

City of Northfield Housing Study Fall 2020 / Winter 2021

Housing Demand and Supply Analysis



Housing Demand and Supply Elements

1. 5-Year Projections
2. For-Sale Housing Demand and Supply
3. Rental Housing Demand and Supply
4. Senior Housing Demand and Supply

5- Year Projections

1. Projections are based on the following principles:
 - Projections are an extrapolation of past data, adjusted for the current context
 - Recent history provides good clues for the near future
 - Population grows through births and in-migrations
 - Population decreases through deaths and out-migrations
2. Based on various data sources and projections and projections for comparable communities
 - Census, ACS, State Demographer, ESRI, which also includes Metrostudy Real Estate, Axiometrics Housing Database, and aerial photography
3. Current context impacts make deviations reasonable to consider
 - Impacts of COVID-19, technology, age cohort shifts, household types

5- Year Projections

4. Northfield has a unique situation with Colleges:
 - Generally, St. Olaf and Carleton have flat enrollment numbers
 - Both schools emphasize living on campus and are focusing on keeping the vast majority of students in campus housing.
 - Our projections treat the college population as generally fixed and with a minimal impact on household numbers and housing demand
5. Projections anticipate the development of affordable housing to meet growth potential

Simplified Terminology

- Population: count of individual people that live in Northfield
- Households: a collection of people, related or not, living together *but not* people living in group quarters (such as college housing)
- Housing Units: The place where a household lives

	Two people living in an apartment together	One grandparent, two parents, three children, living in a single family home	One senior citizen with her cat, living in an age restricted apartment	2 college roommates, unrelated in the dorms	Two parents living in one side of a duplex, their daughter and son in law in the other
Population	2	6	1	2	4
Households	1	1	1	0	2
Housing Units	1	1	1	0	2

Discussion of Trends & Impacts

1. New housing development has lagged behind demand, and is just now starting to ramp up again
 - High material & labor costs have made new housing expensive to build
 - Opportunities in fast growing suburbs took most of the focus in the last few years
 - Fear of getting over-extended remains after the last downturn
 - Housing prices are now reaching levels to justify more new construction
 - New households are expected to trend towards those making over \$100,000/year
2. Enormous need for more affordable housing
 - Economic recovery has not come for everyone and rising housing prices are particularly difficult for those who have not seen wages keep pace with expenses

Discussion of Trends & Impacts

3. Virtual workplace technology benefits for rural & urban fringe communities

- Many employers (that are able) see this as a continuing trend for employees, even after COVID-19
- Businesses may have more interest in locating outside of urban employment centers if their employees are working virtually

4. Shifts in age cohorts

- Older age cohorts growing larger as Baby Boom generation ages and life expectancy has increased

5. Shifts in household types

- Potential increases in 1- and 2-person HHs as older age cohorts and multi-generational HHs grow as result of COVID-19/recession/housing shortage

Discussion of Trends & Impacts

6. Increased demand for health care

- Good health care options in Northfield and proximity to Rochester/Mayo mean that people can age in the community

7. Desired community amenities for all residents increasingly may include trails, parks, schools, businesses/restaurants within walking distance; health facilities; vibrant downtown; strong job opportunities, etc. – Northfield checks many of these boxes for residents

- Market rate apartments are also seeing a rise in “amenitization” with features such as indoor fitness facilities, indoor and outdoor gathering spaces, community rooms, storage, indoor parking, and dog washing facilities

Discussion of Trends & Impacts

8. COVID-19's short term challenges to senior housing developments

- Concerns about group living
- Loss of residents

9. COVID-19's short term challenges to colleges

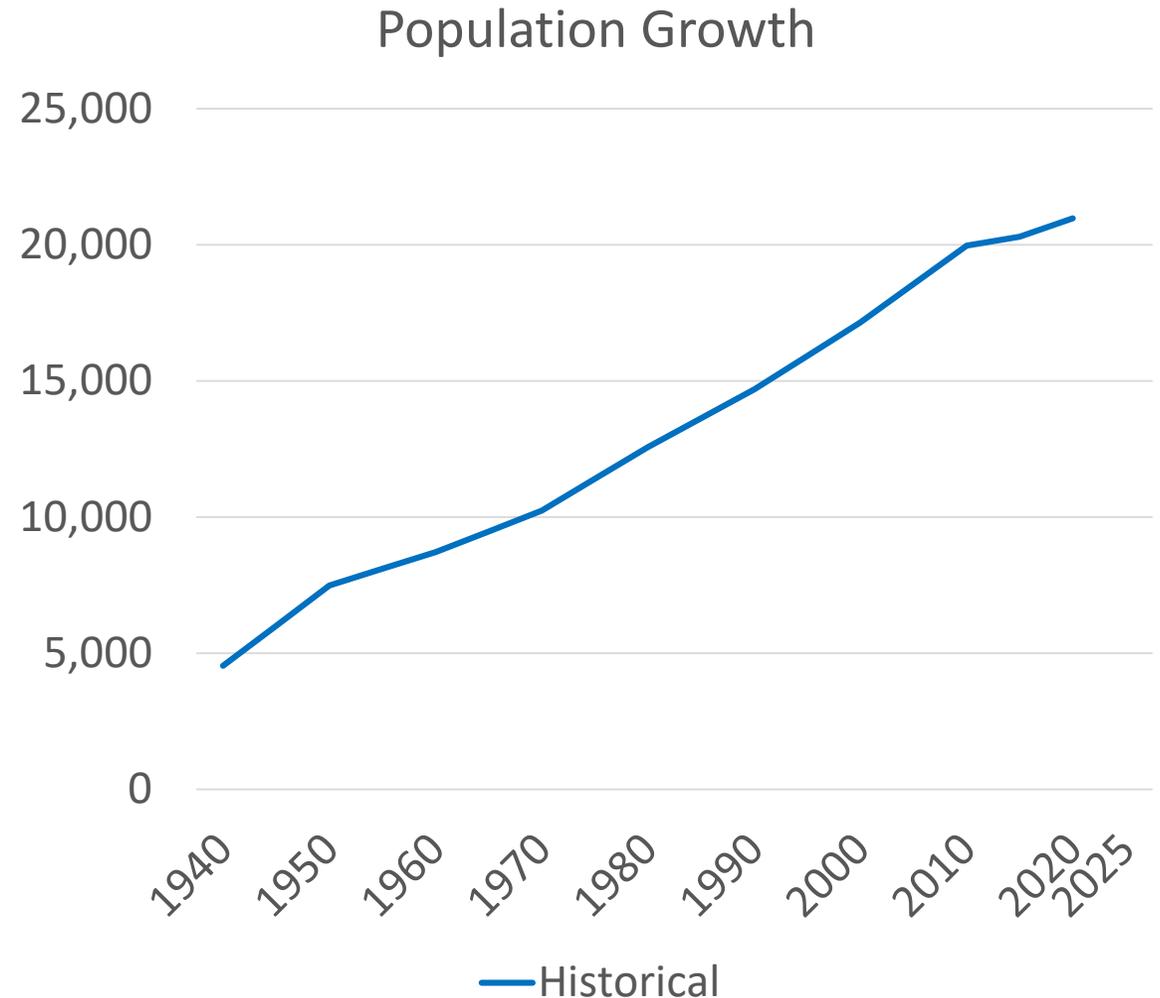
- Concerns about group living
- Students deferring college this year

10. COVID-19's short (and long?) term benefits for rural & urban fringe communities

- Virtual workplace technological improvements – Employees able to work from home place less value in a shorter commute and choose to live farther from their workplace

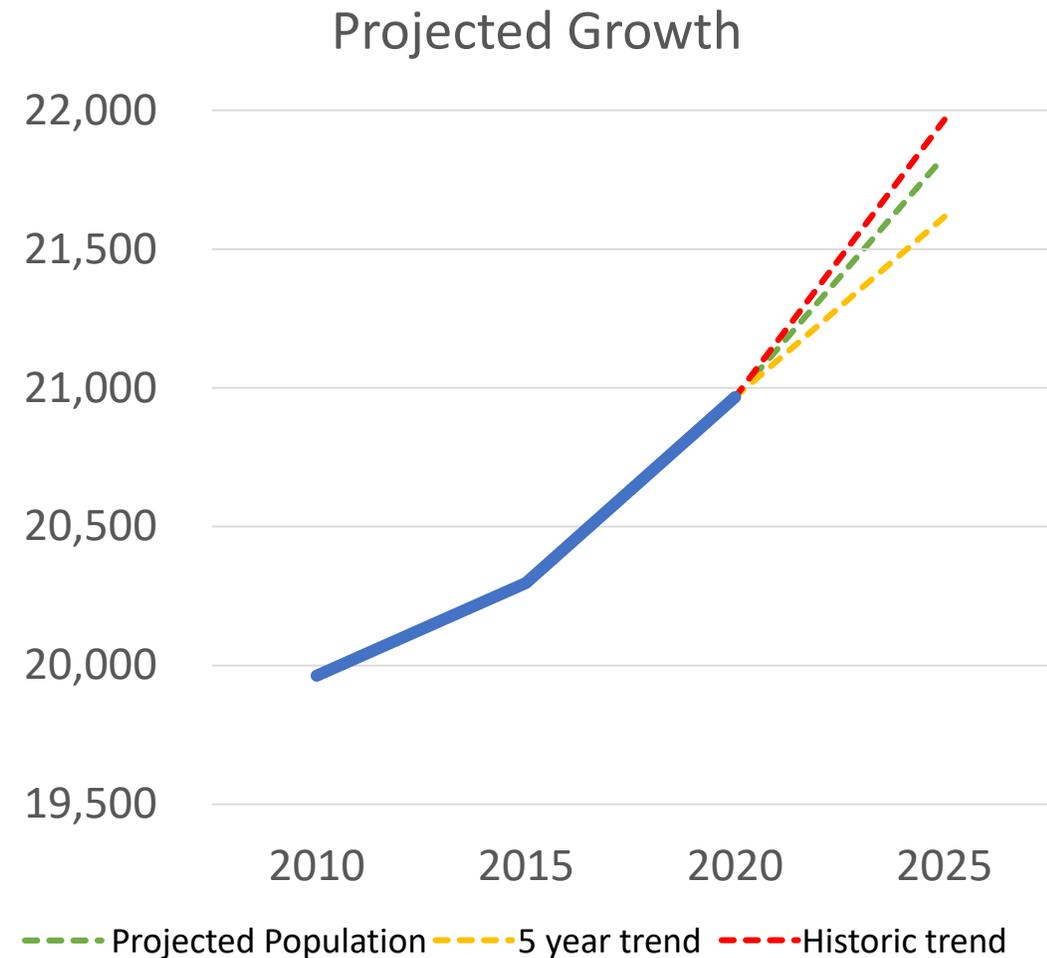
Population Growth Trend

- Growth has historically been about 200 to 250 people per year (1980 – 2010)
- In the past 10 years, growth has slowed to about 90 people per year
- Compared to nearby Rice and Dakota County cities, Northfield's growth has been higher than Faribault, lower than suburban Dakota County cities, most similar to Hastings



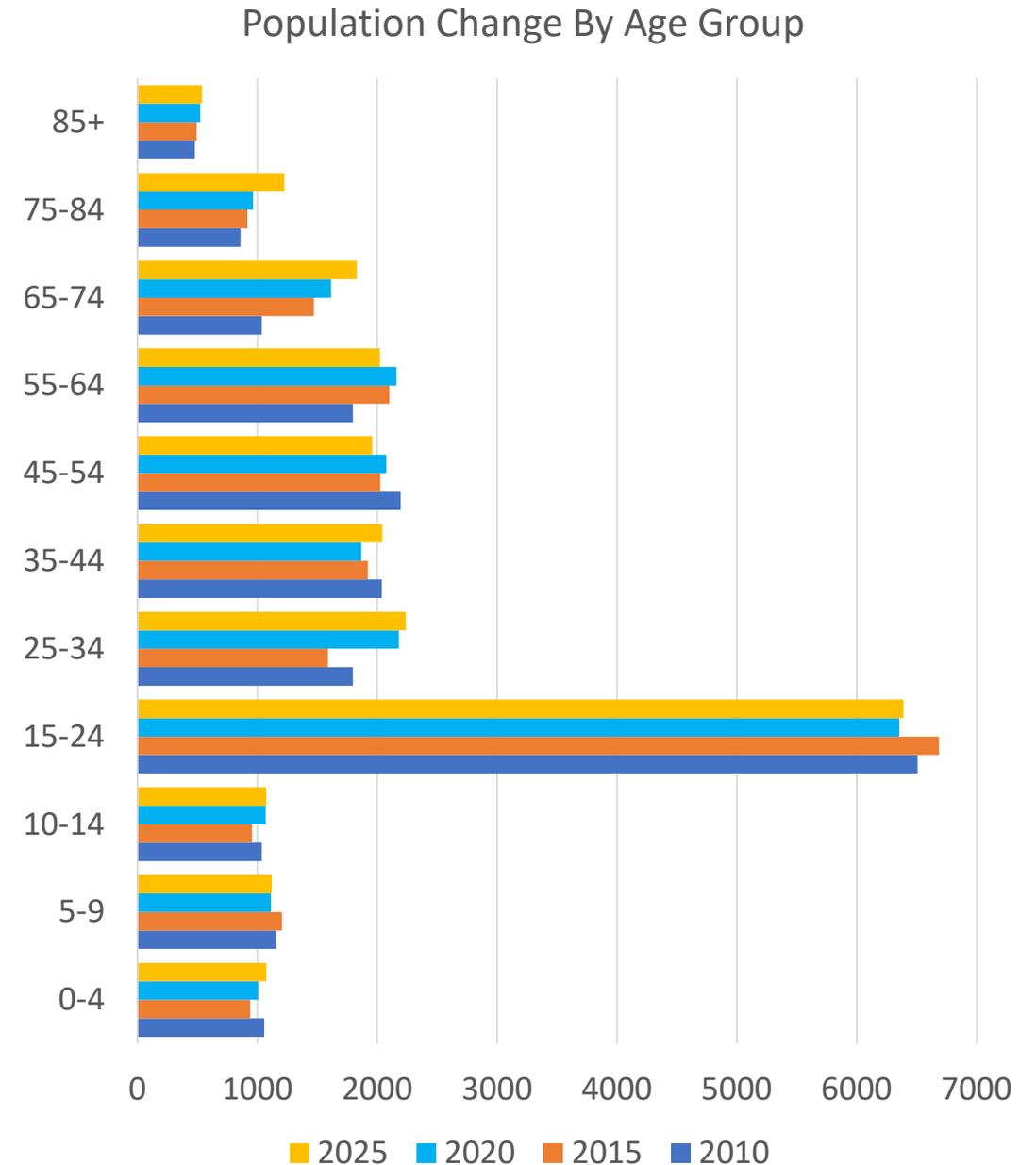
Population 5-Year Projection

- A trend following the last 10 years adds approximately 96 people/year
- A trend following the last 5 years adds approximately 134 people/year
- A return to historic trends would add about 200 people per year
- Projected growth of 180 people/year
- Any changes to college enrollment (18-22 year old demographics or pandemic related) could affect population numbers, but not necessarily housing demand



Population by Age Projections, 2010 - 2025

- Youth population holding steady/slight increase
- College age cohort holding steady/slight decrease
- Growth in young family age cohort (25-34)
- Growth in older age cohorts, 55+



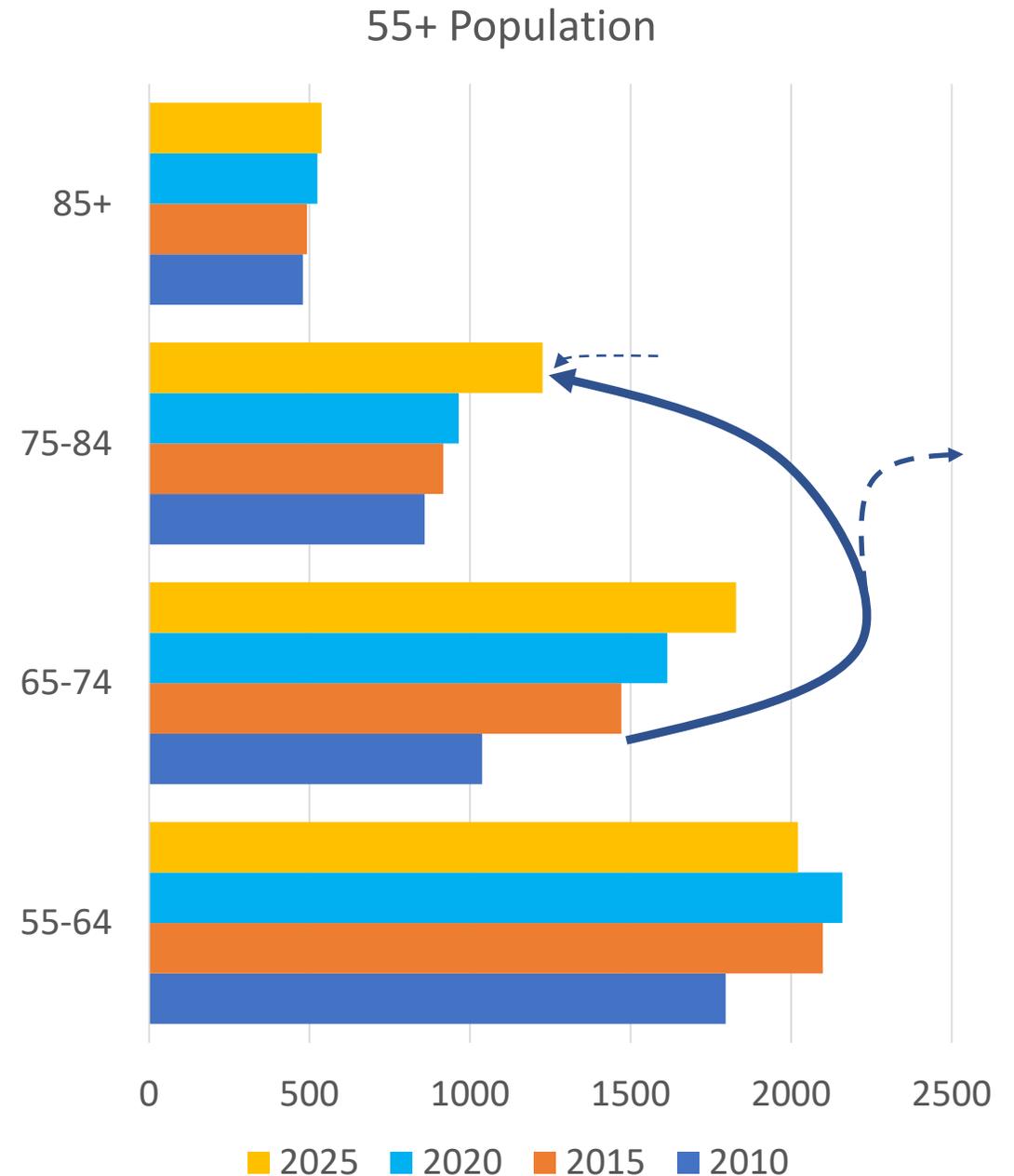
Population by Age Projections, 2010 - 2025

- Growth for the older age cohorts:

<u>85+</u>	<u>+59</u>
<u>75-84</u>	<u>+368</u>
<u>65-74</u>	<u>+790</u>
<u>55-64</u>	<u>+225</u>
<u>Total</u>	<u>+1,442</u>

- Baby Boom Generation cohorts

<u>2010</u>	<u>46-64</u>
<u>2025</u>	<u>61-79</u>



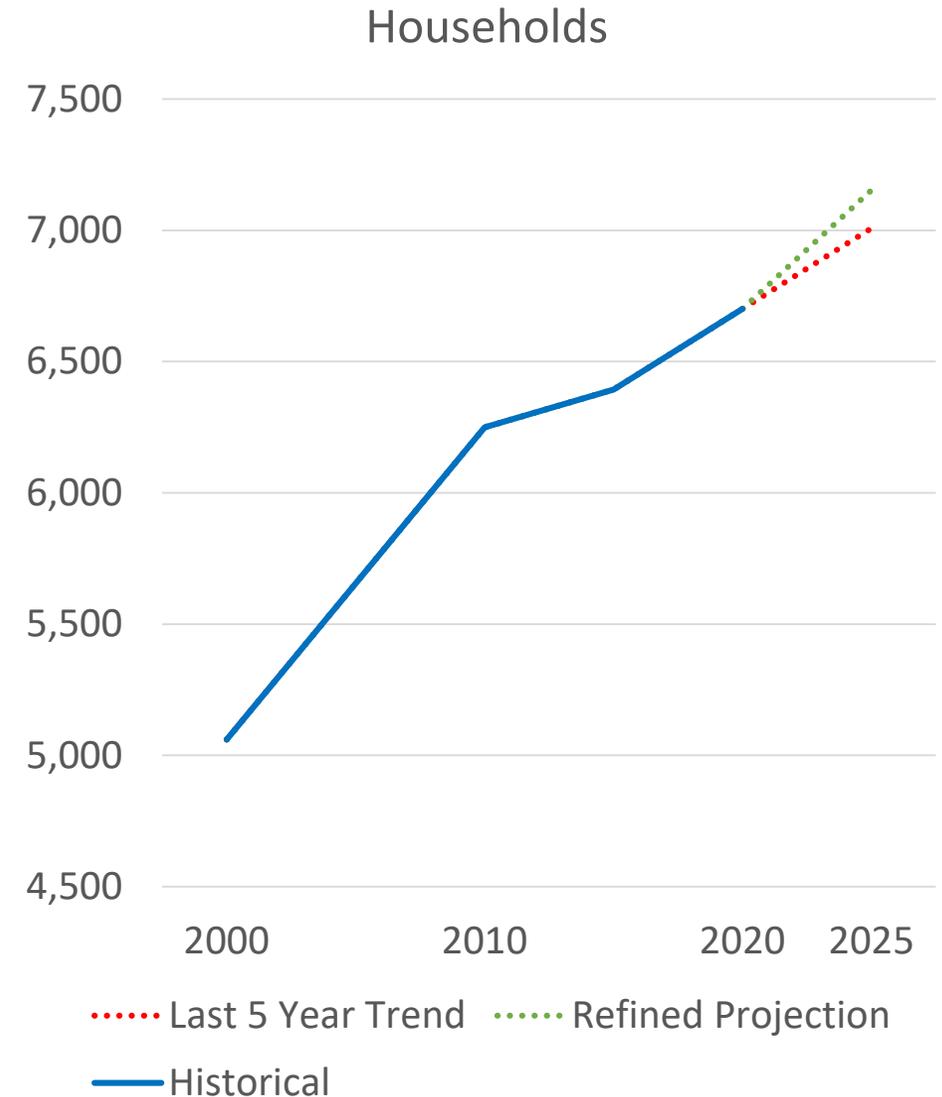
Population Impacts on Household Projections

- Millennial generation is starting to raise families. This group represents a larger and growing cohort than Gen-X and is now larger than the Baby Boom generation, both nationally and in Northfield.
- Increasing number of smaller households
 - From 1970 – 2020, average household declining from 2.89 to 2.45
 - Approximately 2,200 one-person households currently, 1/3 of all households in Northfield
- Both the pandemic and civil unrest in the Twin Cities in 2020, and the resulting increased use of virtual workplace technologies, make Northfield a more desirable location to live for some households

Household Projections

- Over the last 5 years, the number of households grew by 307 (average of 61/year)
- Projecting Northfield’s household growth to be about 6.75% in the next 5 years which falls between the growth rates of Hastings (5.8%) and other nearby Dakota County cities (range from 8% to 11%)
- This results in a projection of approximately 450 new households over the next 5 years (average: 90/year) which is consistent with historical growth

	1970-80	1980-90	1990-00	2000-10	2010-15	2015-20	2020-25
HH/Yr (avg)	89	94	80	136	24	61	90



Total Housing Units Demand and Supply

- Based on the projected growth of approximately **450 households**, we are able to estimate demand and supply for new housing units
- Analysis of for-sale housing, rental housing, and senior housing results in an estimate that **494 new housing units** will need to be supplied in the next 5 years
- This supply can be reduced by the 301 new housing units already in the pipeline for 2021, resulting in a **net supply of 193 new housing units needed**
- Low vacancies in rental housing units and rising home prices indicate significant pent up housing demand
- Providing an adequate supply of new housing units will be necessary to enable the projected population and household growth
- Lagging new housing construction in Northfield is a result of the 2008 economic downturn and pre-2008 overbuilding of housing units
- New home sale prices have reached a point that will allow development of new housing units to pencil out for builders

For-Sale Housing Units Supply

- Projection of approximately **180 additional units of for-sale housing units** from 2020-2025
 - 36 units per year
- Anticipated sales of 1,443 homes during 2020 – 2025 time period
- There are 114 for-sale housing units that have already been approved for development:
 - Hills of Spring Creek – 68 single-family houses, market rate
 - Bluff View – 46 units, including 17 twinhome buildings (34 units) and 3 four-plexes (12 units); market rate oriented to senior independent living

For-Sale Housing Units Supply

- Entry-level housing units will largely be supplied by existing houses and increasingly townhouses
 - Fewer builders are willing or able to build new single-family houses in the \$200K - \$250K or even the \$250K - \$300K range
- Move-up housing market should be strong as rising home values increase equity for move-up buyers and household incomes are projected to rise
 - Almost all new for-sale housing will be aimed at the move-up market (or Millennials that skipped the entry-level housing market)
 - Potential for “right-size” age-in-place housing options

Rental Housing Units Supply

- Currently there is a very tight rental housing market.
- Two apartment projects with a total of 149 rental units will be brought on line in 2021.
- Another 38 new rental townhouse units are anticipated.
- Projections show a supply of **226 new non-senior rental housing units** will be needed. These units could be a mix of apartments, townhomes, and single family homes.
- The new market rate Fifth Street Lofts and Timberfield Apartments have the potential to attract current residents and could open up some existing affordable apartment units.

Affordable Rental Housing Units Demand

- Approximately 45% of rental households (949 households) making less than \$50,000 are spending more than 30% of their income on housing
 - An estimated 441 rental households making less than \$20,000 spend more than 30% of their income on housing
 - An estimated 380 rental households making \$20,000-\$34,999 spend more than 30% of their income on housing
 - An estimated 128 rental households making \$35,000-\$49,999 spend more than 30% of their income on housing

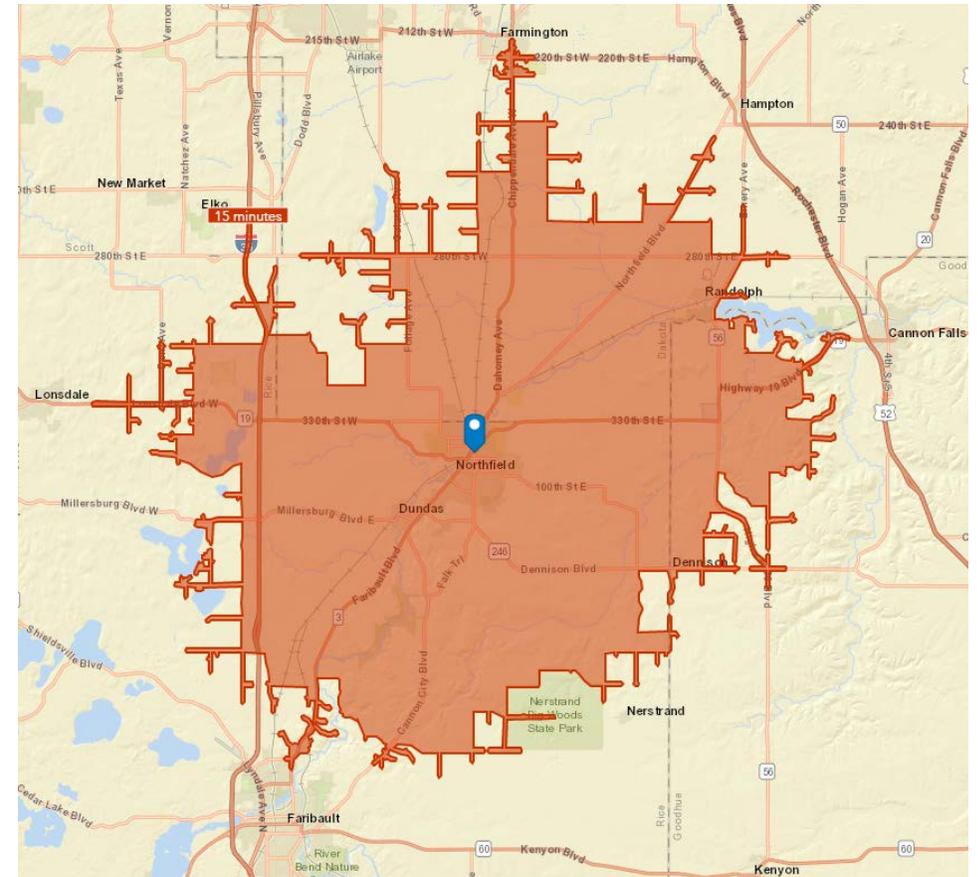
Affordable Rental Housing Units Demand

- Very high demand for affordable rental housing units
- It will be a challenge to get larger non-profit developers to supply affordable housing units in Northfield because of the higher rents that can be achieved and opportunities in the Twin Cities metro
 - LIHTC (60%) Rent for 1 bedroom: \$1,164 vs. \$927
- Development of affordable rental housing will likely require local focus
 - Local developers
 - City/County support

Senior Housing Units Demand

- Primary Market Area is a 15-minute drive to Northfield
 - Generally splits the difference between other clusters of senior housing (Faribault, southern suburbs, Cannon Falls)
 - There may be some additional inflow/outflow due to caregiver/family situations
- As the Baby Boom generation continues to age from 2020-2025:

Age Cohort	2020 (HHs)	2025 (HHs)	Change (HHs)
55-64	2,165	2,010	-155
65-74	1,649	1,860	+211
+75	1,405	1,698	+293



Senior Housing Units Demand

- Independent Living:
 - Some services, but typically not medical focused
 - Some 65-74, but typically 75+
- Assisted Living:
 - More intensive care, including food/housekeeping, but also include personal and some medical care
 - Typically 75+
- Memory Care:
 - Specialized assisted living including dementia related care
 - Typically 75+

Senior Housing Units Supply

- Independent Living:
 - Supply an additional 38 independent living units by 2025
 - 29 Market Rate
 - 9 Affordable
- Assisted Living:
 - Supply an additional 50 assisted living units by 2025
 - 35 Market Rate
 - 15 Affordable
- Memory Care:
 - *Within the assisted living units*, supply an additional 15 memory care living units by 2025

Summary of 5-Year Housing Units Supply Needs

Type of Housing	Housing Units Supply (2020 - 2025)	New Housing Units Planned/ Underway	Remaining Housing Units Supply (2020 – 2025)
For Sale Housing	180 (36/year)	114	66
Rental Housing	226	187	39
Senior Housing	88		88
Independent	38 (9 affordable)		38 (9 affordable)
Assisted Living	50 (15 affordable)		50 (15 affordable)
Memory Care (included in Assisted Living supply)	15		15
Total	494	301	193