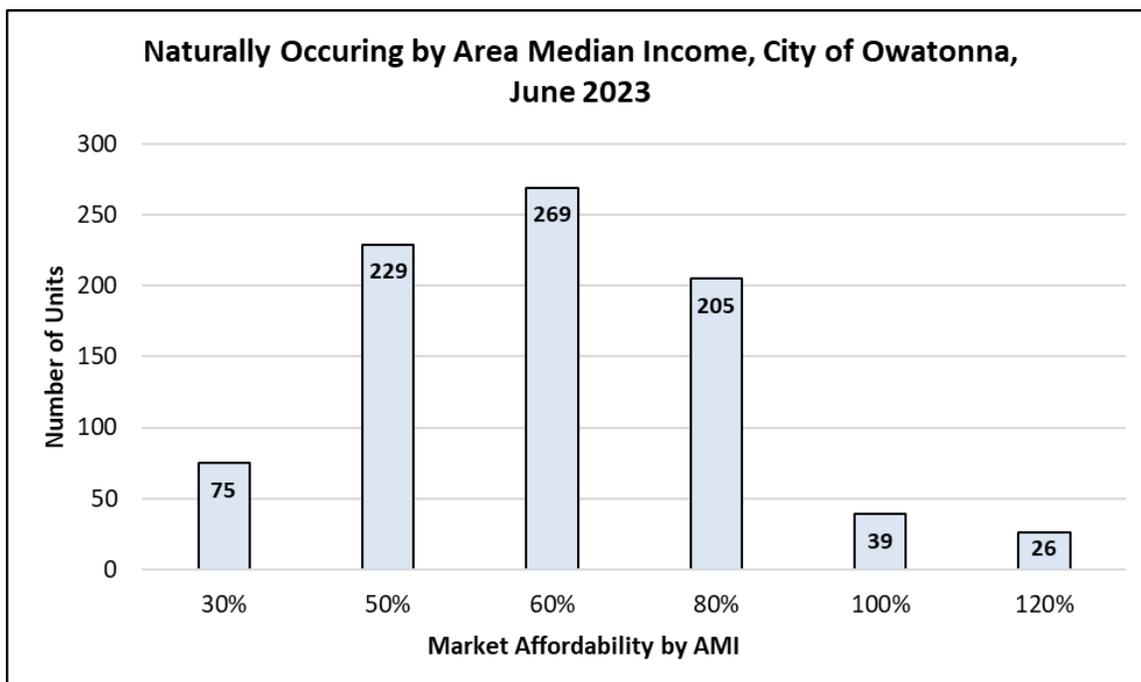
Note: Only units with available rents are included.

Source: Maxfield Research & Consulting, LLC.

**TABLE R-15
MULTIFAMILY MARKET RATE RENTAL DEVELOPMENTS
NATURALLY OCCURRING SUMMARY
CITY OF OWATONNA
JUNE 2023**

Unit Type	Market Rate Affordability by AMI					
	30%	50%	60%	80%	100%	120%
Studio	6	15	1	7	13	0
1 BR	26	86	91	126	14	14
2 BR	43	121	141	45	5	12
3 BR	0	7	36	27	7	0
Subtotal	75	229	269	205	39	26
Pct. Of Total	8.9%	27.2%	31.9%	24.3%	4.6%	3.1%
Pct. Of Affordability Category						
Studio	8.0%	6.6%	0.4%	3.4%	33.3%	0.0%
1 BR	34.7%	37.6%	33.8%	61.5%	35.9%	53.8%
2 BR	57.3%	52.8%	52.4%	22.0%	12.8%	46.2%
3 BR	0.0%	3.1%	13.4%	13.2%	17.9%	0.0%

Source: Maxfield Research & Consulting, LLC.



Rental Licensing Program

Owatonna has a number of ordinances and requirements that help ensure rental units are safe and up to date. There are currently 450 licensed rental properties in Owatonna. According to Table HC-4 there are approximately 835 single-family or townhome rentals in the City of Owatonna as of 2021. Therefore, it is assumed only a portion are being licensed at this time.

One requirement is that city multifamily properties are licensed. This is accomplished through filling out a city licensing application. In addition, a licensing fee must be paid. The fee is based on the number of units in a multifamily dwelling. Once approved the property must undergo an inspection, an effect of the minimum housing code. The inspection is done to ensure properties meets city standards. The city also has a disorderly conduct ordinance. The purpose of this ordinance is to make rental units safe for renters and ensure that property owners take action when needed.²

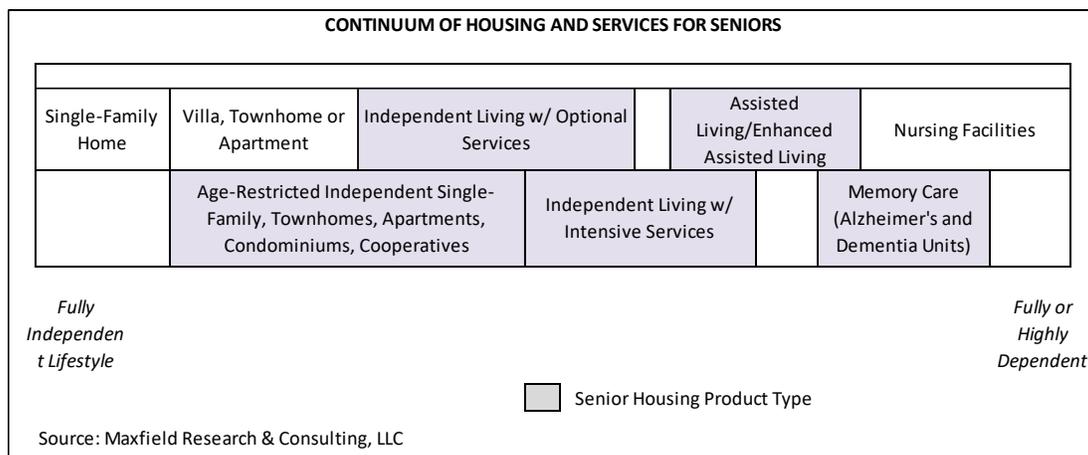
² *City of Owatonna*. "Rental Licensing Property Program," May 2020

Introduction

This section provides an assessment of the market support for senior housing (active adult, independent living, assisted living, and memory care) in Owatonna and the Remainder of the PMA. An overview of the demographic and economic characteristics of the senior population in Owatonna and the PMA Remainder is presented along with an inventory of existing senior housing developments in the city. Demand for senior housing is calculated based on demographic, economic and competitive factors that would impact demand for additional senior housing units in the city. Our assessment concludes with an estimation of the proportion of city demand that could be captured by senior housing communities located in Owatonna and the PMA Remainder.

Senior Housing Defined

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



- Active Adult properties (or independent living without services available) are similar to a general-occupancy building, in that they offer virtually no services but have age-restrictions (typically 55 or 62 or older). Residents are generally age 70 or older if in an apartment-style building. Organized entertainment, activities and occasionally a transportation program represent the extent of services typically available at these properties. Because of the lack

of services, active adult properties generally do not command the rent premiums of more service-enriched senior housing. Active adult properties can have a rental or owner-occupied (condominium or cooperative) format.

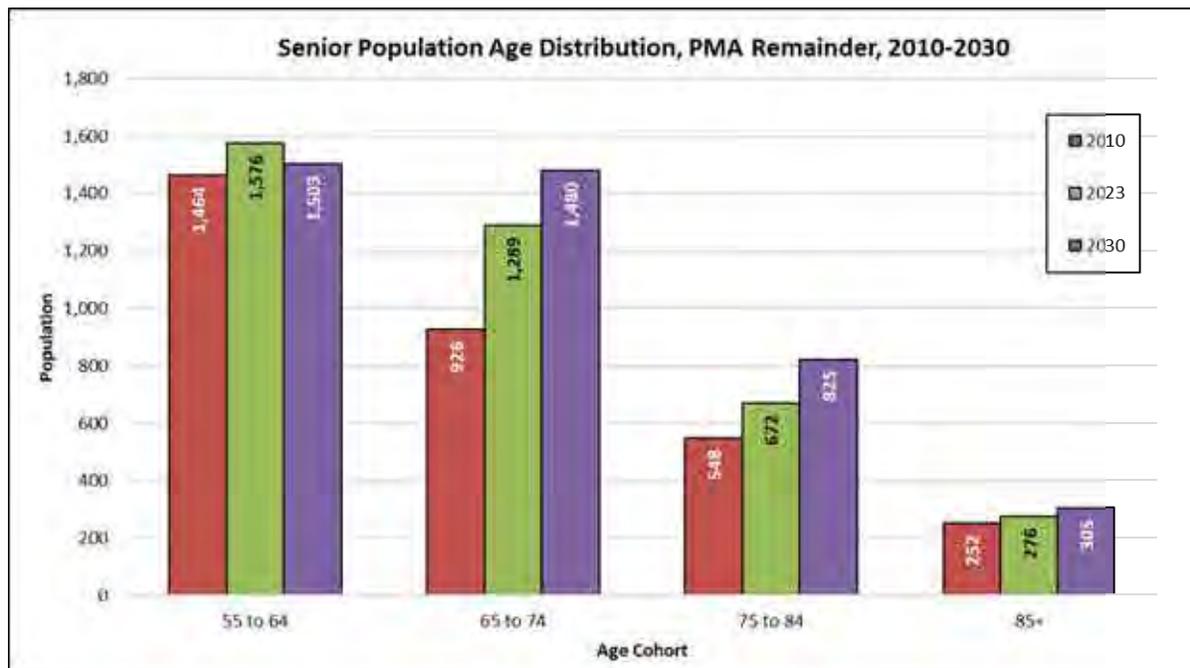
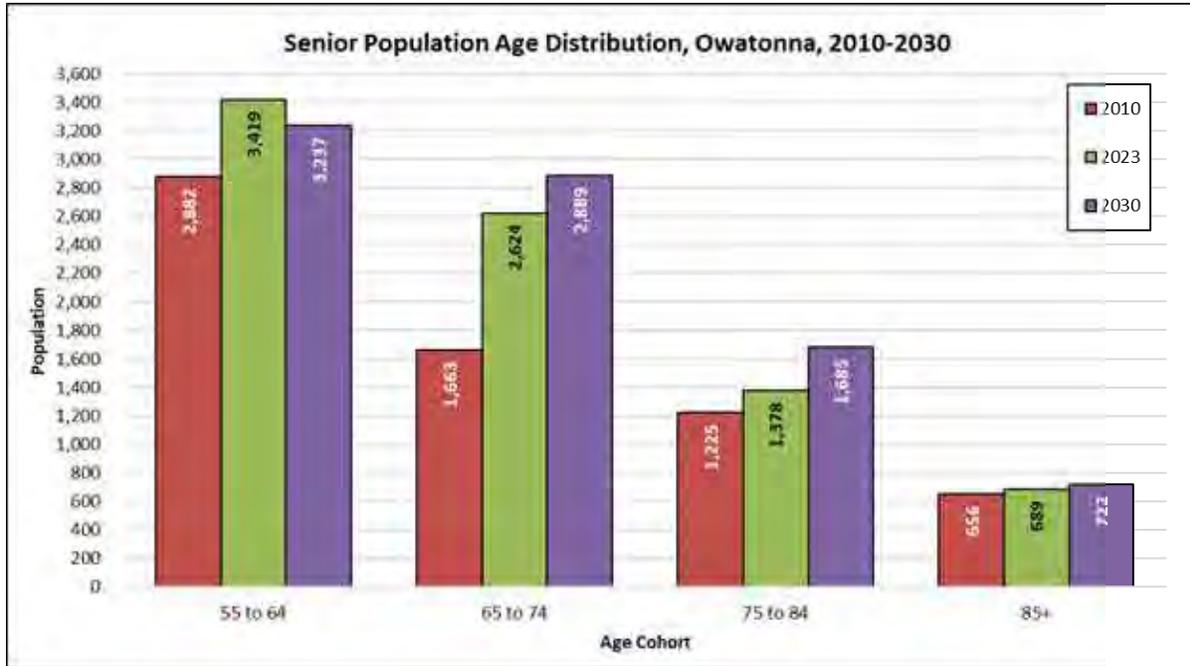
- Independent living properties offer support services such as meals and/or housekeeping, either on an optional basis or a limited amount included in the rents. These properties often dedicate a larger share of the overall building area to common areas, in part, because the units are smaller than in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

Older Adult (Age 55+) Population and Household Trends

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

SENIOR HOUSING ANALYSIS

- Between 2010 and 2023, the fastest growing population in Owatonna is the 65 to 74 age group, which experienced a 57.8% increase in population, an addition of 961 people. This was also the case in the PMA Remainder where 39.2% of the population between 75 and 84 increased between 2010 and 2023, an addition of 363 people.



- The primary market for service-enhanced housing is senior households age 75 and older. While individuals in their 50s and 60s typically do not comprise the market base for service-enhanced senior housing, they often have elderly parents to whom they provide support when they decide to relocate to senior housing. Since elderly parents typically prefer to be near their adult caregivers, growth in the older adult age cohort (age 55 to 64) generally results in additional demand for senior housing products.
- Homeownership information lends insight into the number of households that may still have homes to sell and could potentially supplement their incomes from the sales of their homes to support monthly fees for alternative housing.
- Owatonna maintains relatively high rates of homeownership in the older adult age cohorts. The homeownership rate in 2023 is 79.1% for those households between the ages of 55 and 64. Seniors typically begin to consider moving into senior housing alternatives or more convenient housing such as apartment buildings or twin homes in their early to mid-70s. This movement pattern is demonstrated by the drop in 2023 homeownership rates between those 65 to 74 (76.4%) and those 75+ (71.4%).
- With a homeownership rate of 75.5% for all Owatonna households over the age of 65, a large number of residents would be able to use proceeds from the sales of their homes toward senior housing alternatives. The resale of single-family homes would allow additional senior households to qualify for market rate housing products, since equity from the home sale could be used as supplemental income for alternative housing. These considerations are factored into our demand calculations.

Supply of Senior Housing

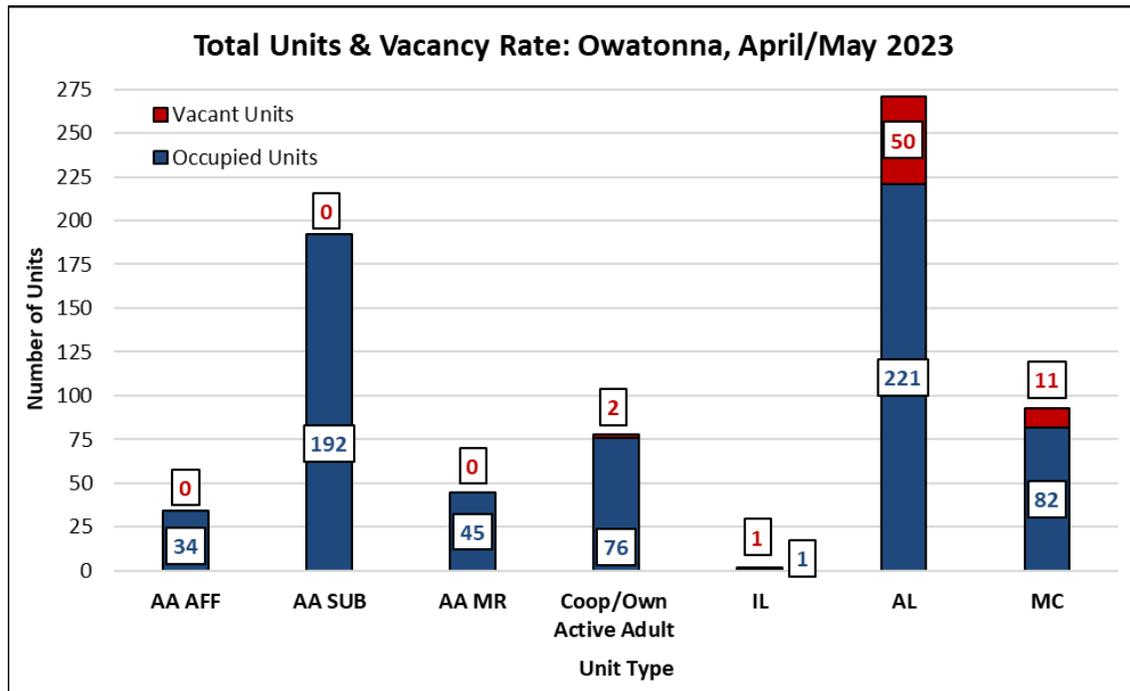
Table SN-1 provides information on the various senior housing products in Owatonna and the Remainder of the PMA by facility type and service-level. Information in the table includes year built, total units, unit sizes, vacancies, rents, and general comments about each project. The following section summarizes key points from our survey of senior housing facilities in the County.

- Maxfield Research identified 20 senior housing properties in the PMA. Combined, these projects contain a total of 813 senior housing units. Fourteen of the senior housing properties are market rate, totaling 587 units (72.2% of the supply), and there are six affordable senior housing projects, totaling 226 units (27.8%).
- Based on our survey, 57.1% of units provide service-enhanced housing, for a total of 464 units. These include 2 independent living units, 339 assisted living units, and 123 memory care units. The remaining 42.9% (349 units) are active adult units, including 226 affordable

SENIOR HOUSING ANALYSIS

units (deep- and shallow-subsidy), 45 market rate units, and 78 cooperative/ownership active adult units.

- Of the 715 senior housing units, which excludes the 98 units at Traditions I and Traditions II (no vacancy information was given from those properties), 67 are currently vacant, representing a 9.0% vacancy rate.



- At the time of the survey (excluding Traditions I and Traditions II), there were 62 vacant service-enhanced units (16.9% vacancy rate), including 11 memory care vacancies (11.8% vacancy), 50 assisted living vacancies (18.5%), and 1 independent living vacancy (50.0%).
- None of the market rate, affordable or deep subsidy units had any vacancies. The cooperative/ownership active adults had two vacancies for a vacancy rate of 2.6%

SENIOR HOUSING ANALYSIS

TABLE SN-1 SENIOR HOUSING PROJECTS PRIMARY MARKET AREA APRIL/MAY 2023										
Project Name/Location	Year Open	No. of Units	Total Vacant	Unit Description			Monthly Rent		Rent/sq. ft.	
				Type	No.	Size	Min	Max	Min	Max
Shallow Subsidy Active Adult Rental										
Cedardale South 345 Cedardale Dr Owatonna, MN	1984	34	0	1BR	33	634	\$555 - \$734		\$0.88 - \$1.16	
			vacancy rate: 0.0%	2BR	1	832 - 832	\$555 - \$734		\$0.67 - \$0.88	
Notes: USDA Rural Development Section 515 project targeting residents age 62+ or disabled (9 units with subsidy). Heat, water, sewer, and trash removal included in rent. Amenities include assigned parking with plug-ins, on-site laundry, elevator, community room, pet-friendly.										
Deep Subsidy Active Adult Rental										
Prairie Villa I 455 2nd St SE Blooming Prairie, MN	1980	15	0	1BR	15	594	30% of AGI		NA	
			vacancy rate: 0.0%							
Notes: Project-based Section 8 project targeting residents age 62+ or disabled. Heat, electric, water, sewer, and trash removal included in rent. Amenities include assigned off-street parking with plug-ins, on-site laundry, pet-friendly. Wait list is currently open										
Medford Manor 261 First St SE Medford, MN	1982	20	0	1BR	20	550	30% of AGI		NA	
			vacancy rate: 0.0%							
Notes: Project-based Section 8 project targeting residents age 62+ or disabled. Heat, water, sewer, and trash removal included in rent. Amenities include assigned off-street parking with plug-ins, on-site laundry, community room, pet-friendly. Wait list is currently open.										
Maple Trail Apartments 165 24th Pl NW Owatonna, MN	2005	25	0	1BR	25	540	30% of AGI		NA	
			vacancy rate: 0.0%							
Notes: Project-based Section 8 project targeting residents age 62 and older. All utilities except electric included in rent. Amenities include individually-controlled heat/AC, on-site laundry, tub room, outdoor patio with grill, community room.										
Cedardale Place 2211 Hartle Ave Owatonna, MN	1980	68	0	1BR	67	592	30% of AGI		NA	
			vacancy rate: 0.0%	2BR	1	700	30% of AGI		NA	
Notes: Project-based Section 8 targeting residents age 62 and older. All utilities except electric included in rent.										
Ivanhoe Apartments 220/230 18th St SW Owatonna, MN	1973	64	0	1BR	64	416	30% of AGI		NA	
			vacancy rate: 0.0%							
Notes: Project-based Section 8 project targeting residents age 62+ or disabled. Heat, electric, water, sewer, and trash removal included in rent. Amenities include assigned off-street parking with plug-ins, on-site laundry, community room, pet-friendly. Wait list is open										
Market Rate Active Adult Rental										
Southway Manor 2260 Hartle Ave Owatonna, MN	1997	45	0	1BR - 12		733 - 808	\$1,000 - \$1,200		\$1.36 - \$1.49	
			vacancy rate: 0.0%	2BR - 33		937 - 1,011	\$1,200 - \$1,400		\$1.28 - \$1.38	
Notes: Amenities include clubhouse, covered parking, on-site laundry, elevator. Units feature AC, balcony, cable TV, dishwasher, washer/dryer. Rent includes water, sewer, heat, trash removal, snow removal.										
Cooperative/Ownership Active Adult										
Morehouse Place Coop. 353 Lemond Rd Owatonna, MN	1998	46	0	1BR - 14		828 - 856	\$825		\$0.96 - \$1.00	
			vacancy rate: 0.0%	2BR - 32		935 - 1,624	\$1,450		\$0.89 - \$1.55	
Notes: Initial investment fees range from \$33,000 for 1BR units and \$38,400 for 2BR units. Cooperative. Underground heated garage, waiting list, secure storage, controlled access, professional management, elevator, fireside room, library, workshop, guest room.										
Realife Cooperative 235 22nd St SW Owatonna, MN	1988	32	2	1BR - 14		614 - 659	\$657		\$1.00 - \$1.07	
			vacancy rate: 6.3%	2BR - 18		817 - 914	\$996		\$1.09 - \$1.22	
Notes: Initial investment fees range from \$26,155 for 1BR units and \$40,050 for 2BR units. Garage parking available for \$30/month. Water, heat, and trash removal included in monthly fee. Amenities include shuttle service, on-site laundry, social room, craft room, gazebo.										

CONTINUED

SENIOR HOUSING ANALYSIS

TABLE SN-1 (CONTINUED)										
SENIOR HOUSING PROJECTS										
PRIMARY MARKET AREA										
APRIL/MAY 2023										
Project Name/Location	Year Open	No. of Units	Total Vacant	Unit Description			Monthly Rent		Rent/sq. ft.	
				Type	No.	Size	Min	Max	Min	Max
Independent Living										
Medford Senior Care 108 3rd St NE Medford, MN	2013	2	1	Studio - 1		NA	\$2,495		--	
				Apt. - 1		NA	\$3,195		--	
Notes: Units include private bathroom with walk-in shower, emergency call lights, kitchenette. Amenities include front porch, patio, salon, coffee shop, home theater. Monthly fee includes 24-hour staffing, 3 meals and 1 snack per day, activities, laundry (3 loads/week), linens (1 load/week), weekly housekeeping, daily bed-making, utilities (except phone). Detached garages are \$100 per month. Care charges are per service.										
Assisted Living										
Timberdale Trace 334 Cedardale Dr SE Owatonna, MN	1996	19	4	Pvt. Suite - 18		240	\$4,295		\$17.90	
				Deluxe Ste - 1		625	\$6,450		\$10.32	
Notes: All utilities, 3 meal/day, emergency response system, weekly housekeeping and linen services, scheduled transportation, events, and all utilities included in monthly fee. Amenities include gardens and walking paths, beauty salon, living room with piano, events, Wi-Fi access in common areas. Six activities a day and variety of outings.										
Ecumen Countryside 650 El Dorado St SE Owatonna, MN	2006	61	5	1BR - 30		514 - 528	\$2,815 - \$2,905		\$5.48 - \$5.50	
				1BR+D - 11		605 - 706	\$3,075		\$4.36 - \$5.08	
				2BR - 20		755 - 886	\$3,150 - \$3,280		\$3.70 - \$4.17	
Notes: Base rent includes robust social, spiritual, educational, and leisure activities, tailored wellness and exercise programming, scheduled outings and transportation, weekly light housekeeping, assistance with arranging transportation to medical and social services appointments, assistance accessing community resources and social services, weekly flat linen change, controlled building access, routine interior and exterior maintenance, emergency response system, use of community spaces, Daily I'm OK check, priority access to community and other Ecumen housing and other care options. Included utilities in rent are electric, gas, water, trash/sewer, and Wifi. Other fees include \$150 for second person to live in unit, \$2,000 non refundable community fee, \$65 per month for garages, meal packages (\$200-\$530 per month), and Level 1 Health care plan at \$340 a month up to Level 8 Health care plan at \$4,065 per month).										
Ecumen Brooks 2480 St. Paul Rd Owatonna, MN	2000	38	3	1BR - 35		528 - 825	\$2,730 - \$3,190		\$3.87 - \$5.17	
				2BR - 3		1,000	\$3,365		\$3.37	
Notes: Base rent includes robust social, spiritual, educational, and leisure activities, tailored wellness and exercise programming, scheduled outings and transportation, weekly light housekeeping, assistance with arranging transportation to medical and social services appointments, assistance accessing community resources and social services, weekly flat linen change, controlled building access, routine interior and exterior maintenance, emergency response system, use of community spaces, Daily I'm OK check, priority access to community and other Ecumen housing and other care options. Included utilities in rent are electric, gas, water, trash/sewer, and Wifi. Other fees include \$150 for second person to live in unit, \$2,000 non refundable community fee, \$65 per month for garages, meal packages (\$200-\$530 per month), and Level 1 Health care plan at \$340 a month up to Level 8 Health care plan at \$4,065 per month).										
Valley Terrace 1212 Frontage Rd W Owatonna, MN	2008	88	30	Studio - 62		305	\$1,041 - \$1,130		\$3.41 - \$3.70	
				1BR - 25		514	\$1,215 - \$1,300		\$2.36 - \$2.53	
				2BR - 1		635	\$1,900		\$2.99	
Notes: Gas, electric, phone, cable, trash removal, water/sewer included in rent. Rent also includes 3 meals/day, snacks, light housekeeping, laundry & linens, medication administration. Amenities include community room, beauty salon, fireplace lounge, TV lounges, computer lab, library. Pricing is without care costs.										

CONTINUED

SENIOR HOUSING ANALYSIS

TABLE SN-1 (CONTINUED)										
SENIOR HOUSING PROJECTS										
PRIMARY MARKET AREA										
APRIL/MAY 2023										
Project Name/Location	Year	No. of	Total	Unit Description			Monthly Rent		Rent/sq. ft.	
	Open	Units	Vacant	Type	No.	Size	Min	Max	Min	Max
Assisted Living (Continued)										
Traditions of Owatonna I 195 24th Pl NW Owatonna, MN	2006	42	NA	1BR - 38		550 - 625	NA		--	
			vacancy rate: --	2BR - 4		820	NA		--	
<i>Notes: Monthly fee includes activities, meals, housekeeping, 24-hour staffing. Building amenities include chapel, salon, lounges.</i>										
Traditions of Owatonna II 150 24th St NE Owatonna, MN	2007	26	NA	Studio - 26		430 - 543	NA		--	
			vacancy rate: --							
<i>Notes: Monthly fee includes 3 meals/day, housekeeping, laundry, 24-hour staffing, activities. Building amenities include lounges, fireplace in parlor, event room, courtyard.</i>										
Heather Haus 223 4th St NW Blooming Prairie, MN	1995	20	6	1BR - 16		537 - 607	\$3,000		\$4.94 - \$5.59	
			vacancy rate: 30.0%	2BR - 4		713	\$3,250		\$4.56	
<i>Notes: Monthly fee includes 3 meals/day and snacks, utilities (water, sewer, electric), pendant call system, 24-hour staffing, weekly housekeeping and laundry, activities. Amenities include patio/courtyard, community room with fireplace, community computer with WiFi, free laundry.</i>										
Whispering Oak Place 903 Calvary Ct Ellendale, MN	2006	21	2	Studio - 6		805	\$4,300		\$5.34	
			vacancy rate: 9.5%	1BR - 15		1,035	NA		--	
<i>Notes: Units feature full kitchens, emergency response system, individually controlled heat/AC, washer/dryer. All utilities (except phone and cable), 3 meals/day, weekly housekeeping, and laundry included in rent. Amenities include salon, internet lounge with fireplace, community room, coffee/juice bar, garden, scheduled transportation, activities. Second-person occupancy fee \$1,000</i>										
Medford Senior Care 108 3rd St NE Medford, MN	2013	24	0	Studio - 13		NA	\$2,495		--	
			vacancy rate: 0.0%	Apt. - 8		NA	\$2,895		--	
				Deluxe - 3		NA	\$3,195		--	
<i>Notes: Units include private bathroom with walk-in shower, emergency call lights, kitchenette. Amenities include front porch, patio, salon, coffee shop, home theater. Monthly fee includes 24-hour staffing, 3 meals and 1 snack per day, activities, laundry (3 loads/week), linens (1 load/week), weekly housekeeping, daily bed-making, utilities (except phone). Care charges are per service.</i>										
Memory Care										
Ecumen Brooks 2480 St. Paul Rd Owatonna	2017	12	0	Studio	NA	293	\$2,295		\$7.83	
			vacancy rate: 0.0%	1BR	NA	528 - 644	\$2,870 - \$3,290		\$5.44 - \$5.11	
<i>Notes: Base rent includes 24/7 assistance and safety checks, tailored wellness and exercise programming, assistance with arranging transportation to medical and social services appointments, assistance accessing community resources and social services, weekly light housekeeping, weekly flat lien change, controlled business access, routine interior and exterior maintenance. Included utilities in rent are electric, gas, water, trash/sewer, and Wifi. Other fees include \$200 for second person to live in unit, \$2,000 non refundable community fee, and Level 1 Health care plan at \$3,380 a month up to Level 3 Health care plan at \$5,180 per month).</i>										
CONTINUED										

SENIOR HOUSING ANALYSIS

TABLE SN-1 (CONTINUED)										
SENIOR HOUSING PROJECTS										
PRIMARY MARKET AREA										
APRIL/MAY 2023										
Project Name/Location	Year	No. of	Total	Unit Description			Monthly Rent		Rent/sq. ft.	
	Open	Units	Vacant	Type	No.	Size	Min	Max	Min	Max
Memory Care (Continued)										
Timberdale Trace 364 Cedardale Dr SE Owatonna, MN	1999	24	2	Pvt. Suite	22	240	\$7,095		\$29.56	
		vacancy rate:	8.3%	Semi-Pvt	2	625	\$5,295		\$8.47	
	Notes: All utilities, 3 meal/day, emergency response system, weekly housekeeping and linen services, scheduled transportation, events, and all utilities included in monthly fee. Amenities include gardens and walking paths, beauty salon, living room with piano, events, Wi-Fi access in common areas. Six activities a day and variety of outings.									
Birchwood Cottages I 1905 Austin Rd Owatonna, MN	2015	24	4.5	Pvt. Suite	16	156 - 176	\$3,000		\$17.05 - \$19.23	
		vacancy rate:	18.8%	Semi-Pvt	8	296 - 316	\$3,600		\$11.39 - \$12.16	
	Notes: All meals and snacks, medication administration, assistance with all ADLs, RN supervision, 24/7 staffing, linen and towel service, transportation scheduling, all utilities except phone and cable, housekeeping, and guest meals included in base monthly fee. Five different care level packages available that are in addition to rent of \$120 per day for private suites and \$100 per day for semi-private suites.									
Birchwood Cottages II 1845 Austin Rd Owatonna, MN	2017	24	4.5	Pvt. Suite	16	156 - 176	\$3,000		\$17.05 - \$19.23	
		vacancy rate:	18.8%	Semi-Pvt	8	296 - 316	\$3,600		\$11.39 - \$12.16	
	Notes: All meals and snacks, medication administration, assistance with all ADLs, RN supervision, 24/7 staffing, linen and towel service, transportation scheduling, all utilities except phone and cable, housekeeping, and guest meals included in base monthly fee. Five different care level packages available.									
Traditions of Owatonna I 195 24th Pl NW Owatonna, MN	2006	10	NA	Studio	10	400	NA		--	
		vacancy rate:	--							
	Notes: Monthly fee includes 3 meals/day, housekeeping, laundry, 24-hour staffing, activities. Building amenities include chapel, salon, lounges.									
Traditions of Owatonna II 150 24th St NE Owatonna, MN	2009	20	NA	Studio	20	430 - 543	NA		--	
		vacancy rate:	--							
	Notes: Monthly fee includes 3 meals/day, housekeeping, laundry, 24-hour staffing, activities. Building amenities include lounges, fireplace in parlor, event room, courtyard.									
Whispering Oak Place 903 Calvary Ct Ellendale, MN	2019	9	0	Studio	6	400	\$5,300		\$13.25	
		vacancy rate:	0.0%	1BR	3	NA	\$5,800		--	
	Notes: Converted nine units into secure Memory Care units which opened to residents in October 2019. All utilities (except phone and cable), 3 meals/day, weekly housekeeping, and laundry included in rent. Amenities include salon, internet lounge with fireplace, community room, coffee/juice bar, garden, scheduled transportation, activities.									
NA: Not Assessed.										
Sources: Senior Living Providers/ Sites & Maxfield Research & Consulting, LLC.										

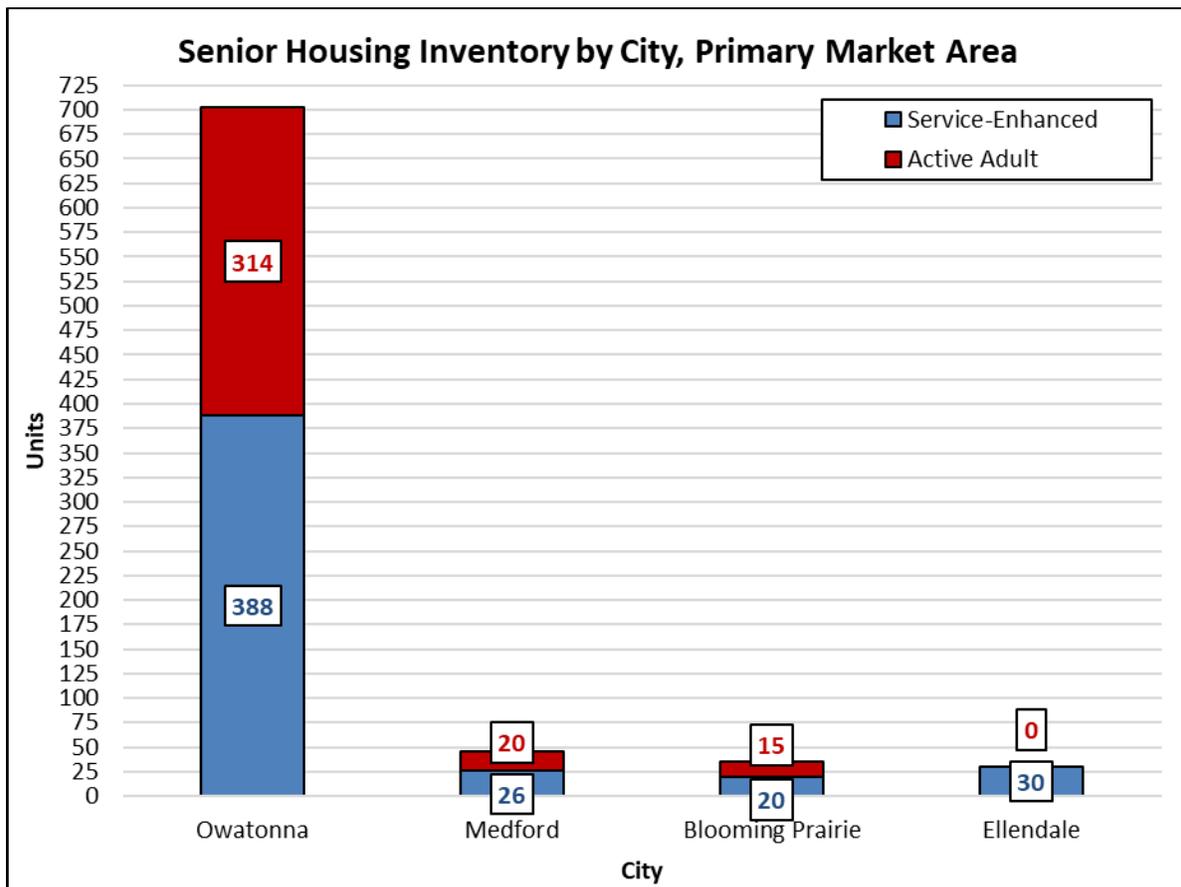
SENIOR HOUSING ANALYSIS

- A 93% occupancy rate is generally considered equilibrium in assisted living and memory care senior housing, while 95% occupancy is considered equilibrium in independent living and active adult. As such, the current supply of service-enhanced units appears to be oversupplied, while the active adult markets appear to be undersupplied.
- The affordable active adult properties are predominantly project-based Section 8 facilities with rents based on 30% of gross monthly household income. There are five project-based Section 8 properties totaling 192 units, all of which are occupied. These facilities target persons 62 and older or persons with a disability.
- Cedardale South is an affordable active adult property financed with Section 515 loans made by the USDA Rural Development Housing and Community Facilities Program, totaling 34 units, one of which is vacant (2.0% vacancy rate). Section 515 properties target extremely low, low, and moderate-income households age 62 or older or persons with a disability. Tenants pay basic rent or 30% of their adjusted income, whichever is greater.
- We also identified three market rate active adult projects, totaling 123 units, two of which are available (1.6% vacancy rate). One of the market rate active adult projects, Southway Manor, is a rental property (45 units), while units at Morehouse Place (46 units) and Realife Cooperative (36 units) are owner-occupied.
- There is one property with independent living units, Medford Senior Care. The Medford property has only two independent living units, of which one is vacant (50.0% vacancy rate).
- There are 271 assisted living units in the PMA (excluding Traditions I and II for which vacancies were unable to be obtained), 50 of which are vacant for a 18.5% vacancy rate.
- Base assisted living unit fees range from a low of \$1,041 for a 305 square-foot studio unit at Valley Terrace (excludes care costs) to a high of \$6,450 for a 625 square-foot deluxe suite at Timberdale Trace. The majority of assisted living properties range from the high \$2,000s to the low \$3,000s, which generally includes three meals per day, snacks, housekeeping, linen and laundry service, and emergency call systems. Fees for service care level packages are in addition to the base monthly fee.
- There are seven facilities providing 93 memory care units in the PMA (excluding Traditions I and II for which vacancies were unable to be obtained). These memory care facilities are currently 11.8% vacant (11 vacant units). Excluding Birchwood Cottages I and Birchwood Cottages II, which have high vacancy rates of 18.8% and 18.8% respectively, results in a much lower vacancy rate of 4.4%.
- Memory care fees range from a low of \$3,000 for a studio unit at Birchwood Cottages I and II to a high of \$7,095 for a private suite at Timberdale Trace. The average base fee is \$4,947

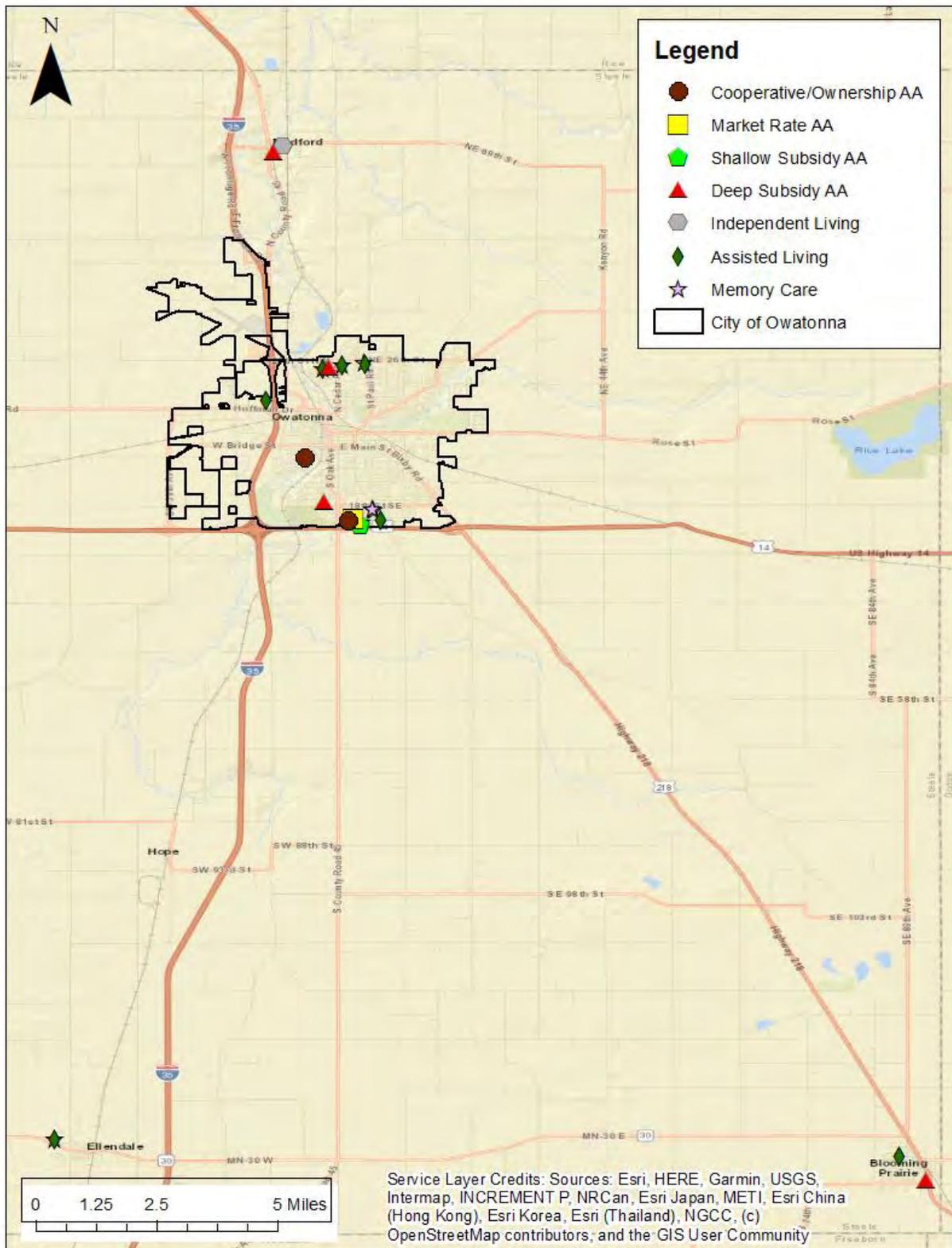
SENIOR HOUSING ANALYSIS

per month, which is generally all-inclusive (utilities, meals, housekeeping, laundry, linens). Fees for service care level packages are in addition to the base monthly fee.

- The City of Owatonna has the highest number of senior housing units in the PMA, with 712 units (85% of the total), followed by Blooming Prairie with 50 units (6.0% of the inventory), Medford with 44 units (5.3%), and Ellendale with 29 units (3.5%).



Senior Housing Location Map: Owatonna & Various Steele County Communities



Select Senior Owatonna Senior Developments

The following are photographs of a select group of senior housing facilities in the PMA:



Ecumen Countryside



Ecumen Brooks



Birchwood Cottages



Valley Terrace

Introduction

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

Home Resales in Owatonna

Table FS-1 presents closed resale data in Owatonna, the PMA Remainder, the PMA, and Southeast Minnesota Planning Area from 2010 through 2022. Table FS-2 presents median resale prices during that same time frame for Owatonna, the PMA, and the Southeast Minnesota Planning Area. The data was obtained from the Regional Multiple Listing Service of Minnesota (RMLS). The number of closed sales per year in the RMLS data for the PMA Remainder are much less than the number of sales per year for the same geography in Steele County data. One possible explanation for this discrepancy is that certain PMA Remainder communities may be counted in other listing services. However, to remain consistent in the report, RMLS data is utilized. The following are key points observed from our analysis of this data.

Closed Sales

- Between 2010 and 2022, there has been an average of 417 residential sales per year in Owatonna. In contrast, in the PMA Remainder, which includes the rest of Steele County excluding Owatonna, there were an average of 79 closed sales per year between 2010 and 2022. The number of closed sales in Owatonna represented over 84% (84.1%) of all closed sales in the Steele County PMA.
- Owatonna represented 9.2% of the annual average of closed sales between 2010 and 2022 in the SE Minnesota Planning Area, which includes eleven counties in Southeastern Minnesota.

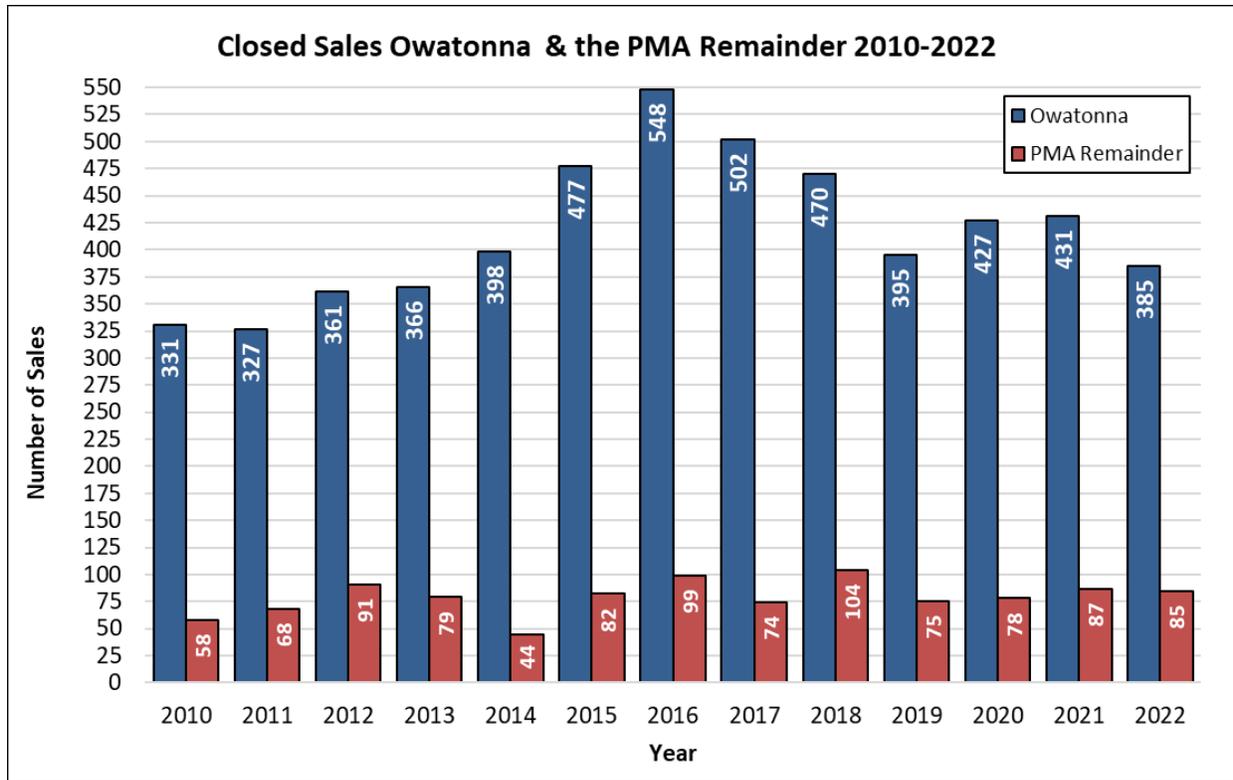


Table FS-1
Closed Resales: Owatonna, PMA Remainder, PMA, & the SE MN Planning Area
2010 to 2022

Year	Owatonna	PMA Remainder	PMA	SE MN Planning Area
2010	331	58	389	3,471
2011	327	68	395	3,537
2012	361	91	452	3,787
2013	366	79	445	4,092
2014	398	44	442	4,252
2015	477	82	559	4,781
2016	548	99	647	5,143
2017	502	74	576	5,054
2018	470	104	574	4,786
2019	395	75	470	4,808
2020	427	78	505	5,209
2021	431	87	518	5,180
2022	385	85	470	4,610

Note: PMA Remainder: Includes all of Steele County sans Owatonna. The PMA includes all of Steele County. The SE MN Planning Area includes the following counties: Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona.

Sources: RMLS Infosparks & Maxfield Research & Consulting, LLC.

Median Resale Prices

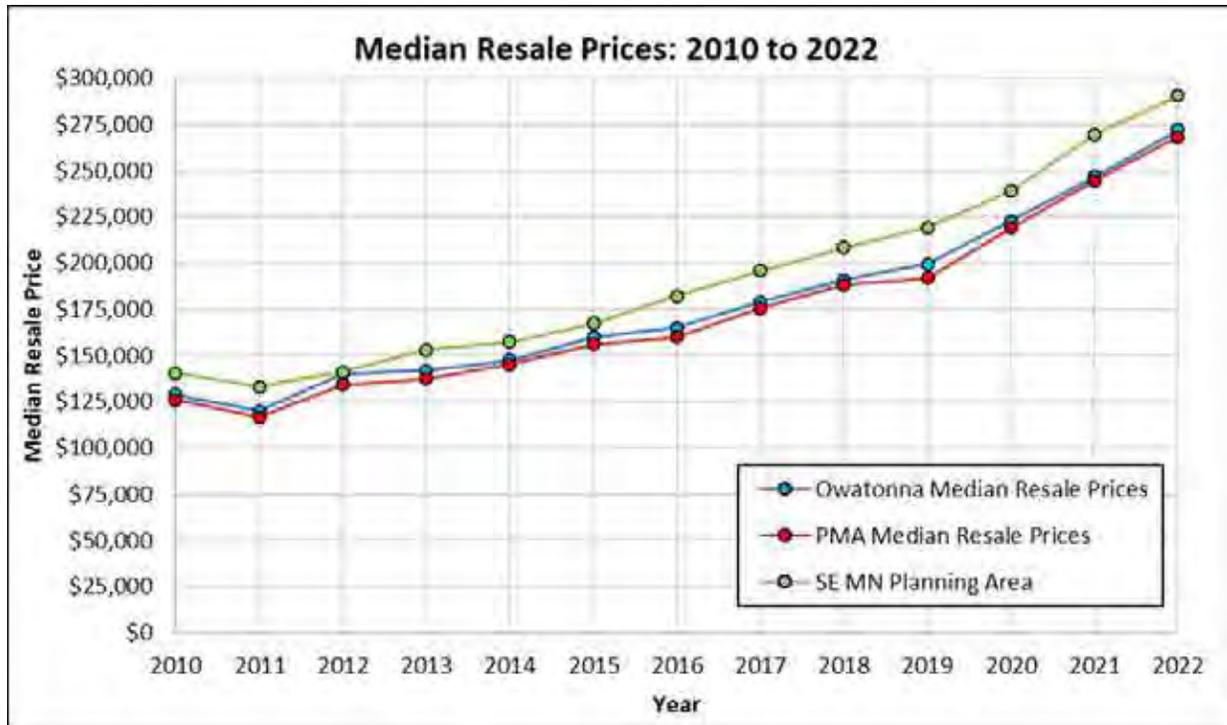
- Median resale prices peaked this past year in Owatonna (\$271,985). The PMA and the Southeast Minnesota Planning Area also had their highest median resale prices in 2022 at \$268,420 and \$290,469, respectively.

Year	Owatonna	PMA	SE MN Planning Area
2010	\$128,988	\$126,122	\$140,505
2011	\$120,038	\$116,626	\$133,110
2012	\$140,131	\$134,128	\$141,321
2013	\$141,861	\$137,531	\$152,966
2014	\$147,479	\$145,069	\$157,410
2015	\$160,162	\$155,989	\$167,523
2016	\$165,039	\$159,976	\$182,330
2017	\$179,126	\$175,759	\$195,801
2018	\$190,897	\$188,236	\$208,558
2019	\$199,546	\$191,923	\$219,244
2020	\$222,765	\$219,039	\$238,988
2021	\$246,858	\$244,667	\$269,802
2022	\$271,985	\$268,420	\$290,469

Note: PMA Remainder: Includes all of Steele County sans Owatonna. The PMA includes all of Steele County. The SE MN Planning Area includes the following counties: Dodge, Fillmore, Freeborn, Goodhue, Houston, Mower, Olmsted, Rice, Steele, Wabasha, and Winona.

Sources: RMLS Infosparks & Maxfield Research & Consulting, LLC.

- Between 2010 and 2022, median resales prices have risen in Owatonna (110.9%), the PMA (112.8%), and the Southeast Minnesota Planning Area (106.7%).
- Between 2010 and 2011, median resale prices decreased (6.9%) in Owatonna, (7.5%) in the PMA, and (5.3%) in the Southeast Minnesota Planning Area.
- Median Resale prices in Owatonna increased 126.6% from \$120,038 in 2010 to \$271,985 in 2022. In contrast, between the same time frame, the overall PMA increased by an even greater 130.2% while the Southeast Minnesota Planning Area increased by 118.2%.



Current Supply of Homes on the Market

To examine the current market more closely for available owner-occupied housing in Owatonna, we reviewed the current supply of homes on the market (listed for sale). The Remainder of the PMA, which includes all of Steele County except Owatonna, was also examined to provide a comparison. Table FS-3 shows homes currently listed for sale in Owatonna and the PMA Remainder distributed into six price ranges

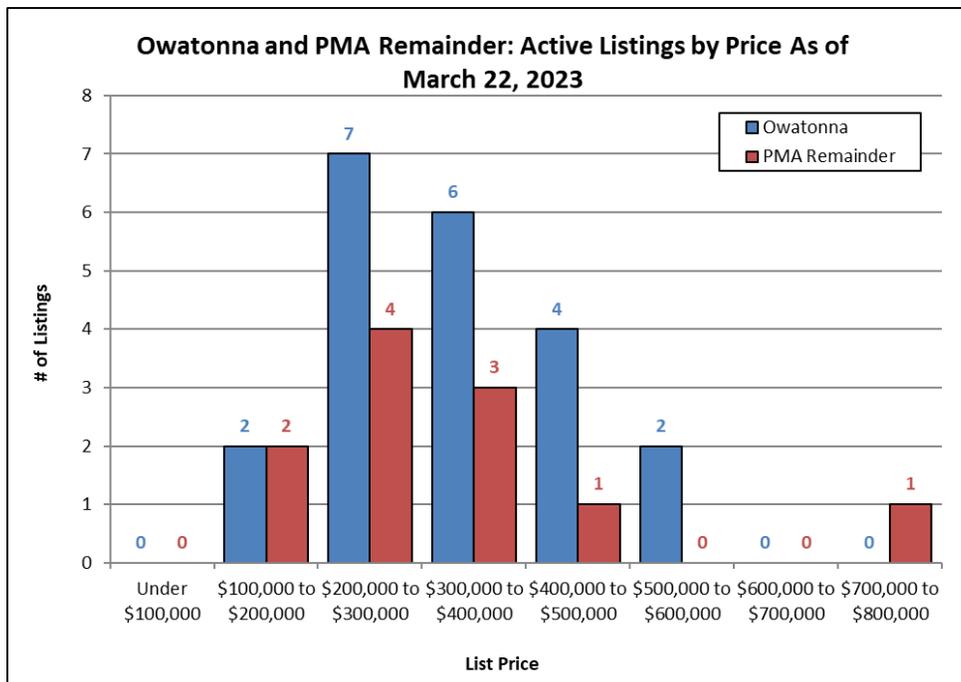
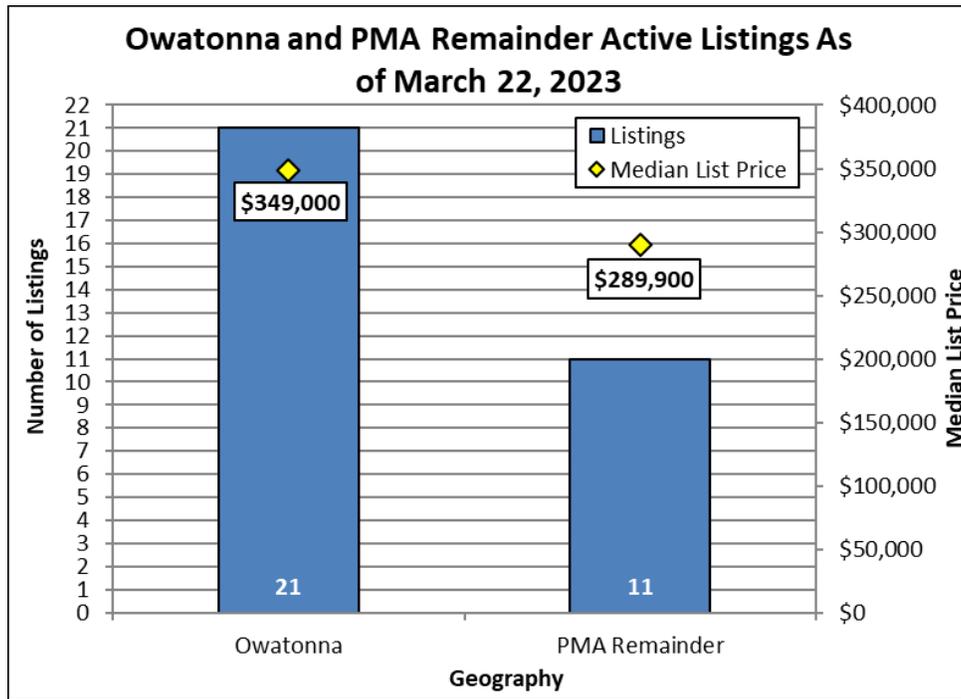
- As of March 22, 2023, there were 21 homes listed for sale in Owatonna and eight homes listed for sale in the Remainder of the PMA. All home listings in both Owatonna and the PMA Remainder were single family homes and none were multifamily homes.
- The median list prices in Owatonna and the PMA Remainder as of March 23, 2023 are \$349,000 and \$289,900, respectively. 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.
- The PMA Remainder’s average listed sales price is \$327,827 while Owatonna’s average listed sales price is 3.4% lower at \$338,838.

TABLE FS-3 HOMES CURRENTLY LISTED FOR-SALE OWATONNA & PMA REMAINDER AS OF MARCH 22, 2023				
Price Range	OWATONNA		PMA REMAINDER*	
	No.	Pct.	No.	Pct.
Under \$100,000	0	0.0%	0	0.0%
\$100,000 to \$200,000	2	9.5%	2	18.2%
\$200,000 to \$300,000	7	33.3%	4	36.4%
\$300,000 to \$400,000	6	28.6%	3	27.3%
\$400,000 to \$500,000	4	19.0%	1	9.1%
\$500,000 to \$600,000	2	9.5%	0	0.0%
\$600,000 to \$700,000	0	0.0%	0	0.0%
\$700,000 to \$800,000	0	0.0%	1	9.1%
	21	100%	11	100%
Minimum	\$168,500		\$175,000	
Maximum	\$584,900		\$765,000	
Median	\$349,000		\$289,900	
Average	\$338,838		\$327,827	
Note: Includes single family, townhomes, twin homes, and condos (Previously owned and completed new construction). *: PMA Remainder includes all of Steele County except for the City of Owatonna.				
Sources: RMLS & Maxfield Research and Consulting, LLC.				

- Based on a median list price of \$324,450 in the PMA (includes both Owatonna and the PMA Remainder), the income required to afford a home at this price would be between \$92,700 and \$108,150, based on the standard of 3.0 to 3.5 times the median income (and assuming these households do not have a high level of debt). A household with significantly more equity (in an existing home and/or savings) could afford a higher priced home. About 38% (38.2%) of PMA households have annual incomes at or above \$92,700.
- The majority of single and multifamily homes listed for sale in Owatonna are priced between \$200,000 and \$300,000 (33.3%) and \$300,000 to \$400,000 (28.6%). In the PMA Remainder, the majority of single and multifamily homes listed for sale in the PMA Remainder are also priced between \$200,000 and \$300,000 (36.4%) and \$300,000 and \$400,000 (27.3%).
- Owatonna has two active listings, while the PMA Remainder has one active listing, in categories at or above \$500,000. The highest listed home in Owatonna is \$584,900 and the highest listed home in the PMA Remainder is \$765,000. However, after the \$765,000 priced home, in the PMA Remainder, a significant drop off exists to the second highest priced

FOR-SALE MARKET ANALYSIS

home at \$469,000. Owatonna has a smaller drop off between its highest priced home at \$512,500 its second and third highest priced homes at \$584,900 and \$559,000, respectively.



Tables FS-4 shows homes currently listed for sale in Owatonna by property type while table FS-5 does the same for the Remainder of the PMA. The listings were obtained April 2020 from the RMLS.

FOR-SALE MARKET ANALYSIS

**TABLE FS-4
ACTIVE LISTINGS BY HOUSING TYPE
OWATONNA
MARCH 23, 2023**

Property Type	Listings	Pct.	Avg. List Price	Avg. Home Size Sq. Ft.	Avg. Price Per Sq. Ft.	Avg. Age of Home
Single-Family						
One story	15	71.4%	\$352,893	2,126	\$166.03	1995
1.5-story	2	9.5%	\$194,200	1,305	\$148.81	1924
2-story	3	14.3%	\$412,933	3,253	\$126.94	1971
Split	1	4.8%	\$195,000	1,904	\$102.42	1910
Total	21	100.0%	\$338,838	2,198	\$154.16	1985
Multi-Family						
Condos	0	0.0%	--	--	--	--
Townhouse	0	0.0%	--	--	--	--
Twin Home	0	0.0%	--	--	--	--
Total	0	0.0%	--	--	--	--
Owatonna Totals	21	100.0%	\$338,838	2,198	\$154.16	1985

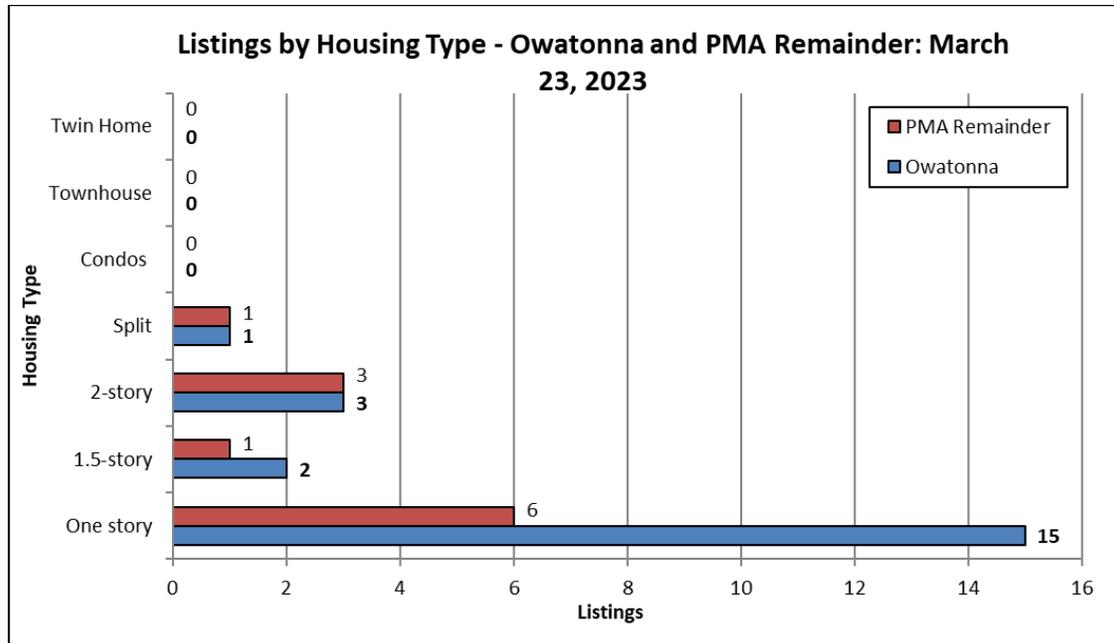
Sources: RMLS, Maxfield Research and Consulting, LLC.

**TABLE FS-5
ACTIVE LISTINGS BY HOUSING TYPE
PMA REMAINDER
MARCH 23, 2023**

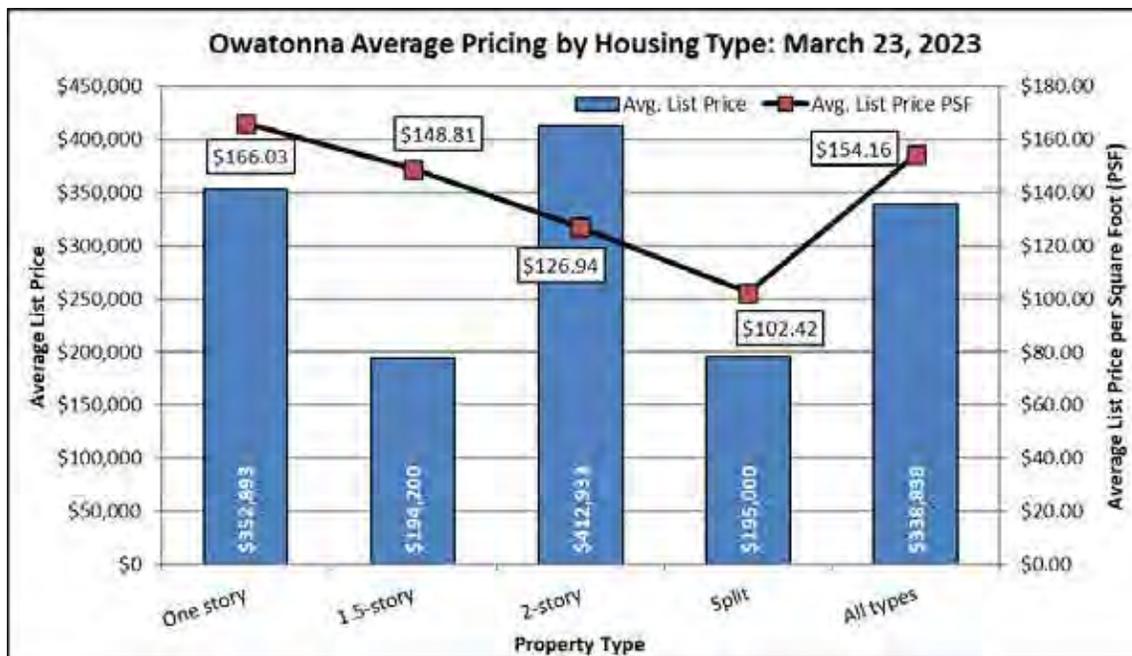
Property Type	Listings	Pct.	Avg. List Price	Avg. Home Size Sq. Ft.	Avg. Price Per Sq. Ft.	Avg. Age of Home
Single-Family						
One story	6	54.5%	\$305,117	1,674	\$182.27	1990
1.5-story	1	9.1%	\$245,000	1,083	\$226.22	1880
2-story	3	27.3%	\$390,133	2,621	\$148.83	1935
Split	1	9.1%	\$360,000	1,594	\$225.85	2022
Total	11	100.0%	\$327,827	1,871	\$175.18	1968
Multi-Family						
Condos	0	0.0%	--	--	--	--
Townhouse	0	0.0%	--	--	--	--
Twin Home	0	0.0%	--	--	--	--
Total	0	0.0%	--	--	--	--
PMA Remainder Totals	11	100.0%	\$327,827	1,871	\$175.18	1968

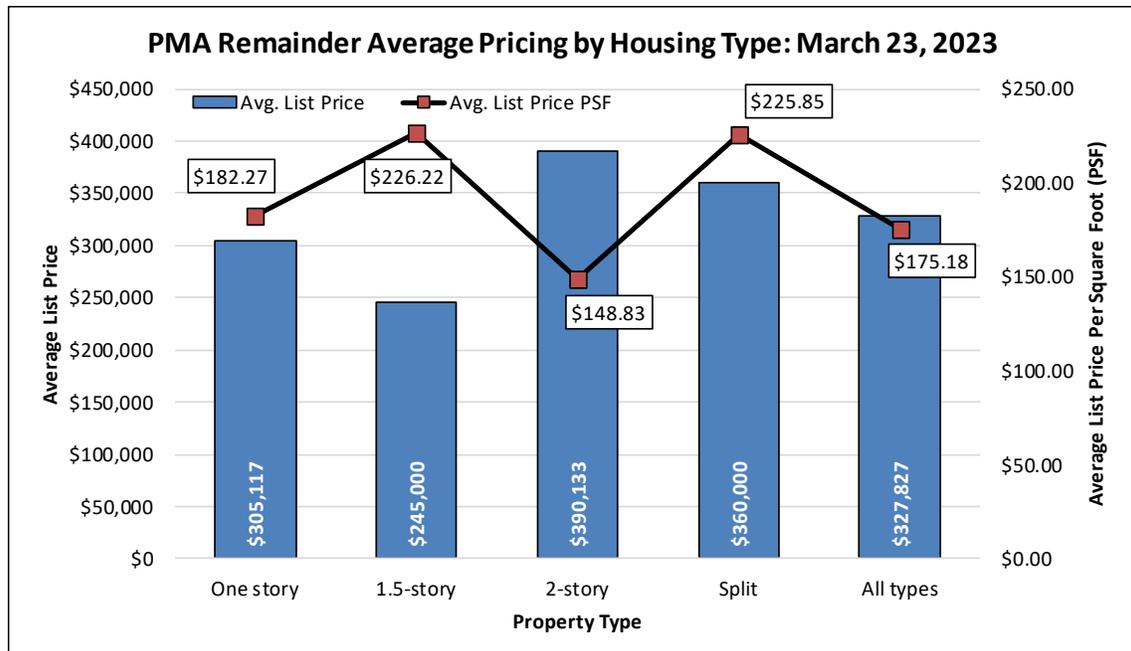
Note: PMA Remainder includes all of Steele County sans Owatonna.
Sources: RMLS, Maxfield Research and Consulting, LLC.

- As mentioned previously in this section, all listings in both Owatonna and the PMA Remainder were single family listings.



- One-story listings were the most common type of property in both Owatonna, accounting for 71.4% of listings. Similarly, in the PMA Remainder, one story listings were also the most common property type, representing 65.6% of all listings.
- Following one story listings, the next highest listings, in order, in both Owatonna and the PMA Remainder, were as follows: two-story listings (14.3% of all listings in Owatonna and 18.8% of all listings in the PMA Remainder), 1.5 story listings (9.5% of all listings in Owatonna and 9.4% of all listings in the PMA Remainder), and split level listings (4.8% of all listings in Owatonna and 6.3% of all listings in the PMA Remainder).





- Listings for 1.5 story homes reported the lowest average list price in both Owatonna and the Remainder of the PMA at \$194,200 and \$245,000, respectively. Homes with 1.5 stories also reported the lowest average square feet in both geographies, 1,305 square feet in Owatonna and 1,083 square feet in the PMA Remainder. These properties are listed lower in price due to the older housing stock they represent.
- Two story homes had the highest average list price in both Owatonna at \$412,933 and the PMA Remainder at \$390,133.

Owner-Occupied Turnover

Table FS-6 illustrates existing home turnover as a percentage of owner-occupied units in Owatonna, the PMA, and the PMA Remainder. Resales are based on historic transaction volume between 2010 and 2022 as obtained from Northstar MLS. Owner-occupied housing units are sourced to the American Community Survey.

As displayed in the table, approximately 5.3% of Owatonna’s owner-occupied housing stock is sold annually. The turnover rate in the PMA Remainder is 2.2% while the turnover rate throughout the PMA is 4.3%. Typically, we find owner-occupied turnover ranges from 3% at the low-end to 8% at the high-end in many non-metro communities throughout the Midwest.

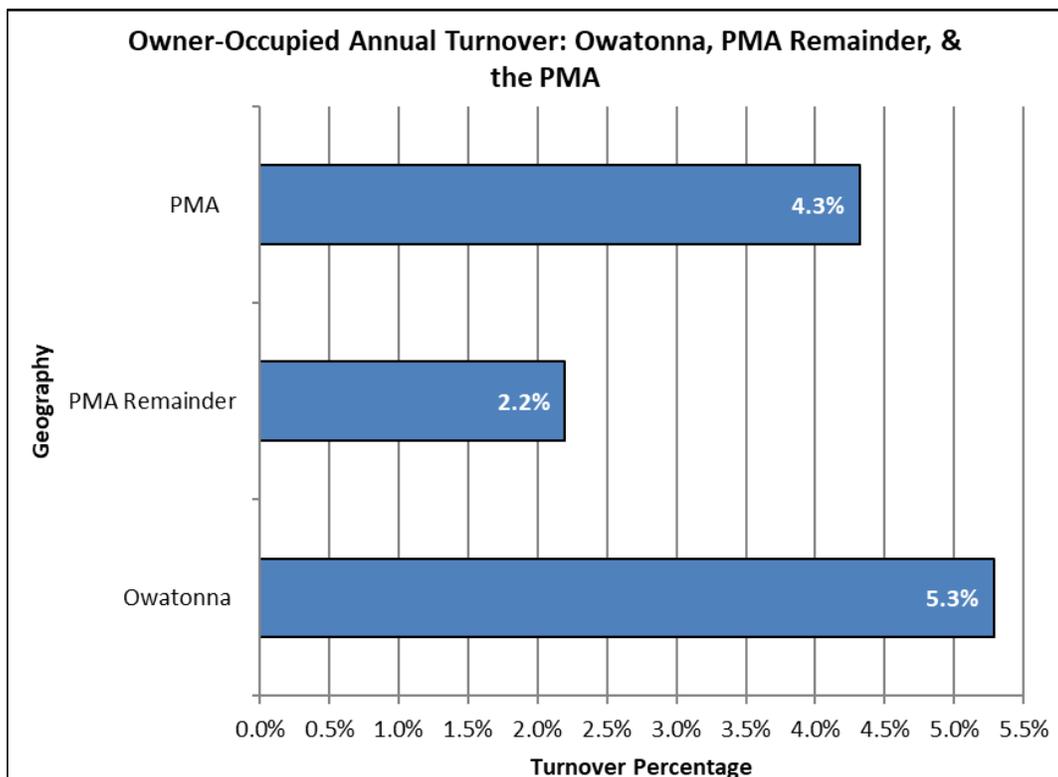
**TABLE FS-6
OWNER-OCCUPIED TURNOVER
OWATONNA, PMA REMAINDER, & PMA**

Geography	Owner-occupied Housing Units¹	Resales Annual Avg.²	Turnover Pct.
Owatonna	7,890	417	5.3%
PMA Remainder	3,598	79	2.2%
Steele County	11,488	496	4.3%

¹ Owner-occupied housing units in 2021 (American Community Survey 5-year average (2017-2021)).
² Annual average of resales between 2010 and 2022.

Note: The PMA Remainder includes all of Steele county sans Owatonna. The PMA includes all of Steele County.

Source: U.S. Census Bureau, Northstar MLS, Maxfield Research and Consulting, LLC.



Lot Supply

Table FS-7 identifies newer subdivisions with available lots in Owatonna. The table identifies the number of lots, available lots, typical lot sizes, and assessed values for lots and homes. Please note; the table does not include scattered, infill lots. Key points from the table follow.

- There are a total of 851 lots in actively marketing subdivisions with services in Owatonna. Of those 851 lots, 231 are vacant/currently available and lots average 0.35 acres. Lot land assessed values average \$44,664 while land and home values average \$308,890.
- Emerald Acres and Eden Valley are market rate developments targeted to entry-level buyers. Base home prices average from \$245,561 to \$293,347 in these subdivisions. Autumn Hills is a project by the Owatonna HRA, Greater Minnesota Housing Fund, and Southwest Minnesota Housing Partnership to develop owner-occupied homes affordable to households earning 80% or less of the area median income. Home prices in Autumn Hills average \$271,114 and range from \$235,400 to \$304,000.
- Average assessed home prices are highest in the following subdivisions: Maple Creek Estates (\$446,823), North Bluff Estates (\$425,853), Majestic Oaks (\$418,057), Maple Creek Highlands (\$387,744), and Country Creek (\$387,204).
- The average lot size across the subdivisions is 0.36 acres. Lot sizes range from 0.08 at Cedar Cove Townhomes up to 0.84 acres at Maple Creek Highlands.

FOR-SALE MARKET ANALYSIS

**TABLE FS-7
LOT SUPPLY SINGLE-FAMILY SUBDIVISIONS
OWATONNA
JUNE 2023**

Subdivision	City/Twp.	No. of Lots	Vacant/ Avail. Lots	Avg Size of Lots (Acres)			Avg Assessed Lot/Land Value			Avg Assessed Home Value		
				Min	Max	Avg.	Min	Max	Avg.	Min	Max	Avg.
Autumn Hills	Owatonna	15	0	0.20	0.37	0.24	\$11,900 - \$26,900	\$37,493	\$235,400 - \$304,000	\$271,114		
Cedar Cove Townhomes	Owatonna	54	4	0.05	0.11	0.08	\$14,300 - \$39,900	\$30,448	\$173,900 - \$276,600	\$205,846		
Country Creek	Owatonna	127	8	0.09	2.38	0.35	\$37,000 - \$98,100	\$59,116	\$196,100 - \$810,400	\$387,204		
Eden Valley	Owatonna	81	7	0.04	0.44	0.17	\$20,900 - \$43,100	\$37,491	\$66,500 - \$358,600	\$245,561		
Emerald Acres	Owatonna	95	1	0.07	0.55	0.24	\$35,500 - \$57,700	\$42,105	\$105,400 - \$469,200	\$293,347		
Hammit Addition	Owatonna	6	0	0.11	0.74	0.35	\$1,000 - \$49,900	\$34,533	\$156,800 - \$334,700	\$156,883		
Linhaven	Owatonna	30	0	0.21	0.64	0.25	\$36,300 - \$76,600	\$41,196	\$237,400 - \$457,700	\$289,175		
Majestic Oaks	Owatonna	85	25	0.12	1.27	0.45	\$30,000 - \$87,400	\$30,000	\$36,900 - \$720,800	\$418,057		
Maple Creek Estates	Owatonna	47	17	0.33	1.61	0.51	\$23,200 - \$106,800	\$67,880	\$162,300 - \$829,600	\$446,823		
Maple Creek Highlands ¹	Owatonna	73	0	0.20	2.17	0.84	\$31,300 - \$99,000	\$67,600	\$236,600 - \$666,600	\$387,744		
Morehouse Manor ²	Owatonna	27	0	0.07	0.07	0.07	\$25,000 - \$25,000	\$25,000	\$327,600 - \$354,700	\$340,850		
North Bluff Estates ³	Owatonna	178	16	0.09	1.94	0.39	\$36,300 - \$170,200	\$61,698	\$43,500 - \$1,232,300	\$425,853		
Sunset Hills	Owatonna	6	0	0.22	2.07	0.65	\$11,800 - \$82,800	\$38,133	\$11,800 - \$403,400	\$138,683		
Willow Creek	Owatonna	27	6	0.23	0.59	0.34	\$40,700 - \$78,200	\$52,605	\$75,800 - \$464,600	\$317,318		
Subtotal City of Owatonna		851	84	0.36			\$49,560			\$353,675		

¹ Utilities not installed.

² Replatted to multifamily.

³ Six single-family homes, four patio homes, and six single-family attached homes.

Sources: City of Owatonna & Maxfield Research and Consulting, LLC.

Select Actively Market Subdivisions in Owatonna

The following are photographs of a select group of actively marketing subdivisions in the PMA:



Majestic Oaks



Majestic Oaks



Majestic Oaks



Country Creek Estates



Country Creek Estates



Eden Valley Development

Select Single Family Homes

The following are photographs of select single family homes in Owatonna:



Spring Park Subdivision Home



Spring Park Subdivision Home



Majestic Oaks Subdivision Home



Country Creek Subdivision Home



Meadow Lands Subdivision Home



Meadow Lands Subdivision Home

School District

School Districts impact for sale home values in a community. A city with a strong school district and tax base helps keep its for sale properties increase in value.

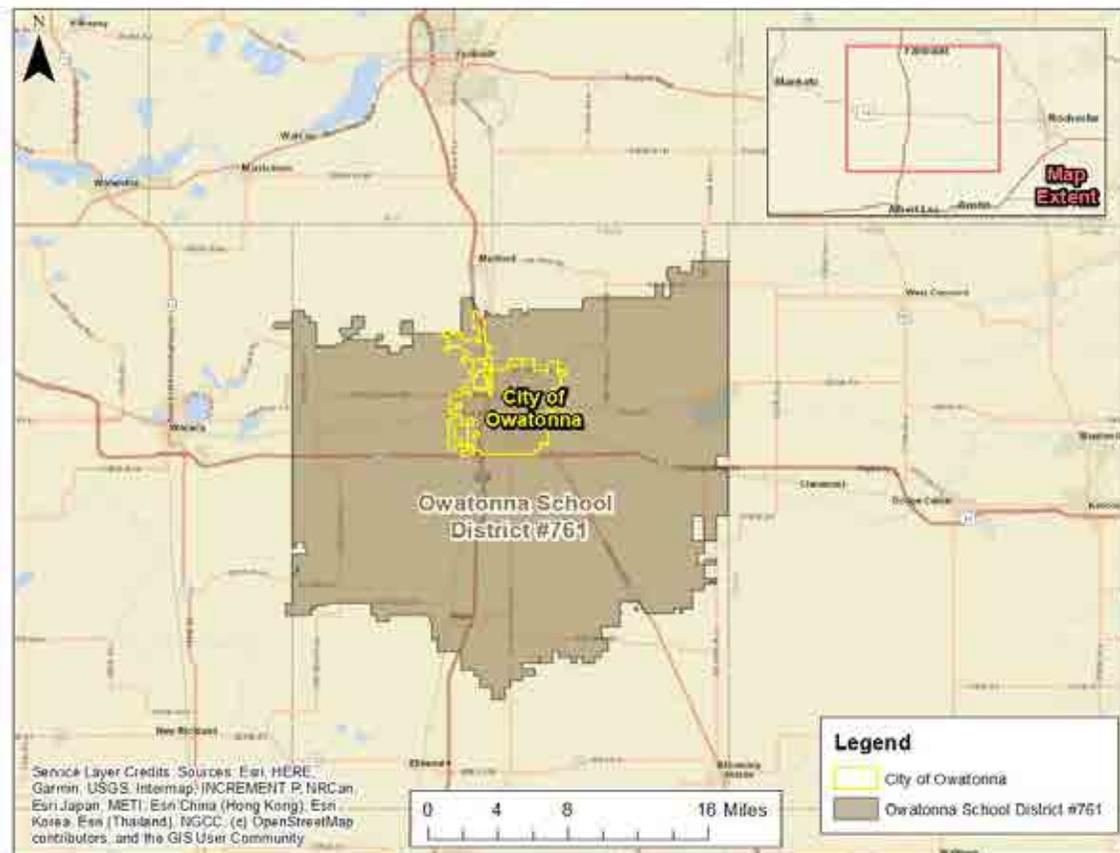
District Overview

According to US News and World Report’s 2022 Rankings, Owatonna High School had 1,522 students in grades 9-12, a 19:1 student to teacher ratio, and ranked as the 166th best high school in the state.³

District Maps

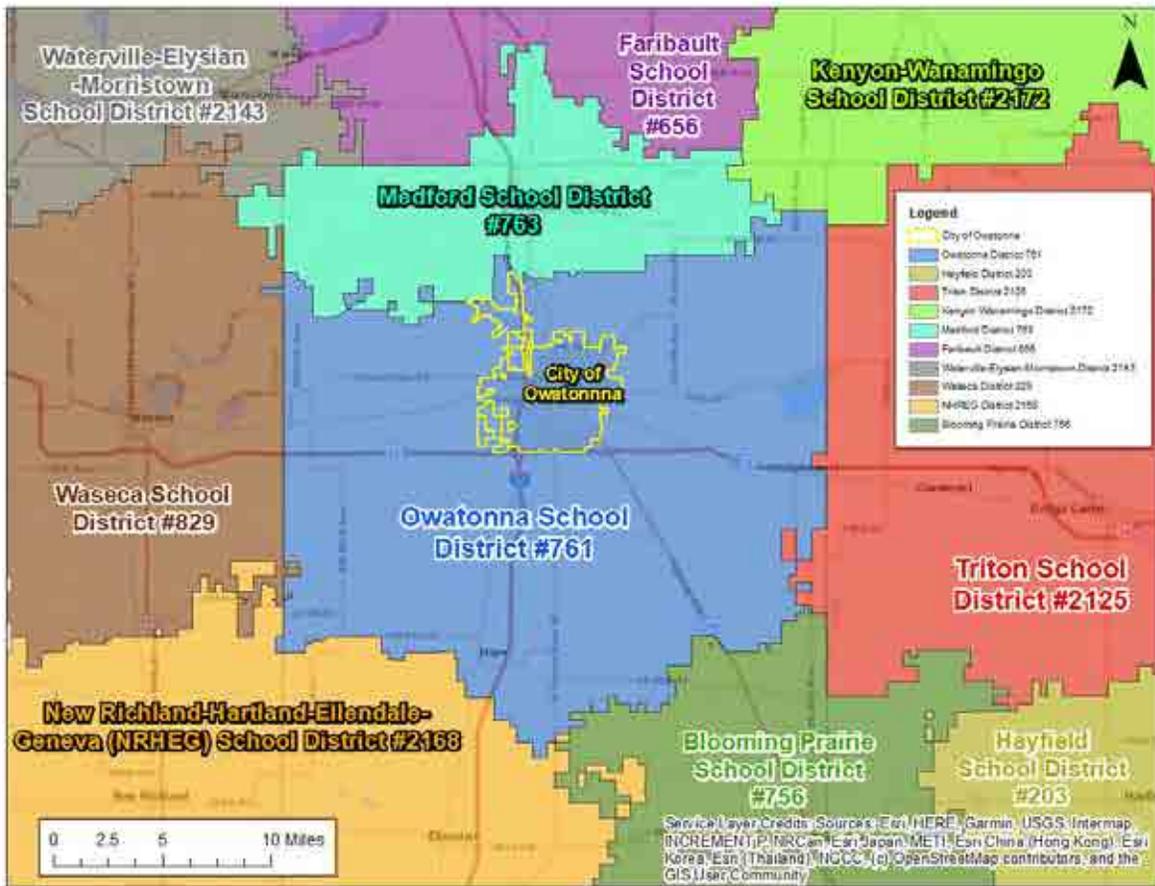
The following maps depict boundaries of the Owatonna School District, neighboring school districts, and the City of Owatonna.

City of Owatonna and Owatonna School District #761 Boundaries



³ “Owatonna High School.” *U.S. News & World Report*, <https://www.usnews.com/education/best-high-schools/minnesota/districts/owatonna-public-school-district/owatonna-senior-high-school-10999>. Accessed 16 Mar. 2022.

Owatonna School District #761 and Neighboring School Districts



New High School

A referendum was passed in 2019 to fund construction of a new high school in the southeastern portion of Owatonna. The new high school is projected to be open in time for the 2023-2024 school year. The map on the following page shows the location of the current and future high school sites.



Old High School Building

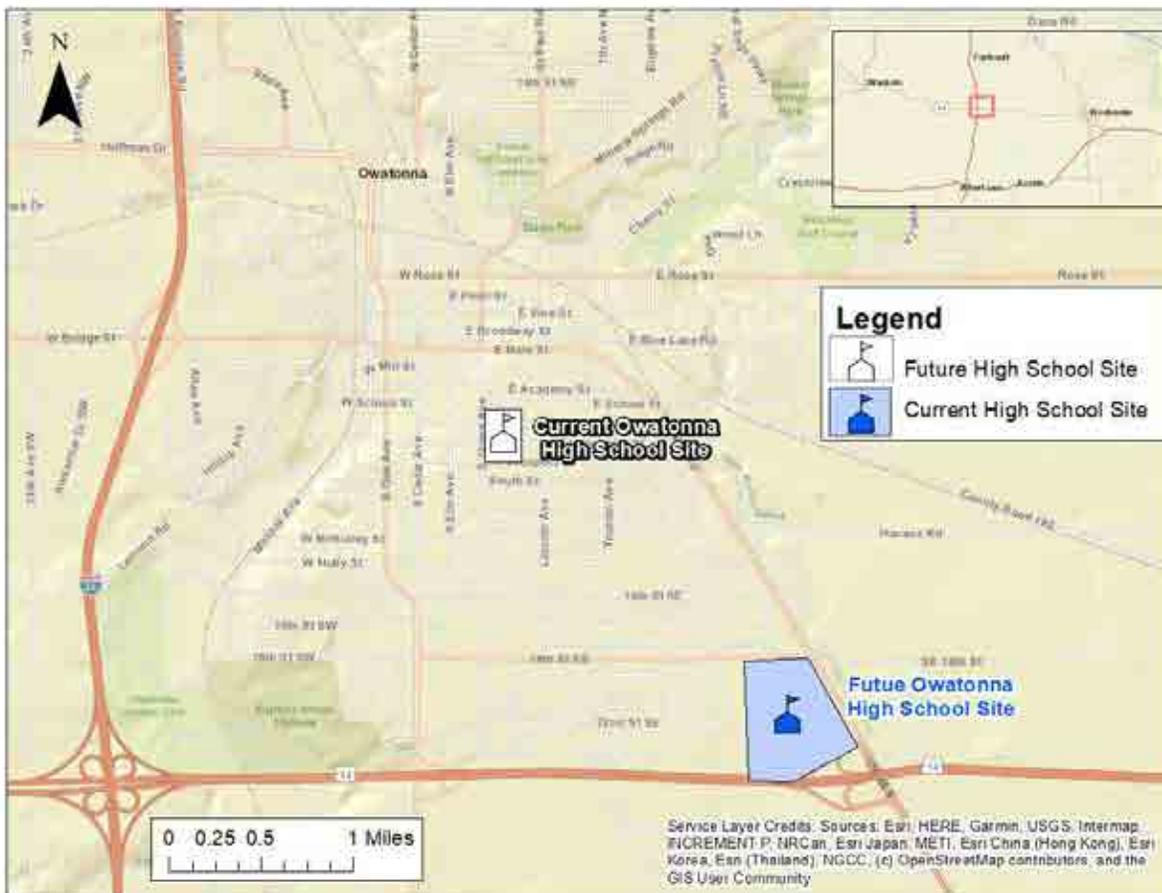


New High School Building



New High School Athletic Fields

Current and Future Owatonna High School Sites



Realtor Interviews

Maxfield Research and Consulting surveyed and sent a questionnaire to real estate agents and other professionals familiar with Owatonna's owner-occupied market to solicit their impressions of the for-sale housing market throughout the county. Key points are summarized by topic as follows.

- Homes priced as entry level and move up are currently the most in demand product in Owatonna's housing market. As evidence of the demand for these product types, the most commonly cited home purchasers were married couples with child/children.
- A majority of realtors also cited senior living (all levels) as a needed housing type. According to our demand calculations, all senior levels, with the exception of assisted living and active adult senior housing, were in needs of more units.
- Development costs prove challenging for future growth according to area Realtors. In addition, there are also a number of barriers for home buyers. The majority of surveyed realtors cited the following barriers: too expensive priced homes, lack of supply/inventory of homes for sale, and interest rates.
- Realtors knew of no pending for sale subdivisions or rental housing developments and the majority of realtors believe that the City currently has enough platted lots.
- Below are where the majority of surveyed Realtors believe the for sale housing market is headed in the remainder of 2023 in the following categories:
 - Median Sales Price: Will increase
 - Supply/Inventory: Will decrease
 - Resales/Transactions: Will decrease
 - Mortgage Rates: Will increase
 - Days on Market: Will increase

Summary of For Sale Market Trends

- Between 2010 and 2022, there has been an average of 417 residential sales per year in Owatonna. In contrast, in the PMA Remainder, which includes the rest of Steele County excluding Owatonna, there were an average of 79 closed sales per year between 2010 and 2022. The number of closed sales in Owatonna represented over 84% (84.1%) of all closed sales in the Steele County PMA.
- Median Resale prices in Owatonna increased 126.6% from \$120,038 in 2010 to \$271,985 in 2022. In contrast, between the same time frame, the overall PMA increased by an even greater 130.2% while the Southeast Minnesota Planning Area increased by 118.2%.
- As of March 22, 2023, there were twenty-one homes listed for sale in Owatonna and eight homes listed for sale in the Remainder of the PMA. All home listings in both Owatonna and the PMA Remainder were single family homes and none were multifamily homes.
- The median list prices in Owatonna and the PMA Remainder as of March 23, 2023 are \$349,000 and \$289,900, respectively. The median sale price is generally a more accurate indicator of housing values in a community than the average sale price. Average sale prices can be easily skewed by a few very high-priced or low-priced home sales in any given year, whereas the median sale price better represents the pricing of a majority of homes in a given market.
- Based on a median list price of \$324,450 in the PMA (includes both Owatonna and the PMA Remainder), the income required to afford a home at this price would be between \$92,700 and \$108,150, based on the standard of 3.0 to 3.5 times the median income (and assuming these households do not have a high level of debt). A household with significantly more equity (in an existing home and/or savings) could afford a higher priced home. About 38.2% of PMA households have annual incomes at or above \$92,700.
- The majority of single and multifamily homes listed for sale in Owatonna are priced between \$200,000 and \$300,000 (33.3%) and \$300,000 and \$400,000 (28.6%). In the PMA Remainder, the majority of single and multifamily homes listed for sale in the PMA Remainder are also priced between \$200,000 and \$300,000 (36.4%) and \$300,000 and \$400,000 (27.3%).
- One-story listings were the most common type of property in both Owatonna, accounting for 71.4% of listings. Similarly, in the PMA Remainder, one story listings were also the most common property type, representing 65.6% of all listings.
- More entry level and move up homes are needed to help make housing more affordable for families.

Introduction

There are several pending rental, senior, and for sale developments currently in the planning process within the City of Owatonna. This section discusses the developments that have already submitted plans to the City, some of which have received preliminary and/or final approvals. Table P-1, on the following page, is a summary of rental and senior developments in the city. Below are brief discussions of pending rental and senior projects in the city.

Cedar & 26th

Cedar & 26th is a 75-unit market rate apartment project being developed by Unique Construction. The project is currently under construction (see below photo) and will include underground parking among its amenities.

Ascend

Ascend is a 70-unit market rate apartment project being developed by Redline Development. The project is currently under construction.

Westlake Meadows

The Westlake Meadows project is in the midst of two phases. Phase one, which is currently under construction, will construct 156 units across two 60-unit buildings and an additional 36 unit building. A second phase, which has received final plat approval, will construct an additional 120 units across two buildings (60 units each). Construction on the second phase is projected to begin in Fall 2023. Kuepers Construction is developing the project.

Mineral Springs Estates

Mineral Springs Estates is projected to begin construction in July. The project will consist of 328 for sale units and has received final plat approval by Owatonna City Council.

East Gate II

East Gate II is a 49-unit Minnesota Housing Finance Agency (MHFA) Tax Credit project. The project is still in the early stages and has yet to receive approvals. If approved, construction would likely begin in 2024.

PLANNED/PENDING RENTAL & SENIOR DEVELOPMENTS

TABLE P-1 PLANNED/PENDING RESIDENTIAL PROJECTS CITY OF OWATONNA MAY 2023							
Project Name/Location	Developer/Applicant	Project Type	Units/Lots			Status/ Timing	Comments
			MR	Aff	Total		
Under Construction							
Cedar & 26th Cedar & 26th	Unique Construction	Market Rate	75	0	75	Under Construction	Underground parking and other amenities.
Westlake Meadows S of 18th St NW & E of 24th Ave NW	Kuepers Construction	Market Rate	156	0	156	Under Construction	Two 60-unit buildings and a 36-unit building.
Ascend 200 Oak Avenue	Redline Development	Market Rate	70	0	70	Under Construction	
Approved							
Westlake Meadows (Second Phase) S of 18th St NW & E of 24th Ave NW	Kuepers Construction	Market Rate	120	0	120	Final plat approved by City Council	An additional two buildings each with 60 units. To begin construction Fall 2023.
Mineral Springs Estates Stoneridge LN NE & E of St Paul Rd	HAS Capital/Prairie LaSalle Partners	For Sale	328	0	328	Final plat approved by City Council	Phase I to begin construction in July.
Proposed							
East Gate II S of Cherry St & SE of Mineral Springs Rd	NA	Affordable		49	49	Would begin construction in 2024.	MHFA Tax Credit project.
General Occupancy Summary - Moving Forward							
							421
							49
							470
							328
NA: Not Assessed							
Sources: City of Owatonna; Property Management Sites; Local News Sources, & Maxfield Research & Consulting, LLC.							

Introduction

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

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

FIGURE 1
AREA MEDIAN INCOME (AMI) DEFINITIONS

Definition	AMI Range
Extremely Low Income	0% - 30%
Very Low Income	31% - 50%
Low Income	51% - 80%
Moderate Income Workforce Housing	80% - 120%

Note: Steele County 4-person AMI = \$90,700 (2022)

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

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

HOUSING AFFORDABILITY

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

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

Based on the review of Owatonna's housing stock and the inventory of rental properties; we find a substantial portion of the housing stock would be classified as naturally occurring affordable housing.

Rent and Income Limits

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

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

HOUSING AFFORDABILITY

**TABLE HA-1
MHFA/HUD INCOME AND RENT LIMITS
STEELE COUNTY (PMA) - 2022 (Effective 04/18/2022 - 05/15/2023)**

Income Limits by Household Size								
	1 pph	2 pph	3 pph	4 pph	5 pph	6 pph	7 pph	8 pph
30% of median	\$20,160	\$23,040	\$25,920	\$28,800	\$31,110	\$33,420	\$35,730	\$38,040
50% of median	\$33,600	\$38,400	\$43,200	\$48,000	\$51,850	\$59,550	\$59,550	\$63,400
60% of median	\$40,320	\$46,080	\$51,840	\$57,600	\$62,220	\$66,840	\$71,460	\$76,080
80% of median	\$53,760	\$61,440	\$69,120	\$76,800	\$82,960	\$89,120	\$95,280	\$101,440
100% of median	\$67,200	\$76,800	\$86,400	\$96,000	\$103,700	\$111,400	\$119,100	\$126,800
120% of median	\$80,640	\$92,160	\$103,680	\$115,200	\$124,440	\$133,680	\$142,920	\$152,160

Maximum Gross Rent					
	EFF	1BR	2BR	3BR	4BR
30% of median	\$504	\$576	\$648	\$720	\$777
50% of median	\$840	\$960	\$1,080	\$1,200	\$1,296
60% of median	\$1,008	\$1,152	\$1,296	\$1,440	\$1,555
80% of median	\$1,344	\$1,536	\$1,728	\$1,920	\$2,074
100% of median	\$1,680	\$1,920	\$2,160	\$2,400	\$2,592
120% of median	\$2,016	\$2,304	\$2,592	\$2,880	\$3,111

Fair Market Rent					
	EFF	1BR	2BR	3BR	4BR
Fair Market Rent	\$666	\$726	\$939	\$1,334	\$1,599

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

HOUSING AFFORDABILITY

**TABLE HA-2
 MAXIMUM RENT BASED ON HOUSEHOLD SIZE AND AREA MEDIAN INCOME
 STEELE COUNTY (PMA) - 2022 (Effective 04/18/2022 - 05/15/2023)**

Unit Type ¹	HHD Size		Maximum Rent Based on Household Size (@30% of Income)											
	Min	Max	30%		50%		60%		80%		100%		120%	
			Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.
Studio	1	1	\$476 - \$476	\$794 - \$794	\$953 - \$953	\$1,270 - \$1,270	\$1,588 - \$1,588	\$1,905 - \$1,905						
1BR	1	2	\$476 - \$545	\$794 - \$908	\$953 - \$1,089	\$1,270 - \$1,452	\$1,588 - \$1,815	\$1,905 - \$2,178						
2BR	2	4	\$545 - \$680	\$908 - \$1,134	\$1,089 - \$1,361	\$1,452 - \$1,814	\$1,815 - \$2,268	\$2,178 - \$2,721						
3BR	3	6	\$613 - \$790	\$1,021 - \$1,316	\$1,226 - \$1,580	\$1,634 - \$2,106	\$2,043 - \$2,633	\$2,451 - \$3,159						
4BR	4	8	\$680 - \$899	\$1,134 - \$1,498	\$1,361 - \$1,797	\$1,814 - \$2,396	\$2,268 - \$2,995	\$2,721 - \$3,594						

¹ One-bedroom plus den and two-bedroom plus den units are classified as 1BR and 2BR units, respectively. To be classified as a bedroom, a den must have a window and closet.

Note: 4-person Steele County AMI is \$90,700 (2022).

Sources: HUD, Novogradac, & Maxfield Research and Consulting, LLC.

Housing Cost Burden

Table HA-3 shows the number and percentage of owner and renter households in Owatonna, Steele County, and the state of Minnesota that pay 30% or more of their gross income for housing. This information was compiled from the American Community Survey 2021 estimates. This information is different than the 2000 Census which separated households that paid 35% or more in housing costs. As such, the information presented in the tables may be overstated in terms of households that may be “cost burdened.” The Federal standard for affordability is 30% of income for housing costs. Without a separate break out for households that pay 35% or more, there are likely a number of households that elect to pay slightly more than 30% of their gross income to select the housing that they choose. Moderately cost-burdened is defined as households paying between 30% and 50% of their income to housing; while severely cost-burdened is defined as households paying more than 50% of their income for housing.

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

Key findings from Table HA-3 follow.

- In Owatonna, 14.8% of owner households and 60.9% of renter households are considered cost burdened. In comparison, 15.7% of owner households and 48.1% of renter households are considered cost burdened in Steele County as a whole. The State of Minnesota has 18.0% of its owner households cost burdened and 46.0% of its renter households cost burdened.
- Among owner households earning less than \$50,000, 48.0% are cost burdened in Owatonna. In comparison, among owner households earning less than \$50,000, 48.1% are cost burdened in Steele County. Statewide, 52.9% of owner households earning less than \$50,000 are cost burdened.
- Around 90% of both Owatonna (90.5%) and Steele County (89.5%) renter households earning less than \$35,000 are cost burdened. Statewide, 81.0% of renter households earning less than \$35,000 are cost burdened.

HOUSING AFFORDABILITY

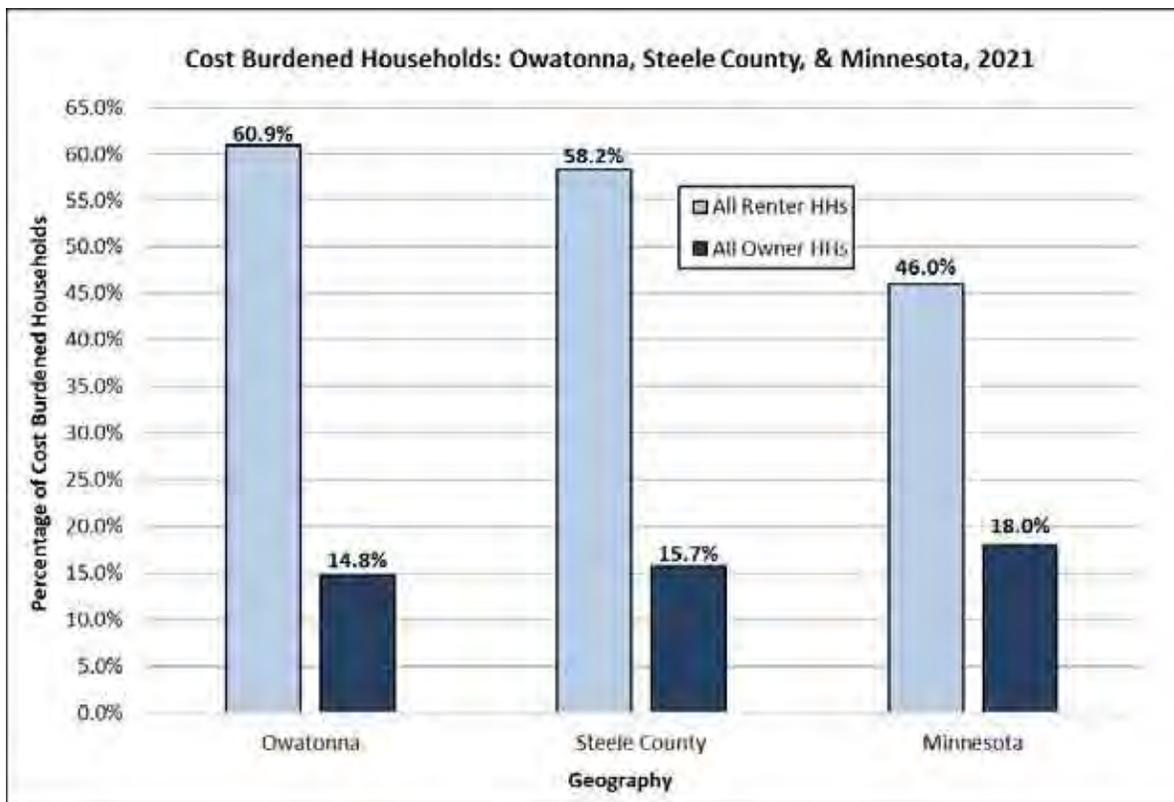
**TABLE HA-3
HOUSING COST BURDEN
OWATONNA, PMA, & MINNESOTA
2021**

Community	Owatonna		PMA		Minnesota	
	No.	Pct.	No.	Pct.	No.	Pct.
Owner Households						
All Owner Households	7,890		11,488		1,610,801	
Cost Burden 30% or greater	1,154	14.8%	1,794	15.7%	288,694	18.0%
Owner Households w/ incomes <\$50,000	1,942		2,784		351,498	
Cost Burden 30% or greater	899	48.0%	1,304	48.1%	182,009	52.9%
Renter Households						
All Renter Households	2,940		3,423		618,299	
Cost Burden 30% or greater	1,716	60.9%	1,871	58.2%	269,438	46.0%
Renter Households w/ incomes <\$35,000	1,581		1,777		251,105	
Cost Burden 30% or greater	1,378	90.5%	1,516	89.5%	188,005	81.0%
Median Contract Rent ¹	\$770		\$760		\$972	

¹ Median Contract Rent 2021.

Note: Calculations exclude households not computed. The PMA includes all of Steele County.

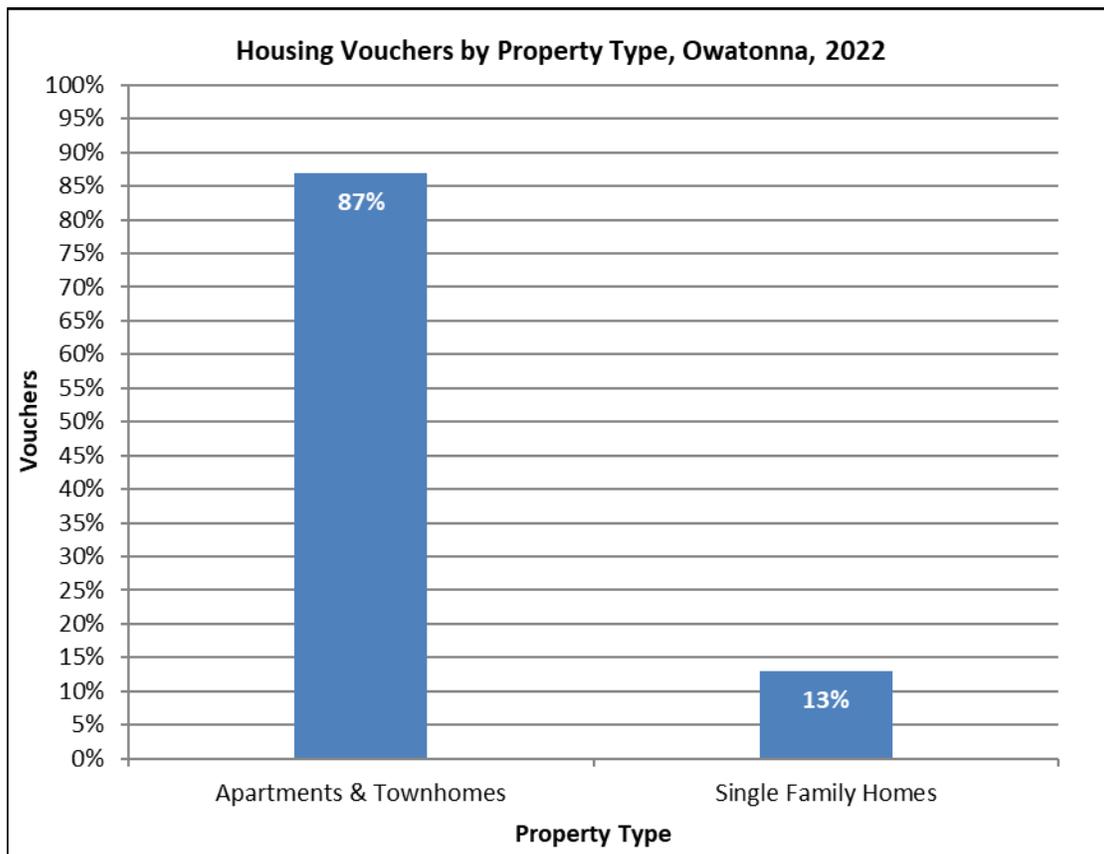
Sources: American Community Survey 2021 estimates; Maxfield Research and Consulting LLC.



Housing Vouchers

In addition to subsidized apartments, “tenant-based” subsidies like *Housing Choice Vouchers*, can help lower income households afford market-rate rental housing. The tenant-based subsidy is funded by the Department of Housing and Urban Development (HUD) and is managed by the Owatonna Housing and Redevelopment Authority. Under the Housing Choice Voucher program (also referred to as Section 8) qualified households are issued a voucher that the household can take to an apartment that has rent levels with Payment Standards. The household then pays approximately 30% of their adjusted gross income for rent and utilities, and the Federal government pays the remainder of the rent to the landlord. The maximum income limit to be eligible for a Housing Choice Voucher is 50% AMI based on household size, as shown in Table HA-1. The following are key points about the Housing Choice Voucher Program in Owatonna.

- Owatonna has 113 allotted housing choice vouchers available and 95 are currently in use.
- The majority of vouchers in the Steele County PMA are in use in the City of Owatonna (94%) while 6% of vouchers are used in other Steele County communities.
- In Owatonna, 70% of all vouchers are being used for either apartments or townhomes and 30% are being used for single family homes.



Housing Costs as Percentage of Household Income

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

The housing affordability calculations assume the following:

For-Sale Housing

- 10% down payment with good credit score
- Closing costs rolled into mortgage
- 30-year mortgage at 6.750% interest rate
- Private mortgage insurance (equity of less than 20%)
- Homeowners insurance for single-family homes and association dues for townhomes
- Owner household income per 2021 ACS adjusted to 2023 by Maxfield Research

Rental Housing

- Background check on tenant to ensure credit history
- 30% allocation of income
- Renter household income per 2021 ACS adjusted to 2023 by Maxfield Research

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

- The median income of all Owatonna households in 2021 was about \$71,450. However, the median income varies by tenure. According to the 2021 American Community Survey, the median income of a homeowner is \$87,747 compared to \$31,692 for renters.
- Approximately 67.5% of all households and 79.4% of owner households could afford to purchase an entry-level single family home in Owatonna (\$150,000). When adjusting for move-up buyers (\$275,000) 44.7% of all households and 56.3% of owner households would income qualify.
- About 51% (51.4%) of existing renter households can afford to rent a one-bedroom unit in Owatonna (\$800/month). The percentage of renter income-qualified households decreases to 35.2% that can afford an existing three-bedroom unit (\$1,100/month). After adjusting for new construction rental housing, the percentage of renters that are income-qualified decreases. Of existing renters, 40.1% can afford a new market rate one-bedroom unit while 21.6% can afford a new three-bedroom unit.

HOUSING AFFORDABILITY

TABLE HA-4 CITY OF OWATONNA HOUSING AFFORDABILITY - BASED ON HOUSEHOLD INCOME						
For-Sale (Assumes 10% down payment and good credit)						
	Single-Family			Townhome/Twinhome/Condo/Villas		
	Entry-Level	Move-Up	Executive	Entry-Level	Move-Up	Executive
Price of House	\$150,000	\$275,000	\$375,000	\$135,000	\$250,000	\$325,000
Pct. Down Payment	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Total Down Payment Amt.	\$15,000	\$27,500	\$37,500	\$13,500	\$25,000	\$32,500
Estimated Closing Costs (rolled into mortgage)	\$4,500	\$8,250	\$11,250	\$4,050	\$7,500	\$9,750
Cost of Loan	\$139,500	\$255,750	\$348,750	\$125,550	\$232,500	\$302,250
Interest Rate	6.750%	6.750%	6.750%	6.750%	6.750%	6.750%
Number of Pmts.	449	449	449	449	449	449
Monthly Payment (P & I)	-\$853	-\$1,565	-\$2,134	-\$768	-\$1,422	-\$1,849
(plus) Prop. Tax	-\$125	-\$229	-\$313	-\$113	-\$208	-\$271
(plus) HO Insurance/Assoc. Fee for TH	-\$50	-\$92	-\$125	-\$100	-\$100	-\$100
(plus) PMI/MIP (less than 20%)	-\$60	-\$111	-\$151	-\$54	-\$101	-\$131
Subtotal monthly costs	-\$1,089	-\$1,996	-\$2,722	-\$1,035	-\$1,832	-\$2,351
Housing Costs as % of Income	30%	30%	30%	30%	30%	30%
Minimum Income Required	\$43,556	\$79,853	\$108,891	\$41,401	\$73,260	\$94,039
Pct. of ALL Owatonna HHDS who can afford¹	67.5%	44.7%	29.0%	69.2%	48.7%	32.5%
No. of Owatonna HHDS who can afford¹	7,328	4,846	3,146	7,512	5,286	3,526
Pct. of Owatonna owner HHDs who can afford²	79.4%	56.3%	37.3%	89.0%	61.0%	41.7%
No. of Owatonna owner HHDs who can afford²	6,275	4,453	2,950	7,036	4,824	3,299
No. of Owatonna owner HHDS who cannot afford²	1,629	3,452	4,954	869	3,080	4,605
Rental (Market Rate)						
	Existing Rental			New Rental		
	1BR	2BR	3BR	1BR	2BR	3BR
Monthly Rent	\$800	\$950	\$1,100	\$1,000	\$1,350	\$1,550
Annual Rent	\$9,600	\$11,400	\$13,200	\$12,000	\$16,200	\$18,600
Housing Costs as % of Income	30%	30%	30%	30%	30%	30%
Minimum Income Required	\$32,000	\$38,000	\$44,000	\$40,000	\$54,000	\$62,000
Pct. of ALL Owatonna HHDS who can afford¹	77.3%	71.9%	67.2%	70.3%	60.1%	55.4%
No. of Owatonna HHDS who can afford¹	8,388	7,801	7,290	7,631	6,523	6,009
Pct. of Owatonna renter HHDs who can afford²	51.4%	42.6%	35.2%	40.1%	25.8%	21.6%
No. of Owatonna renter HHDs who can afford²	1,515	1,253	1,037	1,181	759	635
No. of Owatonna renter HHDS who cannot afford²	1,431	1,692	1,909	1,764	2,187	2,310
¹ Based on 2021 household income for ALL households adjusted to 2023 by Maxfield Research.						
² Based on 2021 ACS household income by tenure adjusted to 2023 by Maxfield Research.						
Source: Maxfield Research & Consulting, LLC.						

Housing Affordability Trends

- About 61% (60.9%) of renter households and 14.8% of owner householders are estimated to be paying more than 30% of their income for housing costs in Owatonna. Compared to the Minnesota average, the percentage of cost burdened renter households is higher than the state average (46.0%), but lower than the state average for owner households (18.0%).
- The number of cost burdened households in Owatonna increases proportionally based on lower incomes. About 91% (90.5%) of renters with incomes below \$35,000 are cost burdened and 48.0% of owners with incomes below \$50,000 are cost burdened.
- Owatonna has 113 allotted housing choice vouchers available and 95 are currently in use.
- The majority of vouchers in the Steele County PMA are in use in the City of Owatonna (94%) while 6% of vouchers are used in other Steele County communities.

Introduction

Previous sections of this study analyzed the existing housing supply and the growth and demographic characteristics of the population and household base in Owatonna. This section of the report presents our estimates of housing demand in the PMA and Owatonna from 2023 through 2030.

Demographic Profile and Housing Demand

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

1. *Entry-level householders*
 - Often prefer to rent basic, inexpensive apartments
 - Usually singles or couples in their early 20's without children
 - Will often "double-up" with roommates in apartment setting

2. *First-time homebuyers and move-up renters*
 - Often prefer to purchase modestly priced single-family homes or rent more upscale apartments
 - Usually married or cohabiting couples, in their mid-20's or 30's, some with children, but most are without children

3. *Move-up homebuyers*
 - Typically prefer to purchase newer, larger, and therefore more expensive single-family homes
 - Typically, families with children where householders are in their late 30's to 40's

4. *Empty-nesters (persons whose children have grown and left home) and never-nesters (persons who never have children)*
 - Prefer owning but will consider renting their housing
 - Some will move to alternative lower-maintenance housing products
 - Generally, couples in their 50's or 60's

5. *Younger independent seniors*
 - Prefer owning but will consider renting their housing
 - Will often move (at least part of the year) to retirement havens in the Sunbelt and desire to reduce their responsibilities for upkeep and maintenance
 - Generally, in their late 60's or 70's

6. *Older seniors*

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

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

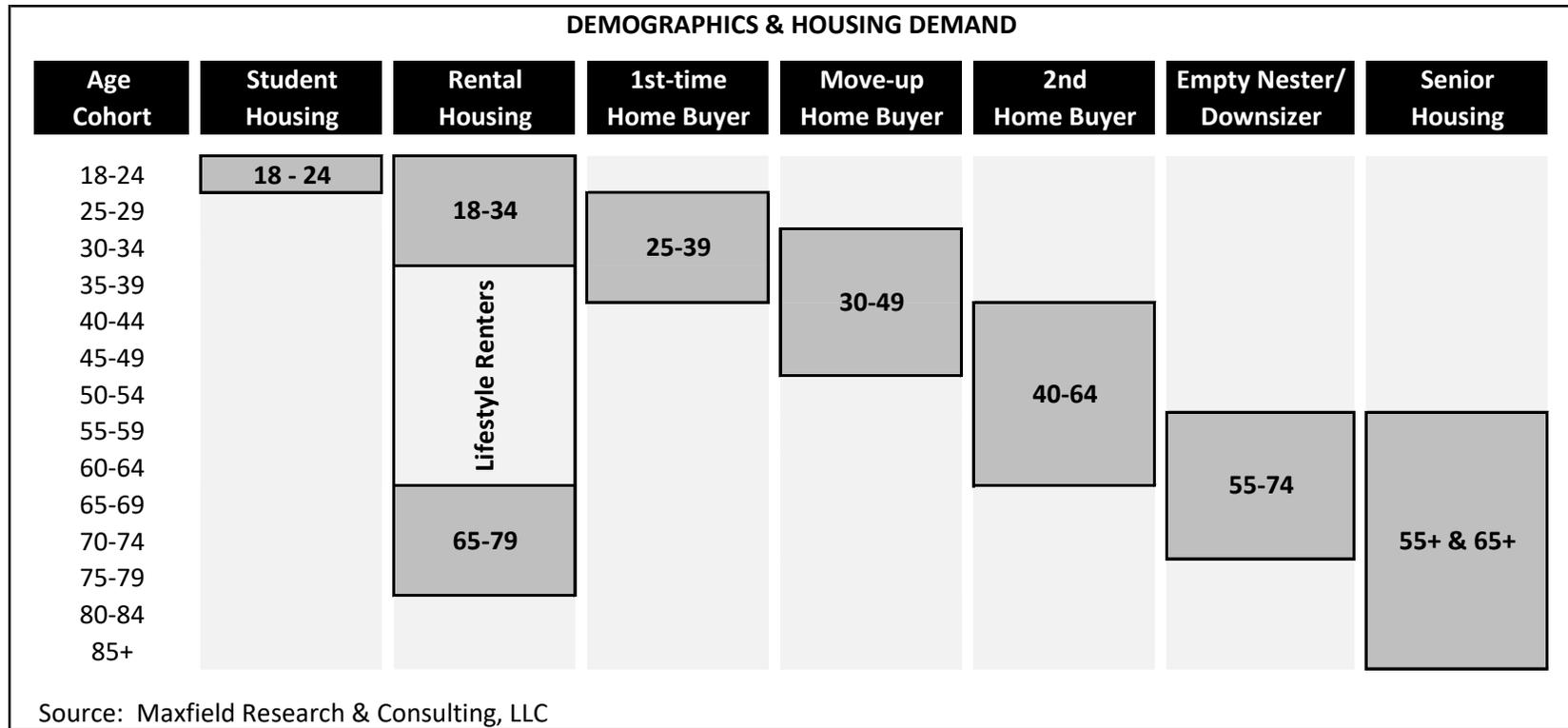
The following graphic provides greater detail of various housing types supported within each housing life cycle. Information on square footage, average bedrooms/bathrooms, and lot size is provided on the subsequent graphic.

Housing Demand Overview

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

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

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

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

Source: Maxfield Research & Consulting, LLC

Demographics

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

Economy & Job Growth

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

purchases. Lack of job growth leads to slow or diminishing household growth, which in-turn relates to reduced housing demand. Additionally, low income growth results in fewer move-up buyers which results in diminished housing turnover across all income brackets.

Consumer Choice/Preferences

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

Supply (Existing Housing Stock)

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

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

Housing Finance

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

Recent mortgage interest rate hikes from the Federal Reserve has resulted in tighter underwriting and leaving many buyers on the sidelines. Housing payments have increased by about 45% from early 2022 to 2023 just on interest rates alone.

Mobility

It is important to note that demand is somewhat fluid between Owatonna and the surrounding areas and will be impacted by development activity in nearby areas, including other communities outside Steele County.

Estimated Demand for For-Sale Housing

Table HD-1 presents our demand calculations for general occupancy for-sale housing in the PMA between 2023 to 2030.

The 65 and older cohort is typically not a target market for new single-family homes as many of these households will remain in their single-family homes or may relocate to owned multifamily or a senior housing option. As a result, we only include 20% of those 65 and older. In addition to 20% of those 65 and older we also include all households under age 65. Using household income by age of householder data, the Owatonna PMA is expected to add 142 new households from 2020 to 2030. We estimate that 76.4% would choose to own their housing, which produces demand for 108 new general occupancy for-sale housing units from 2023 to 2030.

Additional demand is also forecast from existing Owatonna households through turnover. There are an estimated 8,148 owner-occupied households under 65 in the PMA. In addition we add 20% of those 65 and older (690 households for a total of 8,838 households. Based on mobility data from the Census Bureau, an estimated 24.8% of owner households will turn over in a seven-year period (Of those under 65 and 20% of those 65 and older), resulting in 2,195 existing households projected to turn over. Finally, we estimate 10.0% of the existing owner households would seek new for-sale housing, resulting in demand for 220 for-sale units to 2030. Combining demand from projected household growth and demand from existing owner households leaves demand at 328 for sale units.

Next, we estimate that 25% of the total demand for new for-sale units in Owatonna will come from people currently living outside of the PMA. A portion of this market will be former residents of the area, such as “snow-birds” heading south for the winters. Adding demand from outside the PMA to the existing demand potential, results in a total estimated demand for 437 for-sale housing units to 2030.

Based on land availability, building trends, and demographic shifts (increasing older adult population), we estimate that 70.0% of the for-sale owners will prefer traditional single-family product types while the remaining 30.0% will prefer a maintenance-free multi-family product (i.e. twin homes, townhomes, or condominiums).

The identified platted lots that are under construction or approved are subtracted from the total. After subtracting the current lot supply (84 SF lots and 8 MF units), demand calls for 222 single-family lots and 86 multifamily lots/units to 2030 in the PMA. We project that 70.0% of

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single family and 70.0% of multifamily demand will be capturable in Owatonna resulting in demand for 155 single family and 86 multifamily units/lots in the city.

TABLE HD-1 GENERAL OCCUPANCY FOR-SALE HOUSING DEMAND OWATONNA MARKET AREA 2023 to 2030			
DEMAND FROM PROJECTED HOUSEHOLD GROWTH			
Projected household growth (under age 65) in the PMA 2023 to 2030 ¹		142	
(times) Propensity to Own ²	x	76.4%	
(equals) Number of potential owner households from HH growth	=	108	
DEMAND FROM EXISTING OWNER HOUSEHOLDS			
Number of owner households (under age 65 + 20% over 65) in the PMA, 2023	=	8,838	
(times) Estimated % of owner turnover (age 64 and younger & 20% over 65, 2023 to 2030)	x	24.8%	
(equals) Total existing households projected to turnover between 2023 and 2030	=	2,195	
(times) Estimated % desiring new owner housing	x	10.0%	
(equals) Demand from existing households	=	220	
Total Demand From Household Growth and Existing Households, 2023 to 2030	=	328	
(times) Ownership demand generated from outside the PMA	+	25.0%	
(equals) Total demand potential for ownership housing in the PMA	=	437	
		Single Family	Multi- family⁵
(times) Percent desiring for-sale single family (SF) vs. multifamily (MF) ⁴	x	70.0%	30.0%
(equals) Total demand potential for new single-family & multifamily for-sale housing		306	131
(minus) Units under construction or approved platted lots (undeveloped and developed lots)	-	84	8
		222	123
(times) Percent of Market Area demand capturable by the City of Owatonna	x	70.0%	70.0%
(equals) Total demand potential for new for-sale housing by the City of Owatonna	=	155	86
¹ Estimated Household Growth of those under 65 as well as 20% of those 65 and over. Based on 2021 American Community Survey, Five Year Estimates with adjustments by Maxfield Research and Consulting, LLC.			
² Pct. Owner households under age 65 and 20% of owner household over 65 in 2023			
³ Based on household turnover and mobility data (2021 American Community Survey, Five Year Estimates).			
⁴ Based on new construction sales data, building permit data, and growing projections by age group.			
⁵ Multifamily demand includes demand for townhomes, twinhomes, and condominium units.			
Source: Maxfield Research & Consulting, LLC.			

Estimated Demand for General-Occupancy Rental Housing

Table HD-2 presents our calculation of general-occupancy rental housing demand in the PMA between 2023 and 2030. The analysis identifies potential demand for rental housing that is generated from new households and turnover households. A portion of the demand will be drawn from existing households in the PMA that want to upgrade their housing situations.

Although the 65 and older cohort is not typically a primary target market for new general occupancy rental housing, the rising cost of owned housing and senior options has encouraged more seniors to move into the general occupancy market before considering age-restricted options. As such, we include all age groups. At a propensity to rent of 23.0% of the total, demand from household growth equals 161 units between 2023 and 2030.

Demand will also occur from existing renter households through turnover. As of 2023, there are an estimated 3,472 renter households in the PMA. Based on mobility data from the Census Bureau, an estimated 95.0% of renter households will turn over in a seven-year period, resulting in 3,299 existing households projected to turn over. Finally, we estimate 16.0% of the existing renter households will seek new rental housing, resulting in demand for 528 rental units to 2030. Adding demand from household growth increases rental demand to 689 units.

Next, we estimate that 30.0% of the total demand for new rental units in the PMA will come from people currently living outside of the Market Area. Adding demand from outside the PMA to the existing demand potential, results in a total estimated demand for 984 rental housing units to 2030.

Based on a review of rental household incomes and sizes and monthly rents at existing projects, we estimate that approximately 20.0% of the total demand will be for subsidized housing (50.0% or less AMI), 20.0% will be for affordable housing (51% to 80% AMI) and 60.0% will be for market rate housing (80% AMI or above and non-income restricted).

Next, we subtract housing developments under construction or pending, since these projects will satisfy some of the calculated demand for general occupancy rental housing. Pending units are subtracted at 95.0% occupancy.

After subtracting units under construction or pending results in demand for 197 subsidized units, 197 affordable units and 152 market rate units between 2023 and 2030.

We project that 80.0% of deep subsidy units, 80.0% of shallow subsidy units, and 80.0% of market rate units will be capturable in Owatonna resulting in demand for 157 deep subsidy, 157 shallow subsidy, and 152 market rate units in the city

HOUSING DEMAND ANALYSIS

TABLE HD-2 DEMAND FOR GENERAL OCCUPANCY RENTAL HOUSING OWATONNA MARKET AREA 2023 to 2030			
Demand From Household Growth			
Projected household growth in the PMA 2023 to 2030 ¹			700
(times) Proportion Estimated to Be Renting Their Housing ²	x	23.0%	
(equals) Projected Demand for Rental Housing Units	=		161
Demand From Existing Households			
Number of renter households in the PMA, 2023 ³	=	3,472	
(times) Estimated % of renter turnover between 2023 & 2030 ⁴	x	95.0%	
(equals) Existing Renter Households Projected to Turnover, 2023 to 2030	=	3,299	
(times) Estimated % Desiring New Rental Housing ⁵	x	16.0%	
(equals) Demand From Existing Households	=		528
Total Demand From Household Growth and Existing Households			689
(plus) Rental demand from outside the PMA	+	30.0%	
(equals) Total Demand for Rental Housing in the PMA	=		984
		Deep Subsidy	Shallow Subsidy
(times) Percent of rental demand by product type ⁶	x	20.0%	20.0%
(equals) Total demand for new general occupancy rental housing units	=	197	197
(minus) Units under construction or approved ⁷	-	0	0
		197	197
(times) Percent of Market Area demand capturable by Owatonna	x	80.0%	80.0%
(equals) number of units supportable by the City of Owatonna	=	157	152
¹ Projected household growth			
² Renter Households in 2023			
³ All renter households			
⁴ Based on household turnover and mobility data (2017-2021 American Community Survey).			
⁵ Source - The Upscale Apartment Market: Trends and Prospects. Prepared by Jack Goodman of Hartrey Advisors for the National Multi Housing Council.			
⁶ Based on a combination of current rental product, income limits, and household incomes of area renters.			
⁷ Pending competitive units at 95% occupancy.			
Source: Maxfield Research & Consulting, LLC.			

Demand for Active Adult (55+) Housing

Table HD-3 presents our demand calculations for market rate active adult/few services housing in the PMA for 2023 and 2030.

In order to determine demand for active adult housing, the potential market is reduced to those households that are both age and income qualified. The age-qualified market is defined as older adults 55 years of age and older, although most of these properties will primarily attract households 65 and older.

We calculate that the minimum income needed to afford monthly rents is \$40,000 or more plus homeowner households with incomes between \$30,000 and \$39,999 who would be able to

HOUSING DEMAND ANALYSIS

supplement their incomes with the proceeds from a home sale. We estimate the number of age/income-qualified senior households in the PMA in 2023 to be 5,793 households.

Adjusting to include appropriate long-term capture rates for each age cohort (1.5% of households age 55 to 64, 7.5% of households age 65 to 74, and 15.0% of households age 75 and over) results in a market rate demand potential for 375 active adult (55+) units in 2023.

Some additional demand will come from outside the PMA. We estimate that 25% of the demand will be generated by seniors currently residing outside the PMA. This demand will consist primarily of parents of adult children living in the PMA, individuals who live just outside the PMA and have an orientation to the area, as well as former residents who desire to return. Together, the demand from the PMA seniors and demand from seniors who would relocate to the PMA results in a demand for 501 active adult units in 2023.

The demand is apportioned between ownership and rental housing. Based on the age distribution, homeownership rates and current product available in the PMA, we estimate that 55.0% of the PMA's demand will be for adult ownership housing (275 units) and 45.0% will be for rental housing (225 units).

Next, we subtract existing competitive market rate units (minus a vacancy factor of 5% to allow for sufficient consumer choice and turnover) from the owner and rental demand. Subtracting the existing competitive market rate units results in total demand potential for 201 adult owner-occupied units and 182 active adult rental units in 2023 and demand for 255 adult owner-occupied units and 226 active adult rental units in 2030.

We project that 75.0% of owner-occupied adult units and 75.0% of adult rental units will be capturable in Owatonna resulting in demand for 151 adult owner-occupied units in 2023 and 137 adult rental units. In 2030 there will be demand for 191 adult owner-occupied units and 170 adult rental units.

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TABLE HD-3 MARKET RATE ACTIVE ADULT/FEW SERVICES HOUSING DEMAND OWATONNA MARKET AREA 2023 & 2030						
	2023			2030		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of >40,000 ¹	2,424	1,835	1,029	2,448	2,173	1,330
# of Households w/ Incomes of \$30,000 to \$39,999 ¹	+ 152	187	299	+ 133	198	315
(times) Homeownership Rate	x 84.1%	81.8%	75.3%	x 84.1%	81.8%	75.3%
(equals) Total Potential Market Base	= 2,552	1,988	1,254	= 2,560	2,335	1,567
(times) Potential Capture Rate	x 1.5%	7.5%	15.0%	x 1.5%	7.5%	15.0%
(equals) Demand Potential	= 38	149	188	= 38	175	235
Potential Demand from PMA Residents	= 375			= 449		
(plus) Demand from Outside the PMA (25%) ²	+ 125			+ 150		
(equals) Total Demand Potential	= 501			= 598		
	Owner		Renter	Owner		Renter
(times) % by Product Type	x 55.0%		x 45.0%	x 55.0%		x 45.0%
(equals) Demand Potential by Product Type	= 275		= 225	= 329		= 269
(minus) Existing and Pending MR Active Adult Units ³	- 74		- 43	- 74		- 43
(equals) Excess Demand for Market Rate Active Adult Units	201		182	255		226
(times) Percent of Market Area demand Capturable by the City of Owatonna	x 75.0%		x 75.0%	x 75.0%		x 75.0%
(equals) number of units supportable by the City of Owatonna	= 151		= 137	= 191		= 170

¹ 2030 calculations define income-qualified households as all households with incomes greater than \$47,500 and homeowner households with incomes between \$37,500 and \$47,499.

² We estimate that roughly 25% of demand will come from outside of the Study Area.

³ Existing and pending units are deducted at market equilibrium (95% occupancy).

Source: Maxfield Research & Consulting, LLC.

Demand for Subsidized/Affordable Active Adult Housing

Table HD-4 presents our demand calculations for subsidized/affordable active adult (55+ or 62+) housing in the PMA in 2023 and 2030.

In order to arrive at the potential age and income qualified base for low income and affordable housing, we include all older adult (55+) households with incomes less than \$35,000. We exclude 55+ homeowner households with incomes between \$25,000 and \$34,999, as these households are most likely to have additional equity that could be converted to monthly income following the sales of their single-family homes.

Households in need-based situations (either requiring services or financial assistance) more readily move to housing alternatives than those in non-need-based situations. Therefore, the capture rate among each age group is higher than for market rate housing. Capture rates are employed at 5.0% for households age 55 to 64, 15.0% for households age 65 to 74 and 30.0% for households age 75 and older.

HOUSING DEMAND ANALYSIS

Seniors in need-based situations are less selective when securing housing than those in non-need-based situations. Typically, demand is high for these developments because households seeking assisted housing are more likely to search in a broader geographic area. This is accounted for by demand from outside the market area (30.0%).

Using the methodology described above results in a demand potential for 344 subsidized or affordable senior units. After adjusting for product type, demand results for 124 subsidized units and 220 affordable units.

Next, we subtract existing competitive units from the overall demand. There are 192 existing subsidized independent units and 34 existing pending affordable units in the PMA - minus a vacancy factor of 3.0% to allow for sufficient consumer choice and turnover). After subtracting these units there is demand for 187 affordable and an oversupply of 62 subsidized age-restricted units in 2023.

Adjusting for inflation, we estimate that households with incomes up to \$42,500 would be candidates for financially assisted independent housing in 2023. We reduce the potential market by homeowner households earning between \$32,500 and \$42,499 that would exceed income-restrictions once equity from their home sales is converted to monthly income. Following the same methodology, we project demand in the PMA for 245 affordable and an oversupply of 30 age-restricted units in 2030.

We project that 85.0% of deep subsidy units and 85.0% of shallow subsidy units will be capturable in Owatonna resulting in demand for 159 shallow subsidy and an oversupply of 53 deep subsidy units in 2023. In 2030 there will be demand for 208 shallow subsidy units and an oversupply of 25 deep subsidy units.

HOUSING DEMAND ANALYSIS

TABLE HD-4 DEEP-SUBSIDY/SHALLOW SUBSIDY ACTIVE ADULT HOUSING DEMAND OWATONNA MARKET AREA 2023 and 2030						
	2023			2030		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes Less Than \$35,000 ¹	396	429	810	372	535	1,037
(minus) # of HHs w/Incomes of \$25,000 to \$34,999	- 119	- 136	- 287	- 147	- 218	- 325
(times) Homeownership Rate	x 84.1%	x 81.8%	x 75.3%	x 84.1%	x 81.8%	x 75.3%
(equals) Total Potential Market Base	= 296	= 318	= 594	= 248	= 357	= 792
(times) Potential Capture Rate	x 5.0%	x 15.0%	x 30.0%	x 5.0%	x 15.0%	x 30.0%
(equals) Demand Potential	= 15	= 48	= 178	= 12	= 54	= 238
(equals) Potential Demand from Residents	= 241			304		
(plus) Demand from outside Owatonna (30%)	+ 103			+ 130		
(equals) Total Demand Potential	= 344			= 434		
	Deep-Subsidy		Shallow Subsidy	Deep-Subsidy		Shallow Subsidy
(times) % by Product Type	x 36.0%		x 64.0%	x 36.0%		x 64.0%
(equals) Demand Potential by Product Type	= 124		= 220	= 156		= 278
(minus) Existing and Pending Aff/Sub Units ²	- 186	-	- 33	- 186	-	- 33
(equals) Excess Demand for Aff/Sub Units	= -62	=	187	= -30	=	245
(times) Percent of Market Area demand capturable by Owatonna	X 85.0%		85.0%	85.0%		85.0%
(equals) number of units supportable by the City of Owatonna	= 0	=	159	= 0	=	208

¹ 2030 calculations define income-qualified households as all households less than \$42,500. Homeowner households with incomes between \$32,500 and \$42,499 are excluded from the market potential for financially assisted housing.

² Existing units are deducted at market equilibrium, or 97% occupancy.

Note: Individuals 18 and over with a qualified disability are eligible to reside in most units under the HUD Section 8 program.

Source: Maxfield Research and Consulting LLC.

Demand for Independent Living Housing

Table HD-5 presents our demand calculations for independent living housing in the PMA in 2023 and 2030.

The potential age- and income-qualified base for independent living senior housing includes all senior (65+) households with incomes of \$40,000 as well as homeowner households with incomes between \$30,000 and \$39,999 who would qualify with the proceeds from the sales of their homes. The proportion of income-qualified homeowners is based on the 2023 homeownership rates of PMA seniors. The number of age, income, and asset-qualified households in the PMA is estimated to be 3,242 households in 2023.

Demand for independent living housing is need-driven, which reduces the qualified market to only the portion of seniors who need some assistance. Adjusting to include appropriate capture rates for each age cohort (1.5% of households age 65 to 74 and 16.0% of households age 75 and older) results in a local demand potential for 230 independent living units in 2023.

HOUSING DEMAND ANALYSIS

TABLE HD-5 INDEPENDENT LIVING DEMAND OWATONNA MARKET AREA 2023 & 2030				
	2023		2030	
	Age of Householder		Age of Householder	
	65-74	75+	65-74	75+
# of Householders w/ Incomes of \$40,000+ in 2023 / \$47,500K in 2030	1,832	1,027	2,053	1,161
(plus) HHs w/ Incomes of \$30,000 to \$39,999 in '23 & \$37,500 to \$47,499 in '30	349	328	211	313
(times) Homeownership Rate	x 81.8%	75.3%	x 81.8%	75.3%
(equals) Potential Market	= 285	247	= 173	236
(equals) Total Potential Market Base	= 2,117	1,275	= 2,225	1,397
(times) Potential Capture Rate of Independent Living Demand ¹	x 1.5%	16.0%	x 1.5%	16.0%
(equals) Potential Demand	= 32	+ 204	= 33	+ 224
Total Local Demand Potential	= 236		= 257	
(plus) Demand from Outside the Study Area (25%)	+ 79		+ 86	
(equals) Total Demand Potential	= 314		= 343	
(minus) Existing & Pending Competitive Units ²	-	2	-	2
(equals) Total Independent Living Demand Potential	312		341	
(times) Percent of PMA demand capturable by the City of Owatonna	x 75.0%		x 75.0%	
(equals) number of units supportable by the City of Owatonna	= 234		= 255	

¹ The potential capture rate is derived from data from the Summary Health Statistics for the U.S. Population: National Health Interview Survey, 2018 by the U.S. Department of Health and Human Services. The capture rate used is the percentage of seniors needing assistance with IADLs, but not ADLs (seniors needing assistance with ADLs typically need assistance with multiple IADLs and are primary candidates for service-intensive assisted living.).

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

Source: Maxfield Research & Consulting, LLC.

We estimate that seniors currently residing outside of the PMA will generate 25.0% of the demand. Together, the demand from PMA seniors and demand from seniors who are willing to locate to the PMA totals 307 independent living units in 2023. Next, we subtract existing independent living units in the PMA at 95% occupancy. There are currently two existing independent living units. After subtracting these units at 95% occupancy, demand is left at 305 units in 2023.

Adjusting for inflation, we estimate that households with incomes of \$47,500 or more and senior homeowners with incomes between \$37,500 and \$47,499 would qualify for independent living housing in 2030. Following the same methodology, demand will call for 344 units in 2030.

We project that 75.0% of independent living units will be capturable in Owatonna resulting in demand for 229 units in 2023 and 258 units in 2030.

Demand for Assisted Living Housing

Table HD-6 presents our demand calculations for assisted living senior housing in the PMA in 2023 and 2030. This analysis focuses on the potential *private pay/market rate* demand for assisted living units.

The availability of more intensive support services such as meals, housekeeping and personal care at assisted living facilities usually attracts older, frailer seniors. According to the 2009 Overview of Assisted Living (which is a collaborative research project by the American Association of Homes and Services for the Aging, the American Seniors Housing Association, National Center for Assisted Living, and National Investment Center for the Seniors Housing and Care Industry), the average age of residents in freestanding assisted living facilities was 87 years in 2018. Hence, the age-qualified market for assisted living is defined as seniors ages 75 and over, as we estimate that of the half of demand from seniors under age 87, almost all would be over age 75. In 2023, there are an estimated 3,125 seniors ages 75 and over in the Market Area. The number is projected to increase to 3,711 people by 2030.

Demand for assisted living housing is need-driven, which reduces the qualified market to only the portion of seniors who need assistance. According to a study completed by the CDC and National Center for Health Statistics (Health, United States, 2018 Health and Aging Chartbook), 25.5% of 75-to-79-year-olds, 33.6% of 80-to-84-year-olds and 51.6% of 85+ year olds are unable to perform or need help with ADLs. Applying these percentages to the senior population yields a potential assisted living market of an estimated 1,132 seniors in the Market Area in 2023 and 1,313 seniors in 2030.

Due to the supportive nature of assisted living housing, most daily essentials are included in monthly rental fees which allow seniors to spend a higher proportion of their incomes on housing with basic services. Therefore, the second step in determining the potential demand for assisted living housing in the PMA is to identify the income-qualified market based on a senior's ability to pay the monthly rent. We consider seniors in households with incomes of 40,000 or greater to be income-qualified for assisted living senior housing in the PMA. Households with incomes of \$40,000 could afford monthly assisted living fees of approximately \$2,667 by allocating a high proportion of their income toward the fees (roughly 80%).

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

HOUSING DEMAND ANALYSIS

We estimate the income-qualified percentage to be all seniors in households with incomes at or above \$40,000 plus 40% of the estimated seniors in owner households with incomes below \$40,000 (who will spend down assets, including home-equity, in order to live in assisted living housing). This results in a total potential market of 748 seniors from the Market Area in 2023.

TABLE HD-6 MARKET RATE ASSISTED LIVING DEMAND OWATONNA MARKET AREA 2023 & 2030						
Age group	2023			2030		
	People	Percent Needing Assistance ¹	Number Needing Assistance ¹	People	Percent Needing Assistance ¹	Number Needing Assistance ¹
75 - 79	1,235	25.5%	315	1,596	25.5%	408
80 - 84	887	33.6%	299	1,037	33.6%	349
85+	1,003	51.6%	518	1,077	51.6%	556
Total	3,125		1,132	3,711		1,313
(times) Percent Income-Qualified ²			x 66.0%			x 65.0%
Total potential market			748			853
(times) Percent living alone (2010 Census of 75+)			x 54.8%			x 54.8%
(equals) Age/income-qualified singles needing assistance			= 410			= 468
(plus) Proportion of demand from couples (12%) ³			+ 54			+ 61
(equals) Total age/income-qualified market needing assistance			= 464			= 529
(times) Potential penetration rate ⁴			x 40.0%			x 40.0%
(equals) Potential demand from PMA residents			= 186			= 212
(plus) Proportion from outside the PMA (25%)			+ 62			+ 71
(equals) Total potential assisted living demand			= 247			= 282
(minus) Existing market rate assisted living units ⁵			- 268			- 268
(equals) Total excess market rate assisted living demand			-21			14
(times) Percent of Market Area demand capturable by the City of Owatonna			70.0%			70.0%
(equals) number of units supportable by the City of Owatonna			= 0			= 10
¹ The percentage of seniors unable to perform or having difficulty with ADLs, based on the publication Health, United States, 2018 Health and Aging Chartbook, conducted by the Centers for Disease Control and Prevention and the National Center for Health Statistics.						
² Includes households with incomes of \$40,000 or more (\$47,500 in 2030) plus 40% of the estimated owner households with incomes below \$40,000 (\$47,500 in 2030) who will spend down assets, including home-equity, in order to live in assisted living housing.						
³ The 2018 Overview of Assisted Living (a collaborative project of AAHSA, ASHA, ALFA, NCAL & NIC) found that 12% of assisted living residents are couples.						
⁴ We estimate that 60% of the qualified market needing assistance with ADLs could either remain in their homes or reside at less advanced senior housing with the assistance of a family member or home health care, or would need greater care provided in a skilled care facility.						
⁵ Existing and pending units at 93% occupancy. We exclude 15.0% of units to account for seniors utilizing public subsidy.						
Source: Maxfield Research & Consulting, LLC.						

Because most assisted living residents are single (88% according to the 2009 Overview of Assisted Living), our demand methodology multiplies the total potential market by the percentage of seniors age 65+ in the PMA living alone, or 54.8%, based on 2010 Census data. This results in a total base of 410 age/income-qualified singles in 2023.

HOUSING DEMAND ANALYSIS

The 2009 Overview of Assisted Living found that 12% of residents in assisted living were couples. Including couples results in a total of 464 age/income-qualified seniors needing assistance in the Market Area in 2023.

We estimate that 60% of the qualified market needing significant assistance with ADLs could either remain in their homes or less service-intensive senior housing with the assistance of a family member or home health care or would need greater care provided in a skilled care facility. The remaining 40% could be served by assisted living housing. Applying this market penetration rate of 40% results in demand for 186 assisted living units in 2023.

We estimate that a portion of demand for assisted living units in the PMA (25%) will come from outside the area. This secondary demand will include seniors currently living just outside the area, former residents, and parents of adult children who desire supportive housing near their adult children. Applying this figure increases the total potential demand to 247 assisted living units in 2023.

Next, existing/pending assisted living units at a 93% occupancy rate are subtracted from overall demand. An additional 15% of units are subtracted from existing and pending assisted living units to account for units occupied by Elderly Waiver residents. After subtracting 15% for EW units and the 93% occupancy rate, a total of 268 units are deducted as competitive giving a total demand oversupply of 21 assisted living units in 2023 and an excess demand of 14 units in 2030.

We project that 70.0% of assisted living units will be capturable in Owatonna resulting in a demand oversupply of 15 units in 2023 and excess demand for 10 units in 2030.

Most assisted living developments require residents to have lived in their facility for a certain amount of time before they can use a waiver, and most limit the number of waivers accepted within the community to no more than 15% to 20%. Some small facilities may accept higher amounts of residents on waivers and some new facilities will not accept waivers from first-time residents.

Demand for Memory Care Housing

Table HD-7 presents our demand calculations for market rate memory care senior housing in the PMA in 2023 and 2030.

Demand is calculated by starting with the estimated PMA senior (age 65+) population in 2023 and multiplying by the incidence rate of Alzheimer's/dementia among this population's age cohorts. According to the Alzheimer's Association (Alzheimer's Disease Facts and Figures, 2021), 5.3% of seniors ages 65 to 74, 17.0% of seniors ages 75 to 84, and 32.0% of seniors ages 85+ are afflicted with Alzheimer's Disease. This yields a potential market of 894 seniors in the PMA in 2023.

According to data from the National Institute of Aging, about 20% of all individuals with memory care impairments comprise the market for memory care housing units. This figure considers that seniors in the early stages of dementia will be able to live independently with the care of a spouse or other family member, while those in the later stages of dementia will require intensive medical care that would only be available in skilled care facilities. Applying this figure to the estimated population with memory impairments yields a potential market of 179 seniors in the PMA.

Because of the staff-intensive nature of dementia care, typical monthly fees for this type of housing are at least \$4,000 and range upwards of \$5,000 to \$6,000 when including service packages. Based on our review of senior household incomes in the PMA, homeownership rates and home sale data, we estimate that 44.0% of seniors in the PMA would have incomes and/or assets to sufficiently cover the costs of memory care housing. This figure considers married couple households where one spouse may have memory care needs and allows for a sufficient income for the other spouse to live independently. Multiplying the 179 seniors with memory impairments by the income/asset qualified percentage (43.8%), leaves demand for 78 units.

Next, we estimate that 25% of the overall demand for memory care housing would come from outside of the PMA. Together, demand totals 104 memory care units in 2023.

We reduce the demand potential by accounting for the existing memory care product in the PMA. There are 123 units; however, we reduce the competitive units to include memory care units at a 7% vacancy rate and a portion of units occupied by residents utilizing Elderly Waiver. Subtracting these competitive units results in demand for 12 units as of 2023.

Potential demand for market rate memory care units in the PMA is expected to increase to 45 units by 2030.

We project that 70% of memory care units will be capturable in Owatonna resulting in demand for 9 units in 2023 and increasing to 31 units in 2030.

HOUSING DEMAND ANALYSIS

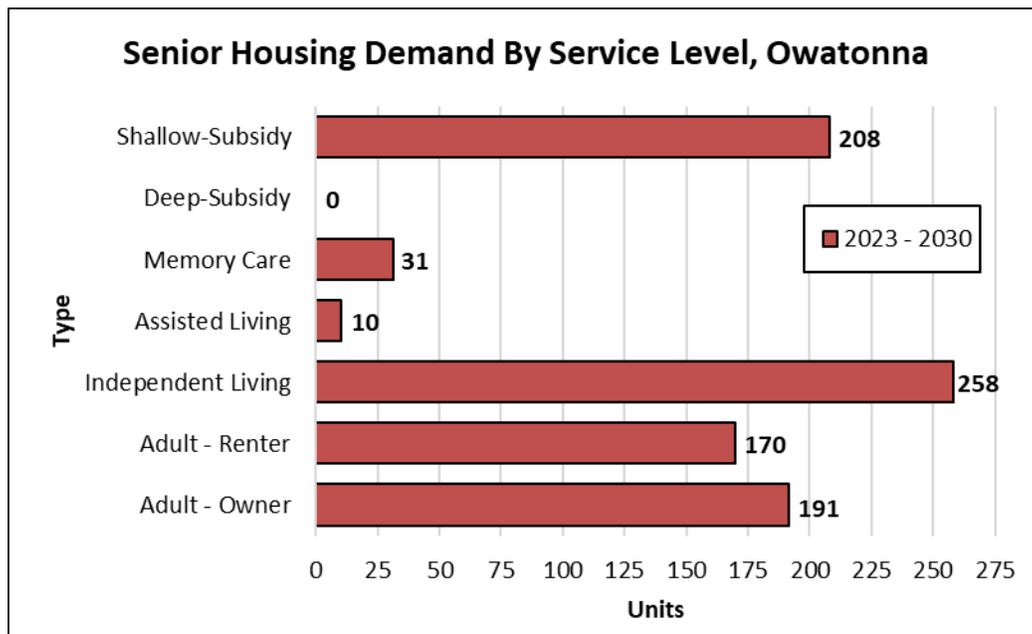
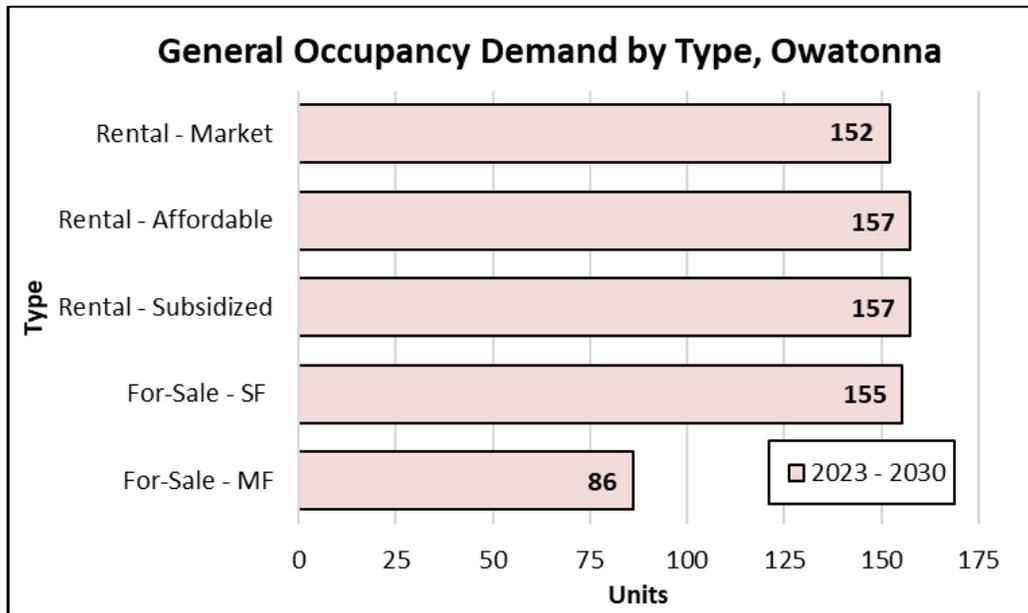
**TABLE HD-7
MEMORY CARE DEMAND
OWATONNA MARKET AREA
2023 & 2030**

	2023	2030
65 to 74 Population	4,013	4,589
(times) Dementia Incidence Rate ¹	x <u>5.3%</u>	x <u>5.3%</u>
(equals) Estimated Senior Pop. with Dementia	= 213	= 243
75 to 84 Population	2,122	2,633
(times) Dementia Incidence Rate ¹	x <u>17.0%</u>	x <u>17.0%</u>
(equals) Estimated Senior Pop. with Dementia	= 361	= 448
85+ Population	1,003	1,077
(times) Dementia Incidence Rate ¹	x <u>32.0%</u>	x <u>32.0%</u>
(equals) Estimated Senior Pop. with Dementia	= 321	= 345
(equals) Total Population with Dementia	894	1,036
(times) Percent Needing Specialized Memory Care Assistance	x <u>20.0%</u>	<u>20.0%</u>
(equals) Total Need for Dementia Care	= 179	= 207
(times) Percent Income/Asset-Qualified ²	x <u>43.8%</u>	x <u>49.6%</u>
(equals) Total Income-Qualified Market Base in the PMA	= 78	= 103
(plus) Demand from Outside the Study Area (25%)	+ 26	+ 34
Total Demand for Memory Care Units	104	137
(minus) Existing and Pending Memory Care Units ³	- 92	- 92
(equals) Excess Demand Potential	= 12	= 45
(times) Percent of Market Area demand capturable by the City of Owatonna	x <u>70.0%</u>	x <u>70.0%</u>
(equals) Number of Units Supportable in the City of Owatonna	9	31
¹ Alzheimer's Association: Alzheimer's Disease Facts & Figures (2021)		
² Includes seniors with incomes at \$60,000 or above (\$67,000 in 2030) plus 25% of homeowners with incomes below this threshold (who will spend down assets, including home-equity, in order to live in memory care housing).		
³ Existing and pending units at 93% occupancy. We exclude 20% of units to account for seniors utilizing public subsidy.		
Source: Maxfield Research & Consulting, LLC.		

Introduction/Overall Housing Recommendations

This section summarizes demand calculated for specific housing products in Owatonna and recommends development concepts to meet the housing needs forecast for the City. All recommendations are based on findings of the *Comprehensive Housing Market Study*. The following table and charts illustrate calculated demand by product type. It is important to recognize that housing demand is highly contingent on projected household growth and land availability; household growth could be higher if additional acreage were available for housing development/redevelopment.

TABLE CR-1 HOUSING DEMAND SUMMARY CITY OF OWATONNA MAY 2023		
General Occupancy Housing Demand 2023 to 2030		
For-Sale Units¹		242
Detached Single-Family		155
Other Owned General Occupancy Units*		86
*Attached single-family (i.e. townhomes, twin homes), condominiums, etc.		
General Occupancy Rental Units		467
Market Rate		152
Shallow-Subsidy^		157
Deep-Subsidy^		157
Total General Occupancy Housing Units		709
Senior Housing Demand 2023 and 2030		
Market Rate Active Adult	288	361
Owner-Occupied	151	191
Renter-Occupied	137	170
Affordable Active Adult	159	208
Deep-Subsidy^	0	0
Shallow-Subsidy^	159	208
Service-Enhanced Senior Housing	238	300
Independent Living w/ Services	229	258
Assisted Living	0	10
Memory Care	9	31
Total Senior Housing Units	684	868
¹ Demand for For-Sale Units after subtracting vacant lots		
^Shallow-subsidy = affordable to households at 30% to 60% AMI		
^Deep-subsidy = affordable to households at 30% AMI or less		
Source: Maxfield Research & Consulting, LLC.		



Based on the finding of our analysis and demand calculations, Table CR-2 provides a summary of the recommended development concepts by product type for the City of Owatonna. It is important to note that these proposed concepts are intended to function as a development guide to meet the housing needs of existing and future households most effectively in Owatonna. The recommended development types do not directly coincide with total demand as illustrated in Table CR-1.

RECOMMENDATIONS AND CONCLUSIONS

TABLE CR-2 RECOMMENDED HOUSING DEVELOPMENT CITY OF OWATONNA 2023 to 2030				
		Purchase Price/ Monthly Rent Range ¹	No. of Units	Development Timing
Owner-Occupied Homes				
<i>Single Family</i>				
	Entry-level	<\$250,000	30 - 35	Ongoing
	Move-up	\$250,000 - \$375,000	125 - 130	Ongoing
	Executive	\$400,000+	45 - 50	Ongoing
	Total		200 - 215	
<i>Townhomes/Twinhomes/Detached Townhomes/Villas</i>				
	Entry-level	<\$225,000	25 - 30	Ongoing
	Move-up	\$250,000 - \$325,000	45 - 50	Ongoing
	Executive	\$350,000+	25 - 30	Ongoing
	Total		95 - 110	
Total Owner-Occupied			295 - 325	
General Occupancy Rental Housing				
<i>Market Rate Rental Housing</i>				
	Apartment-style (moderate)	\$975/1BR - \$1,400/3BR	100 - 120	2025+
	Townhomes (move up)	\$1,450/2BR - \$1,675/3BR	30 - 40	2025+
	Total		130 - 160	
<i>Affordable Rental Housing</i>				
	Apartment-style	Moderate Income ²	90 - 100	2024+
	Townhomes	Moderate Income ²	30 - 40	2024+
	Subsidized	30% of Income ³	60 - 70	2024+
	Total		180 - 210	
Total Renter-Occupied			310 - 370	
Senior Housing (i.e. Age Restricted)				
	Senior Cooperative(s)	\$75,000+	75 - 80	2024+
	Active Adult Market Rate Rental ⁴	\$1,200/1BR - \$1,500/2BR	100 - 120	2024+
	Active Adult Affordable Rental ⁴	Moderate Income ³	100 - 120	2024+
	Independent Living/Congregate	\$1,850/1BR - \$2,900+/2BR	100 - 120	2025+
	Memory Care	\$4,000/EFF - \$5,000/2BR	20 - 24	2026+
	Total		395 - 464	
Total - All Units			1,000 - 1,159	
¹ Pricing in 2023 dollars. Pricing can be adjusted to account for inflation. ² Affordability subject to income guidelines per Minnesota Housing Finance Agency (MHFA). See Table HA-1 for Steele County Income limits. ³ Subsidized housing will be difficult to develop financially. ⁴ Alternative development concept is to combine active adult affordable and market rate active adult into mixed-income senior communities.				
Source: Maxfield Research & Consulting, LLC.				

Recommended Housing Product Types

For-Sale Housing

Single-Family Housing

Table HD-1 identified demand for about 155 new single-family lots through 2030, or about 16 units annually. The lot supply benchmark for growing communities is a three- to five-year lot supply, which ensures adequate consumer choice without excessively prolonging developer-carrying costs. Given the existing lot supply within existing newer subdivision, the current lot supply is sufficient to meet short-term demand. Although there are several scattered, infill lots throughout the City of Owatonna, many of these lots are undesirable to today's buyers as they are unable to accommodate specific product types (i.e. ranch-style homes with large main-levels).

The City of Owatonna has vacant land available to accommodate future housing development in the near term. One portion of the City likely to prove desirable moving forward is Southeast Owatonna. This area of the community will be home to a new high school and athletic fields. In addition, Northeast Owatonna also is primed for future development with its availability of land. Northeast Owatonna consists largely of newer subdivisions, as well as a number of parks, a water park, and elementary school.

Housing directly south and east of Downtown Owatonna is older and denser. This area's higher density provides walkability to Downtown via the area's sidewalks. A challenge for this area of the city is that it is largely built out. Therefore, new single-family housing development there will largely be confined to infill, underutilized, teardowns, or redevelopment areas. Maxfield Research recommends that the City of Owatonna focus remodeling activities and new infill single-family housing development in the downtown core, while continuing to build suburban style subdivisions on the edges of city limits. The addition of larger single-family homes will be especially attractive to families who desire to stay in Owatonna but have outgrown their current home. Many families desire a minimum of three to four bedrooms, two baths, two-car garages and at least 2,500 square feet.

The majority of new construction single-family demand will be from first-time and move-up buyers, or those seeking homes generally priced from \$250,000 to \$375,000. A move-up buyer is typically one who is selling one house and purchasing another one, usually a larger and more expensive home. Usually the move is desired because of a lifestyle change, such as a new job or a growing family.

Demand also exists, while to a lesser extent than move up homes for both entry level and executive homes. Entry level homes typically are priced under \$250,000; but are difficult to product given construction and development costs. In contrast, the price range for executive homes in

RECOMMENDATIONS AND CONCLUSIONS

the City is typically greater than \$400,000 and there are fewer options in Owatonna for buyers seeking an executive level homes.

In the short-term, new construction may be slower given the ever increasing pricing of construction since the pandemic and ever rising interest rates. Costs are up substantially while builders experience material shortages and labor challenges. Many builders are unable to quote pricing given the volatile market; hence many buyers are on the sidelines as pricing concerns are resulted in significant delays. Therefore, new construction could be constrained in until pricing levels out and inflation is under control and mortgage rates settle down and reach a “new normal.” Maxfield Research is projecting a bumpy ride into through mid- 2024 as the Federal Reserve is indicated prolonged higher interest rates, hence prolonging a slower housing market for the next year.

For-Sale Multifamily Housing

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

Based on the changing demographics and the need for alternative housing types, demand was calculated for 86 new multifamily for-sale lots/units in Owatonna through 2030. Given the aging of the population (especially those 65+), desire for association-maintained housing, and affordability; Owatonna is expected to see an increase of attached housing or association-maintained product types. There may also be demand for infill projects near Downtown Owatonna for multifamily concepts or rowhome style townhomes. Across the City, these attached units could be developed as twin homes, detached townhomes or villas, townhomes/row homes, or any combination. We recommend offering both one-level and two-story townhome units; however two-story units should have the option for a master suite on the main level.

The following provides greater detail into several for-sale multifamily housing products.

- *Twinhomes*– By definition, a twin home is basically two units with a shared wall with each owner owning half of the lot the home is on (also referred to as a duplex). Some one-level living units are designed in three-, four-, or even six-unit buildings in a variety of configurations. The swell of support for twin home and one-level living units is generated by the aging baby boomer generation, which is increasing the numbers of older adults and seniors who desire low-maintenance housing alternatives to their single-family homes but are not ready to move to service-enhanced rental housing (i.e. downsizing or right sizing).

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

Twinhomes are also a preferred for-sale product by builders in today's market as units can be developed as demand warrants. Because twinhomes bring higher density and economies of scale to the construction process, the price point can be lower than stand-alone single-family housing with similar finishing's and square footage. Most new twinhomes cater to the move-up or "right-sized" buyers that in Owatonna typically command prices from \$250,000 to \$325,000 on average. Most of these homes feature a main-level floor plan averaging 1,500 square feet plus lower levels, resulting in an average total finished square footage of about 2,350 square feet. Lot sizes typically average about 40' wide and range from 36' wide to 50' wide.

Because twinhomes have the lowest densities among multifamily housing types, this product would likely be constrained to the outer limits of Owatonna due to land requirements that make it hard to develop closer to Downtown.

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

There are currently few detached townhomes actively marketing in Owatonna. Pricing for a detached townhome/villa will vary based on a slab-on-grade home versus a home with a basement. Base pricing will fluctuate based on custom finishes, upgrades, etc.

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

We recommend side-by-side units, which tend to appeal to a slightly broader market, including older adults and retirees as well as younger families with children. Side-by-side units (or rowhomes) have increased density and could provide higher returns on investment to builders/developers that would spread out the costs of infrastructure. Association-maintained townhomes and/or rowhomes can have lot widths ranging from 22' to 35'.

Side-by-side townhomes would be attractive to a variety of first-time and move-up buyers. Because of the growth in the older population, two-story units should be designed with the option of a master suite on the main level. Side-by-side townhomes command the highest density among the various townhome products and would be the recommended concept for Owatonna.

General Occupancy Rental Housing

Our competitive inventory identified that the vacancy rates for all types of general occupancy rental product is below market equilibrium (1.1% vacancy rate) indicating pent-up demand for rental housing. Vacancy rates are low for both affordable rental housing (2.5%) and market rate housing (0.4%). The median year built for rental housing stock in Owatonna is 1980. However, 14 identified general occupancy rental developments have been built since 2000 (*111 Vine, South Pointe I Apartments, South Pointe II Apartments, Park Plaza, Eden Valley Place, Northgate, Kay Knutson Apartments, Gateway Apartments, Park Village I and II, Westwood Apartments, The Pointe@ Merchant Square, Eastgate Apartments, Apartments on Mound, and The Pearl*).

- ***Market Rate Rental*** – Currently, vacancies rates are well below equilibrium (0.4%) suggesting the market has pent-up demand for new rental product. New rental product has leased above expectations and demand has been strong for new market rate rentals. Demand was found for about 600 market rate rental units in the PMA and 152 units in Owatonna over the following seven years. This demand considers over 400 units in the development pipeline that are expected to be occupied in the next few years. As a result, the current pipeline is expected to meet short term demand over the next three to five years. At the same time, multifamily construction projects are being put on “pause” as the Federal Reserve’s rate

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hikes are impacting pro forma's and lenders are requiring more equity to projects. Collectively, interest rates and stricter underwriting could delay some projects in the pipeline and push back timing until interest rates come back down.

We recommend future market rate projects targeting both middle-market and upper-bracket renters will be acceptable. In addition, we recommend a townhome style product that would have separate entrances; a product type that is popular among a wide-range of target demographics (i.e. families, couples, single parents, etc.)

- *Affordable/Subsidized General Occupancy Multifamily Housing* – There is one newer affordable rental housing project in Owatonna (*Northgate*) constructed in 2021; this development has no vacant units as of Spring 2023. In addition, *Kay Knutson Apartments*, a subsidized property with 14 units was constructed in 2010 and currently has no vacant units.

Because of the lack of affordable pending products (excluding *East Gate II*) affordable housing demand is higher than market rate housing. Together with subsidized housing, we find demand for about 400 income-restricted units in the PMA and 315 income-restricted units in Owatonna. However, since affordable housing developments are in high demand, a new project would be attractive to households living outside of Owatonna and Steele County.

Affordable housing attracts households that cannot afford market rate housing units but do not income-qualify for deep subsidy housing. One-bedroom units target singles and couples, whereas two and three-bedroom units target families. Some retired seniors would also be attracted to an affordable concept. We recommend affordable concepts that would target residents at 50% to 60% AMI and workforce housing at 80% AMI.

Demand is strong for both stand-alone tax credit projects and for mixed-income market rate developments that have a small proportion of units at 50% to 60% AMI. Similar to market rate general-occupancy rental housing, new affordable development will likely occur in multifamily development with higher densities.

We also recommend projects with a total of 30 to 40 rental townhomes. Units should feature central air conditioning, full appliance package, in-unit washer/dryer, and garage parking. Such developments are popular with families that cannot afford housing options in the for-sale market or market rate rentals.

Finally, although we find strong demand for additional subsidized housing (30% AMI); financing is extremely challenging and very few are ever constructed today. Therefore, some of this demand can move the affordable tax credit demand as some affordable projects may allocate a few units to 30% AMI.

Senior Housing

As illustrated in Table CR-1, demand exists for most types of senior housing product types in Owatonna. Over the course of the next seven years, there is demand for over 850 new senior units through 2030. The unmet need of additional senior housing is recommended in order to provide housing opportunity to these aging residents in their latter stages of life. The development of additional senior housing serves a two-fold purpose in meeting the housing needs in Owatonna: older adult and senior residents are able to relocate to new age-restricted housing in Owatonna, and existing homes and rental units that were occupied by seniors become available to other new households. Hence, development of additional senior housing does not mean the housing needs of younger households are neglected; it simply means that a greater percentage of housing need is satisfied by housing unit turnover. The types of housing products needed to accommodate the aging population base are discussed individually in the following section.

- *Active Adult Senior Cooperative/Owner* – Maxfield Research and Consulting, LLC projected demand for 191 ownership units over the next seven years. Presently there are two cooperative projects already in Owatonna, *Morehouse Place Cooperative* and *Realife Cooperative*. The cooperative model, in particular, appeals to a larger base of potential residents in that it has characteristics of both rental and ownership housing. Cooperative developments allow prospective residents an ownership option and homestead tax benefits without a substantial upfront investment as would be true in a condominium development or life care option. Maxfield Research & Consulting, LLC has found the cooperative model to be very well-accepted across the Midwest. As such, we recommend a 75 to 80-unit senior cooperative with sliding scale share costs starting at about \$75,000 with a sliding scale monthly payment based on equity and share costs.
- *Active Adult Rental (Market Rate)* – Demand was projected for 170 market rate active adult rental units in Owatonna through 2030. Currently, there is only one market rate active adult rental in Owatonna; *Southway Manor* with 45 units.

Development of this product could be in a separate stand-alone facility or in a mixed-income project. A mixed-income building could include a portion of units that would be affordable to seniors with incomes established the Minnesota Housing Finance Agency. We recommend multiple projects and or concepts to meet the growing active adult demand (100 to 120 units total). The project should have modest rents with base monthly rents starting at \$1,200 per month for one-bedroom units and from \$1,500 or more for two-bedroom units. The project should offer transportation, activities, and optional services for housekeeping, etc.

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- *Affordable/Subsidized Active Adult Rental* – Owatonna’s demand for affordable and subsidized senior housing is approximately 208 affordable units and no subsidized units through 2030. Although this product would be well received by seniors in and near the Owatonna area; it can be difficult to develop given financing challenges and development costs. Affordable senior housing will likely be a low-income tax credit project through the Minnesota Housing Finance Agency (MHFA). MHFA recently started to consider affordable senior housing projects under the tax credit program and is slowly starting to expand financing for this product type. Affordable/subsidized senior housing products can also be incorporated into a mixed-income building which may increase the projects financial feasibility. We recommend a 100 to 120-units affordable building that could be a stand-alone concept or incorporated into a mixed-income building.
- *Independent Living, Assisted Living, and Memory Care Senior Housing* – In Owatonna and the Remainder of Steele County there are currently two independent living units, 271 assisted living units (excluding Traditions I and II for which vacancies were unable to be obtained), and 93 memory care units (excluding Traditions I and II for which vacancies were unable to be obtained). However, vacancy rates are high for all three service levels as collectively the vacancy rate in the PMA is about 17%. Vacancies were elevated during the pandemic and have yet to come down as the pandemic has waned. Given the existing number of projects and pending projects, demand was calculated for 258 independent living units, 31 memory care units, and 10 assisted living units over the next seven years.

Due to the elevated vacancy rates at this time, we recommend holding on service-based senior housing in the short-term until a stabilized vacancy can be reached within the existing supply. Independent living has the highest demand over this decade and is largely driven by the demographics that favor younger seniors vs. older seniors. In addition, independent living is less staff intensive and will not have staffing challenges to the same degree as assisted living, memory care, and skilled nursing care facilities. For independent living units, we recommend 100 to 120 units. These units should range from \$1,850 for one bedroom units to \$2,900 for two bedroom units. Seniors will utilize assets and existing homes to help fund unit costs. In addition, due to the lack of demand, we do not recommend more assisted living units by 2030.

There is also demand for specialized memory care this decade. Memory care living units include a mix of studio, and one-bedroom, and a few two-bedroom units with base monthly rents ranging from \$4,000 to \$5,000. Memory care units should be located in a secured, self-contained wing located on the first floor of a building and should feature its own dining and common area amenities including a secured outdoor patio and wandering area.

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

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

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

Challenges and Opportunities

Table CR-2 identified and recommended housing types that would satisfy the housing needs in Owatonna over the next ten years. The following were identified as the greatest challenges and opportunities for developing the recommended housing types (in no particular order - alphabetically).

- **Accessory Dwelling Units (“ADU”):** Accessory dwelling units (“ADUs”) go by several different names such as: In-law suites, garage apartments, backyard cottages, granny flats, guest houses, etc. An ADU is simply a small, stand-alone residential dwelling unit located on the same property as a detached single-family home. However, in some cases an ADU could include an addition on an existing home, apartment over a garage, or be located within an attic or basement within the home. Legally, however, an ADU is still a part of the original parcel's PID number and title is with the property owner. The most common reason for building an ADU is generating rental income for the homeowner or housing a family member (often for free).

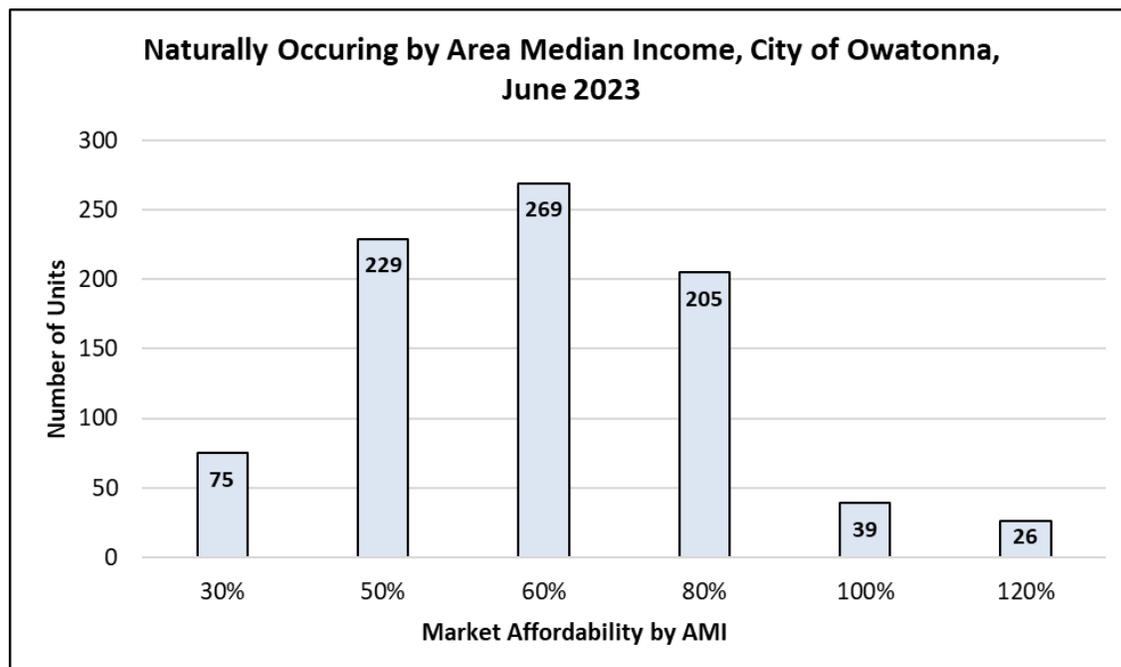
Because of increased density on the property and smaller sized units, ADUs have the potential to increase housing affordability and create a wider range of housing options. Many communities that permit ADUs in their zoning code limit the number of accessory structures to just one; however, some cities have recently revised their zoning code to allow up to two accessory structures. Some communities monitor ADU construction by limiting new construction to only owner-occupied housing units (main structure is owned), minimum lot size, setbacks, and number of occupants or bedrooms in the accessory structure.

Maxfield Research recommends that local planning departments review their existing zoning code and if not already permitted, revise zoning codes to ensure ADUs can be a permitted use. Demand for ADUs has increased significantly since the COVID-19 pandemic as homeowners sought to move family members together in a multi-generational environment. Also, many homeowners will design the ADU as a multifunctional space as a home office and living space away from the main home. Finally, ADUs offer another solution for meeting rental housing demand and/or short-term housing needs.

- **Age of Housing Stock.** As illustrated in *the Housing Characteristics* Section of the report (Table HC-3, the median year built for a home in Owatonna was 1974 and only about 17% (16.9%) of the housing stock was built in the past two decades. However, the percentage of homes constructed in the past two decades was even lower in the PMA Remainder (12.9%). In addition, about 15% (15.2%) of the housing stock in Owatonna was constructed before the 1940s. This percentage was the highest of any years analyzed. Therefore, a portion of the housing stock in Owatonna may need remodeling programs that reinvest into the city's owner and renter housing stock.

CHALLENGES AND OPPORTUNITIES

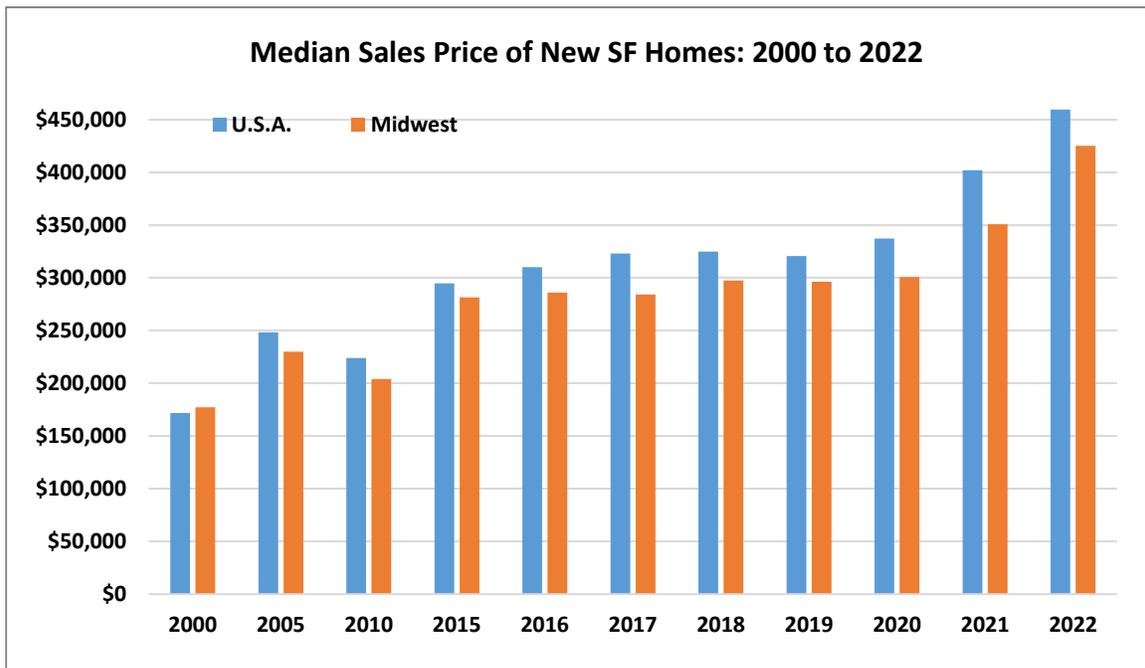
- **Affordable Housing/Naturally Occurring Affordable Housing (NOAH).** Tables HA-1 and HA-2 identified the City of Owatonna and PMA median Incomes (“AMI”) and the fair market rents by bedroom type. Based on the monthly rates of market rate rental projects in the PMA and NOAH inventory on Tables R-14 and R-15, about 36% of market rate rental units are affordable at less than 50% AMI and about 68% are affordable at 60% AMI or less. Together with 80% AMI properties, about 92% of the rental stock is affordable at less than 80% AMI. Because NOAH housing provides the vast majority of affordable housing to renters; we recommend a proactive approach to maintaining affordability within the existing housing stock. Dollar for dollar, preservation of NOAH units yields a much higher number of affordable units vs. new construction under the LIHTC program.



- **Aging Population/Aging Boomers.** As illustrated in Table D-4, there is significant growth in the senior population in Owatonna, especially among seniors ages 65 to 74 (14%) and 75 to 84 (27%). In addition, Table D-10 shows homeownership rates among seniors 65+ is approximately 76% in 2020 in Owatonna and 79% in the PMA. High homeownership rates among seniors indicate there could be lack of senior housing options, or simply that many seniors prefer to live in their home and age in place. Aging in place tends to be higher in rural vs. urban settings as many rural seniors do not view senior housing as an alternative retirement destination but a supportive living option only when they can no longer live independently. Rural areas also tend to have healthier seniors and are also more resistant to change. However, this demographic cohort will need alternative housing products not currently offered in the marketplace; especially anything with one-level living. The aging of the population suggests several housing types will be needed; including active adult rentals, for-sale villas, and all-ages apartments that will also be attractive to downsizing seniors.

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- **Construction & Development Costs.** The cost to build and develop new single-family housing has increased significantly over the past decade and since the Great Recession in all markets across the U.S.A., as seen in the chart below. New construction pricing peaked in the 2000s between 2005 and 2007 before falling during the recession. Pricing in nearly every market across the United States decreased between 2008 and 2011 before starting to rebound in 2012 and beyond. However, since the Great Recession it has become increasingly difficult for builders to construct entry-level new homes due to a number of constraints – rising land costs, rising material and labor costs, lack of construction labor, and increasing regulation and entitlement fees. As a result, affordable new construction homes have become rare as builders are unable to pencil-out modestly priced new construction. New construction in Owatonna is difficult to achieve under \$300,000. At the same time, new construction pricing is at an all-time high coming out of the pandemic due to strong demand and supply and labor constraints for builders that are driving up housing costs. However, with continued interest rate hikes from the Federal Reserve in 2022 and 2023, construction costs could come down in 2024 as labor is loosening.



- **COVID-19.** The COVID-19 pandemic has had both direct and indirect effects on the housing industry. The senior housing industry was directly impacted as the virus affected older adults at a much higher rate. Senior properties hit record high vacancy rates and many seniors continue to age in place as long as possible as they have avoided living in a shared space. At the beginning of the pandemic there were permitting delays from public agencies; however, at this time most public agencies have adopted, and city council and planning commission meetings have gone virtual or a combination of virtual and in-person.

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Economically, the unemployment rate in Owatonna was considerably low compared to the rest of the country during the pandemic. In early 2020, the unemployment rates were about 3.6% before peaking at 10.1% in May 2020. Unemployment was back down even lower than prior to the pandemic at 4.2% by April 2021 but ticked up again to 3.8% in early 2022 before falling to 2.9% by April 2023.

Despite the pandemic over the past two years, the local real estate market has performed above expectations and strong demand remains for housing; although housing demand is cooling with rising interest rates and inflation. Supply remains near an all-time low and there are more buyers than sellers, however that is slowly leveling-out now with elevated mortgage rates. The pandemic has changed buyer preferences; both internally and externally. Buyers have a greater desire for outdoor features, green space, more square footage, flexible spaces for home offices, and healthy living conditions. Buyers are also trading location for more home by locating further from their place of employment. There is also a preference toward new construction and the new home market has been strong since 2020 as builders have not kept the pace with demand.

On the rental side, social distancing initially had an impact on common corridor apartment buildings as all communal areas were shut down and tenants could not utilize amenities. Since the pandemic, the demand for smaller unit sizes has waned as renters desire larger spaces as they work from home, utilize for fitness, etc. With telecommuting and work from home being the norm tenants are seeking a separation of work and live spaces as well as access to balconies and patios to provide fresh air and extra space. There has been strong demand for townhome-style rentals or a building that has been designed with a separate entrance and attached parking. These trends and preferences will likely continue as the pandemic has waned.

- **Housing Programs.** Many communities and local Housing and Redevelopment Authorities (HRAs) offer programs to promote and preserve the existing housing stock. In addition, there are various regional and state organizations that assist local communities enhance their housing stock. Generally, we find very few housing programs available across Owatonna and Steele County. We recommend implementing even a few housing programs to assist new development or enhance the existing housing stock. The following is a sampling of potential programs that could be explored.
 - 4d Affordable Housing Tax Incentive - Offers rental property owners a 40% tax rate reduction and limited grant assistance for units that remain affordable for ten years. Property owners can invest the savings into updating and maintaining their naturally occurring affordable housing units.
 - Architectural Design Services - The local government authority (City, HRA, etc.) partners with local architects to provide design consultation with homeowners. Homeowner pays a small fee for service, while the City/public entity absorbs the majority of the cost. No income restriction.

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- Construction Management Services – Assist homeowners regarding local building codes, reviewing contractor bids, etc. Typically provided as a service by the building department. This type of service could also be rolled into various remodeling related programs.
- Density Bonuses – Since the cost of land is a significant barrier to housing affordability, increasing densities can result in lower housing costs by reducing the land costs per unit. Municipalities can offer density bonuses as a way to encourage higher-density residential development while also promoting an affordable housing component.
- Fast Track Permitting – Program designed to reduce delays during the development process that ultimately add to the total costs of housing development. By expediting the permitting process costs can be reduced to developers while providing certainty into the development process. Typically, no-cost to the local government jurisdiction.
- Heritage/Historic Preservation – Encourage residents to preserve historic housing stock in neighborhoods with homes with character through restoring and preserving architectural and building characteristics. Typically funded with low interest rates on loans for preservation construction costs.
- Home Improvement Area (HIA) - HIAs allow a townhome or condo association low interest loans to finance improvements to communal areas. Unit owners repay the loan through fees imposed on the property, usually through property taxes. Typically, a "last resort" financing tool when associations are unable to obtain traditional financing due to the loss of equity from the real estate market or deferred maintenance on older properties.
- Home-Building Trades Partnerships – Partnership between local Technical Colleges or High Schools that offer building trades programs. Affordability is gained through reduced labor costs provided by the school. New housing production serves as the "classroom" for future trades people to gain experience in the construction industry.
- Home Sale Point of Sale - City ordinance requiring an inspection prior to the sale or transfer of residential real estate. The inspection is intended to prevent adverse conditions and meet minimum building codes. Sellers are responsible for incurring any costs for the inspection. Depending on the community, evaluations are completed by either city inspectors or third-party licensed inspectors.
- Housing Fair - Free seminars and advice for homeowners related to remodeling and home improvements. Most housing fairs offer educational seminars and "ask the expert" consulting services. Exhibitors include architects, landscapers, building contractors, home products, city inspectors, financial services, among others.

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- Home Energy Loans – Offer low interest home energy loans to make energy improvements in their homes.
- Household and Outside Maintenance for the Elderly (H.O.M.E.) – Persons 60 and over receive homemaker and maintenance services. Typical services include house cleaning, grocery shopping, yard work/lawn care, and other miscellaneous maintenance requests.
- Infill Lots – The City or HRA purchase blighted or substandard housing units from willing sellers. After the home has been removed, the vacant land is placed into the program for future housing redevelopment. Future purchasers can be builders or the future owner-occupant who has a contract with a builder. Typically, all construction must be completed within an allocated time period (one year in most cases).
- Land Banking – Land Banking is a program of acquiring land with the purpose of developing at a later date. After a holding period, the land can be sold to a developer (often at a price lower than market) with the purpose of developing affordable housing.
- Land Trust - Utilizing a long-term 99-year ground lease, housing is affordable as the land is owned by a non-profit organization. Subject to income limits and targeted to workforce families with low-to-moderate incomes. If the family chooses to sell their home, the selling price is lower as land is excluded.
- Realtor Forum - Typically administered by City with partnership by local school board. Inform local Realtors about school district news, current development projects, and other marketing factors related to real estate in the community. In addition, Realtors usually receive CE credits.
- Remodeling Tours - City-driven home remodeling tour intended to promote the enhancement of the housing stock through home renovations/additions. Homeowners open their homes to the public to highlight home improvements.
- Rental Collaboration - City organizes regular meetings with owners, property managers, and other stakeholders operating in the rental housing industry. Collaborative, informational meetings that includes city staff, updates on economic development and real estate development, and updates from the local police, fire department, and building inspection departments.
- Rent to Own - Income-eligible families rent for a specified length of time with the end-goal of buying a home. The HRA saves a portion of the monthly rent that will be allocated for a down payment on a future house.
- Shallow Rent Subsidy: The HRA funds a shallow rent subsidy program to provide program participants living in market rate rentals a rent subsidy (typically about \$100 to \$300 per month).

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- **Tax Abatement:** A temporary reduction in property taxes over a specific time period on new construction homes or home remodeling projects. Encourages new construction or rehabilitation through property tax incentives.
- **Tax Increment Financing (TIF):** Program that offers communities a flexible financing tool to assist housing projects and related infrastructure. TIF enables communities to dedicate the incremental tax revenues from new housing development to help make the housing more affordable or pay for related costs.
- **Downtown Owatonna.** Downtown Owatonna is centered around North Cedar Avenue and home to a variety of shops, restaurants, county offices, and Central Park. Several general occupancy rental and senior housing projects are located in Downtown Owatonna or in neighborhoods adjacent Downtown. Multifamily rental properties in and around downtown Owatonna are not limited to older property types. For example, 111 Vine a property with such amenities as in unit washer dryers, a fitness center, and rooftop terrace was built in 2019 signaling the desirability of newer properties in the downtown area. Also, newly built is the Courtyard by Marriot: Owatonna Downtown which helps bring visitors to Downtown along with light fixtures to help beautify the area. The downtown area could also incorporate mixed use projects with retail and services on the bottom floor with housing above.



Light Fixtures – Downtown Owatonna



Courtyard by Marriot: Owatonna Downtown

- **Infill Lots.** Infill refers to a parcel(s) of land which is surrounded by land that has already been developed. Infill development is new construction located on underutilized or vacant lots usually located in established neighborhoods of a community. Infill development can be challenging as enough parcels of land that are permissible land uses are typically required to be assembled to allow for a feasible building. Typically, the challenge is assembling all of the parcel owners to agree to sell and in a time period that makes economic sense to the buyer. Although Owatonna may have some infill lots available; however, many have tighter lot widths which require lot combinations in order to achieve a buildable

lot for today's floor plan designs. Many infill lots are priced lower than lots marketing in new subdivisions. As such, these lots are typically among the lowest price in a community.

Many communities have infill programs that are designed to enhance older neighborhoods or provide affordable homes for low- and moderate-income households. Infill programs are designed to facilitate the development of vacant lots in older neighborhoods that suit the character of the neighborhood. Some cities provide pre-approved floor plans that meet building criteria on smaller lots sizes. Other communities have infill programs that provide incentives to encourage developers to build affordable housing within targeted neighborhoods. Such incentives include free land for qualified builders/developers, deferred or waived impact fees, and funding assistance.

- **Inflation.** U.S. inflation rates hit a new 40-year high of nearly 9% in 2022, the biggest yearly increase since December 1981. They have peaked and have since come down but are still elevated and remain high. Rampant price increased for nearly every good and service and specifically energy and food costs are having an impact on American consumers and will eventually affect housing affordability. As a result, the Federal Reserve has been implementing interest rate hikes and increasing borrowing costs to hopefully offset a recession. As interest rates have increased for-sale housing demand has slowed and demand for rental housing has increased. This has resulted in higher housing costs for both buyers and renters. Housing assets are in higher demand during inflationary times as real estate values tend to hedge inflation and investors seek out rental housing assets as equity continues to grow. In the short term, household balance sheets will continue to be stretched as rising costs affect Owatonna residents. This could hinder housing production in the near term as new construction will be difficult to pencil.
- **Job Growth/Employment.** The Covid-19 pandemic created a number of new challenges for businesses, workers, and government. As depicted earlier, the unemployment rate in Owatonna has historically been under 4.0% before shortly rising to over 10% during the peak shutdowns in spring 2020. These unprecedented challenges had an economic ripple effect across the country as thousands of Americans found themselves out of work with increases in unemployment. However, Owatonna employers weathered the pandemic much better than most of the country as the unemployment rate has stayed low.

The Owatonna unemployment rate has declined to 2.9%, but the labor force has not come back to pre-pandemic levels and although a low unemployment rate is generally considered positive news, an extremely low unemployment rate can be challenging for employers looking to add additional staff. The labor force was about 15,000 prior to the pandemic and fell to 13,800 in spring 2020 before rebounding in late 2020. However, the labor force is down to under 13,000 in the first half of 2023. Although additional job creation supports the need for housing, a lack of housing, and especially, affordable housing, can place pressure on attracting workers and new jobs.

CHALLENGES AND OPPORTUNITIES

- **Land/Lot Supply.** Tables FS-7 inventoried active subdivisions with available lots. Based on our research there are just over 80 vacant lots, not included scattered lots throughout the city. Many of these subdivisions have less than 10 lots remaining; however the majority of the lots are located within five subdivisions that make up 85% of the vacant lots within marketing subdivisions. Although Owatonna was building upwards of over 150 single-family homes annually during the peak housing boom years of 2004 to 2006, single-family home construction has been muted since 2008. Since 2015, about 32 new homes have been constructed annually, with a slight uptick in 2021 during the pandemic housing boom.

Maxfield Research recommends at least a 3- to 5-year lot supply to maintain a balance of lot preferences for home buyers. Given the current vacant lot supply, the existing supply is sufficient to meet future demand over the next few years. However, demand still exists for desirable lots such as walk-outs and look-outs that may not be offered in the current subdivisions. New lots will need to be platted soon to ensure lot supply is available come 2025 and later.

- **Land Constraints/Infill/Teardowns.** Owatonna still has areas of the city with land available for development. This land is largely available on the edges of the city and includes both the northeastern portion of the city as well as to the southeast near the city's future high school. However, despite available land, the situation is different near the city's downtown. Housing in and around downtown Owatonna is denser, and infill and redevelopment seem the logical route.

Because of Owatonna's location as the hub of Steele County and its unique downtown core, teardowns should continue to be in demand in the future. As outlined over the past twenty years, Owatonna has averaged about six demolition permits annually that between 2010 and 2019. A teardown is defined as a "one-to-one" replacement of an existing housing unit that is replaced with new construction. Teardowns will continue to be popular providing it makes economic sense, where the value of land meets or exceeds the value of the both the lot and house that is currently occupied.

We recommend the city continue to encourage single-family residential development in a balanced approach that will allow new construction while maintaining neighborhood characteristics and particularly that of the charm of downtown Owatonna.



111 Vine Apartments: Downtown Owatonna



Housing Example Near Downtown Owatonna

- **Lifestyle Renters.** Historically, householders rented because they couldn't afford to buy or didn't have the credit to qualify for a mortgage. Today that is no longer the case, and many householders are renting by choice. High-income renters represent the fastest growing market segment of the rental market today; having grown 48% over the past decade. Demand is being driven by the Millennials, would-be buyers on the side-line, and empty nesters. As a result, rental housing is one of the preferred real estate asset classes today across country. Lifestyle renters are attracted to developments offering excellent finishing quality, extensive common area facilities, and typically focus on an environment providing a more social experience. Owatonna is experiencing a surge in apartment construction many that cater to lifestyle renters.
- **Mobility/Rural Lifestyle and Image:** The COVID-19 pandemic fundamentally changed the housing industry and mobility hit an all-time high over the past two years. According to Pew Research, 20% of Americans moved during the pandemic. Housing suddenly became more than a place to sleep, but the home office, school, gym, and place of entertainment. Generally, households used the pandemic and the work-from-home movement to flee high-cost housing markets and relocated to more affordable housing markets. Mobility trends showed the movement away from urban core neighborhoods or Metro Areas to the suburbs, exurbs, and rural areas. Households moved to less densely populated areas, lower tax states, sought larger homes and yards, and traded-up due to the lower cost of housing.

Many smaller communities have experienced a "rural resurgence" as remote work made the movement to small towns and the "country" viable which was once led by proximity to the office. Rural returnees are often motivated to live closer to family and friends, smaller schools to raise children, slower pace of life, outdoor activities, and finally more affordable housing stock compared to their previous place of residence. It is estimated that families with children accounted for the highest percentage of household types that have moved to smaller cities.

Many economic development agencies are working to lure residents back to rural areas and smaller communities through recruitment strategies via social media. We recommend exploring marketing options with the local chamber of commerce or other economic development agencies on a branding initiative to sell Owatonna and lifestyle while attracting remote talent. Owatonna has the benefit of being a “large-small town” with all the amenities of larger communities yet the quaintness of a small town. Owatonna is also close to the Metro Area, Rochester, and Mankato for employees that want to live in Owatonna but commute to other markets in a hybrid work environment.

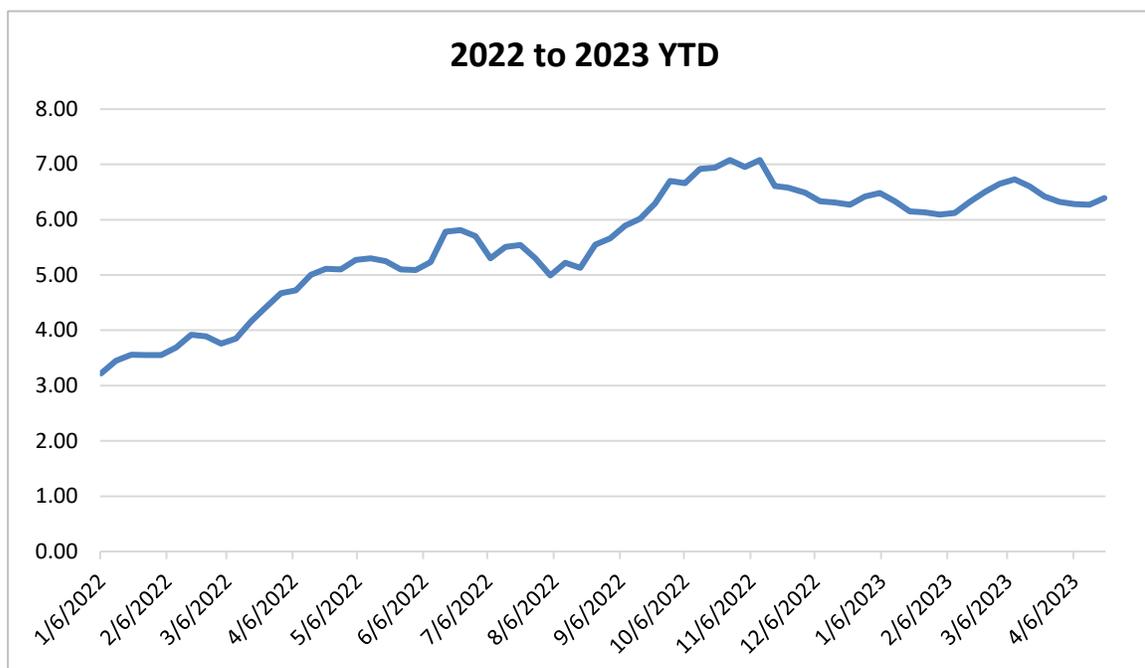
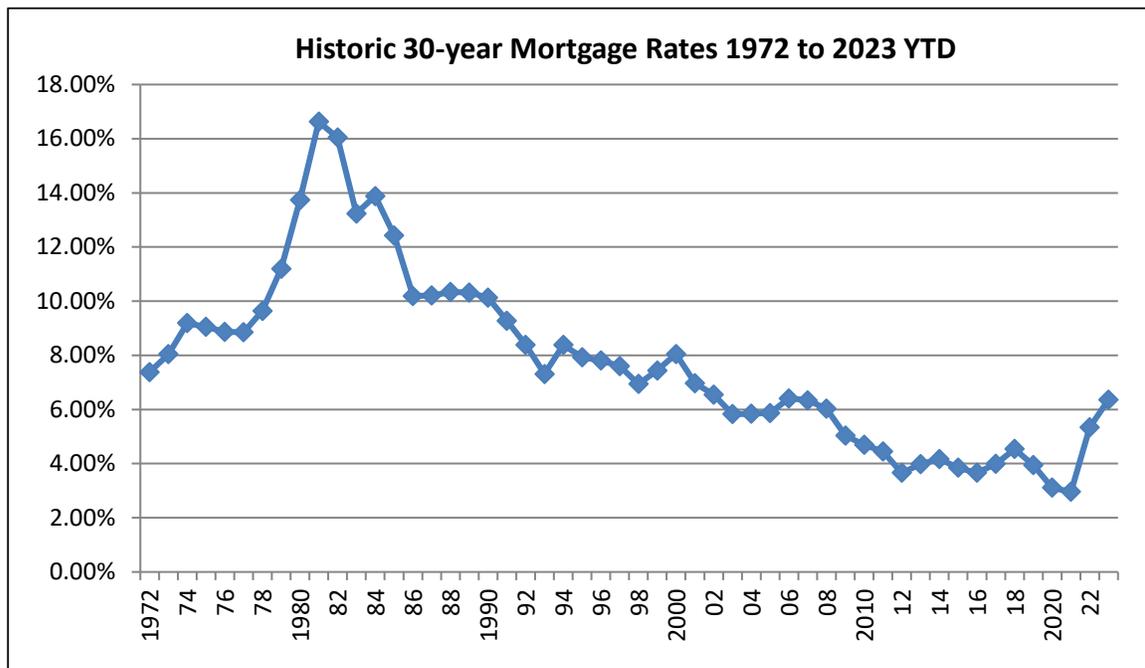
- **Modular Housing.** Modular housing, often referred to as prefab housing, is the construction of housing units in a controlled factory-like setting or on a manufacturer's site or lumber yard. Modular housing is gaining steam from developers and investors to combat high construction costs, labor shortages, and speed-up the construction timeline. The biggest advantage modular housing provides is time and shaving months of holding costs off the consumer's bottom line. Originally modular housing was mostly single-family oriented; however, developers are now constructing entire apartment buildings, hotels, senior living, man camps, and college dorms. Historically the biggest challenge of modular housing is transportation, shipping costs, and perception. Modular housing has made huge strides over the decades and are now built on concrete foundations or include basements. The industry continues to battle the stigma of the older mobile homes as the appraisal community continually mis-appraises modular homes due to biases or lack of education on the product. Locally, there is new manufacturer in Owatonna (Rise Modular) and future modular plants in the works across Minnesota. Maxfield Research believes there is opportunity in the modular construction sector that can be utilized in Owatonna, providing a win-win scenario by providing housing production and passing cost savings along to consumers.

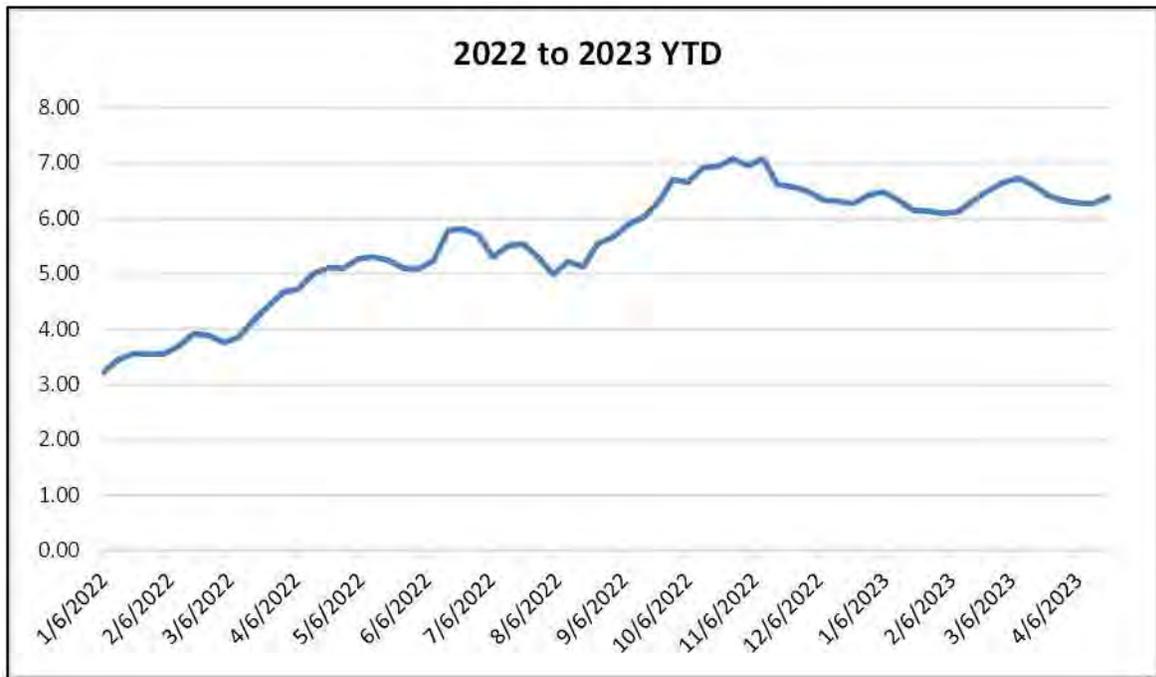
If not already, we recommend the City of Owatonna revise zoning codes to allow for this type of housing if it is not permitted. However, design standards should be enforced in order to ensure incompatible housing does not deter neighborhoods.

- **Mortgage Rates.** Mortgage rates play a crucial part in housing affordability. Lower mortgage rates result in a lower monthly mortgage payment and buyers receiving more home for their dollar. Rising interest rates often require homebuyers to raise their down payment in order to maintain the same housing costs. Mortgage rates have stayed at historic lows for most of the past decade trending under 4.5% (30-year fixed) since around 2010. At the on-set of the COVID-19 pandemic, rates plummeted to at or near an all-time low under 3% for part of 2020 and most of 2021. However, due to a 40-year high inflation the Federal Reserve began hiking rates in 2022 to slow the economy and curtail inflation. The Federal Reserve has implemented ten rate hikes since March 2022 and is expected to be increase two more times through 2023. As a result, the cost of for-sale housing has increased significantly this year and many would-be-buyers are on the sidelines and have been priced out of the market. Compared to early 2022, mortgage payments in 2023 are on average about 60% higher than the beginning of 2022 (3.25% vs. 6.75%). As a result, affordability has been crushed and a housing market reset is in play.

CHALLENGES AND OPPORTUNITIES

The following charts illustrates historical mortgage rate averages as compiled by Freddie Mac. The Freddie Mac Market Survey (PMMS) has been tracking mortgage rates since 1972 and is the most relied upon benchmark for evaluating mortgage interest market conditions. The Freddie Mac survey is based on 30-year mortgages with a loan-to-value of 80%.





- Rental Housing Boom.** There have been several recently completed multifamily projects in Owatonna as over 230 units were permitted in 2022 and many more are in the development pipeline. According to Table P-1, there are 470 rental units either proposed, approved, or under construction. The vast majority of these units are market rate rentals comprising 420 units of which 301 are under construction at the time of this study. The demand calculations on Table HD-2 took into consideration the pipeline of over 400 units and subtracted these units out to reflect the rental housing need after all these projects are delivered. After subtracting these units, demand is reduced to about 150 units through this decade after all these projects are occupied. Although the rental housing vacancy rate is tight at this time, we project an increase in vacancies given the new supply which many result in concessions from new construction to help assist absorptions should several projects open at the same time.
- Short-Term Stay Housing.** The short-term stay housing market continues to gain ground; in-part from pandemic and for households desiring temporary housing accommodations. Establishments range from hotels, suites, apartments, townhomes, or single-family homes, etc. Many of these furnished units offer weekly and monthly rates that have flexible rental agreements. There has been a growing preference for non-traditional lodging choices as companies such as VRBO, Airbnb, Stay Alfred, Sonder, and others make a splash into the rental and hospitality sector. Many apartment owners are entertaining relationships with short-term stay companies as an avenue to lock-up long-term leases with a short-term operator. Maxfield Research recommends addressing local zoning codes to monitor future multifamily concepts that may include short-term and long-term stay leases.

- **Single-Family Rental Housing Demand.** Table HC-4 showed that 18% of the rental housing inventory in Owatonna in 2021 is within single-unit housing structures. Another 10% of units were located within an attached structure such a townhome. Nationwide, it is estimated that 25 of the 43 million rental households in the United States (58%) reside in either single-family rentals, townhomes, duplexes, triplexes, and quads. Single-family units, townhomes, and condos make-up about 34% of all rental units in the country, 23% in the Twin Cities Metro Area, and 27% in the State of Minnesota.

A recent study by Freddie Mac identified the market share of single-family rentals (“SFR”) by ownership type across the country. The study found that 88% of SFR are owned by investors with between 1 and 10 homes. Institutional investors make-up only 1% of the market share today; even though they are they have the financial backing and are able to acquire larger portfolios.

Demand is strong for SFR by providing renter lifestyle choice and the ability to reside in a detached unit without having to obtain the funds for a down payment on a mortgage. Many SF renters may consider purchasing; however, the rising costs of real estate and the down payment requirements hinder some renters from making the leap to home ownership. The COVID-19 pandemic increased demand for SFR as renters desire more square footage, green space/yards, separate entrances, and more privacy than traditional multi-family structures.

Single-family rental communities have been one of the hottest real estate products to come out of the pandemic over the past few years. Although Minnesota is behind the rest of the country, there are several developments in the pipeline or that have recently been completed in the Twin Cities. We recommend exploring purpose-built single-family rental communities or townhomes in the City of Owatonna and zoning codes that permit the project concept.

APPENDIX

Definitions

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

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

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

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

Affordable housing – Housing that is income-restricted to households earning at or below 80% AMI, though individual properties can have income-restrictions set at 40%, 50%, 60% or 80% AMI. Rent is not based on income but instead is a contract amount that is affordable to households within the specific income restriction segment. It is essentially housing affordable to low or very low-income tenants.

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

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

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

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

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

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

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

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

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

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

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

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

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

Effective Rents – Contract rent less applicable concessions.

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

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

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

Fair Market Rent – Steele County 2022

	Fair Market Rent				
	EFF	1BR	2BR	3BR	4BR
Fair Market Rent	\$572	\$661	\$861	\$1,223	\$1,474

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

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

Gross Rent – The monthly housing cost to a tenant which equals the Contract Rent provided for in the lease, plus the estimated cost of all utilities paid by tenants. Maximum Gross Rents for Steele County in 2022 are as follows:

	Maximum Gross Rent				
	EFF	1BR	2BR	3BR	4BR
30% of median	\$476	\$544	\$612	\$680	\$735
50% of median	\$793	\$907	\$1,021	\$1,133	\$1,225
60% of median	\$952	\$1,089	\$1,225	\$1,360	\$1,470
80% of median	\$1,270	\$1,452	\$1,634	\$1,814	\$1,960
100% of median	\$1,587	\$1,815	\$2,042	\$2,267	\$2,450
120% of median	\$1,905	\$2,178	\$2,451	\$2,721	\$2,940

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

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

Housing Choice Voucher Program – The federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. A family that is issued a housing voucher is responsible for finding a suitable housing unit of the family's choice where the owner agrees to rent under the program. Housing choice vouchers are administered locally by public housing agencies. They receive federal funds from the U.S. Department of Housing and Urban Development (HUD) to administer the voucher program. A housing subsidy is paid to the landlord directly by the public housing agency on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

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

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

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

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

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

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

Income Limits by Household Size – Steele County 2022

	Income Limits by Household Size							
	1 pph	2 pph	3 pph	4 pph	5 pph	6 pph	7 pph	8 pph
30% of median	\$19,050	\$21,780	\$24,510	\$27,210	\$29,400	\$31,590	\$33,750	\$35,940
50% of median	\$31,750	\$36,300	\$40,850	\$45,350	\$49,000	\$52,650	\$56,250	\$59,900
60% of median	\$38,100	\$43,560	\$49,020	\$54,420	\$58,800	\$63,180	\$67,500	\$71,880
80% of median	\$50,800	\$58,080	\$65,360	\$72,560	\$78,400	\$84,240	\$90,000	\$95,840
100% of median	\$63,500	\$72,600	\$81,700	\$90,700	\$98,000	\$105,300	\$112,500	\$119,800
120% of median	\$76,200	\$87,120	\$98,040	\$108,840	\$117,600	\$126,360	\$135,000	\$143,760

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Population – All people living in a geographic area.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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