

Purpose and Scope of Study

Maxfield Research and Consulting, LLC. was engaged by the Austin Housing and Redevelopment Agency to conduct a *Comprehensive Housing Needs Analysis* for Austin, 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 Market Area; 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 Market Area. Recommendations on the number and types of housing products that should be considered in the Market Area are also supplied.

Demographic Analysis

- Population and households in the Market Area are projected to grow slowly through 2030, when the population will reach 41,515 and households totaling 16,689.
- Between 2017 and 2030, the Market Area is projected to experience the largest population gains in the 65 to 74 age cohort (+20.8), but a shrinking of 18 to 24 (-7.8%) and 25 to 34 (-6.3%) age cohorts.
- The median income in the City of Austin was \$47,199 in 2017. Median incomes in the City are projected to rise 12.9% through 2022 to \$53,292. Incomes peak at \$60,819 among those in the 45 to 54 age cohort.
- Nearly 16% of the City of Austin reported their ethnicity as Hispanic or Latino in 2015, a 3.0% increase from 2010.
- The median net worth in the Market Area in 2016 was \$117,857. The net worth in the Remainder of the Market area was reported as \$179,494, higher than the City of Austin which reported a net worth of \$81,343.
- The decrease in Married Households without Children (-6.8% in the Market Area) reflects both the aging baby boomer population whose children have left home and the trend of couples delaying, or forgoing, having children.
- Renter-occupied units are most likely to be single person households (44.3%) in the Market Area, with another quarter of units (25.3%) being two-person households. Homeowner households, however, are most likely to be two-person households (35.8%), followed by four-person households (22.0%).

Housing Characteristics

- The number of building permits issued for new residential units in the City of Austin continues to reflect the impact of the Great Recession. Building permits dropped from 588 new residential construction units permitted from 2000 to 2007 compared to 146 residential units permitted from 2008 to 2016.
- Single-family detached units made up the largest proportion of housing type for owner-occupied units (93.6%) and renter-occupied units (42.5%) in the Market Area.
- Homes carrying a mortgage in the Market Area reported a higher median value (\$130,891) compared to homes without a mortgage (\$111,289).
- The largest proportion of homes in Austin (42.4%) were valued between \$50,000 and \$99,999.
- The median contract rent in Austin was \$545 in 2015, with the largest proportion of renters (38.2%) paying between \$250 and \$499 per month in rent. In the Remainder of the Market Area, much higher proportion of renters (17.6%) pay no contract rent compared to the proportion in the City of Austin (2.2%) and the State of Minnesota (4.6%).
- Homeownership increases as incomes increase, rising from 30.0% among those earning less than \$15,000 in the City of Austin to 98% among those earning \$150,000 or more.

Employment Trends

- Unemployment has been on a steady decline in Austin since 2009. The unemployment rate in Austin is on par with Mower County and Region 10, but lower than the State of Minnesota and the United States.
- Education and Health Services and Manufacturing are leading industries in the City of Austin. Together these industries account for 51% of employment in the City.
- The average weekly wage in the City of Austin was \$989 in 2016 compared to \$1,044 in the State of Minnesota.
- The City of Austin is a net importer of workers, 5,532 workers commute into the City for work, and another 7,592 people live and work in the City of Austin, compared to 3,877 of Austin residents who commute outside the city for work.

Rental Housing Market Analysis

- In total, Maxfield Research surveyed 613 general occupancy market rate rental units in 13 multifamily developments (12 units and larger). At the time of the survey, there were 15 vacant units, resulting in 3.0% vacancy rate. Typically, a healthy rental market maintains a

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vacancy rate of roughly 5%, which promotes competitive rates, ensures adequate consumer choice, and allows for unit turnover.

- There were 348 affordable/subsidized units at seven projects. At the time of the survey, there were no units available.

Senior Housing Market Analysis

- There are 16 senior housing facilities located in the Austin Market area offering 617 units. Eleven facilities offer subsidized senior housing with 437 units available.
- Below is a summary of the type of senior housing units available in the Austin Market Area.

Service Type	Austin Market Area		
	Austin	Remainder of MA	Market Area
Subsidized	335	102	437
Adult/Few Servic	132	0	132
Congregate	95	32	127
Assisted Living	164	84	248
Memory Care	104	6	110
Total	830	224	1,054

Sources: Maxfield Research and Consulting, LLC

For-Sale Housing Market Analysis

- For sale housing in Austin has reported steady appreciation in prices, avoiding the major ups and downs in prices of the housing boom and bust experienced in many regions of the country.
- Median sales price jumped from \$73,500 in 2012 to \$90,000 in 2013. Since 2014, median sales prices have risen each year, reaching \$105,000 for sales through July 2017.
- Over half of home resales in 2016 were under \$100,000 and a quarter were prices between \$100,000 and \$150,000.
- The median list price for homes marketing in August 2017 was \$94,900. A household would need an income of \$27,000 to \$32,000 to afford a home at the median list price. Approximately, 71% of the households in the Austin PMA would be able to afford a median priced home in Austin.
- Realtors reported that homes are selling quickly, and over the listing price, particularly among homes in the entry level price range.

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Development Pipeline

- Fox Pointe in Austin was awarded preliminary plat approval in July 2017 for the development of a 38-unit affordable townhome development and three single family homes.
- At the time of this study, there were several development proposals which were stalled or whose future development was uncertain.

Housing Affordability

- About 20.4% of owner households and 36.1% of renter householders are estimated to be paying more than 30% of their income for housing costs in the Austin PMA. Compared to the Minnesota average, the percentage of cost burdened owner households is lower than the state average, but slightly higher than the state average for renter households.
- The number of cost burdened households in the Austin Market Area increases when analyzed based on lower incomes. About 72.7% of renters with incomes below \$35,000 are cost burdened and 38.1% of owners with incomes below \$50,000 are cost burdened.

Housing Needs Analysis

- Based on our calculations, demand exists in the City of Austin for the following general occupancy product types between 2017 and 2025:
 - Market rate rental 207 units
 - Affordable rental 53 units
 - Subsidized rental 86 units
 - For-sale single-family 119 units
 - For-sale multifamily 67 units
- In addition, we find demand for multiple senior housing product types. By 2025, demand in the City of Austin for senior housing is forecast for the following:
 - Active adult ownership 69 units
 - Active adult market rate rental 147 units
 - Active adult affordable 69 units
 - Active adult subsidized 0 units
 - Congregate 73 units
 - Assisted Living 30 unit
 - Memory Care 106 units