

City of Northfield

Section Table of Contents

| | <u>Page</u> |
|---|--------------------|
| Introduction | NF-3 |
| Demographic Data Overview | NF-4 |
| ▶ Population Estimates and Trends | NF-6 |
| ▶ Population Projections | NF-7 |
| ▶ Population by Age | NF-8 |
| ▶ Group Quarters Population | NF-9 |
| ▶ Households Estimates and Trends | NF-10 |
| ▶ Average Household Size | NF-11 |
| ▶ Household Projections | NF-12 |
| ▶ Households by Age of Householder | NF-13 |
| ▶ Household Characteristics | NF-14 |
| ▶ Households by Tenure | NF-15 |
| ▶ Renter Households by Household Size | NF-16 |
| ▶ Tenure by Age | NF-17 |
| ▶ 2010 Census Income Data | NF-18 |
| ▶ 2010 Income and Housing Costs - Renters | NF-19 |
| ▶ 2010 Income and Housing Costs - Owners | NF-20 |
| ▶ Racial and Ethnic Population | NF-21 |
| ▶ Households by Race/Ethnicity | NF-22 |
| ▶ Household Tenure by Race/Ethnicity | NF-23 |
| Existing Housing Inventory | NF-24 |
| ▶ New Housing Construction Activity | NF-26 |
| ▶ Housing Condition | NF-27 |
| ▶ Mobile Home Condition | NF-30 |
| ▶ Existing Home Sales | NF-31 |
| ▶ Median Home Sale Price Trends | NF-33 |
| ▶ 2011 Home Sales by Price Range | NF-35 |
| ▶ Active Residential Listings | NF-36 |
| ▶ Rice County Home Foreclosure Activity | NF-38 |

| | <u>Page</u> |
|---|--------------------|
| Rental Housing Inventory | NF-40 |
| ▶ Rental Housing Survey | NF-43 |
| ▶ Market Rate Summary | NF-44 |
| ▶ Tax Credit Summary | NF-46 |
| ▶ Subsidized Summary | NF-49 |
| ▶ Senior Housing with Services Summary | NF-52 |
| ▶ Market Share for Existing Housing with Services Projects | NF-55 |
| ▶ Rental Housing Tables | NF-59 |
| Summary of Findings on Growth Trends and Projections | NF-73 |
| Strengths and Barriers for Housing Development | NF-78 |
| Recommendations and Opportunities | NF-83 |
| ▶ Rental Housing Development | NF-88 |
| ▶ Home Ownership Recommendations | NF-97 |
| ▶ New Housing Construction | NF-103 |
| ▶ Housing Rehabilitation | NF-108 |
| ▶ Other Housing Initiatives | NF-115 |

Introduction

This section provides the following information and data for the City of Northfield:

- ▶ Demographic data
- ▶ Existing housing inventory
- ▶ Rental housing inventory
- ▶ Housing findings and recommendations

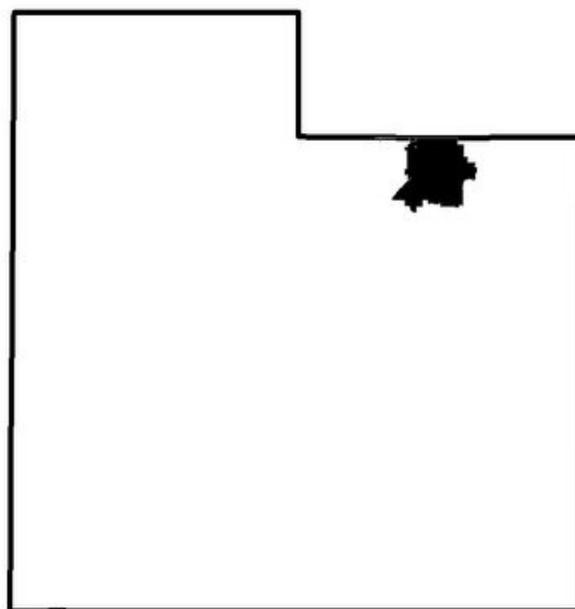
The City of Northfield is the second largest city in Rice County with 20,007 people and 6,272 households. The city is located on the northern border of Rice County with a small portion of the city in adjacent Dakota County.

Two prestigious liberal arts colleges, St. Olaf and Carleton, are located in Northfield, as well as many industries including Malt-O-Meal.

Northfield is located on Highway 3 and is six miles west of Interstate 35. The city is less than 40 miles south of Minneapolis and St. Paul.

The City of Northfield has 35 parks and the Carleton College Cowling Arboretum. The city is also well known for the Defeat of Jesse James Days, which celebrates the James Gang's failed attempt to rob the local bank.

City of Northfield Location



Demographic Overview

Demographic Data Overview

Sources of Data

The following pages contain demographic data obtained from a variety of local, state and national sources. At the time that research was completed for this Study, the Census Bureau had released 2010 Census information. However, the 2010 Census was more limited in scope than in the past. As a result, some of the demographic variables, such as income and housing cost information, are not available.

To supplement the decennial Census, the Census Bureau has created the American Community Survey, an annual sampling of households. The American Community Survey does provide detailed demographic characteristics. However, because the American Community Survey is an estimate based on sampling data, there is a margin of error that exists for each estimate. The following tables incorporate the 2010 Census data, when available, or the American Community Survey data. The American Community Survey estimates were derived from five-year sampling, obtained between 2005 and 2009.

Population Estimates and Trends

The following table presents the City of Northfield and Rice County’s population and population growth percentage for the decades from 1980 to 2010. The data was obtained from the U.S. Census Bureau.

| Table 1 Population Trends - 1980 to 2010 | | | | | | |
|---|----------------|----------------|----------------|-----------------------|----------------|-----------------------|
| | 1980 Census | 1990 Census | 2000 Census | % Change 1990-2000 | 2010 Census | % Change 2000-2010 |
| Northfield | 12,562 | 14,684 | 17,147 | 16.8% | 20,007 | 16.7% |
| Rice County | 46,089 | 49,183 | 56,665 | 15.2% | 64,142 | 13.2% |

Source: U.S. Census

- ▶ The 2010 U.S. Census Bureau’s population data was released in March, 2011. Population growth has accelerated rapidly from 2000 to 2010. The 2010 Census reports that Northfield’s population was 20,007 in 2010. This is a 2,860 person increase since 2000, or 16.7%. Northfield has had very consistent growth over the past two decades as Northfield grew by 16.8%(2,463 people) from 1990 to 2000.

- ▶ The 2010 population for all of Rice County was 64,142. This is a gain of 7,477 people, which is a 13.2% population increase since 2000. From 1990 to 2000, Rice County gained 7,482 people, an increase of 15.2%.

Population Projections

The following table presents population level projections using three different sources. To plan for future housing needs and issues, it is necessary to project future population growth and changes.

The 10-year growth trend is based on the rate of change between 2000 and 2010, using the 2010 Census, and projects this rate of growth forward between 2010 and 2015. The 20-year growth trend uses the same methodology, but calculates an annual growth rate from the 1990 and 2010 Census data. The third projection is from Community Partners Research, Inc., based on population growth and actual housing units constructed over the past five years, which accounts for the impact the downturn in the economy has had on the local housing market and ultimately population growth.

| Table 2 Population Projections Through 2015 | | | | |
|--|-----------------|--|--|---|
| | 2010 Population | 2015 Projection from 10-year growth trends | 2015 Projection from 20-year growth trends | 2015 Projection Community Partners Research, Inc. |
| Northfield | 20,007 | 21,676 | 21,820 | 20,495 |
| Rice County | 64,142 | 68,374 | 69,019 | 66,053 |

Source: U.S. Census

- ▶ The population projection calculated from the 10-year growth rate for Northfield, estimates the city’s population to be 21,676 in 2015, which is an increase of 1,669 people. The projection based on the 20-year growth rate estimates the population to increase by 1,813 people by 2015.
- ▶ The population projections for Rice County estimate an increase of between 4,232 and 4,877 by the year 2015.
- ▶ Community Partners Research, Inc.’s projection based on five-year trends is much more conservative than the 10-year and 20-year trends and reflects the downturn in the housing economy. Community Partners Research, Inc.’s estimates that Northfield will gain 488 people and Rice County will gain 1,911 people from 2010 to 2015.

Population by Age

The following table compares populations by age in 2000 and 2010, along with the percentage changes.

| Table 3 Persons by Age - 2000 to 2010 | | | | | | |
|--|--------------------|--------|----------|-------------|--------|----------|
| Age | City of Northfield | | | Rice County | | |
| | 2000 | 2010 | % Change | 2000 | 2010 | % Change |
| 0-19 | 5,516 | 6,024 | 9.2% | 17,474 | 18,243 | 4.4% |
| 20-24 | 3,463 | 3,740 | 8.0% | 5,775 | 6,174 | 6.9% |
| 25-34 | 1,569 | 1,793 | 14.3% | 6,628 | 7,653 | 15.5% |
| 35-44 | 2,039 | 2,040 | .0004% | 8,894 | 8,019 | -9.8% |
| 45-54 | 1,783 | 2,209 | 23.9% | 6,972 | 9,265 | 32.9% |
| 55-64 | 970 | 1,798 | 85.4% | 4,447 | 6,907 | 55.3% |
| 65-74 | 776 | 1,053 | 35.7% | 3,201 | 4,146 | 29.5% |
| 75-84 | 665 | 868 | 30.5% | 2,273 | 2,566 | 12.9% |
| 85+ | 366 | 482 | 31.7% | 1,001 | 1,169 | 16.8% |
| Total | 17,147 | 20,007 | 16.7% | 56,665 | 64,142 | 13.2% |

Source: U.S. Census; Community Partners Research, Inc.

- ▶ Over the last decade there were some significant percentage changes in the age make-up of the population in the city. The largest numeric gain occurred among people age 55 to 64 years old. This age group increased by 828 people, or 85.4%. The 0 to 19 age range gained 508 people, or 9.2%. The 45 to 54 age range increased by 426 people, a 35.7% gain. All of the other age ranges also experienced population increases.
- ▶ The 35 to 44 age range gained only one person from 2000 to 2010. Typically this age range has less population growth than other age ranges as it is the baby bust age range, which immediately follows the baby boom age ranges.
- ▶ Age change patterns for all of Rice County were very similar to the Northfield patterns. Like Northfield, strong growth did occur in each of the age ranges between 45 and 64 years old. However, Rice County lost 875 people in the 35 to 44 age range from 2000 to 2010.
- ▶ Northfield had an increase of 319 people in the 75 and older age ranges.

Group Quarters Population

Northfield has a large group quarters population due to the two colleges located in the city. All persons not living in households are classified by the Census Bureau as living in group quarters. Two general categories of persons in group quarters are recognized: 1) institutionalized persons, and 2) other persons in group quarters, also referred to as “non-institutional group quarters”.

Table 4 Northfield Group Quarters Population Trends - 1990 to 2010

| | 1990 Census | 2000 Census | % Change 1990-2000 | 2010 Census | % Change 2000-2010 |
|------------|-------------|-------------|--------------------|-------------|--------------------|
| Northfield | 4,446 | 4,713 | 6.0% | 4,704 | -0.02% |

Source: U.S. Census; Minnesota State Demographer

- ▶ After an increase of 6% between 1990 and 2000, the group quarters population has slightly decreased from 2000 to 2010.

Table 5 Group Quarters Population as Percentage of Total Population

| | % of 1990 Population | % of 2000 Population | % of 2010 Population |
|------------|----------------------|----------------------|----------------------|
| Northfield | 30.3% | 27.5% | 23.5% |

Source: U.S. Census; Minnesota State Demographer

- ▶ The group quarters residents in the city continue to represent a smaller share of the total population. In 1990, group quarters residents represented 30.3% of the city’s population and in 2010 group quarters residents represented 23.5% of the city’s population.

Table 6 Northfield Group Quarters by Residence - 2000 to 2010

| Residence Type | 2000 Population | 2010 Population | % Change 2000-2000 |
|---------------------------|-----------------|-----------------|--------------------|
| Institutionalized Persons | | | |
| Correctional Institutions | 0 | 164 | N/A |
| Nursing Homes | 431 | 162 | -62.4% |
| Other Institutions | 4,208 | 4,486 | 6.6% |
| Non-Institutionalized | | | |
| Other group quarters | 74 | 54 | -27% |

Source: U.S. Census

- ▶ College dormitory residents increased from 4,208 in 2000 to 4,486 in 2010.

Household Estimates and Trends

The following table presents the City of Northfield and Rice County’s population and population growth percentage for the decades from 1980 to 2010. The data was obtained from the U.S. Census Bureau.

| Table 7 Household Trends - 1980 to 2010 | | | | | | |
|--|----------------|----------------|----------------|-----------------------|----------------|-----------------------|
| | 1980 Census | 1990 Census | 2000 Census | % Change 1990-2000 | 2010 Census | % Change 2000-2010 |
| Northfield | 3,170 | 4,110 | 4,909 | 19.4% | 6,272 | 27.8% |
| Rice County | 14,276 | 16,347 | 18,888 | 15.5% | 22,315 | 18.1% |

Source: U.S. Census

- ▶ The 2010 U.S. Census Bureau household data was released in March, 2011. The Census reports that the city of Northfield had 6,272 households in 2010. The city gained 1,363 households since the 2000 Census, which is a 27.8% increase.

- ▶ Rice County had 22,315 households in 2010, which was an increase of 3,427 households since 2000 or a gain of 18.1%. This was significantly smaller than Northfield’s household growth percentage.

- ▶ From 1990 to 2000, Northfield gained 799 households and Rice County gained 2,541 households.

Average Household Size

The following table provides U.S. Census Bureau information on average household size.

| Table 8 Average Number of Persons Per Household 1990 to 2010 | | | |
|---|-------------|-------------|-------------|
| | 1990 Census | 2000 Census | 2010 Census |
| Northfield | 2.49 | 2.53 | 2.44 |
| Rice County | 2.66 | 2.65 | 2.55 |

Source: U.S. Census

- ▶ In most Minnesota communities, average household size has decreased in recent decades. This has been due to household composition changes, such as more single parent families, more senior households due to longer life spans, fewer children per family, etc.
- ▶ The average household size in Northfield actually increased from 1990 to 2000, but between 2000 and 2010, the city’s average household size decreased. The average household size in 2000 was 2.53 and has decreased to 2.44 persons per household in 2010. The 2.44 persons per household is slightly lower than the 2.49 persons per household reported in 1990.
- ▶ The average household size for all of Rice County has continued to decrease since 1980. However, the county’s average household size of 2.55 in 2010 is still relatively large, compared to most counties in Greater Minnesota and is higher than the average household size in Northfield.

Household Projections

The following table presents population level projections using two different sources. The 10-year growth trend is based on the rate of change between 2000 and 2010, using the 2010 Census, and projects this rate of growth forward between 2010 and 2015. The 20-year growth trend uses the same methodology, but calculates an annual growth rate from the 1990 and 2010 Census data, and projects this rate of growth forward to 2015. The third projection is from Community Partners Research, Inc., and is based on prior households growth and actual housing units constructed over the past five years.

| Table 9 Household Projections Through 2015 | | | | |
|---|-----------------|--|--|---|
| | 2010 Households | 2015 Projection from 10-year growth trends | 2015 Projection from 20-year growth trends | 2015 Projection Community Partners Research, Inc. |
| Northfield | 6,272 | 7,143 | 7,097 | 6,472 |
| Rice County | 22,315 | 24,339 | 24,352 | 23,082 |

Source: U.S. Census; Community Partners Research, Inc.

- ▶ The 10-year growth trends estimate the city will add 871 new households between 2010 and 2015. Household projections based on 20-year growth rates expect the city to add 825 households from 2010 to 2015.
- ▶ The 10-year and 20-year growth trend projections for all of Rice County are very similar and highlight the consistent rate of household growth over the last 20 years. These projections expect the county to add between 2,024 and 2,037 new households from 2010 to 2015. On an annual average, this would equate to 404 to 407 new households per year.
- ▶ Community Partners Research, Inc.’s projections based on five-year trends is much more conservative than the 10 and 20-year trends and reflects the downturn in the housing economy. Community Partners Research, Inc.’s estimates that Northfield will gain 200 households and Rice County will gain 767 households from 2010 to 2015. These projections are based on actual housing construction and estimated household growth over the past five years.

Households by Age of Householder

The following table compares households by age of householder in 2000 and 2010, along with the percentage changes.

| Table 10 Households by Age - 2000 - 2010 | | | | | | |
|---|--------------------|-------|----------|-------------|--------|----------|
| Age | City of Northfield | | | Rice County | | |
| | 2000 | 2010 | % Change | 2000 | 2010 | % Change |
| 15-24 | 427 | 342 | -19.9% | 1,016 | 1,177 | 15.8% |
| 25-34 | 777 | 868 | 11.7% | 2,974 | 3,219 | 8.2% |
| 35-44 | 1,162 | 1,103 | -5.1% | 4,658 | 3,981 | -14.5% |
| 45-54 | 1,013 | 1,302 | 28.5% | 3,871 | 4,960 | 28.1% |
| 55-64 | 560 | 1,082 | 93.2% | 2,524 | 3,944 | 56.3% |
| 65-74 | 460 | 663 | 44.1% | 1,919 | 2,511 | 30.8% |
| 75+ | 510 | 912 | 78.8% | 1,926 | 2,523 | 31.0% |
| Total | 4,909 | 6,272 | 27.8% | 18,888 | 22,315 | 18.1% |

Source: U.S. Census; Community Partners Research, Inc.

- ▶ Comparing 2000 and 2010 Census data, the City of Northfield added households over the last decade in all but two of the defined age ranges. The number of households with a head of household in the 15 to 24 age range declined by 19.9%. The 35 to 44 age range decreased by 59 households or 5.1%.
- ▶ The largest numeric increases occurred among households in the 55 to 64 year old range, which increased by 522 households, the 75 and older age range, which increased by 402 households and the 45 to 54 age range which increased by 289 households.
- ▶ Patterns for all of Rice County were similar, with the largest numeric gains occurring in the age ranges between 45 and 64 years old, and a decrease in households in the 35 to 44 year old range. However, Rice County added households in the 15 and 24 age range while Northfield experienced a decrease in this age range.

Household Characteristics

The following table presents data on household characteristics from the 2010 Census. Data has been presented as percentages of the total households to allow for comparative analysis between the City of Northfield, Rice County, and the State of Minnesota.

| Table 11 Households by Type - 2010 | | | | | | | | |
|------------------------------------|-----------------------|----------------------|----------------------------------|----------------------|---------------------------------------|----------------------|----------------------|------------|
| | Married Couple Family | | Male Householder No Wife Present | | Female Householder No Husband Present | | Non-Family Household | |
| | With Related Children | W/O Related Children | With Related Children | W/O Related Children | With Related Children | W/O Related Children | 1 Person | Non-Family |
| Northfield | 22.5% | 27.5% | 2.2% | 1.5% | 6.5% | 2.7% | 30.7% | 6.4% |
| Rice County | 22.9% | 31.5% | 2.9% | 1.8% | 6.0% | 3.0% | 25.9% | 6.0% |
| Minnesota | 21.2% | 29.6% | 2.3% | 2.0% | 5.9% | 3.6% | 28.0% | 7.4% |

Source: U.S. Census; Community Partners Research, Inc.

- ▶ Northfield had a below average percentage of married couples without children when compared with countywide and statewide averages. The city had a high percentage of one person households when compared with Rice County and the State of Minnesota. One person households often reflect a large senior population.
- ▶ When compared to Northfield and the State of Minnesota, Rice County had a higher percentage of married couples, both with and without children.
- ▶ Northfield’s percentage of female headed households with related children was above the county and statewide patterns.

Households by Tenure

The following table provides household tenure data for the City of Northfield, Rice County and the State of Minnesota. The data was obtained from the 2010 U.S. Census.

| Table 12 Households by Tenure - 2010 | | | | | |
|---|----------------------|-------------|---------------------|--------------|----------------------|
| | Total Occupied Units | Owned Units | Percent Owned Units | Rented Units | Percent Rented Units |
| Northfield | 6,272 | 4,300 | 68.6% | 1,972 | 31.4% |
| Rice County | 22,315 | 16,897 | 75.7% | 5,418 | 24.3% |
| Minnesota | 2,087,227 | 1,523,859 | 73.0% | 563,368 | 27.0% |

Source: U.S. Census

- ▶ Northfield had a renter occupancy of 31.4% at the time of the 2010 Census, which is above the statewide percentage. However, this is very common for a regional center that provides rental options for a surrounding trade area. There are also two colleges located in the city. Countywide, the rental rate was also below the statewide average.

| Table 13 Household Changes by Tenure - 2000 to 2010 | | | | | | |
|--|---------------------|------------------------|--------------------------|---------------------|------------------------|---------------------------|
| | Owned Units | | | Rented Units | | |
| | Occupied Units 2000 | Occupied Units in 2010 | Change in Owner-Occupied | Occupied Units 2000 | Occupied Units in 2010 | Change in Renter-Occupied |
| Northfield | 3,355 | 4,300 | 945 | 1,554 | 1,972 | 418 |
| Rice County | 14,710 | 16,897 | 2,187 | 4,178 | 5,418 | 1,240 |

Source: U.S. Census

- ▶ Between 2000 and 2010, Northfield added 945 owner households and 418 renter households. This decreased the percentage of renter occupancy from 31.7% in 2000 to 31.4% in 2010.
- ▶ Between 2000 and 2010, Rice County had net household growth of 2,187 households and 1,240 renter households. Contrary to Northfield trends, this increased the percentage of renter occupancy from 22.1% in 2000 to 24.3% in 2010.

Renter Households by Household Size

The following table examines renter households by household size in 2000 and 2010. Only renter households have been analyzed as part of the planning process for additional rental housing development.

| Table 14 Renter Households by Household Size - 2000 to 2010 | | | | | | |
|--|--------------------|--------------------|----------------|--------------------|--------------------|----------------|
| Renter Household Size | City of Northfield | | | Rice County | | |
| | Households in 2000 | Households in 2010 | Numeric Change | Households in 2000 | Households in 2010 | Numeric Change |
| 1 Person | 734 | 1,002 | 268 | 1,921 | 2,540 | 619 |
| 2 Person | 417 | 414 | -3 | 1,049 | 1,153 | 104 |
| 3 Person | 180 | 244 | 64 | 521 | 677 | 156 |
| 4 Person | 129 | 158 | 29 | 390 | 520 | 130 |
| 5 Person | 55 | 99 | 44 | 179 | 293 | 114 |
| 6 Person | 20 | 31 | 11 | 69 | 141 | 72 |
| 7+ Persons | 19 | 24 | 5 | 49 | 94 | 45 |
| Total | 1,554 | 1,972 | 418 | 4,178 | 5,418 | 1,240 |

Source: U.S. Census; Community Partners Research, Inc.

- ▶ Between 2000 and 2010, Northfield added 89 larger family renter households with four or more persons.
- ▶ There was also growth in small renter households including an increase of 268 one person households.
- ▶ For all of Rice County there was significant growth in all sizes of renter households, including 619 one person households.
- ▶ Rice County had a significant increase of 361 large family households with four or more people.

Tenure by Age

The following table identifies home ownership or renter status by age of householder in the year 2010. Information is provided for the City of Northfield and for Rice County.

| Table 15 Households Tenure by Age - 2010 | | | | |
|---|--------------------|-----------|-------------|-------------|
| Age of Householder | City of Northfield | | Rice County | |
| | Owners | Renters | Owners | Renters |
| 15 - 24 | 40/11.7% | 302/88.7% | 254/21.6% | 923/78.4% |
| 25 -34 | 452/52.1% | 416/47.9% | 2,047/63.6% | 1,172/36.4% |
| 35 - 44 | 797/72.3% | 306/27.7% | 3,114/78.2% | 867/21.8% |
| 45 - 54 | 1,037/79.6% | 265/20.4% | 4,151/83.7% | 809/16.3% |
| 55 - 64 | 890/82.3% | 192/17.7% | 3,398/86.2% | 546/13.8% |
| 65 - 74 | 547/82.5% | 116/17.5% | 2,165/86.2% | 346/13.8% |
| 75-84 | 413/71.7% | 163/28.3% | 1,353/77.5% | 392/22.5% |
| 85+ | 124/36.9% | 212/63.1% | 415/53.3% | 363/46.7% |

Source: U.S. Census; Community Partners Research, Inc.

- ▶ Household tenure by age patterns in Northfield show a preference for home ownership among households in the 25 to 84 age ranges. The highest rates of home ownership existed among households in the 45 to 74 age ranges, which were in excess of 79%.
- ▶ Younger households, age 24 and under, were predominantly renters. Households age 85 and older also had a high renter rate at 63.1%.
- ▶ Tenure patterns in the county showed an even stronger preference for home ownership in most age ranges. For the entire county, the rate of ownership among households age 35 to 84 years old was 77.5% or greater.

2010 Income Data

Household income represents all independent households, including people living alone and unrelated individuals in a housing unit. Families are two or more related individuals living in a household. The income data was obtained from the 2010 American Community Survey.

| Table 16 Median Household Income - 1999 to 2010 | | | |
|--|-------------|-------------|------------|
| | 1999 Median | 2010 Median | % Increase |
| Northfield | \$49,972 | \$57,368 | 14.8% |
| Rice County | \$48,651 | \$57,270 | 17.7% |
| Minnesota | \$47,111 | \$56,456 | 19.8% |

Source: U.S. Census; American Community Survey; Community Partners Research, Inc.

| Table 17 Median Family Income - 1999 to 2010 | | | |
|---|-------------|-------------|------------|
| | 1999 Median | 2010 Median | % Increase |
| Northfield | \$61,055 | \$75,513 | 23.7% |
| Rice County | \$56,407 | \$69,345 | 22.9% |
| Minnesota | \$56,874 | \$70,658 | 24.2% |

Source: U.S. Census; American Community Survey; Community Partners Research, Inc.

- ▶ Northfield's median household income increased from \$49,972 to \$57,368 over the past decade, which is a 14.8% increase. Northfield's median family income increased from \$61,055 to \$75,513, a 23.7% increase. Both the median household and family incomes for Northfield are higher than the Rice County and State of Minnesota median incomes.
- ▶ Using the commonly accepted standard that 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Northfield could afford approximately \$1,434 per month for ownership or rental housing in 2010, and a median income family could afford \$1,888 per month in 2010.
- ▶ Using the "rule of thumb" standard that a household can afford to purchase a house that is approximately 2 ½ times annual income, a median income household in the City of Northfield could afford a home valued at approximately \$143,420 and a median income household in Rice County could afford approximately \$143,175.

Northfield 2010 Income and Housing Costs - Renters

In addition to collecting income data, the 2010 American Community Survey also collected information on housing costs. The following table provides data on the number of renter households in Northfield that are paying different percentages of their gross household income for housing costs. For comparison, the same information is provided from the 2000 Census.

| Table 18 Gross Rent as a Percentage of Household Income - 2010 | | |
|---|----------------------------------|---------------------------------------|
| Percentage of Household Income for Housing Costs | Number of Renter Households 2010 | Percent of All Renter Households 2010 |
| 0% to 19.9% | 520 | 23.6% |
| 20% to 29.9% | 579 | 26.3% |
| 30% to 34.9% | 305 | 13.8% |
| 35% or more | 667 | 30.2% |
| Not Computed | 134 | 6.1% |
| Total | 2,205 | 100% |

Source: American Community Survey

- ▶ The Census reported that 44% of renter households in Northfield were paying more than 30% of their income for rent, including more than 30% of all renters that were paying more than 35% of income for housing. Households that pay more than 30% of their income for rent, based on accepted housing industry standards, have a housing cost burden.

| Table 19 Gross Rent as a Percentage of Household Income - 2000 to 2010 | | | |
|---|------------------------------------|------------------------------------|-----------------------------|
| Percentage of Household Income for Housing Costs | Number/% of Renter Households 2000 | Number/% of Renter Households 2010 | Numeric Change 2000 to 2010 |
| 0% to 19.9% | 583/38.0% | 520/23.6% | -63 |
| 20% to 29.9% | 433/28.2% | 579/26.3% | 146 |
| 30% to 34.9% | 122/8.0% | 305/13.8% | 183 |
| 35% or more | 356/23.2% | 667/30.2% | 311 |
| Not Computed | 40/2.6% | 134/6.1% | 94 |
| Total | 1,534/100% | 2,205/100% | 671 |

Source: U.S. Census; American Community Survey

- ▶ Approximately 311 more households are paying more than 35% of their income for housing in 2010 as compared to 2000.

Northfield 2010 Income and Housing Costs - Owners

The 2010 American Community Survey provided housing cost estimates for owner-occupants. The following table provides the number of households in the city that were paying different percentages of their income for housing. For comparison, the same information has been presented from the 2000 Census.

| Table 20 Ownership Costs as a Percentage of Income - Northfield 2010 | | |
|---|---------------------------------|--------------------------------------|
| Percentage of Household Income for Housing Costs | Number of Owner Households 2010 | Percent of All Owner Households 2010 |
| 0% to 19.9% | 2,020 | 49.4% |
| 20% to 29.9% | 944 | 23.1% |
| 30% to 34.9% | 239 | 5.9% |
| 35% or more | 834 | 20.4% |
| Not Computed | 50 | 1.2% |
| Total | 4,087 | 100% |

Source: American Community Survey

- ▶ A majority of owner-occupants, which would include households with and without a mortgage, reported paying less than 30% of their income for housing. However, 26.3% of owners reported that they paid more than 30% of their income for housing.

| Table 21 Ownership Costs as a Percentage of Income - 2000 to 2010 | | | |
|--|-----------------------------------|-----------------------------------|-----------------------------|
| Percentage of Household Income for Housing Costs | Number/% of Owner Households 2000 | Number/% of Owner Households 2010 | Numeric Change 2000 to 2010 |
| 0% to 19.9% | 1,696 / 57.1% | 2,020 / 49.4% | 324 |
| 20% to 29.9% | 782 / 26.3% | 944 / 23.1% | 162 |
| 30% to 34.9% | 120 / 4.0% | 239 / 5.9% | 119 |
| 35% or more | 364 / 12.3% | 834 / 20.4% | 470 |
| Not Computed | 7 / 0.3% | 50 / 1.2% | 43 |
| Total | 2,969 / 100% | 4,087 / 100% | 1,118 |

Source: U.S. Census; American Community Survey

- ▶ In 2000, only 16.3% of all owners reported paying 35% or more of their income for housing. By 2010, this percentage had increased to 26.3%, which could be a reflection of how the recession has impacted homeowners. At the same time, the percentage of households that paid less than 20% of income for housing costs decreased.

Racial and Ethnic Population

The following table compares racial and ethnic populations in Northfield from 1990 to 2010. The data was obtained from the decennial U.S. Census.

| Table 22 Racial/Ethnic Population Trends - 1990 to 2010 | | | | | |
|--|--------------------|--------------------|-----------------------|--------------------|-----------------------|
| | 1990 Population | 2000 Population | % Change 1990-2000 | 2010 Population | % Change 2000-2010 |
| Race | | | | | |
| White | 14,147 | 15,873 | 12.2% | 17,763 | 11.9% |
| Black/African American | 105 | 154 | 46.7% | 257 | 66.9% |
| Native American | 36 | 58 | 61.1% | 49 | -15.5% |
| Asian/Pacific Islander | 309 | 414 | 34.0% | 699 | 68.8% |
| Other Race/Two or More Races | 87 | 648 | 644.8% | 1,239 | 91.2% |
| Total All Races | 14,684 | 17,147 | 16.8% | 20,007 | 16.7% |
| Ethnicity | | | | | |
| Hispanic/Latino | 200 | 982 | 391% | 1,685 | 71.6% |
| Not Hispanic/Latino | 14,484 | 16,165 | 11.6% | 18,322 | 13.3% |
| Total Ethnicity | 14,687 | 17,147 | 16.8% | 20,007 | 16.7% |

Source: U.S. Census

- ▶ Northfield’s Black/African American population increased from 154 in 2000 to 257 in 2010.
- ▶ The number of people in the Other Race/Two or More Races category increased from 648 in 2000 to 1,239 in 2010.
- ▶ The White population increased from 15,873 in 2000 to 17,763 in 2010.
- ▶ Northfield’s Hispanic/Latino population increased from 982 in 2000 to 1,685 in 2010, a 71.6% increase. Northfield added 782 Hispanic/Latino from 1990 to 2000 and 703 Hispanic/Latino people from 2000 to 2010. Although the numeric increase has been very consistent, the percentage increase has reduced significantly.
- ▶ The city’s racial and ethnic population is approximately 15.3% of the total population.

Households by Race/Ethnicity

Over the last decade, Northfield and Rice County have increasingly attracted minority residents, some of whom are international immigrants. The following table provides some basic information from the 2000 and 2010 Census about households by race and households by ethnicity.

| Table 23 Households by Race/Ethnicity - Northfield - 2000 to 2010 | | | | |
|--|-----------------|-----------------|--------------------------|-----------------------------|
| Race/Ethnicity | 2000 Households | 2010 Households | Numeric Change 2000-2010 | Percentage Change 2000-2010 |
| Black/African American | 34 | 59 | 25 | 73.5% |
| Native American/Alaskan | 13 | 15 | 2 | 15.4% |
| Asian/Pacific Islander | 65 | 97 | 32 | 49.2% |
| Other Race | 49 | 169 | 120 | 244.9% |
| Two or More Races | 42 | 59 | 17 | 40.5% |
| White | 4,706 | 5,873 | 1,167 | 24.8% |
| Total | 4,909 | 6,272 | 1,363 | 27.8% |
| Hispanic/Latino | 181 | 341 | 160 | 88.4% |
| Not Hispanic/Latino | 4,728 | 5,931 | 1,203 | 25.4% |
| Total | 4,909 | 6,272 | 1,363 | 27.8% |

Source: U.S. Census; Community Partners Research, Inc.

- ▶ Although the large majority of Northfield’s households are white and non-Hispanic, there has been growth from minority racial and ethnic groups over the last decade. On a percentage basis, Black/African American households represented the fastest growth among racial groups, up 73.5% between 2000 and 2010. On a numeric basis, White households showed the largest growth, up 1,167 households between 2000 and 2010.
- ▶ The city added 160 new Hispanic households, an increase of 84.4% between 2000 and 2010.
- ▶ The city’s racial and ethnic population is approximately 10.7% of the total population.

Household Tenure by Race/Ethnicity

The following table presents minority household tenure information for the City of Northfield from the 2010 Census.

| Table 24 Household Tenure by Race/Ethnicity - Northfield - 2010 | | | | |
|--|------------------|---------|-------------------|---------|
| Race/Ethnicity | Owner Households | | Renter Households | |
| | Number | Percent | Number | Percent |
| Black/African American | 18 | 30.5% | 41 | 69.5% |
| Native American/Alaskan | 7 | 46.7% | 8 | 53.3% |
| Asian/Pacific Islander | 55 | 56.7% | 42 | 43.3% |
| Other Race | 99 | 58.6% | 70 | 41.4% |
| Two or More Races | 29 | 49.2% | 30 | 50.8% |
| White | 4,092 | 69.7% | 1,781 | 30.3% |
| Hispanic/Latino | 166 | 48.7% | 175 | 51.3% |
| Not Hispanic/Latino | 4,134 | 69.7% | 1,797 | 30.3% |

Source: U.S. Census; Community Partners Research, Inc.

- ▶ The white population has the highest home ownership rate at 69.7%. The Asian/Pacific Islander households have the next highest home ownership rate at 56.7%.
- ▶ The lowest rate of home ownership is in the Black/African American community, with an ownership rate of 30.5%, and the Native American/Alaskan home ownership rate is 46.7%.
- ▶ Hispanic households have a home ownership rate of 48.7%.

Existing Housing Inventory

Existing Housing Inventory

The following table identifies owner occupied and rental housing units by year built in the City of Northfield. This data was obtained from the American Community Survey and from city building permits.

| Table 25 Occupied Housing Units by Year Built - Owner/Renter | | | | | | | |
|---|------------------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 1939 and Earlier | 1940-1959 | 1960-1969 | 1970-1979 | 1980-1989 | 1990-2000 | 2000-2011 |
| Northfield | 694/240 | 394/210 | 298/126 | 648/543 | 493/254 | 590/383 | 1176/360 |

Source: American Community Survey; City Building Permits

The first number is owner-occupied units and the second number is rental units

- ▶ The owner-occupied housing stock in Northfield is newer than average according to the 2010 Census. The Census identified approximately 16.8% of the owner-occupied housing units as pre-1940 construction. This was above the statewide average for pre-1940 housing of approximately 18%.

- ▶ According to the 2010 Census, 11.3% of the occupied rental units in Northfield were built prior to 1940.

New Housing Construction Activity

The following table identifies the number of housing units constructed in Northfield from 2000 to 2011, based on city building permit reports.

| Table 26 Housing Unit Construction Activity - 2000 to 2011 | | | | |
|---|---------------|-----------------------------|---------------------|--------------|
| Year | Single Family | Townhouse/ Condos/Co-ops | Multi-family Rental | Total |
| 2000 | 76 | 61 | 0 | 137 |
| 2001 | 59 | 83 | 13 | 155 |
| 2002 | 90 | 109 | 0 | 199 |
| 2003 | 117 | 84 | 30 | 231 |
| 2004 | 112 | 107 | 0 | 219 |
| 2005 | 116 | 74 | 45 | 235 |
| 2006 | 57 | 136 | 0 | 193 |
| 2007 | 37 | 30 | 0 | 67 |
| 2008 | 13 | 4 | 0 | 17 |
| 2009 | 12 | 0 | 45 | 57 |
| 2010 | 11 | 0 | 0 | 11 |
| 2011 | 15 | 0 | 0 | 15 |
| Total | 715 | 688 | 133 | 1,536 |

Source: City of Northfield

- ▶ From 2000 through 2011, Northfield added 1,536 new housing units through new construction. We believe that 1,403 of the new units were constructed for owner occupancy, although it is possible that some units could be renter-occupied or currently vacant. The single family, townhouse and condominium units have averaged approximately 117 new units per year over the past 12 years. Of the total units constructed from 2000 to 2011, 76.6% were constructed from 2000 to 2005.
- ▶ There has also been ongoing construction of multifamily rental housing. From 2000 through 2011, 133 rental units have been constructed.
- ▶ From 2000 to 2005, 1,176 total units were constructed, and from 2006 to 2011, 360 total units were constructed.

Northfield Housing Condition

Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of 565 single family/duplex houses in three of the City of Northfield's older neighborhoods. To focus on single family homes, houses that appeared to contain three or more units were excluded from the survey. The boundaries of the three neighborhoods are as follows:

Neighborhood No. 1 - North - 4th St. E., South - Woodley St., East - Winona St., West - Washington St.

Neighborhood No. 2 - North - 8th St. W., South - Woodley St., East - Division St., West - Hwy 3

Neighborhood No. 3 - North - Greenvale Ave., South - 5th St. W., East - Railroad tracks, West - Plum St.

Maps showing each of these neighborhoods are provided on the next two pages.

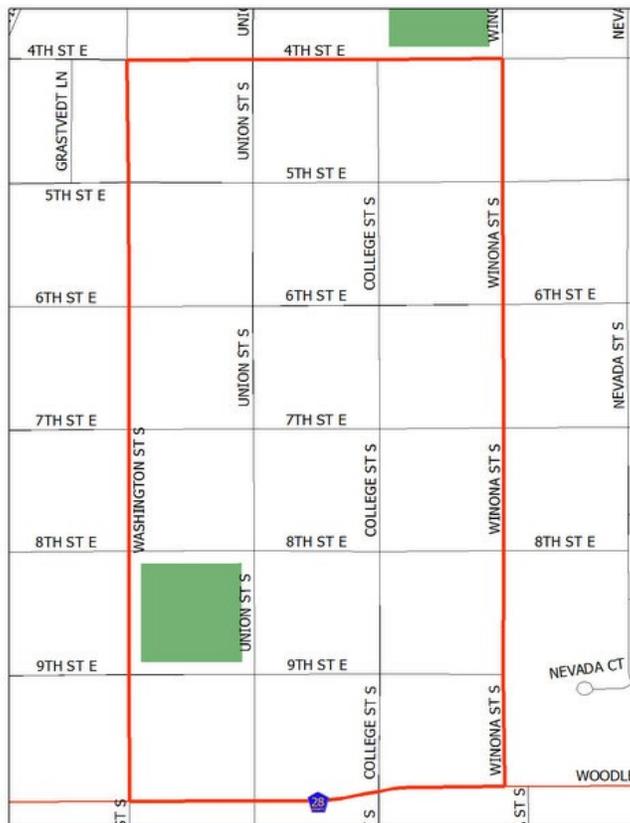
Houses were rated in one of four levels of physical condition, as defined below. The visual survey analyzed only the physical condition of the visible exterior of each structure. Exterior condition is assumed to be a reasonable indicator of the structure's interior quality.

- ▶ Dilapidated houses are generally considered beyond repair.
- ▶ Major Repair houses need multiple major improvements such as roof, windows, sidings, structural/foundation, etc. Houses in this condition category may or may not be economically feasible to rehabilitate.
- ▶ Minor Repair houses are judged to be generally in good condition and require less extensive repair, such as one major improvement. Houses in this condition category will generally be good candidates for rehabilitation programs because they are in a salable price range and are economically feasible to repair.
- ▶ Sound houses are judged to be in good, 'move-in' condition. Sound houses may contain minor code violations and still be considered Sound.

| Table 27 Northfield Windshield Survey Condition Estimate - 2011 | | | | | |
|--|-------------|--------------|--------------|-------------|-------|
| Neighborhood | Sound | Minor Repair | Major Repair | Dilapidated | Total |
| No. 1 | 109 (48.9%) | 94 (42.2%) | 19 (8.5%) | 1 (0.4%) | 223 |
| No. 2 | 49 (41.9%) | 46 (39.3%) | 20 (17.1%) | 2 (1.7%) | 117 |
| No. 3 | 98 (43.6%) | 109 (48.4%) | 16 (7.1%) | 2 (0.9%) | 225 |
| Total | 256 (45.3%) | 249 (44.1%) | 55 (9.7%) | 5 (0.9%) | 565 |

Source: Community Partners Research, Inc.

The existing housing stock in the three neighborhoods is in good condition. Approximately 45% of the houses were rated as Sound, while approximately 44% of the houses were judged to be in need of Minor Repair and 10% need Major Repair. Only five homes in the three neighborhoods were rated as Dilapidated and possibly beyond repair. These houses may be suitable for demolition and clearance.



Neighborhood #1



Neighborhood #2



Neighborhood #3

Northfield Mobile Home Condition

In December, 2011, Community Partners Research, Inc. representatives conducted a visual 'windshield' survey of the 211 mobile homes in Northfield. The majority of the mobile homes are in mobile home parks, although, several mobile homes are located on lots in other areas of the city.

Mobile homes were rated in one of four levels of physical condition. The visual survey analyzed only the physical condition of the visible exterior of each structure. Exterior condition is assumed to be a reasonable indicator of the structure's interior quality. Dilapidated units are generally considered beyond repair. Major Repair units need multiple major improvements such as roof, windows, siding, etc. Units in this condition category may or may not be economically feasible to rehabilitate. Minor Repair units are judged to be generally in good condition and require less extensive repair, such as one major improvement. Units in this condition category will generally be good candidates for rehabilitation programs because they are economically feasible to repair. Sound units are judged to be in good, 'move-in' condition. Sound units may contain minor code violations and still be considered Sound.

| Table 28 Northfield Mobile Home Condition Estimate - 2011 | | | | | |
|--|------------|--------------|--------------|-------------|-------|
| Mobile Home Park | Sound | Minor Repair | Major Repair | Dilapidated | Total |
| Florella | 1 (2.8%) | 1 (2.8%) | 8 (22.2%) | 26 (72.2%) | 36 |
| Viking Terrace | 50 (28.5%) | 47 (26.9%) | 47 (26.9%) | 31 (17.7%) | 175 |
| Total | 51 (24.2%) | 48 (22.7%) | 55 (26.1%) | 57 (27.0%) | 211 |

Source: Community Partners Research, Inc.

Of the 211 mobile homes in Northfield, approximately 24% were rated as being in sound condition, and 23% require minor repair. Approximately 26% of the mobile homes need major repairs and 57 mobile homes are dilapidated and beyond repair. The highest percent of mobile homes (27%) in the City of Northfield are dilapidated.

Existing Home Sales

This section examines houses that have been sold within a recent 12-month sales period. The information used was obtained from the Rice County Assessor's Office, through the Beacon portal on the county's website. This website provides access to county property and tax records, including information that is used for the county's sales ratio study for the period between October 1, 2010 and September 30, 2011. ***This section only examines sales activity in the Rice County portion of Northfield. Information on sales activity in the Dakota County portion of the city was not readily available.***

The sales information for the city can be sorted into different reports. For its annual sales study, the county examines "good sales", that are fair market transactions. However, information is also collected on other sales, including "bad sales" that are rejected because they are not considered to be fair market transactions. Two rejection codes include sales of "bank-owned" properties, and "forced" sales transactions, including foreclosures. Although there are other rejection codes, this Study has examined the rejected sales in the bank-owned and forced sale groupings to better understand the significant property transfer activity that has been occurring in recent years due to the distress that has existed in the for-sale real estate market.

For Northfield, additional levels of detail are available, including a separation of houses by owner or rental use. Although there are a few rental houses that are listed, most of the property transfer records are for owner-occupancy properties. Unless otherwise noted, the following tables present information on owner-occupancy units. All of the sales are for single family units, but a designation is provided for attached housing units, such as twin homes, town houses or condominiums, separate from detached single family homes.

The county's collection of property sales information is used to compare the fair market sales price to the estimated taxable value. As a result, the county information for good sales primarily reflects existing home sales that have an established tax value. New construction sales activity would generally not be recorded in the data that was used for this analysis, unless the house had been constructed some time ago and did have an established tax value.

| Table 29 Northfield Residential Sales Activity - 2011 Sales Year | | | | |
|---|----------------------|-------------------|--------------|-------------|
| Unit by Type | Number of Good Sales | Median Sale Price | Highest Sale | Lowest Sale |
| Single Family Owner | 66 | \$164,850 | \$325,000 | \$55,000 |
| Town House Owner | 27 | \$129,495 | \$260,000 | \$67,000 |
| Condominium Owner | 7 | \$102,500 | \$135,900 | \$44,000 |

Source: Rice County Assessor; Community Partners Research, Inc.

The median price for a single family “good” house sale in Northfield in 2011 was \$164,850. There were only 66 owner-occupancy, single family detached home sales during this 12-month time period.

Prices were lower for attached housing. The median sale price for town house units was \$129,495. The median sale price for condominium units was \$102,500.

Forced Sales Activity in 2011

There were many additional 2011 sales that were not classified as “good” sales, representing fair market transactions. The county’s reporting system uses various subcategories for “bad” sales, including one group labeled “forced sale; legal action; auction; foreclosure” and another group labeled “bank sale (including HUD)”. For the purposes of this discussion, “bad” sales in these two classifications will be referred to as distressed sales.

For the 2011 sales year, Northfield had approximately as many distressed sales as “good” sales. Actual analysis of the distressed sales is somewhat difficult, because a single property may be reflected multiple times within a single year, as it transfers from the original owner to a bank, and then may be possibly resold by the bank. The analysts have attempted to remove duplicate sales records for a single property in a single year. It is still possible that a single property is reflected twice, by spanning two different sales years. After deleting multiple transfers of a single property in a single year, there were 69 owner-occupancy single family houses that transferred ownership in the 2011 sales year, and nine additional distressed single family sales that were identified as rental properties.

There were also 29 owner-occupancy attached single family distressed sales in the 2011 sales period. This included both town house units and condominiums. There were seven distressed sales of rental units that were attached housing.

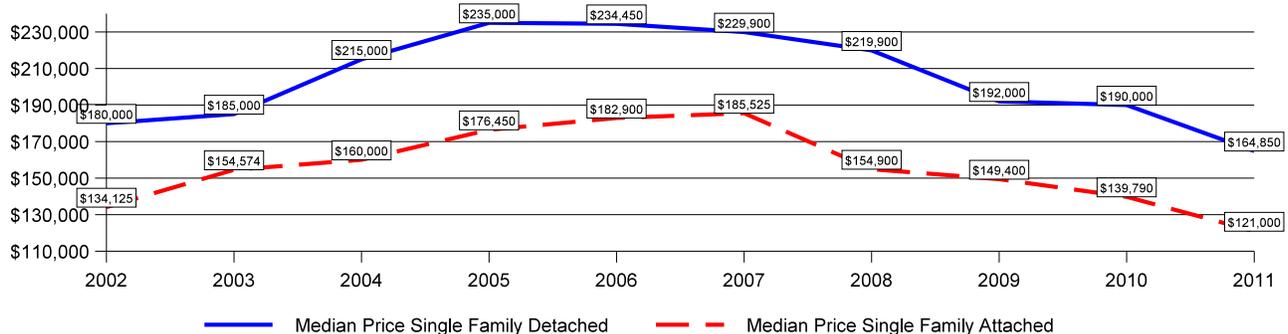
Median Home Sale Price Trends

The county’s website also allows a tracking of sales activity in previous years. The following table uses the 12-month sales period used by the county Assessor, starting October 1st and ending September 30th for each year.

| Table 30 Northfield Median Residential Sale Price - 2004 to 2011 | | | | |
|--|------------------------|-------------------|------------------------|-------------------|
| Sales Year | Single Family Detached | | Single Family Attached | |
| | Number of Good Sales | Median Sale Price | Number of Good Sales | Median Sale Price |
| 2011 | 66 | \$164,850 | 34 | \$121,000 |
| 2010 | 67 | \$190,000 | 40 | \$139,790 |
| 2009 | 68 | \$192,000 | 28 | \$149,400 |
| 2008 | 79 | \$219,900 | 27 | \$154,900 |
| 2007 | 111 | \$229,900 | 42 | \$185,525 |
| 2006 | 124 | \$234,450 | 55 | \$182,900 |
| 2005 | 161 | \$235,000 | 54 | \$176,450 |
| 2004 | 147 | \$215,000 | 61 | \$160,000 |
| 2003 | 155 | \$185,000 | 50 | \$154,574 |
| 2002 | 118 | \$180,000 | 42 | \$134,125 |

Source: Rice County Assessor; Community Partners Research, Inc.

Median Home Sale Price in Northfield - 2002 to 2011



Rice County sales records are available for the past ten years, and show the rapid rise in home prices that occurred in the middle half of the last decade, followed by a steady decline in the median price. The volume of “good” sales

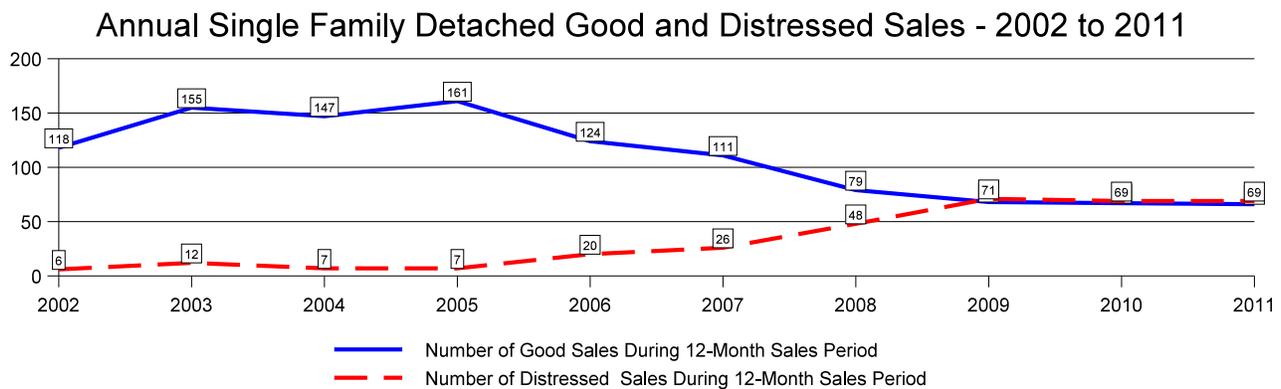
generally followed the same pattern, with both the median price and the number of sales for single family detached units reaching a highpoint in the 2005 sales year. Attached single family units had the greatest volume of activity in 2004, although the highest median price was achieved in 2007.

For single family detached houses, the median home sale price in Northfield dropped below \$165,000 for the 2011 sales year, the lowest point reached over the 10-year time period that was reviewed. In 2002, the median sale price had been \$180,000. The 2011 median price was down more than \$70,000 from the peak that was reached in the 2005 sales year.

For attached single family units, the median price also reached a 10-year low in 2011, at \$121,000. The median has dropped by more than \$64,000 from the highest point in 2007.

Multiple reasons are cited for the drop in home values across the country in recent years, but the number of transactions that are distressed sales is a contributing cause. Houses that are sold through foreclosure, short-sales, or similar distressed means can negatively impact the voluntary sales that would otherwise occur.

The following chart looks at the number of single family detached, owner-occupancy home sales in Northfield over the past 10 years, including both good sales and distressed sales. The distressed sales include the two categories previously defined, which are bank-owned sales, and forced sales.



During the earlier years of the past decade, the number of annual distressed sales was relatively small, due to limited foreclosures, bank-owned sales, and similar forced transactions. However, the volume of distressed sales began to increase in 2006, and by 2009 the county recorded approximately an equal number of good and distressed single family sales in the Rice County portion of the city. As the number of distressed sales increased, the median price of good sales steadily dropped.

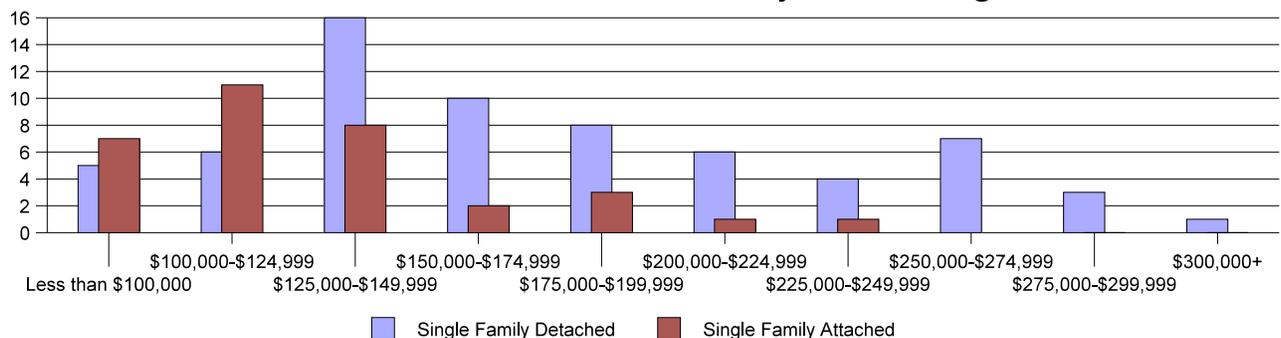
2011 Home Sales by Price Range

The following table looks at single family houses that sold in the past 12-month sales period that were coded as good sales by the county.

| Table 31 Northfield Home Sales by Price Range - 2011 Sales Year | | | | |
|---|------------------------|------------------|------------------------|------------------|
| Sale Price | Single Family Detached | | Single Family Attached | |
| | Number of Sales | Percent of Sales | Number of Sales | Percent of Sales |
| Less than \$100,000 | 5 | 7.6% | 7 | 20.6% |
| \$100,000 - \$124,999 | 6 | 9.1% | 11 | 32.4% |
| \$125,000 - \$149,999 | 16 | 24.2% | 8 | 23.5% |
| \$150,000 - \$174,999 | 10 | 15.2% | 2 | 5.9% |
| \$175,000 - \$199,999 | 8 | 12.1% | 3 | 8.8% |
| \$200,000 - \$224,999 | 6 | 9.1% | 1 | 2.9% |
| \$225,000 - \$249,999 | 4 | 6.1% | 1 | 2.9% |
| \$250,000 - \$274,999 | 7 | 10.6% | 1 | 2.9% |
| \$275,000 - \$299,999 | 3 | 4.5% | 0 | 0% |
| \$300,000+ | 1 | 1.5% | 0 | 0% |
| Total | 62 | 100% | 34 | 100% |

Source: Rice County Assessor; Community Partners Research, Inc.

2011 Northfield Home Sales by Price Range



A large majority of recent residential sales were priced less than \$200,000. In the 12-month sales period ending September 30, 2011, more than 68% of all existing, "good" single family detached home sales were for \$199,999 or less. Fewer than 17% of all sales were for \$250,000 or more, and only one sale occurred for more than \$300,000.

Prices were lower for attached single family units, such as town homes or condominiums. Overall, more than 76% of all attached home sales in 2011 were for less than \$150,000.

The most recent sales year is greatly different from the peak sales periods in Northfield. In the 2005 sales year, when the median price and the volume of single family detached sales reached their highest levels, nearly 38% of all "good" sales were for \$250,000 or more, and there were 39 sales priced at \$300,000, or more.

Active Residential Listings

The website Realtor.com, maintained by the National Association of Realtors, was used to collect information on active residential real estate listings in Northfield. On December 23, 2011, there were 128 homes listed for sale. This would include both detached and attached units, such as town houses or condominiums.

It is possible that some of the houses had duplicate listings. The analysts attempted to identify and remove duplicate listings from the data. Some of the homes were identified as not being within the city limits, and these units were also removed. However, it is probable that some of the Northfield listings are actually located outside the city limits.

There were a number of listings for attached housing units, including numerous condominiums in a large downtown project on St. Olaf Avenue. Most of these listings were identified as foreclosures.

It is important to note that the active properties are those included in the Multiple Listing Service (MLS) and would generally be offered through a real estate agent. There are other properties that are posted for sale in Northfield that would not be part of the MLS, and therefore are not included in this analysis, such as most homes being offered "for sale by owner".

The following table examines the MLS listings by listing price. It includes all types of homes as posted on Realtor.com.

| Table 32 Northfield Active MLS Listings by Price Range - 2011 | | |
|--|--------------------|---------------------|
| Asking Price | Number of Listings | Percent of Listings |
| Less than \$100,000 | 15 | 11.7% |
| \$100,000 - \$124,999 | 15 | 11.7% |
| \$125,000 - \$149,999 | 20 | 15.6% |
| \$150,000 - \$174,999 | 12 | 9.4% |
| \$175,000 - \$199,999 | 11 | 8.6% |
| \$200,000 - \$224,999 | 7 | 5.5% |
| \$225,000 - \$249,999 | 13 | 10.2% |
| \$250,000 - \$274,999 | 7 | 5.5% |
| \$275,000 - \$299,999 | 8 | 6.3% |
| \$300,000+ | 20 | 15.6% |
| Total | 128 | 100% |

Source: Realtor.com; Community Partners Research, Inc.

Based on the listings on Realtor.com, Northfield has a relatively large inventory of houses currently for sale that are priced at \$300,000 or more. Overall, nearly 16% of active listings are priced at \$300,000 or more, and more than 27% of the listings are priced at \$250,000 or more. The analysis of “good” sales in the past year showed only one house selling for more than \$300,000, although the inclusion of “bad” sales would have lifted this total somewhat.

Rice County Home Foreclosure Activity

Starting in 2006, many national reports began to surface about the growing number of home foreclosures. Initially linked to the popularity of adjustable rate mortgages and the expansion of sub-prime mortgage lending, as many housing markets cooled and the national economy moved into a period of recession, the foreclosure crisis spread to broader segments of the housing market.

While tracking current foreclosures is relatively easy, predicting future foreclosure activity is difficult. Delinquent borrowers have a number of different procedural steps that must be met before actual foreclosure occurs. Our research examines information about past activity, but does not include a future prediction.

HousingLink and the Greater Minnesota Housing Fund have been tracking mortgage foreclosure activity across the state for the past few years. They have produced annual foreclosure reports since 2007. Their reports provide details on foreclosure activity at the county level, as well as a comparison with other counties in the state.

In addition to collecting information on the number of foreclosures, using Sheriff’s Sale data, HousingLink has also attempted to calculate a rate of foreclosure, by comparing the annual total to the number of residential parcels in each county. While this rate calculation does not yield a perfect number, it does allow for a standardized comparison measure among all of the counties in the state. The following table presents the actual number of foreclosures, followed by the calculated rate of foreclosure, as calculated by HousingLink.

| Table 33 Rice County Home Foreclosures - 2005 to 2011 | | | | | | | |
|--|-------|-------|-------|-------|-------|-------|-------|
| | 2005 | 2006 | 2007 | 2008 | 2009 | 2010 | 2011 |
| Number of foreclosures | 79 | 147 | 237 | 298 | 299 | 349 | 268 |
| Rate of foreclosures | 0.44% | 0.80% | 1.25% | 1.56% | 1.55% | 1.80% | 1.38% |

Source: HousingLink; Community Partners Research

HousingLink reported a rapid rise in the countywide home foreclosure volume since 2005 in Rice County. After stabilizing in 2008 and 2009, the number of foreclosures increased again in 2010. However, the number of foreclosures in 2011 dropped, compared to 2010, and was below the 2008 level.

HousingLink's methodology for calculating the rate of foreclosure may have changed somewhat in the past few years. In the early years, the rate appears to have been compared to the estimated number of households, while the past few years have compared foreclosures to the number of residential parcels.

For comparative purposes, Rice County had the 14th highest rate of foreclosure among Minnesota's 87 counties in 2011.

RealtyTrac Listings

Another source of information that is often cited for national stories on home foreclosures is RealtyTrac, Inc., a private company that has been tracking and reporting on foreclosure activity and bank-owned real estate across the country.

In December 2011, Community Partners Research viewed the RealtyTrac website. There were 29 bank-owned properties that were identified in Northfield. It is possible that some of these properties may have had a Northfield mailing address, but may be located outside of the city limits.

RealtyTrac also reports on past foreclosure activity. They report 442 home foreclosures in the Northfield zip code area (55057) between 2006 and 2011. RealtyTrac reports that 131 of the foreclosures occurred in 2011, the single largest year for volume.

The RealtyTrac information also reports activity in January 2012, with 19 foreclosures in the zip code area. If this monthly level is sustained, 2012 would surpass 2011 for the highest annual number of foreclosures.

Rental Housing Inventory

Rental Market Information

This section of the Housing Study presents information on the supply of rental housing in Northfield, including the results of a telephone survey which contacted most of the larger multifamily rental complexes in the community.

Total Unit Inventory - 2010 Census

For the City of Northfield, the 2010 Census recorded 1,972 occupied rental housing units and 283 vacant rental units, for a total estimated inventory of 2,255 rental housing units. The city's rental tenure rate was 31.4%.

At the time of the 2000 U.S. Census, Northfield's rental tenure rate was very similar, at 31.7%. There were 1,554 occupied rental housing units and at least 108 vacant rental units in April 2000. There were a few additional vacant units in the city that were not identified as either rental or owner housing, but it would appear that the total rental unit inventory was approximately 1,662 units in Northfield in 2000.

Based on Census comparisons, Northfield added 418 renter households and 593 rental housing units between 2000 and 2010. The unit growth would be greater than the level implied by building permit issuance. This would indicate that some housing was converted from owner-occupancy to renter-occupancy during the decade.

Unit conversion, from owner to renter housing, would be consistent with trends identified by city staff, including people working with the rental licensing program. It would also be consistent with reports that home foreclosures, short sales and similar issues have impacted Northfield in recent years. However, there are also limitations on tenure conversion in existing housing. Northfield limits the number of rental units that can exist on a city block. These restrictions may tend to reduce unit conversion, today and into the future, even when a housing unit is not occupied by its owner.

Total Unit Inventory - Northfield Rental Licensing Program

The City of Northfield does have a licensing requirement for rental housing. In April 2012, there were approximately 2,200 licensed units. Nearly all rental housing is covered by the licensing requirement. The only exception would be rental units that are licensed by the state, such as senior assisted living.

The rental licensing program total of approximately 2,200 units is reasonably similar to the 2010 Census total of 2,255 occupied and vacant units in Northfield.

Rental Housing Construction Between 2000 and 2011

A review of building permits has been used to identify rental projects that have been constructed in Northfield since the year 2000. These include:

- ▶ In 2001, a permit was issued for the addition of 13 assisted living units at Parkview East.
- ▶ In 2003, a permit was issued for Wellstone Apartments, which is a 30-unit senior subsidized rental project that utilized HUD Section 202/PRAC subsidies.
- ▶ In 2005, a permit was issued for 45 units of assisted living in the Millstream Commons project.
- ▶ In 2006, a permit was issued for 55 units of condominiums in The Crossing. While it is possible that some of these units may be available for rental, the intent of the project was to offer owner-occupancy housing. Many of these units are in foreclosure and are actively listed for sale on the Multiple Listing Service.
- ▶ In 2006, a permit was issued for 51 units of senior, cooperatively-owned housing in the Kindahl Park Pointe Co-Op. These units require an initial share value buy-in price above \$50,000, and a monthly fee, typically above \$1,000.
- ▶ In 2009, a permit was issued for 45 units of market rate rental housing in Mosaic Apartments.

Excluding The Crossing and Kindahl Park Pointe, which were not constructed for renter-occupancy, Northfield added 133 units that could be defined as rental housing. However, 58 of these were specialized senior assisted living units. While they probably meet a definition of rental housing, the Census Bureau could also consider them to be “group quarters” housing, and not independent living units.

Since it is possible that the Census enumerators may have classified both The Crossing and Kindahl Park Pointe as rental housing, the possible high-end estimate for newer units could be 239 total units between the years 2000 and 2010. This would still be well below the net gain that was reported by the Census, of 418 additional renter households and 593 additional rental housing units.

Proposed Rental Projects

According to the city's Community Development Office, there are two possible rental projects that have been identified in recent months. One project could potentially create 40 market rate rental units, but it is still in the early planning stages, with no proposed construction time line. Although information is limited, this project would probably be similar to Mosaic Apartments, constructed in 2009.

The second proposed project is a 28-unit income-based project that would utilize federal low income housing tax credits. This project was not successful in securing tax credits in the 2011 application cycle, but may be resubmitted in the future.

Rental Housing Survey

As part of this housing study, a telephone survey was conducted of the larger multifamily rental projects in the City of Northfield. The telephone survey was conducted in December 2011 and January 2012. Multiple attempts were made to contact each building.

Information was tallied separately for different types of rental housing, including market rate units, tax credit units, subsidized general occupancy housing, subsidized senior housing and specialized senior housing with services projects.

A total of 1,237 traditional multifamily rental units were contacted by the telephone survey, or more than 50% of the estimated rental housing stock in the City of Northfield. In addition, approximately 300 specialized senior units/beds were surveyed. In some cases, these represented individual apartments, but in other cases, only a sleeping room is provided.

The breakdown of rental units by type that were contacted by the survey is as follows:

- ▶ 694 market rate units
- ▶ 65 tax credit/moderate rent units
- ▶ 260 subsidized general occupancy units
- ▶ 218 subsidized senior/disabled occupancy units
- ▶ 300 units/beds of specialized senior housing

The findings of the survey are provided below.

Market Rate Summary

Usable information on occupancy rates and rent structure was obtained from 13 different market rate properties, providing 694 rental units. All of these units are general occupancy housing, with no age or income restrictions.

In some cases, the property manager could not provide specific information on the number of units by bedroom mix, or the number of vacancies by unit size. As a result, in some of the following calculations, a smaller subset of units has been used.

Occupancy / Vacancy

The vacancy calculation has been based on units that were unintentionally vacant, or that had not been committed to a new tenant. For example, there were a few instances when a property manager indicated that some units were intentionally vacant to facilitate remodeling projects. These were not recorded as vacant. There were also some instances when a manager reported that a unit was unoccupied on the day of the telephone survey, but that the unit had been leased, and a new tenant was scheduled to move in within the next few weeks. Since these units were leased, they were not recorded as vacant.

The telephone survey completed in December 2011 did find 36 market rate units that were reported as vacant on the day of the survey. This represented a vacancy rate of 5.2%.

Community Partners Research has completed a similar occupancy survey in Northfield in April 2011 for a project-specific study. That survey found 72 market rate units that were reported as vacant, for a vacancy rate of 10.9%.

Most of the vacancies in the April survey were found in a single, large project, known as Hidden Valley Apartments. In this 204-unit complex, there were 56 vacant units on the day of the telephone survey. In contrast, the December survey found only four vacant units in Hidden Valley. The project had been aggressively marketing units, and had offered a rent concession, which greatly improved the occupancy rate.

However, it appears that some of the success achieved at Hidden Valley had negatively impacted other properties. In April, the remaining properties, excluding Hidden Valley, had a vacancy rate of only 3.5%. In December, the other properties had a vacancy rate of 6.5%, when Hidden Valley was excluded.

Some owners/managers responding to the survey stated that the local rental market had been improving, and that demand for rental housing had been increasing as the home ownership market has slumped. One local real estate appraiser that was contacted by the analyst in April stated that market rate units were experiencing the strongest occupancy period in the past several years.

Some additional historical information is also available from previous rental housing surveys. In May 2006, Community Partners Research had recorded a vacancy rate of 4.9% in multifamily market rate housing. In October 2003, DSU Research found a 7.8% market rate housing vacancy rate in Northfield. A typical standard is that a vacancy rate up to 5% is considered acceptable, allowing for tenant mobility without excessive vacancies for property owners.

Rental Rates

With a wide variety of unit choices available in Northfield, there is also some variation in the contract rental rates. A large number of apartments in the city are 20 or more years old, and generally represent the lower end of the prevailing rental cost range. However, there are a few rental projects that have been constructed in the last 10 to 15 years that tend to form the upper end of the price range.

The Identified Range column below identifies the lowest and highest end of the range for gross rents by unit size. The Prevailing Range column attempts to define a more narrow band of rents that reflect a majority of the units surveyed. Gross rents are estimated, based on an inclusion for tenant-paid utilities.

| <u>Units Type</u> | <u>Identified Range</u> | <u>Prevailing Range</u> |
|-------------------|-------------------------|-------------------------|
| Efficiency/Studio | \$330-\$530 | \$475-\$530 |
| 1 Bedroom | \$530-\$905 | \$555-\$640 |
| 2 Bedroom | \$645-\$1,145 | \$710-\$850 |
| 3 Bedroom | \$940-\$1,250 | \$940-\$1,250 |

Although specific rental projects can vary, in general terms the rent structure in Northfield has not changed significantly in recent years. In 2006, Community Partners Research surveyed many of these same market rate properties. In most cases, contract rent levels have not increased appreciably over the past five years. There are also some cases where the reported rents in 2011 are actually below the level reported in 2006. Relatively high vacancy rates over the past few years appear to have resulted in a suppression of contract rent levels for many buildings.

The rent structure is nearly identical to the reported rents from the April 2011 survey. In two cases, the rents in December were actually slightly lower than reported in April. Hidden Valley has also been offering rent concessions, with one free month for a 12-month lease.

Single Family Rentals

A review of city rental registration records in 2011 had identified 362 rental units that were listed as one-unit properties. This group could reflect duplexes, where one unit is owner-occupied.

To collect information on the single family rental market, Community Partners Research contacted Northfield Appraisals, Inc., in April 2011. A representative of the company stated that there was a strong market for single family rentals, particularly for three-bedroom homes. In his opinion, the achievable rent in the single family market was between \$1,100 and \$1,200, plus utilities. This would be the rent for a good quality unit, with amenities such as an attached garage.

Two factors in Northfield were also identified that limit the number of single family rentals. First, the city has a rental density ordinance that limits rental units to 20% of the total on a block. In many neighborhoods, there is no possibility of converting single family homes into rental housing. Second, there are also some vacant town homes/condos that could be used for rental, but this is often prohibited by association rules. As a result, there tends to be more demand than supply in the single family rental market in Northfield.

Tax Credit/Moderate Rent Summary

Northfield has four rental projects that have received federal low income housing tax credits since the tax credit program was created in the mid-1980s. Of these projects, only one used the tax credit assistance for new unit construction. The other projects used the tax credits for renovation of existing apartments and for the conversion of an existing building into rental housing.

- ▶ ***New Construction*** - The rental project that used tax credits for new construction is Parkway Townhomes, built in 1996. This project has 26 tax credit units and six market rate town house rental units.
- ▶ ***Renovation/Rehab*** - One of the renovation projects is Summerfield Apartments (formerly known as Lincoln Parkway Apartments), which is a 112-unit rental complex that was constructed in phases in 1979 and 1983. Tax credit assistance was provided to 26 units in the 2003 renovation of this project. The other 86 units continue to be market rate rental housing.

- ▶ **Conversion/Rehab** - Another project, Manger Inn, used tax credits to convert an older motel facility into rental housing. This project has only seven rental units, five of which received tax credit assistance.
- ▶ **Renovation/Rehab** - The most recent tax credit award in Northfield was to Jefferson Square Townhomes, which is a HUD-subsidized project originally constructed in 1980. Tax credits were used for rehabilitation. Although tax credit regulations apply to Jefferson Square, it continues to offer project-based rent assistance to all tenants, and has been analyzed in the subsidized housing section that follows.

One additional project in Northfield provides housing that is very similar to tax credit units, although different funding sources were used. Northern Oaks Town Homes is an 8-unit project that was constructed in 1998 using HUD Home funds, along with assistance from the City of Northfield and the MN Housing Partnership. Units in the project have an income limit capped at 50% of median. As a result, Northern Oaks operates in a very similar fashion to tax credit housing, and has been added to this inventory for analysis.

In 2011, an application for a 28-unit, new construction town house project was submitted for a 2012 tax credit award. This project was not selected for funding, but may be resubmitted in the future.

Unit Mix

Identifying a specific unit breakdown in this segment of the market is not possible, since three of the four projects provide mixed-income housing. For example, only 26 of 112 units in Summerfield are tax credit-assisted. Income-eligible households under the tax credit program could potentially live in one-bedroom, two-bedroom or three-bedroom units. There are options for both large and small families in the available supply of tax credit/moderate rent housing.

While the specific unit mix of tax credit housing cannot be defined, there would only be a maximum of 15 or fewer 3-bedroom tax credit units, and five or fewer four-bedroom units in the inventory.

Unit Style

The only new construction projects, Parkway Townhomes and Northern Oaks Town Homes, both offer town house-style units. The renovation project, Summerfield Apartments, used tax credits to renovate apartments that were originally constructed in 1979 or 1983. The Manger Inn project, which converted a former motel into rental housing, has a mix of unit styles, including attached motel-style units, individual cabins, and a single family house.

Occupancy/Vacancy

At the time of the December rental survey, there were two vacancies reported in the tax credit/moderate rent projects, for a vacancy rate of 3.1%. For comparison, at the time of the rental survey in April 2011 there were no vacancies reported in any of the tax credit/moderate rent projects.

Although waiting lists may exist, some of the projects reported only limited unit turnover, and waiting lists can become out of date, due to the length of time between available units. This is especially true for the larger units. The manager of Northern Oaks said that turnover can be as low as one unit per year, so a waiting list of only four or five names can still result in a multi-year wait time for a unit in the project.

Rental Rates

The federal tax credit program places maximum rent limitations on assisted units. Although most units are subject to a maximum income cap set at 60% of median income, additional set-asides may exist for units at 30% or 50% of the median level. For 2011, maximum gross rent for units at 50% and 60% of median income in Rice County were as follows:

| <u>Bedroom Size</u> | <u>50% Rents</u> | <u>60% Rents</u> |
|---------------------|------------------|------------------|
| One Bedroom | \$658 | \$789 |
| Two Bedroom | \$790 | \$948 |
| Three Bedroom | \$912 | \$1,095 |
| Four Bedroom | \$1,017 | \$1,221 |

- ▶ The gross rents at Summerfield Apartments, Manger Inn and Northern Oaks Town Homes cannot exceed the 50% of median limits.
- ▶ The gross rents at Parkway Townhomes cannot exceed the 60% of median limits.

All of the projects reported actual rents that are below the maximum tax credit limits. For example, a two-bedroom unit at Parkway would have an estimated gross rent of \$750 or less, compared to the maximum allowable rent of \$948 under the tax credit regulations.

The maximum rents allowable under the tax credit program are often above the prevailing rates for most market rate units in Northfield. In the market rate summary presented above, we had estimated the prevailing range for two-bedroom, market rate units at \$710 to \$850, compared to an allowable tax credit maximum rent of \$948. It is probable that in order to stay competitive

with prevailing rates in the city, the tax credit developments charge rents that are well below the maximum federal limits.

Rent reasonableness requirements and payment standards for the Section 8 Voucher Program may also have a limiting impact on tax credit rent levels. Voucher Payment Standards are established by the Rice County HRA but cannot exceed 110% of HUD's Fair Market Rent (FMR) levels. In many instances, the FMRs are lower than the maximum gross rent limits allowed by the federal tax credit program.

Subsidized Summary

There are 10 subsidized rental projects in Northfield providing rental opportunities for lower income households. These projects have a combined 478 units, and all were contacted, with the information included in the following summary.

Most of the city's subsidized units serve very low income people and charge rent based on 30% of the tenant's household income. However, some of the subsidized properties do not have rent assistance available for all tenants, resulting in some renters being required to pay more than 30% of their income on housing.

Occupancy Type

A majority of the units, 260 of the 478 units, are general occupancy subsidized housing. The remaining 218 units are designated for senior and/or disabled occupancy.

Unit Mix

The bedroom mix breakdown is as follows:

- ▶ 328 one-bedroom (68.6%)
- ▶ 108 two-bedroom (22.6%)
- ▶ 38 three-bedroom (7.9%)
- ▶ 4 four-bedroom (0.8%)
- ▶ 478 Total Units

Occupancy / Vacancy

The survey collected occupancy information from all of the city's 478 subsidized units.

| General Occupancy Subsidized Rental Unit Vacancies - Northfield | | | | | |
|--|------------|------------|-----------|-----------|------------|
| | 1-Bedroom | 2-Bedroom | 3-Bedroom | 4-Bedroom | Total |
| Number/vacancy rate | 19 / 16.5% | 13 / 12.6% | 0 / 0% | 0 / 0% | 32 / 12.3% |

There were 32 vacancies in the general occupancy projects, for a vacancy rate of 12.3%. However, all of the vacancies were in Rural Development subsidized projects where there was limited rent assistance available. Vacancies tended to be in units that could not offer project-based rent subsidies. Rents may still have been below-market, but were not based on 30% of household income. All of the projects with rent subsidy assistance for all units were at full occupancy. Managers of the subsidized properties with vacancies in December generally stated that they had waiting lists for their rent assistance units.

Although most of the vacancies in general occupancy subsidized units were one-bedrooms, there were also 13 two-bedroom vacancies. No larger units, with more than two-bedrooms, were identified as vacant.

The general occupancy vacancy rate is well above the level of only 2.7% vacancy that was recorded in a similar occupancy survey completed in April 2011. There was no readily available explanation for the sudden rise in the vacancy rate.

| Senior/Disabled Subsidized Rental Unit Vacancies - Northfield | | | |
|--|-----------|-----------|-----------|
| | 1-Bedroom | 2-Bedroom | Total |
| Number/vacancy rate | 11 / 5.2% | 0 / 0% | 11 / 5.0% |

In the projects designated for senior/disabled occupancy there were 11 reported vacancies, for a vacancy rate of 5.0%. Once again, some of the vacant units were in buildings that could not offer project-based rent assistance to all tenants, and a minimum rent applied regardless of income. Some managers also talked about ongoing turnover in units, especially those that serve an older senior population. Some of the projects reported waiting lists or unmet demand for rent assistance units.

Subsidized Unit Losses

Some subsidized projects around the state have met their contractual obligations to provide affordable housing and have converted to market rate housing. However, we were not able to identify any projects in Northfield that have converted to market rate housing.

The Minnesota Housing Finance Agency (MHFA) maintains a record of subsidized projects that are at risk of being lost, identified on their website as the "Federal Multifamily Opt Out Log". Projects that are intending to leave their subsidy program are required to file a resident impact statement with MHFA.

In June 2012, the only Northfield project listed on the Opt Out Log was Jefferson Square. However, this project is no longer at-risk, and has extended its HUD Section 8 contract for 20 years. Jefferson Square, with 50 general occupancy units, utilized tax credit assistance in 2009 for a renovation project. The fact that this property is still listed on the MHFA Opt Out Log appears to be a delay in data entry.

Another possible change that could occur within the senior subsidized inventory is a move to provide more intensive services in Northfield Manor, a 61-unit senior/disabled subsidized rental apartment project. It is part of the Three Links senior complex and can already provide contracted services to residents. The Three Links organization is researching a possible change that could make this building more oriented to providing senior assisted living. While this would potentially benefit lower income seniors needing services with their housing, it may reduce the available supply of very affordable units to independent seniors.

Subsidized Unit Gains

Northfield is one of the few communities that has added subsidized housing within the last decade.

- ▶ In 1998 the Park Ridge Apartments project was constructed using HUD Section 202/PRAC subsidies. This project added 20 units of affordable housing for seniors.
- ▶ Wellstone Apartments was constructed in 2003, also using HUD Section 202/PRAC subsidies, and added 29 units for senior/disabled occupancy.

Tenant-Based Rent Assistance

In addition to these subsidized projects, Northfield is served by the Rice County Housing Choice Voucher Program (formerly Section 8 Existing Program). In January 2012, Northfield had 60 households being assisted with Housing Choice Voucher assistance, which is issued to income-eligible households for use in suitable, private market rental housing units. With the assistance, a household pays approximately 30% of their income for their rent, with the program subsidy paying any additional rent amounts.

Since this rent assistance is tenant-based, and moves with the household, the actual number of participating households within the city can vary from month to month. It is also possible that some of these households may be using their rent assistance in one of the subsidized or tax credit projects, if that project does not have rent assistance available for all tenants. As a result, the Housing Choice Voucher assistance likely adds to the overall supply of “deep subsidy” housing in the community, but may also overlap with some of the other subsidized projects.

Senior Housing with Services Summary

Northfield has a number of different facilities that provide housing with services for senior citizens. This housing can range from more independent living, where few services are provided, to advanced memory care housing, which is very service intensive.

There are two large providers of senior housing in Northfield, the Northfield Care Center and Three Links, that offer a wide range of housing types for seniors. Many of the facilities are either physically attached, or in a campus configuration, which allows a senior to age-in-place with a single service provider. In addition to these senior campus arrangements, there are also some stand-alone providers of senior housing in Northfield.

Community Partners Research has attempted to group different senior projects by the type of housing and services that are provided. All of the projects included in this section are listed on the MN Department of Health website as providing housing with services.

Independent/Housing with Light Services

Both the Northfield Care Center and Three Links do offer some senior housing that has a light service package, and is designed for a more independent senior renter.

- ▶ The largest single facility is Parkview West, which is part of the Northfield Care Center campus. Parkview West had approximately 41 light services apartments in 2011. This project originally had 56 independent apartment units, but it has been modified in recent years to adjust to changing demands from residents. An assisted living option has been added, and approximately 10 tenants are now receiving a higher level of services. Five apartment units were also reconfigured into double suites, designed for couples where one household member requires added services.

- ▶ The Northfield Care Center offerings also include Northfield Manor, a 64-unit HUD-subsidized apartment project. Although this property has income limits for tenants, it can offer light services, under a private contract with the tenant.
- ▶ Three Links has a more limited supply of light services housing, primary offered in the 4-unit Board and Lodging facility. Residents can get daily meals and other light services, but the units are oriented to a more independent senior.
- ▶ Three Links also has subsidized senior rental options that can offer light services. Three Links Apartments has 84 total apartments, including 80 that are HUD-subsidized, and four that are market rate. The project offers congregate dining and light services for an additional fee. Three Links also has the 20-unit Park Ridge subsidized apartments.

While utilization rates for light services units tended to be high at the time of the 2011 survey, there has been a conversion of some units in Parkview West to more service-intensive forms of housing. One of the strengths of the Northfield senior housing providers is the broad array of choices that are offered by Northfield Care Center and Three Links. They are able to adjust their housing offerings to better serve their residents. The movement of units from light services to assisted living in Parkview West appears to be an internal adjustment in response to market conditions.

Assisted Living

There are three providers of assisted living for Northfield seniors. In addition to the Northfield Care Center and Three Links, Valleyview also provides assisted living for seniors.

- ▶ Northfield Care Center has 22 assisted living units in Cannon Valley Suites, five units in Southview Suites, 46 units in Parkview East, and 10 units in Parkview West that are currently receiving assisted living services. In addition, there are up to 10 units in Northwood Pines, and five units in Parkview West that are described as congregate offerings, that are primarily intended for senior couples to live together, where one household member needs more intensive services while the other does not. While it is somewhat difficult to categorize all the different options, nearly 100 residents in the Northfield Care Center facilities can have access to more intensive, assisted living options.
- ▶ Three Links offers assisted living in Millstream Commons, a 44-unit apartment building. Two of the Millstream units are furnished and used for respite care.

- ▶ Valleyview Assisted Living has 43 sleeping rooms in a board and lodging style facility.

In total, between 180 and 190 Northfield residents could receive assisted living services through one of these providers.

At the time of the 2011 rental survey there was a small amount of unused capacity. Millstream Commons, Valleyview, Parkview East and Northwood Pines all had some unoccupied units. However, some of these vacancies were the result of the ongoing unit turnover that can occur when serving a frail senior population. It was often the case that these facilities have a waiting list of people who are interested in moving into an assisted living unit.

It should also be recognized that Parkview West currently has 41 light services/independent apartments, in addition to the 10 assisted living residents. These flexible units could also shift over time, depending on actual demand.

Memory Care Housing Options

Memory care housing represents a very specialized segment of the senior market. People with health issues due to dementia, Alzheimer's Disease, or other causes may often be housed in assisted living centers, nursing homes, or less service-intensive forms of senior housing in the earlier phases of memory loss. However, as the problems progress, it is often necessary to provide housing in special facilities that provide a secure environment and specialized care targeted to memory care residents.

Both the Northfield Care Center and Three Links provide specialized housing choices for advanced memory care residents. Combined, there is currently capacity for 70 residents in specialized memory care facilities.

- ▶ Evergreen Lodge, on the Northfield Care Center campus, has capacity for 12 residents.
- ▶ Three Links has capacity for 34 residents in the Cottages, and 24 residents in Pathways. Pathways is a dedicated wing of the Three Links Care Center.

There was some unused capacity in the Three Links' Cottages, but this may have been due to recent turnover, and not lack of demand. Evergreen Lodge, on the Northfield Care Center campus, had full occupancy and a long waiting list.

Skilled Nursing Homes

Northfield has three skilled nursing homes.

- ▶ Northfield Care Center is licensed for 42 beds. In 2002, 22 assisted living units, known as Cannon Valley Suites, were created when a wing of the Northfield Care Center was converted from skilled nursing beds.
- ▶ The Three Links Care Center is licensed for 102 beds. This total includes a specialized, 24-bed wing known as Pathways, that provides secure, memory care housing.
- ▶ The Northfield Hospital also has a skilled nursing Care Center, which is licensed for 40 beds.

Combined, Northfield has 184 licensed skilled nursing beds, although 24 beds are in Pathways. No attempt was made to survey occupancy rates in skilled nursing facilities.

Market Share for Existing Housing with Services Projects

Senior Demographics

Housing with services projects can serve seniors of any age, but typically have the greatest utilization by older seniors. To analyze the market share for the various forms of housing, Community Partners Research has focused on demographic data for older seniors, age 75 and above. Although Northfield has the potential to attract residents from a large area, a geographical market area was defined that immediately surrounds the city. This area includes the Cities of Northfield and Dundas, and the Townships of Bridgewater and Northfield in Rice County, and Greenvale, Sciota and Waterford in Dakota County.

The recent release of 2010 Census information provides an accurate, updated look at the area's senior population. In April 2010, there were 3,070 senior citizens (age 65+) living in the Northfield area, including 2,403 seniors within the city. There were 1,597 older seniors, age 75 and above, living in the area, including 1,350 older seniors within the city.

The population of senior citizens has been growing. Between 2000 and 2010, the Northfield area added 853 people in the senior age ranges, age 65 and older. There was a net increase of 406 older seniors, age 75 and older, between 2000 and 2010. Presumably, much of the growth among older senior residents was a direct result of the expansion of senior housing options that occurred in the City of Northfield.

For senior-headed households, there were 1,994 households in the Northfield area that had a householder age 65 or older at the time of the 2010 Census. Of these households, 1,070 had a householder age 75 or older.

It is important to note that the senior demographic statistics from 2010 would include seniors already residing in senior housing, including nursing homes, assisted living and memory care facilities. Adjustments to the senior population and the number of senior-headed households will be made for each of the different housing types reviewed. For example, when examining the seniors that form a potential market for an assisted living unit, it is necessary to subtract the seniors that already reside in more service intensive forms of senior housing, such as nursing homes.

Skilled Nursing Homes

Since utilization of nursing home beds varies by short-term versus longer-term stays, some assumptions need to be applied to this segment of the market. This Study has used an estimate that approximately 110 older seniors are longer-term residents of skilled nursing homes in Northfield. When this estimate is compared to the Northfield area senior populations, the available supply of beds represents approximately 6.9% of the total population of older seniors (age 75+).

Although calculations have been performed on market share for nursing homes, there has been a long-standing statewide moratorium on adding beds, and any new nursing home facilities are typically limited to replacing existing beds, rather than adding to the total inventory. As a result, no additional capture by nursing homes would be expected in the future.

Memory Care Housing

Northfield has capacity for approximately 70 people in specialized memory care units. Within the Market Area, the available memory care beds represent approximately 4.7% of the older senior population. Since memory care represents a very specialized form of housing, no adjustment has been made for seniors residing in other forms of housing.

In the opinion of Community Partners Research, 4.7% represents a very high capture rate for memory care units. The success the existing projects have had is probably a reflection of the appeal that exists with the Northfield Care Center and Three Links senior campuses.

Assisted Living

When examining market demand for assisted living, calculations are generally compared to the population of older seniors, rather than senior households. This is because assisted living residents are generally older seniors that tend to live alone, rather than as couples or households.

In the Market Area there were approximately 1,600 older senior citizens, age 75 and above, according to the 2010 Census. When examining assisted living, a downward adjustment needs to be made to account for seniors that are living in a memory care unit or a nursing home on a permanent basis. This results in a potential target market of approximately 1,420 older senior citizens that would consider an assisted living unit.

While some units in Northfield are flexible, and may not always be used for assisted living, Northfield has as many as 180 to 190 units available to serve assisted living residents. This represents nearly 13% of the adjusted target population of older senior citizens.

Although the existing supply of units represents a very high capture rate within the target population, at the time of the research for this Study, occupancy rates were generally high in the available assisted living units.

In the opinion of Community Partners Research, the current capture rate is very high, by the standards of comparably-sized communities. One of the reasons that the percentage of units may be so large is the fact that Northfield can attract seniors from the larger region. The presence of two well-known colleges, and similar factors, may attract seniors to Northfield, even if they did not previously live within the immediately surrounding area prior to looking for specialized housing.

Housing with Light Services

Northfield has a much smaller supply of housing units that offer only light services. In the market rate sector, there are approximately 50 to 60 light services units. However, there are also as many as 140 HUD-subsidized units that are part of the Northfield Care Center or Three Links systems, and meals and services are made available for an additional fee.

Light services units are typically compared to the distribution of all older senior households, rather than population. Housing with light services can serve a more active and independent senior, and it is more common to see couples reside in this housing along with single person households.

After adjusting for senior households that already reside in more service-intensive forms of housing, we would estimate the target market at approximately 900 total households.

The current supply of light services units represents a market capture rate that is between 5.5% and 6%. Once again, this is a relatively high distribution of units based on the number of seniors residing in the immediate area. If some of the subsidized units are added, the percentage would grow much larger.

As with other forms of specialized senior housing, the well-established providers in Northfield have created very attractive options, and have attracted a large share of the senior population.

Future Growth Among Older Seniors

If the recent growth patterns in the senior population continue, the city would be projected to add seniors over the next five years. The age-based projections would indicate that between 300 and 350 additional older senior citizens will reside in the Northfield area.

If the current market capture rates can be sustained, growth of this scale would generate demand for approximately 10 to 15 additional memory care units, approximately 20 to 30 additional assisted living units, and 10 to 15 additional housing units with light services.

However, as stated previously, Northfield does already have a large supply of specialized senior housing. If actual utilization rates drop to levels that are comparable to similar-sized communities, then net growth in the number of seniors would not necessarily dictate additional development of senior housing with services units.

Table 34 Northfield Rental Housing Inventory

| Name | Number of Units /Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
|---|--|--|---|------------------------------------|---|
| Market Rate | | | | | |
| Cannon Valley Apartments 1160-1190 Cannon Valley Drive | 12 - Efficiencies 12 - 1 Bedroom <u>48 - 2 Bedroom</u> 72 Total Units | \$475-\$500 \$580-\$590 \$710-\$745 +electric | 2 vacant units, 1 - 1 Bdrm 1 - 2 Bdrm and 2 intentional vacancies for remodeling | Mix of tenants, including students | Complex includes four,18-unit buildings that were constructed in 1975. Rent includes heat but not electricity. Manager reported 2 vacant units due to turnover plus 2 intentionally vacant units for remodeling. Rent concessions may be offered to lease units in winter. Rents are basically unchanged from 2006 survey - competition for tenants and rent concessions offered by other projects have suppressed rent levels. |
| Friendship Apartments 410 Odd Fellow Ln | 1 - Efficiency 4 - 1 Bedroom <u>2 - 2 Bedroom</u> 7 Total Units | \$490 \$545 \$635-\$1105 +electric, heat | No vacant units | Mix of tenants, but all are adults | Units created in 1985 on Three Links senior campus when second floor was added to an existing building. Originally planned for senior market rate housing, the units are now general occupancy. Manager reports no vacancies; tenants are a mix of ages but all adults - rarely have children. Tenants pay heat (electric) and electric in addition to rent. Rents have increased by \$75 for efficiency and 1 bedroom units and by \$85 to \$160 for 2 bedroom units since 2006. Rent increase is planned for Jan. 2012. |
| Hidden Valley Apartments | 21 - Efficiency 63 - 1 Bedroom <u>120 - 2 Bedroom</u> 204 Total Units | \$475 \$575-\$600 \$670-\$710 +electric | 4 vacant units | Mix of tenants | Complex includes 14 buildings and was constructed in the mid 1980's. Rent includes heat and garage, but tenant pays electric. Studios have 364 sq ft, one bedrooms have 560 to 670 sq ft, and two bedrooms have 770 to 910 sq ft. Manager reports 4 vacant units in Dec. 2011 - earlier in the year this project had more than 50 vacancies. One month free with 12-month lease rent concession, along with improved demand, have resulted in many new tenants. Rent levels are unchanged from 2006 survey |

Table 34 Northfield Rental Housing Inventory

| Name | Number of Units /Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
|--|---|--|--------------------|-----------------|---|
| Market Rate | | | | | |
| Jefferson Heights (aka Parkway Estates) 1500,1516 Jefferson Road | <u>16 - 2 Bedroom</u> 16 Total Units | \$650-\$725 +heat, electric | 3 vacant units | Mostly families | Two eight-plexes constructed in 1979. Units are split-level and have individual outside entrances. Large yard/grounds make project attractive to families with children. Tenants pay heat (electric) and electric in addition to rent. Manager reports 3 vacancies in Dec. 2011 survey - some units have been vacant for a few months. Rents have increased by \$25 to \$50 from 2006 survey. |
| Maple Trails 2005 Jefferson Rd. | 12 - 1 Bedroom 21 - 2 Bedroom <u>12 - 3 Bedroom</u> 45 Total Units | \$715 \$815-\$930 \$1080-\$1110 +electric | No vacancies | Mix of tenants | Complex opened in 1999. Amenities include underground parking, elevators, security building, and laundry room. Rent includes heat and underground parking, but tenants pay electric. One bedrooms have 700 to 750 sq ft, two bedrooms have 840 to 1065 sq ft, and three bedrooms have 1370 to 1425 sq ft. Manager reports full occupancy in Dec. 2011 survey. Rent levels are unchanged from 2006 survey. |
| Mosaic Apartments 1400 Heritage Dr | 1 Bedroom 2 Bedroom 3 Bedroom <u>1 - 4 Bedroom</u> 45 Total Units | \$875 \$1000 \$1200 \$1400 +electric | 8 vacant units | Mix of tenants | Rental apartment project that opened for occupancy in Feb. 2010. Rent includes heat and underground parking, but tenants pay electric. One bedrooms have 760 sq ft, two bedrooms have 1080 sq ft, and three bedrooms have 1210 sq ft. Manager reports 8 vacant units in Dec. 2011 survey - vacancies in all unit sizes. |
| Northfield Landings 1532, 1548 Roosevelt Dr 1800-1814,1848- 1862 Coolidge Ct | 16 - 1 Bedroom <u>16 - 2 Bedroom</u> 32 Total Units | \$570 \$670 +heat, electric | No vacancies | Mix of tenants | Units are in 4 buildings with 8 units each, constructed in phases in the 1980s. Private entrances to units. Tenant pays heat and electric in addition to rent. Amenities include in-unit laundry and garage. Mix of tenants including some seniors. Manager reports no vacancies at time of survey. |

| Table 34 Northfield Rental Housing Inventory | | | | | |
|---|---|--|---|----------------------|--|
| Name | Number of Units /Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
| Market Rate | | | | | |
| Parkway Townhomes 1664 Jefferson Pkwy | 24 - 2 Bedroom 8 - 3 Bedroom 32 Total Units 6 Market Rate 26 Tax Credit | \$705 \$755 +heat, electric | No vacant market rate units | Mixed income project | Townhouse project constructed in 1996 - 26 of 32 units are tax credit assisted and six units are market rate. Tenants pay heat and electric in addition to rent. No market rate units vacant at time of survey - affordable price for quality unit leads to good demand. Market rate rents have increased by \$30 from 2006 survey. Most market rate tenants are in 3 bedrooms. |
| Riverview Manor 500 Woodley St W | 18 - 1 Bedroom 30 - 2 Bedroom 48 Total Units | \$600 \$700-\$715 +electric, garage | 2 vacant units, 1 - 1 Bdrm 1 - 2 Bdrm | Mix of tenants | Building was constructed in 1972 and remodeled in late 1990s, and again in 2011. Rent includes heat, but tenants pay electric and \$25 per month for garage. Some 2 bedrooms have 2 bathrooms and are at higher end of the listed range. Manager reports 2 vacant units at time of survey, due to recent turnover, but occupancy rates have been high. Rent levels are very similar up by approximately \$30 to \$45 from 2006 survey. |
| Seventh Street Apartments 222 W Seventh St | 8 - 1 Bedroom 8 Total Units | \$575 +electric | No vacant units | Mostly singles | Apartments constructed in 1980. Tenants pay electric in addition to rent, but heat included in rent. Manager reports 1 vacant unit at time of survey. Rents have increased by \$25 to \$50 from 2006 survey. |

Table 34 Northfield Rental Housing Inventory

| Name | Number of Units /Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
|--|---|---|---|----------------|--|
| Market Rate | | | | | |
| Summerfield Apartments 951 Ensley Ave | 10 - Studio 40 - 1 Bedroom 58 - 2 Bedroom 4 - 3 Bedroom 112 Total Units 86 are Market Rate and 26 are Tax Credit units | \$450-\$500 \$565-\$585 \$675-\$760 \$895 +electric | 3 vacant units, 2 - 1 Bdrm 1 - 2 Bdrm | Mix of tenants | Complex includes 9 buildings, with 7 built in 1979 and 2 in 1983. Tax credit allocation in 2003 for rehab of project - 26 units are tax credit assisted and at 50% of median income. Rents listed are for market rate units - tax credit units and rents listed in tax credit section. Rent includes heat but tenant pays electricity. Studios have 365 sq ft, 1 bedrooms have 670 sq ft, 2 bedrooms have 770 to 910 sq ft. Manager reported 3 vacant market rate units in Dec. 2011, but no vacant tax credit units. Project tends to have more than 26 tenants that are income-qualified for tax credits - no difficulty meeting income test. Market rents for 1 and 2 bedrooms are slightly lower than 2006 survey. |
| Union Street Apartments 403 Union Street | 7 - 1 Bedroom 10 - 2 Bedroom 17 Total Units | \$525-\$570 \$625-\$650 +electric | 2 vacant units, 2 - 2 Bdrm | Mix of tenants | Apartment building constructed in the 1970s. Tenants pay electric but rent includes heat. Amenities include coin laundry and off-street parking. Manager reports 2 vacant units at time of survey. |
| Washington Street Apartments 304 Washington St | 1 - Efficiency 8 - 1 Bedroom 2 - 2 Bedroom 11 Total Units | N/A +electric | N/A | N/A | Unable to contact for 2011 update - information is from prior surveys. Seven units are in 1900s building that was converted to rental housing and 4 units were constructed in 1985. Building is in the downtown area. Rent includes heat and tenants pay electric. |
| Woodridge Apartments 1900-1960 Roosevelt Drive | 18 - Efficiency 36 - 1 Bedroom 54 - 2 Bedroom 108 Total Units | \$475 \$575-\$600 \$670-\$710 +electric | 12 vacant units | Mix of tenants | Complex includes 7 buildings and was constructed in 1990. Rent includes heat and garage, but tenants pay electric. Studios have 364 sq ft, one bedrooms have 560 to 670 sq ft, and two bedrooms have 770 to 910 sq ft. Manager reports 12 vacant units in Dec. 2011 survey - vacancies in all unit sizes. Rent concession being offered. Rent levels are unchanged from 2006 survey. |

Table 34 Northfield Rental Housing Inventory

| Name | Number of Units /Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
|---|--|---|--|---|--|
| Tax Credit/Moderate Income | | | | | |
| Manger Inn | 1 - 1 Bedroom 4 - 2 Bedroom 1 - 3 Bedroom 1 - 4 Bedroom 7 Total Units with 5 Tax Credit Units | \$591 \$674 \$775 \$998 Gross Rents | No vacant units | 50% of median income households | Former motel property converted to affordable rental housing with 2001 Tax Credit allocation - 5 of 7 units are tax credit assisted. One unit is leased to Community Action for emergency housing. Tax credit units serve households at or below 50% of median income. Some tenants may also have Section 8 rent assistance. No vacant units at time of survey and occupancy rates have been high. Rents have changed since 2006, but some are lower and some are higher. |
| Northern Oaks Town Homes 200-220 Dresden Ave | 4 - 3 Bedroom 4 - 4 Bedroom 8 Total | \$650 \$725 +heat, electric | 1 vacant unit, 1 - 3 Bdrm | General occupancy with 2 units @30% and 6 units @50% of median income | Town houses constructed in 1998 and owned by Three Rivers Community Action. HOME Funds, City of Northfield, MN Housing Partnership all provided funding to construct - 2 units at 30% income and 6 units at 50% of median income limits. Rent does not include utilities. Three bedrooms have 1400 sq ft and 4 bedrooms have 1550 sq ft. Manager reports 1 vacant unit due to recent turnover, but multiple showings have been done and unit should be leased soon. In most years, only 1 unit turns over so waiting time can be long, and waiting list is often out of date. Rents have increased by \$65 of 3 bedrooms and \$90 for 4 bedrooms from 2006 survey. |
| Parkway Townhomes 1664 Jefferson Pkwy | 24 - 2 Bedroom 8 - 3 Bedroom 32 Total Units 26 Tax Credit and 6 Market Rate | \$655 \$705 +heat, electric | 1 vacant tax credit units, 1 - 2 Bdrm | 60% of median income households | Townhouse project constructed in 1996 - 26 of 32 units are tax credit assisted and six units are market rate. All tax credit units serve households at or below 60% of median income. Tenants pay heat and electric in addition to rent. One unit vacant at time of survey, and a few vacancies have existed in recent months due to continued turnover and the processing time to certify new tenants. A short waiting had existed, but no longer. Rents have increased by \$30 from 2006 survey. |

| Table 34 Northfield Rental Housing Inventory | | | | | |
|--|---|--|--------------------|---------------------------------|---|
| Name | Number of Units /Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
| Tax Credit/Moderate Income | | | | | |
| Summerfield Apartments | 10 - Studio 40 - 1 Bedroom 58 - 2 Bedroom 4 - 3 Bedroom 112 Total Units 26 are Tax Credit and 86 are Market Rate | N/A \$540 \$620-\$695 N/A N/A +electric | No vacant units | 50% of median income households | Complex includes 9 buildings, with 7 built in 1979 and 2 in 1983. Tax credit allocation in 2003 for rehab of project - 26 units are tax credit assisted and at 50% or less of median income. Rents listed are for tax credit units - market rate units and rents listed separately in market rate section. Rent includes heat but tenant pays electric. Manager reports full occupancy in tax credit units - project has generally had more than 26 households that are income qualified and has no difficulty meeting income limits. Rents are unchanged or slightly lower than 2006 survey. |

| Table 34 Northfield Rental Housing Inventory | | | | | |
|--|--|---------------------------------|---|---------------------------------------|--|
| Name | Number of Units /Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
| Subsidized - General Occupancy | | | | | |
| Greenvale Place 211 Greenvale Ave | 72 - 1 Bedroom 16 - 2 Bedroom <u>8 - 3 Bedroom</u> 96 Total Units | 30% of income | No vacancies, waiting list | General occupancy, with some students | HUD Section 8 New Construction project built in 1972. Project-based rent assistance allows tenants to pay rent based on 30% of income. This project has some student households, but restrictions on student eligibility in past 10 years have tended to reduce student occupancy. Manager reports full occupancy and waiting list, especially for 2 and 3 bedroom units - demand has grown with economic downturn. |
| Jefferson Square Townhomes 1356 Jefferson Road | 16 - 2 Bedroom 30 - 3 Bedroom <u>4 - 4 Bedroom</u> 50 Total Units | 30% of Income | No vacancies, long waiting list | General occupancy | HUD Section 8 New Construction town house units for general occupancy constructed in 1980. Tax credits awarded in 2009 for renovation project - included in-unit laundry and dishwashers. Units now have additional tax credit restrictions. All tenants pay rent based on 30% of income. Two bedrooms have 1000 sq ft, 3 bedrooms have 1176 sq ft, and 4 bedrooms have 1300 sq ft. Manager reports full occupancy and a long waiting list - renovation project made units more popular and economic conditions have resulted in more applicants. Most names on 2 bedroom waiting list, but the wait for a 4 bedroom could be 4 years, based on very limited turnover. |
| Koester Court II, III and IV 1510 Koester Court | 19 - 1 Bedroom <u>51 - 2 Bedroom</u> 70 Total Units | \$440 \$490 30% of income | 11 vacant units, 4 - 1 Bdrm 7 - 2 Bdrm, short waiting list for rent assistance | General occupancy | Rural Development subsidized projects constructed in 1980s - designated for general occupancy. 35 units have rent assistance that allows rent based on 30% of income; remainder pay 30% of income but not less than basic rents listed or more than maximum rent. Manager reports 11 vacancies, although a short waiting list exists for rent assistance units, but existing tenants receive first priority when assisted unit becomes available. Rents will increase by \$10 in 2012. |

| Table 34 Northfield Rental Housing Inventory | | | | | |
|--|---|---|--|-------------------|---|
| Name | Number of Units /Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
| Subsidized - General Occupancy | | | | | |
| The Woods I Apartments 600 N Spring St | 12 - 1 Bedroom <u>12 - 2 Bedroom</u> 24 Total Units | \$500-\$707 \$530-\$727 30% of income | 7 vacant units, 5 - 1 Bdrm 2 - 2 Bdrm | General occupancy | Rural Development subsidized project constructed in 1988. Twelve units have rent assistance that allows rent based on 30% of income; remainder pay 30% of income but not less than basic or more than market rents listed. Manager reports 7 vacant units at time of survey - demand for rent assisted units exceeds supply, but units without rent assistance are harder to rent. Basic and market rents have increased by \$95 from 2006 survey. |
| The Woods II Apartments 220 Greenvale | 12 - 1 Bedroom <u>8 - 2 Bedroom</u> 20 Total Units | \$510-\$657 \$530-\$677 30% of income | 10 vacant units, 6 - 1 Bdrm 4 - 2 Bdrm | General occupancy | Rural Development subsidized project constructed in 1988. Four units have rent assistance that allows rent based on 30% of income; remainder pay 30% of income but not less than basic or more than market rents listed. Manager reports 10 vacant units at time of survey. Demand for rent assistance exceeds supply, and units without rent assistance can be more difficult to fill. Basic rents have increased by \$80 and market rents by \$77 from 2006 survey. |

| Table 34 Northfield Rental Housing Inventory | | | | | |
|---|--|---------------------------------|-----------------------------------|-------------------------------|---|
| Name | Number of Units /Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
| Subsidized - Senior/Disabled Occupancy | | | | | |
| Koester Court I 1510 Koester Court | 21 - 1 Bedroom <u>4 - 2 Bedroom</u> 25 Total Units | \$425 \$475 30% of income | 4 vacant units, 4 - 1 Bdrm | Senior and disabled occupancy | Rural Development subsidized project constructed in early 1980s - designated for senior and disabled occupancy. 14 units have rent assistance that allows rent based on 30% of income; remainder pay 30% of income but not less than basic rents listed or more than maximum rent. Manager reports 4 vacancies, and limited demand from senior households. Demand does tend to exist for rent assistance units. |
| Northfield Manor 901 Cannon Valley Drive | 63 - 1 Bedroom <u>1 - 2 Bedroom</u> 64 Total Units | \$813 \$888 30% of Income | No vacancies, waiting list | Senior and disabled occupancy | HUD Section 8 New Construction project for senior and disabled occupancy constructed in 1981. Part of a larger senior complex that includes Parkview East and West, Cannon Valley Suites and Northfield Care Center. Tenants pay rent based on 30% of income; up to 10% of units can be leased to higher income people at market rents listed. Manager reports full occupancy and a waiting list of 8 to 9 names. Project is licensed as a housing with services provider. |
| Park Ridge Apartments 905 Forest Ave | <u>20 - 1 Bedroom</u> 20 Total Units | 30% of Income | 1 vacant unit, short waiting list | Senior occupancy | HUD Section 202/PRAC subsidized project for senior occupancy constructed in 1998. Tenants must be 62 or older and below 50% of median income. Part of the Three Links senior complex that includes Millstream Commons, 3 Links Apartments, memory care housing, Care Center and Board and Lodging options. Project-based rent assistance for all units that allows rent based on 30% of income. One unit vacant at time of survey, but was leased for the following month. Short waiting list tends to exist, but low rate of turnover means that many people find other housing before a unit becomes available. |

| Table 34 Northfield Rental Housing Inventory | | | | | |
|---|---|---|--------------------|-------------------------------|---|
| Name | Number of Units /Bedroom Mix | Rent | Vacancy/ Wait List | Tenant Mix | Comments |
| Subsidized - Senior/Disabled Occupancy | | | | | |
| Three Links Apartments 805 Forest Ave | 2 - Efficiency -MR 2 - 1 Bdrm - MR <u>80 - 1 Bdrm-Subs</u> 84 Total Units with 80 Subsidized and 4 Market Rate | \$350 \$550 \$400-\$510 30% of Income | 5 vacant units | Senior and disabled occupancy | HUD Section 236 subsidized project for senior (62+) and/or disabled occupancy constructed in 1975. Most units are subsidized, but 4 units are market rate. Part of the Three Links senior complex that includes Millstream Commons, Park Ridge, memory care housing, Care Center and Board and Lodging options. Project-based rent assistance available for 42 of 80 subsidized units which allows rent based on 30% of income; remaining tenants pay 30% of income but not less than basic rent or more than market rents listed. Subsidized units are capped at 80% of median. Congregate dining and home health care services available for extra fee. Manager reports 5 vacant units including some that may have access to rent assistance. Average age of tenants is in the 80s, and turnover does occur, which can result in some vacancies. Basic rent has increased by \$50 since 2006 survey. |
| Wellstone Commons Apartments 408 Spring St N | <u>29 - 1 Bedroom</u> 29 Total Units | 30% of income | 1 vacant unit | Senior and disabled occupancy | HUD Section 202/PRAC subsidized apartments constructed in 2004 for senior (62+) and disabled occupancy. All current tenants are age 62 or older. Project-based rent assistance allows all tenants to pay rent based on 30% of income. Manager reports 1 vacancy due to recent turnover, but no waiting list exists. |

Source: Community Partners Research, Inc.

Table 35 Northfield Senior Housing with Services Inventory

| Project Name | Units/Beds | Rent | Occupancy/ Vacancy Status | Occupancy Type | Comments |
|---|---|---|--|---|--|
| Senior Housing with Services Options | | | | | |
| Cannon Valley Suites | 18 Singles 4 Doubles 22 Total Units | \$846-\$1186 +Services starting at \$2827 | Full occupancy with waiting list | Assisted living | Assisted living units created when a wing of the Northfield Care Center was de-licensed and converted to assisted living in 2002. Units are private suites or shared suites with microwave, mini-fridge and private bathroom. Basic package includes meals, laundry and light housekeeping with personal care plan developed for each resident. Part of a senior campus that includes Parkview East and West, Northfield Manor and Northfield Care Center. Lower income seniors from Northfield Manor can qualify for County financial assistance. This facility has a high rate of occupancy and good demand. |
| Northwood Pines | 10 - 1 Bdrm+Den 10 Total Units | \$3396-\$3950 +\$500 for 2 nd occupant +services as needed | 2 vacant units, with some units used for respite care | Congregate housing for couples, respite care | Project developed in 2010 and intended to provide housing for couples, with one needing more care. Part of the Northfield Care Center system, but not physically connected to other facilities. Units are one bedroom plus den and have kitchens. Rent includes 2 daily meals, laundry, light housekeeping, utilities, emergency call system and access to senior campus that includes Parkview East and West, Northfield Manor and Northfield Care Center. Additional services can be purchased as needed. Manager reports 2 vacant units and some being used as respite care physical separation from other facilities has limited demand for these units. |

Table 35 Northfield Senior Housing with Services Inventory

| Project Name | Units/Beds | Rent | Occupancy/ Vacancy Status | Occupancy Type | Comments |
|---|---|---|---------------------------------|--|--|
| Senior Housing with Services Options | | | | | |
| Parkview East | <u>46 - 1 Bedroom</u> 46 Total Units | \$2100-\$3000 is base rent range + services | 4 vacant units, waiting list | Assisted living | Assisted living in apartment-style units constructed in phases from 1994 to 2001. Part of a senior campus that includes Parkview West, Cannon Valley Suites, Northfield Manor and Northfield Care Center. Basic package prices are listed, and vary based on unit size. Additional services are purchased as needed. Manager reports high rate of recent turnover resulting in 4 vacant units, but waiting list tends to exist and is used to fill vacancies. |
| Parkview West | Double suites 1 Bedroom 1 Bdrm+Den <u>2 Bedroom</u> 51 Total Apartment Units and 5 double suites | Three types of housing offered from light services to assisted living at various prices | Full occupancy, waiting list | Flexible units offering light services, congregate and assisted living | Apartment units and double occupancy suites originally constructed between 1994 and 2001, and modified in last two years some 2-bedroom apartments were converted to double suites for congregate care. Originally planned as Independent living with light services available, but now offering more flexible care, including assisted living, so that existing residents can age in place. Manager estimates that 10 units are assisted living, 41 are light services and 5 are now congregate care. Part of a senior campus that includes Parkview East, Cannon Valley Suites, Northfield Manor and Northfield Care Center. Good demand for units with full occupancy and ability to serve various needs. |
| Evergreen Lodge | 12 person capacity in private rooms | N/A | Full occupancy, waiting list | Memory care housing | Memory care housing option constructed in 2008 and part of a senior campus that includes Parkview East and West, Northfield Manor and Northfield Care Center. Monthly rent includes 24-hour staffing, meals and specialized, secured care for memory care residents. Manager reports full occupancy and long waiting list. |

Table 35 Northfield Senior Housing with Services Inventory

| Project Name | Units/Beds | Rent | Occupancy/ Vacancy Status | Occupancy Type | Comments |
|--|----------------------|--|------------------------------|---------------------|---|
| Senior Housing with Services Options | | | | | |
| Southview Suites | 5 private rooms | \$846 rent +Services starting at \$3716 | Full occupancy | Assisted living | Private bedrooms with private bathrooms constructed in 2007 and originally designed for congregate senior living but now providing a higher level of assisted living care. Includes all meals, and a personal care plan is developed for each resident. These units were added through a larger facilities remodeling project. Part of a senior campus that includes Parkview East and West, Northfield Manor and Northfield Care Center. Manager reports high rate of occupancy. |
| Valleyview Assisted Living (formerly Lindenwood) 812 N Linden St | 43 sleeping rooms | Approximate \$2,400 + cost of special services as needed | 2 vacant rooms | Assisted Living | Assisted living project constructed in 1992. Units are private sleeping room in board and lodging-style facility. Services included in rent are 3 meals daily, personal care assistance, laundry, house keeping, medication, 24 hour staffing, and nursing assessment. Facility has indoor smoking room and accepts small pets. Additional services available for fee. Manager reports 2 vacant rooms on date of survey. Lower income residents can qualify for County elderly waiver assistance. |
| The Cottages East, West, Forest | 34 resident capacity | N/A | 5 vacant beds | Memory care housing | The Cottages were constructed in 1994, 1997 and 2008 to provide housing for people with memory loss. Units are part of the Three Links senior campus. Residents have private sleeping rooms and shared living facilities in a secure environment. Some units have a private bathroom and others have shared bathrooms. Five vacant beds on date of survey due to turnover. |

Table 35 Northfield Senior Housing with Services Inventory

| Project Name | Units/Beds | Rent | Occupancy/ Vacancy Status | Occupancy Type | Comments |
|--|--|--|---------------------------------------|------------------------------------|--|
| Senior Housing with Services Options | | | | | |
| Millstream Commons 210 W 8 th Street | 4 - Studio 34 - 1 Bedroom 6 - 2 Bedroom 44 Total Units including 2 furnished respite units | \$2295 to \$3821 + additional services purchased a la carte | A few vacant units due to turnover | Assisted Living | Assisted living apartment-style project that opened for occupancy in 2006. Part of Three Links senior system that includes the Care Center, memory care housing and Board and Lodging options, but located off the main campus. Standard rent package includes 3 meals daily and snacks, emergency response system, 24-hour staffing, weekly house keeping, activities and transportation. Additional services are purchased as needed. Two units are furnished and available as respite care. A few units vacant at time of survey, due to turnover. A waiting list sometimes exists. |
| Three Links Board & Lodging Forest Ave | 4 units | N/A | No vacancies | Senior housing with services | Small board and lodging option that is located in lower level of the Care Center, and is part of the larger Three Links senior campus. Services include 3 meals daily, laundry, and house keeping. This housing serves a more independent senior that benefits from lighter services, but does not need assisted living. Additional services can be purchased as needed. |
| Pathways | 24 beds | N/A | N/A | Alzheimer's housing | Specialized housing for Alzheimer's patients that is part of the Three Links senior campus and located in the Care Center. |

Source: Community Partners Research, Inc.

Northfield - Summary of Growth Trends and Projections

Findings on Growth Trends

According to the 2010 U.S. Census from 2000 to 2010, the City of Northfield's population increased from 17,147 to 20,007 people. This is a gain of 2,860 people, which is a 16.7% increase. Northfield also gained 1,363 households from 2000 to 2010, a 27.8% increase. Rice County gained 7,477 people and 3,427 households from 2000 to 2010.

Community Partners Research, Inc., is projecting that the City of Northfield will gain 439 to 537 people and 180 to 220 households from 2010 to 2015. This is a gain of 88 to 107 people and 36 to 44 households annually.

Our projected population and household growth is considerably slower than the growth from 2000 to 2010. However, population and household growth slowed significantly over the last four years of the decade. The majority of the growth was in the first six years of the decade.

Community Partners Research, Inc., is projecting that Rice County will gain 1,798 to 2,023 people and 705 to 829 households from 2010 to 2015.

Northfield and Rice County Growth Projections by Age Group

In addition to forecasts on overall household growth, there is projection information available on the changes expected by age of households. As part of the research for this Study, we have examined information on age patterns and population data from the 2010 U.S. Census. With this data, Community Partners Research, Inc. has calculated age-based projections from 2010 to 2015.

The following projections are for the City of Northfield and Rice County:

| Projected Change in Households: 2010 to 2015 | | |
|---|-------------------|--------------------|
| Age Range | Northfield | Rice County |
| 15 to 24 | -10 to -12 | -36 to -41 |
| 25 to 34 | -34 to -39 | -71 to -86 |
| 35 to 44 | -2 to -9 | 119 to 138 |
| 45 to 54 | -88 to -95 | -437 to -457 |
| 55 to 64 | 40 to 47 | 437 to 456 |
| 65 to 74 | 213 to 218 | 551 to 515 |
| 75 to 84 | 52 to 56 | 169 to 178 |
| 85 and Older | <u>30 to 33</u> | <u>33 to 37</u> |
| Total | 180 to 220 | 725 to 830 |

Source: Community Partners Research, Inc.

- ▶ All of Northfield’s projected household growth is expected to occur in the 55 and older age ranges.
- ▶ The majority of Rice County’s household growth will also be in the 55 and older age ranges, however, the 35 to 44 age range is expected to add households.

Findings on Unit Demand by Type of Housing

Findings: Based on the household by age projections presented on the previous page, the changing age composition of the city's population over the next five years will likely have an impact on demand for housing.

Age 24 and Younger - The projections used for this study expect some slight losses in the number of younger households by the year 2015. The projections expect the number of households to decrease by approximately 10 to 12 households. Past tenure patterns indicate that over 88% of these households will rent their housing. Households in this age range also tend to have a median income that is well below the overall median. *A decrease within this age range minimizes the need to expand affordable rental options.*

25 to 34 Years Old - The projections also show a decrease in this age cohort, with an expected decrease of between 34 to 39 households by 2015. Within this age range younger adult households often move from rental to ownership housing. *This projected decrease will generate limited demand for both rental and first-time home buyer opportunities.*

35 to 44 Years Old - The 35 to 44 age range is expected to decrease slightly in size through the year 2015. The projections show a probable loss of approximately 2 to 9 households between 2010 and 2015. In the past, this age group has had a high rate of home ownership (over 72%). Households within this range often represent both first-time buyers and households looking for trade-up housing, selling their starter home for a more expensive house.

45 to 54 Years Old - By 2015, this age cohort is expected to decrease by approximately 88 to 95 households in this age range. This age group historically has had a high rate of home ownership, and will often look for trade-up housing opportunities. *The projected decrease in this age range minimizes the demand for new trade-up, high value homes.*

55 to 64 Years Old - Our projections show an expected increase of approximately 40 to 47 additional households in the 55 to 64 age range by the year 2015. This age range has traditionally had a high rate of home ownership in the city, at over 82%. The recent increase in attached housing construction, such as town house units, is well suited to the typical life-cycle preferences of this age group, as no maintenance/low maintenance housing has become a popular option for empty-nesters. This age group also looks for trade-up housing, partially offsetting the projected loss of households in the 45 to 54 age range.

65 to 74 Years Old - Strong numeric growth is expected within this age range, with the projections showing an increase of between 213 to 218 households by the year 2015. On a numeric basis, this will represent the largest increase among the senior age ranges. While this group will begin moving to other life-cycle housing options as they age, the younger seniors are still predominantly home owners in Northfield. At the time of the 2010 Census, over 82% of households in this age range owned their housing. Once again, ownership preferences for town house and condominium units likely will increase based on growth within this age cohort.

75 to 84 Years Old - Some numeric growth will occur within this age range as the projections show that 52 to 56 households will be added between 2010 and 2015. In the past, Northfield households within this 10-year age range have had a high rate of home ownership. While this is likely to continue, there has been an expansion of options for seniors, including high quality rental housing. In most cases, income levels for senior households have been improving, as people have done better retirement planning. As a result, households in this age range may have fewer cost limitations for housing choices than previous generations of seniors.

85 Years and Older - Numeric increases are expected with a projected gain of 30 to 33 households. Historic home ownership rates in this age group have been approximately 37%. These households will increasingly look for age-appropriate housing that allows them to live independently. Senior housing with services options in the community help to address the needs of this population of older seniors.

These demographic trends have been incorporated into the recommendations that follow.

Northfield - Strengths and Barriers for Housing Development

Strengths for Housing Development

The following strengths of the community were identified through statistical data, local interviews, previous research and on-site review of the local housing stock.

- ▶ **Northfield is the regional center for the area** - Northfield is the regional center serving the northern portion of Rice County and the southern portion of Dakota County. The city provides employment opportunities, retail/service options, government services, health and professional services, and cultural amenities to a large surrounding trade area. Its role as a regional center has resulted in continued growth over the last two decades, even during years when much of Greater Minnesota was losing population and households.
- ▶ **Tourism and natural amenities** - Northfield is situated on the Cannon River and is known for its historic downtown and colleges, which make it a cultural, tourism and recreational destination. This helps the local economy and has contributed significantly to its growth.
- ▶ **Increasingly diverse housing stock** - The city has a good mix of housing options, including a large number of rental housing units for both lower income and market rate households. An increasing amount of new construction is providing housing types not previously available in the city, including townhouses, twin homes and cooperatively owned units.
- ▶ **Adequate land for development** - The city has adequate land available for residential development.
- ▶ **Household growth** - Over the last two decades, the city has sustained strong household growth. The community is projected to continue growing, although at a slower pace, in the foreseeable future.
- ▶ **Desirable location for seniors and retirees** - Northfield has a strong attraction for seniors as a retirement location. As the provider of the region's health, retail and government services, the city has amenities that are attractive for seniors as they age.
- ▶ **Active housing developers in the city** - Northfield has an active group of housing developers that are willing to invest in housing development in the community. Developers have been active in a full range of housing options in recent years, including rental housing, attached ownership housing and single family development.

- ▶ **City support of housing** - The city has a strong history of being supportive in providing affordable housing. The city understands the need for affordable housing and has developed several creative initiatives to provide affordable housing and has successfully partnered with area housing agencies and organizations.
- ▶ **Employment opportunities** - Northfield has a diverse economy that offers employment opportunities in industry, education, the public sector, the medical community, etc.
- ▶ **Experienced housing staff** - The city has a Community Development staff that is active and experienced in housing activities.
- ▶ **Carlton and St. Olaf Colleges** - Carlton and St. Olaf Colleges are both located in Northfield. Both of these colleges have national recognition and are an obvious asset to the community.
- ▶ **K - 12 School System** - Northfield has an excellent K-12 public school system and a parochial K - 8 school.
- ▶ **Entitlement CDBG Community** - The city, in coordination with Dakota County, is an entitlement CDBG Community. This means the Northfield receives an annual CDBG allocation.
- ▶ **Historic Downtown** - The city has a Historic Downtown that is an asset to the community and makes Northfield an inviting community to live in.
- ▶ **Federal, Non-Profit Funds** - The city has leveraged local funds for housing activities over the years with other resources including state, federal and non-profit funds. This experience in obtaining funds and the city's track record in appropriately utilizing the funds, will continue to serve the city well when seeking funds in the future.
- ▶ **Ethnic and Cultural Diversity** - Over the past several decades, the city has become very diversified with many immigrants locating in Northfield.
- ▶ **Infrastructure** - The city's water and sewer public utilities are in good condition and can facilitate future expansion.
- ▶ **Commercial Development** - Northfield's commercial districts are adequate to meet daily needs and new commercial development is ongoing.

- ▶ **Housing Development** - From 2000 through 2011, Northfield has established a strong track record with 1,536 housing units constructed in the city.
- ▶ **Health Facilities** - The city has excellent health care systems that serve the region.
- ▶ **Available lots** - The city currently has 163 available lots for single family homes and platted sites for 70 townhomes.

Barriers or Limitations to Housing Activities

Our research identified the following barriers, or limitations, that may hinder or prevent certain housing activities in the City of Northfield.

- ▶ **Competition with surrounding cities** - The cities surrounding Northfield including Faribault, the southern Metro cities, and smaller area cities such as Dundas and Lonsdale offer very attractive residential locations. Northfield competes with these cities for households seeking housing opportunities and for families that are moving to the area and building homes. The rural locations in the surrounding townships also draw a good share of the higher valued home market.
- ▶ **Lack of affordable single family homes** - Typically, older existing homes in a community are affordable for first-time home buyers and moderate income households. Although Northfield's housing values have decreased, there are still only a minimal number of affordable homes in Northfield.
- ▶ **Decrease in median home values** - The median value of existing homes in the City of Northfield has decreased from \$234,450 in 2006 to \$164,850 in 2011.
- ▶ **Foreclosures/Distressed sales** - There have been a significant number of foreclosures and distressed residential sales over the past several years, including 131 foreclosures in 2011.
- ▶ **Staff capacity limitations** - Although the city has an experienced Community Development staff and access to several housing agencies, it is difficult to develop and implement housing initiatives with existing staff resources.

Northfield - Recommendations and Opportunities

Recommendations, Strategies and Housing Market Opportunities

Based on the research contained in this Study and the housing strengths and barriers identified above, we believe that the following recommendations are realistic options for the City of Northfield. They are based on the following strategies:

- ▶ **Focus heavily on the preservation, maintenance and improvement of the housing stock that already exists** - While some housing construction will occur in coming years, most of the housing opportunities in the community will continue to be provided by the housing stock that is already on the ground. This is especially important for affordable housing opportunities, as it will almost always be less expensive to offer an affordable unit through rehabilitation versus new construction. Units that are lost due to deterioration and obsolescence cannot be replaced for a similar price. Evidence suggests that the majority of the existing stock is generally being well maintained, however, a significant percentage of housing needs repair. Emphasis on continued improvement will be important to meet future housing needs.
- ▶ **Develop life cycle housing** - It is vital for a community that serves as a regional center to provide housing opportunities for all ages and household types. These housing opportunities enable a community to thrive, promote economic development, and allow households to live in the community throughout their lives.
- ▶ **Promote new construction** - New construction provides housing opportunities, stimulates the economy and upgrades the community's overall housing stock. Both new owner-occupied single family homes and rental units are needed to provide households in Northfield with housing options and to assure a healthy housing stock.
- ▶ **Promote home ownership** - Home ownership is the preferred option for most households. Home ownership assists in creating community stability and commitment to the community. There are many younger families that are renting their housing. These households may be interested in home ownership, if an affordable opportunity is available.
- ▶ **Prioritize community housing goals** - Many of the recommendations in the Study will require staff-intensive efforts. The city should prioritize its housing goals and work with area housing agencies to establish a plan to achieve its goals.

It is very difficult to meet all of the objectives as the balance of the objectives are very sensitive. An overly aggressive or overly passive approach to any of the objectives can cause problems in achieving the other objectives. For example, overbuilding new rental housing units could lead to vacancy problems in older, less marketable units in the community, causing these units to deteriorate in quality. The recommendations of this section attempt to provide a balanced approach to addressing the housing needs of Northfield.

Summary of Findings/Recommendations

The findings/recommendations for the City of Northfield have been formulated through the analysis of the information provided in the previous sections and include 24 recommendations. The findings/recommendations have been divided into the following five categories:

- ▶ **Rental Housing Development**
- ▶ **Home Ownership**
- ▶ **Single Family New Construction**
- ▶ **Housing Rehabilitation**
- ▶ **Other Housing Initiatives**

The findings/recommendations for each category are as follows:

| Findings and Recommendations for the City of Northfield | |
|--|---|
| Rental Housing Development | |
| 1. | Develop 40 to 44 general occupancy market rate rental units |
| 2. | Develop 36 to 40 subsidized/tax credit rental units |
| 3. | Monitor the need for senior-designated market rate rental units |
| 4. | Develop 28 to 32 senior with services units |
| 5. | Preserve Existing Project-Based Subsidized Housing |
| Home Ownership | |
| 6. | Utilize and promote all programs that assist with home ownership |
| 7. | Consider development of a Lease/Purchase Program |
| 8. | Continue the local down payment assistance program |
| 9. | Utilize Emerging Market Home Ownership programs |
| New Construction | |
| 10. | Lot availability and development opportunities |
| 11. | Promote twin home/townhome/condominium development |
| 12. | Coordinate with agencies/nonprofits that develop affordable housing |
| 13. | Develop home ownership and home building marketing programs |

| Findings and Recommendations for the City of Northfield | |
|--|---|
| Housing Rehabilitation | |
| 14. | Promote rental housing rehabilitation programs |
| 15. | Promote owner-occupied housing rehabilitation programs |
| 16. | Develop a neighborhood revitalization program |
| 17. | Continue the Rental Inspection Program |
| 18. | Continue the Home Matters Program |
| Other Housing Initiatives | |
| 19. | Promote employer involvement in housing programs |
| 20. | Acquire and demolish dilapidated structures |
| 21. | Develop a City of Northfield New Construction Incentive Program |
| 22. | Continue mobile home programs |
| 23. | Create a plan and continue coordination among housing agencies |
| 24. | Strategies to address Northfield's current housing issues |

Rental Housing Development

Overview: In recent decades it has been difficult to produce new rental housing units that are viewed as “affordable”, when compared to existing rental housing. A number of factors, including federal tax policy, state property tax rates, high construction costs and a low rent structure, have all contributed to the difficulty in developing rental housing in most Minnesota communities.

From 2000 to 2011, 133 rental units were constructed in Northfield. The 133 rental units include market rate general occupancy, senior independent and senior with services units. In addition to the new rental units, it is estimated that approximately 285 single family homes were converted from owner-occupied to rental from 2000 to 2010.

Demand for new rental housing is typically generated from three factors: growth from new households, pent-up demand from existing households, and from replacement of lost units. Our household projections for Northfield expect some household growth, although a majority of this growth will result in demand for owner-occupied housing. From 2000 to 2015, we are projecting a 180 to 220-household gain in Northfield. Approximately 32% of these households will be rental households, thus, we believe that growth will generate demand of approximately 58 to 70 additional rental units over the next five years.

Demand created by replacement of lost units is more difficult to determine, but the best available evidence suggests that Northfield will lose as many as 10 units per year. As a result, approximately 50 to 55 additional units will be needed over the next five years to replace lost units. In some cases, this unit replacement will be necessary as existing units are removed from the inventory through demolition or conversion. In other cases, this replacement is appropriate due to deteriorating condition of older, substandard rental housing that should be removed from the occupied stock.

Some pent-up demand also exists. As part of this study, a rental survey was conducted. A total of 1,237 rental units in 38 multi-family buildings were contacted. The survey found a 5.2% vacancy rate in general occupancy market rate units, a 12.3% vacancy rate in subsidized units, and a 3.1% vacancy rate in tax credit units.

We are estimating that there is a demand for approximately 36 to 40 additional market rate and tax credit rental units in Northfield over the next five years based on pent-up demand. Much of the pent-up demand is primarily for three and four-bedroom units.

These three demand factors show a need for 144 to 165 rental units over the next five years. We are estimating existing vacancies and the continuing conversion of existing single family homes from owner-occupied to rental, will absorb 40 to 49 units of the unit demand.

Based on the factors stated above, we recommend the development of 104 to 116 new rental units over the next five years from 2011 to 2016:

| | | |
|---|-------------------------------|--------------------|
| ▶ | General Occupancy Market Rate | 40-44 units |
| ▶ | Subsidized/Tax Credit | 36-40 units |
| ▶ | Senior Designated Market Rate | 0 units |
| ▶ | Senior with Services | <u>28-32 units</u> |
| | Total | 104-116 units |

1. Develop 40 to 44 general occupancy market rate rental units

Findings: Approximately 63% of the rental housing in the City of Northfield can be classified as general occupancy market rate housing. These units are free of any specific occupancy restrictions such as financial status, age, or student enrollment. Market rate housing does not have any form of rent controls, other than those imposed by the competitive marketplace.

The entire rental inventory in the city includes approximately 2,255 total units in 2010. We believe that approximately 1,412 (62.6%) of these units are best described as market rate rental housing.

As part of the research for this Study, we contacted 694 market rate units. We found 36 vacant units for a vacancy rate of 5.2%, which is slightly above the healthy market range of 3% to 5%. The 2006 Housing Study reported a market rate vacancy rate of 4.9%.

There is a fairly wide variation in rental rates in the market rate segment in the City of Northfield. The prevailing rent range for an efficiency apartment is \$475-\$530 and up to \$940-\$1,250 for a three-bedroom unit.

From 2000 to 2011, only 45 market rate general occupancy rental units were constructed in Northfield. In 2009, the 45-unit Mosaic Apartments project was constructed. Also, it is estimated that approximately 285 single family homes have converted from owner-occupied to rental units.

Recommendation: As stated earlier in this section, rental housing demand is based on household growth, pent-up demand and replacement of housing units that have been demolished or converted.

Based on this combination of demand generators, we believe that it is reasonable to plan for production of between 40 to 44 market rate rental units over the next five years. This includes the market rate rental projects that may be in the planning phase.

The new units constructed over the next five years should have a mix of two, three and four-bedroom units.

Townhome-style units or high quality apartment buildings are both options in addressing the need for market rate units. The projects, to be successful, should have 'state of the art' amenities. It could be advantageous for new units to be constructed in smaller project phases. This strategy allows the new units to be absorbed into the market.

We recommend that the development of 40 to 44 units and the unit mix and rents should be as follows:

Recommended unit mix, sizes and rents for the Northfield Market Rate Housing Units:

| <u>Unit Type</u> | <u>No. of Units</u> | <u>Size/Sq. Ft.</u> | <u>Rent</u> |
|------------------|---------------------|---------------------|-------------------|
| Two Bedroom | 28-30 | 1,000 - 1,100 | \$950 - \$1,050 |
| Three Bedroom | 9-10 | 1,150 - 1,250 | \$1,100 - \$1,200 |
| Four Bedroom | 3-4 | 1,350 - 1,500 | \$1,250 - \$1,350 |
| Total | 40-44 | | |

Note: The recommended rents are quoted in 2012 dollars, but exclude electricity and garage. We recommend garage rent of \$35 to \$40 per month.

2. Develop 36 to 40 Subsidized/Tax Credit Rental Housing Units

Findings: Although Northfield has a good supply of subsidized/tax credit multifamily rental units, we see need in this sector of the local market over the next five years. The City of Northfield has 14 project-based subsidized/tax credit developments with a combined 543 units. Subsidies have been provided by USDA Rural Development, the Department of Housing and Urban Development (HUD) and through the Minnesota Housing Finance Agency (MHFA).

The breakdown of the 14 rental developments is as follows:

- ▶ 5 general occupancy - 260 units
- ▶ 5 senior/disabled - 218 units
- ▶ 4 general occupancy tax credit - 65 units

Most of the city's subsidized units serve very low income people and charge rent based on 30% of the tenant's household income. In some cases, tenant households pay 30% of income, but not less than a basic rent level established for the unit. In these cases, it is possible that a very low income household pays more than 30% of income, if the basic rent was higher.

The rents for the four tax credit projects are \$540-\$591 for a one-bedroom unit, \$620-\$695 for a two-bedroom unit and \$705-\$775 for a three-bedroom unit.

In addition to these subsidized projects, Rice County is allocated 329 HUD Housing Choice Vouchers (formerly Section 8 Existing Program). Housing Choice Voucher assistance is issued to income-eligible households for use in suitable, private market rental housing units. With the assistance, a household pays approximately 30% of their income for their rent, with the program subsidy paying any additional rent amounts. Currently, approximately 61 vouchers are being utilized in the City of Northfield.

Between the tenant-based assistance and project based subsidized housing, there are approximately 604 renter households in Northfield that had access to some form of subsidized housing in 2011. This represents approximately 31% of all renters in Northfield.

Despite the existing supply of subsidized units in Northfield, the 2010 Census still identified that approximately 972 of the renter households in Northfield reported a housing cost burden, with 30% or more of their income going to housing costs. A majority of these households were actually paying 35% or more of their income for housing, which is defined as a severe cost burden.

This large number of renters with a housing cost burden is reflected into demand for subsidized units. There were vacancies reported in subsidized general occupancy rental units, but all of the vacancies were in units that didn't have rent assistance and the tenants have to pay a base rent. There were two vacancies reported in the two tax credit projects.

Three Rivers Community Action, Inc., applied for tax credits to construct a 28-unit tax credit project, called Spring Creek Townhomes, that will include four 2-bedroom, 20 3-bedroom and four 4-bedroom units. The project was not funded, but Three Rivers Community Action, Inc., will resubmit the application in 2012.

Recommendation: We would recommend the development of 36 to 40 subsidized/tax credit rental housing units for low/moderate income households over the next five years. At this time, it is difficult to produce new subsidized units to serve low/moderate income people.

One option is to utilize the federal tax credit program. Tax credits alone do not produce 'deep subsidy' rental units that can serve very low income households, but tax credits do provide a 'shallow subsidy' that allows for the construction of units that can serve households at or below 60% of the median income established for the county. When other resources are combined with tax credits, even lower income households can be served. As stated above, Three Rivers Community Action, Inc., has applied for tax credits to construct a 28-unit project called Spring Creek Townhomes.

If tax credit units are constructed, we recommend that the rents are at or below the fair market rents as established for the Housing Voucher Program. This would potentially allow a low income household in a tax credit unit to also utilize a Housing Voucher, which will enable the household to pay 30% of their income for their unit.

We recommend that at least 75% of the subsidized/tax credit units constructed over the next five years should be three or four-bedroom units and constructed as town home style units. The proposed Spring Creek project meets these criteria.

Additionally, the Northfield HRA has purchased two existing townhomes to rent to large low income households. We encourage the HRA to continue to purchase three and four-bedroom townhomes for large low and moderate income households.

3. Monitor the need for senior-designated market rate rental units

Findings: Since 2000, there has been a significant introduction of new units into the rental market. From 2000 to the present, 133 rental units have been constructed. Also, 688 townhomes and condos have been constructed in Northfield over the past decade.

Although the townhomes were constructed to be owner-occupied, some of these units have been converted to rentals and some projects have been well received by seniors. Additionally, the 51-unit Kindahl Park Point Co-op was constructed in 2006.

There have also been a significant number of senior with light services rental units constructed as part of senior with services projects.

In the past, when options for seniors were not available in Northfield, senior households looking to sell their single family home would have generally looked for rental housing. With an expansion of housing options in the community, seniors now have a number of housing projects and types of units to choose from.

Recommendation: The market rate rental housing options added since 2000 have done a good job of serving the senior segment of the rental market.

The Northfield household projections from 2010 to 2015, show continued growth in the number of senior households in the community, with the largest numeric growth expected among younger seniors, age 65 to 74 years old, which is projected to gain 213 to 218 households. Our projections show an overall increase of 335 to 354 additional households in the age ranges 55 and older from 2010 to 2015. Although the majority of these households will prefer to own their housing, many senior households will look for rental options which will increase rental demand through 2015.

In the near-term, this demand will be met by the existing housing projects that have been constructed since 2000. However, we believe that the housing needs of renters, age 55 and older, should continue to be monitored over the next five years.

4. Develop 28 to 32 additional senior with services units

Findings: The City of Northfield currently has nine senior with services projects with a total of 263 units/beds. The nine senior with services projects include housing with light services, assisted living and memory care options.

Since 2000, 58 senior with services units were constructed including 13 assisted living units at Parkview East and 45 assisted living units at Millstream Commons.

Currently, there are approximately 15 vacancies in the nine projects, which is a 5.7% vacancy rate.

In addition to the Northfield senior with services projects, communities surrounding Northfield have been adding senior with services projects.

There are also tenants in subsidized senior projects and living at home that receive senior services through home care agencies.

If recent growth patterns in the senior population continue, the City of Northfield is projected to add 82 to 89 seniors age 75 and older between 2010 and 2015.

Recommendation: We recommend the development of approximately 28 to 32 senior housing with services units over the next five years.

Although Northfield currently has a significant number of senior with services units, the growth of the senior population and Northfield's popularity as a location for seniors, we see increased demand over the next five years.

Additionally, there are currently only 15 vacancies in 263 units/beds, which is a low number of vacancies for the senior with services market, which has a high turnover rate. Additionally, four of the nine senior with services projects reported no vacancies.

The existing senior with services providers are in the best position to monitor and determine the type of units that will be needed over the next five years. The providers have been very proficient in adding the specific type and number of senior with services needed.

However, it does appear that additional memory care units will be a priority over the next five years.

5. Preserve Existing Project-Based Subsidized Housing

Findings: Northfield has a good supply of subsidized housing that is project-based. This Study was able to identify 10 subsidized rental projects providing rental opportunities for lower income households. These 10 projects have a combined 478 units. A majority of the units, 260, are general occupancy subsidized housing. The remaining 218 units are designated for senior and/or disabled occupancy. Most of the city's subsidized units serve very low income people and charge rent based on 30% of the tenant's household income.

The federal government was most active in funding subsidized housing construction in the 1960s and 1970s, with some projects dating to the 1980s. Many of these projects had contractual obligations to provide housing for lower income people for a defined period of time. When the contractual obligations were met, the project had the potential to convert to market rate housing.

Much of the subsidized housing stock may be owned by public or nonprofit agencies, which have an intention to preserve its long-term affordability. However, some subsidized housing is privately owned, and was developed as an investment opportunity. Depending on market conditions, privately owned projects may see financial advantages to converting to market rate housing when contractual obligations have been met.

The Minnesota Housing Finance Agency (MHFA) maintains a record of subsidized projects that are at risk of being lost, identified on their website as the "Federal Multifamily Opt Out Log". Projects that are intending to leave their subsidy program are required to file a resident impact statement with MHFA.

In June 2012, the only Northfield project listed on the Opt Out Log was Jefferson Square. However, this project is no longer at-risk, and has extended its HUD Section 8 contract for 20 years. Jefferson Square, with 50 general occupancy units, utilized tax credit assistance in 2009 for a renovation project. The fact that this property is still listed on the MHFA Opt Out Log appears to be a delay in data entry.

Although they are not currently listed on the MHFA Opt Out Log, some projects that were subsidized through the Rural Development 515 Program may be at risk in the future. The Koester Court development, with 95 total units, and the Woods I and II, with 44 combined units, are both Rural Development properties. All of these projects were constructed in the 1980s, and may still have contractual obligations to the subsidy program.

Previous research with Rural Development (RD) indicated that subsidized projects that were constructed prior to 1989 had a 20-year obligation to provide affordable housing. However, later action by Congress prevented the projects from opting-out after 20 years in an effort to preserve the supply of affordable units. According to RD, there have been some class-action lawsuits that have been filed by property owners that challenge the laws that prevent the properties from leaving the subsidy program once the original 20-year obligation was met. Depending on the outcome of these law suits, it is possible that some of Northfield's Rural Development projects could be at risk in the future.

Recommendation: In many communities, public or nonprofit agencies have intervened when subsidized projects were at risk. The Northfield HRA should monitor the potential loss of subsidized units in the city, and be prepared to act if unit preservation becomes necessary. The Minnesota Housing Finance Agency has programs designed to help preserve affordable rental housing.

Northfield - Home Ownership Recommendations

Home Ownership Recommendations

Findings: Expanding home ownership opportunities is one of the primary goals for most cities. High rates of home ownership promote stable communities and strengthen the local tax base.

The median owner-occupied home value in Northfield is estimated to be \$164,850. With approximately 50% of the homes in Northfield valued less than \$164,850, Northfield has a limited market for first time home buyers and households seeking moderately priced homes.

Our analysis of Northfield demographic trends shows strong population growth over the next five years the 55 to 74 age ranges. While most households in these age ranges already own their housing, this group represents a strong potential market for 'trade-up' housing. Increasingly, the older age ranges within this group look for lower maintenance housing options, such as twin homes or town house developments. The strong growth in the 55 to 74 age range, however, is offset somewhat by expected household losses in the 45 to 54 age range.

The number of households in the 35 to 44 age range is expected to remain relatively stable in Northfield between 2010 and 2015. While some of these households already own their housing, those households that have not been able to achieve the goal of home ownership may need the assistance of special programs to help them purchase their first home and will be seeking affordable homes.

The 25 to 34 age range is projected to decrease slightly from 2010 to 2015. This age range is typically first-time home buyers.

To assist in promoting the goal of home ownership, the following activities are recommended.

6. Utilize and promote all programs that assist with home ownership

Findings: Home ownership is generally the preferred housing option for most households and most communities. The demographic make-up of Northfield is conducive to the promotion of home ownership opportunities. There are a number of strategies and programs that can be used to promote home ownership in Northfield. The area's housing agencies and financial institutions can assist with this effort.

First time home buyer assistance, down payment assistance, low interest loans, gap financing and home ownership training programs help to address affordable housing issues. With the median home value at \$164,850 in Northfield, a limited number of the homes in the existing housing stock in Northfield are valued under purchase price limits established by the Minnesota Housing Finance Agency for first-time home buyer assistance programs. Currently, the price limit is \$237,031. Also, there are a growing number of single family homes in the Northfield rental market. Many of these homes could be converted to owner-occupied homes. Conversely, home ownership programs may prevent owner-occupied homes from being converted to rentals. There are also approximately 171 vacant homes in Northfield that may be available to households for home ownership.

Home ownership counseling and training programs can also play a significant role in helping marginal buyers achieve home ownership. To become homeowners and/or to remain homeowners, many households need financial counseling to improve their credit score, to save for a down payment and to properly budget household income.

While these individual home ownership assistance programs may not generate a large volume of new ownership activity, the combination of below-market mortgage money, home ownership training, credit counseling, and down payment assistance may be the mix of incentives that moves a potential home buyer into home ownership.

Recommendation: The City of Northfield and area housing agencies, such as Three Rivers Community Action, Inc., and the Rice County Housing and Redevelopment Authority, should continue to utilize all available home ownership assistance programs to promote home ownership.

The city, in coordination with other Rice County cities, should also explore the possibility of obtaining specific program set-asides for home ownership programs from the Minnesota Housing Finance Agency. Specific set-asides will offer multiple advantages, including a dedicated pool of funds, the opportunity for higher participation limits for income and purchase price, and the flexibility for more local design and control.

Mortgage programs should also be developed that include all households and not just first time home buyers to encourage trade-up housing activity. Currently, the Rice County HRA is accessing the Minnesota Cities Participation Program, which provides low interest mortgage loans to Rice County households. For home ownership programs to be successful, it is often necessary to coordinate with area lenders.

The city should continue to coordinate with area housing agencies to develop programs that provide financial assistance for households to purchase a home and to assure the City of Northfield is receiving its share of resources that are available in the region. The local financial institutions should also continue to have a significant role in assisting households with purchasing a home.

Funding sources for home ownership programs include the Minnesota Housing Finance Agency, Rural Development, the Federal Home Loan Bank, the Greater Minnesota Housing Fund and Minnesota Small Cities Development Program Funds.

7. Consider the development of a lease to purchase program

Findings: With the decrease in home values in Northfield, there are currently some homes valued under \$100,000. These homes are affordable for many families, and are well below new construction prices. However, some families seeking home ownership do not qualify for available mortgage programs due to credit problems, lack of savings for down payment/closing costs, a previous foreclosure or limited time with their current employer.

There are also approximately 285 homes in Northfield that have converted from owner-occupied to rental from 2000 to 2010, and there are approximately 171 vacant homes in Northfield. Some of these houses, if improved, could provide affordable ownership options for lower income people. A lease to purchase program is a mechanism to create home ownership for families and to keep the lower valued homes in the home ownership market.

Recommendation: We recommend that the city consider the creation of a lease to purchase program for existing houses. A lease to purchase program enables a family that currently cannot purchase a home due to poor credit, lack of a down payment, etc., to lease a home initially with the intent of purchasing the home at a later date. While leasing the home, the household can work to remedy the problems that have prevented them from buying a house.

When working with existing homes, a rehabilitation component can also be added to the program. A lease to purchase program may require public ownership of the housing unit. Since there is some risk that the sale will never

occur, some private property owners are reluctant to sell properties in this way. However, there are private property owners that are selling homes on this basis. Possibly the city or local housing agencies could work with private property owners to expand lease to purchase opportunities.

8. Continue the local down payment assistance program

Findings: One of the largest identifiable barriers preventing low and moderate income households from owning a home is the inability to save money for down payment and closing costs. This is especially true now that lending institutions have tightened their lending criteria and require larger down payments. Northfield has utilized approximately \$300,000 since 1997 to address this issue by creating a local fund to assist home owners with a down payment assistance program. The City of Northfield provides a maximum of \$5,000 to households for down payment and closing cost assistance.

Recommendation: The City of Northfield should continue the local Downpayment Assistance Program based on its past success and the ongoing need for the program. A local Downpayment Assistance Program is needed more now than in the past because of more stringent lending criteria. The participation in the program is evidence of the program's need. The city may also consider evaluating the terms and amount of assistance to assure its continued relevance.

9. Utilize Emerging Market Homeownership Programs

Findings: Recognizing the potential to assist with expanding home ownership, the State of Minnesota has started the Emerging Markets Homeownership Initiative (EMHI). The long-term vision of the initiative is to eliminate the gap in home ownership rates between emerging markets (ethnic and racial minority populations) and White, non-Hispanic households.

Three Rivers Community Action, Inc., has hired an EMHI Coordinator to provide classes, individual counseling and buyer financing programs to assist emerging markets households with becoming homeowners. Three Rivers Community Action, Inc. is implementing a downpayment assistance program, which has assisted approximately 160 households in Rice County.

According to the 2010 Census, there were 341 households with Hispanic/Latino ethnicity, and 399 households that were identified as a race other than White, and were not of Hispanic/Latino ethnicity in Northfield.

Home ownership rates for racial and ethnic minorities lagged behind the rate for White households in Northfield and Rice County. In 2010, the ownership rate for White, Non-Hispanic households was 69.7%. The ownership rate for Hispanic/Latino households was 48.7%, the Black/African American ownership was 30.5%, Native American/Alaskan was 46.7% and Asian/Pacific Islander was 56.7%.

Recommendation: With a significant disparity in the rate of home ownership among the city's racial and ethnic minority households, it would be appropriate for Northfield to look for opportunities to assist these populations in buying a home. The best available program opportunity would appear to be to utilize the Emerging Market Homeownership Initiative through the Three Rivers Community Action, Inc.

Northfield - New Housing Construction Recommendations

New Housing Construction

Findings: The City of Northfield has experienced significant single family owner-occupied housing construction. Over the past 12 years, from 2000 to 2011, 1,296 single family structures, twinhomes/townhomes and condominiums, have been constructed in the City of Northfield, which is an average of approximately 108 housing units per year. The peak years for new construction were 2002 through 2005 when 809 units were constructed. However, construction slowed significantly over the past several years in Northfield, Rice County and nationwide and only 55 owner-occupied units have been constructed over the past four years.

The attractiveness of the area, the city’s status as a regional center, the local amenities and proximity to jobs, should result in continued construction of new homes annually. Also, there are many attractive residential lot options available for new home construction.

Overall household projections for Northfield indicate good demand for owner-occupied housing construction. Substantial household growth is anticipated through 2015 among households in the age ranges between 55 and 74 years old. Households in these age ranges tend to be predominantly home owners, and form a market for higher priced, trade-up housing and low maintenance housing such as town homes and twin homes. The number of households in the 35 to 44 year old ranges is expected to remain relatively stable through 2015. Many of the households in these age ranges are first time home buyers. There are projected to be modest household losses in the 20 to 25 age range and significant losses in the 45 to 54 age range.

It is our opinion that if the city, local housing agencies and developers are proactive, 15 to 20 owner-occupied housing units can be constructed in Northfield annually over the next five years from 2011 to 2016. Our projection for single family housing starts includes homes built in new subdivisions and on infill lots, and includes single family attached housing units, such as twin homes and town houses.

The breakdown of our projection of 20 to 25 new owner-occupied housing units annually over the next five years is as follows:

- | | |
|-------------------------------|------------------|
| ▶ Higher & median price homes | 8-10 homes |
| ▶ Affordable homes | 7-9 homes |
| ▶ Homes on In-Fill lots | 2-2 homes |
| ▶ Twin homes/Town homes | <u>3-4 units</u> |
| Total | 20-25 units |

10. Lot Availability and Development

Findings: As part of this Study, we attempted to identify the inventory of available residential lots for single family housing construction in the City of Northfield. Currently, there are 163 lots available for single family homes and platted townhome sites for 70 townhomes in 22 City of Northfield subdivisions.

There are also several miscellaneous infill lots scattered around the city that we did not attempt to count. We also do not know the availability of some of these infill lots.

Recommendation: A commonly accepted standard is that a 2 ½ year supply of lots should be available in the marketplace, based on annual lot usage. Using our projections that 20 to 25 new owner-occupied housing units will be constructed per year, the city should have approximately 50 to 63 residential lots available to meet the expected demand. Part of this demand would be for attached unit construction. The available inventory could include lots that are currently buildable, as well as lots in the advanced planning stages that could be available for the next construction season.

Using this standard, with 163 single family lots and sites for 70 townhomes, plus infill lots, the City of Northfield currently has an excess inventory of available lots. At this time, additional lots are not recommended.

11. Promote townhouse, twin home and condo development

Findings: Northfield has experienced substantial owner-occupied attached housing development as 581 owner-occupied twin homes, townhomes and condos have been constructed in Northfield from 2000 to 2011. Many communities over the past decade have seen attached housing take an increasingly large share of new construction. In cities the size of Northfield, 30% to 40% of the housing starts are typically twin homes/townhomes/condos. Over the past 12 years, 38% of the owner-occupied housing units constructed in Northfield have been twin homes/townhomes/condos, which is consistent with communities the size of Northfield.

Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes, thus, making homes available for families. It is estimated that the 55 to 84 age ranges will increase by 335 to 354 households in Northfield and by 1,157 to 1,199 households in Rice County from 2010 to 2015. It is important for the city to offer a range of life-cycle housing options as many of these households will be seeking to downsize into low maintenance housing options.

Recommendation: It is our projection that approximately three to four of Northfield's new owner single family units will be twin home/townhomes over the next five years, which is approximately 15 to 20 units during the five-year period. It should be noted that twin home/townhome development has been impacted by the downturn in the housing economy, thus, it is projected that most of the projected units will be constructed later in the five-year time period.

We recommend a twin home/townhome development and for the development to be successful, the following should be considered:

- ▶ Senior friendly home designs
- ▶ Maintenance, lawn care, snow removal, etc. all covered by an Association
- ▶ Cluster development of a significant number of homes which provides security
- ▶ Homes are at a price that is acceptable to the market

The public sector's role in any owner-occupancy attached housing development may be limited, as the private sector can often meet this housing need if a demand exists. The city should assure that adequate land is available for development and that zoning allows for attached housing development.

12. Coordinate with agencies/nonprofits that develop affordable housing

Findings: With the difficulty of producing new housing units that are affordable to lower income people, it is important to take advantage of opportunities presented by housing agencies, groups and organizations. Habitat for Humanity, for example, constructs affordable new houses in Rice County cities including Northfield. Other communities have also explored other resources such as the Sentence to Serve Program. Three Rivers Community Action, Inc., has also constructed affordable homes in the area. Although none of these sources can be counted on to produce a large number of housing units, they can help generate a few new homes for lower income families.

Recommendation: We recommend that Northfield continue its cooperation with housing agencies and nonprofit organizations that help to produce housing units for lower income ownership. The city may be able to contribute to the project through land donations, TIF, grant writing, or project coordination roles. The city and HRA have acquired and cleared some severely substandard houses in the city in the past. If the cleared lots are suitable for redevelopment, these in-fill lots may be good sites for this type of new construction activity. There

are also many residential lots in new subdivisions that may be available for affordable housing.

13. Develop home ownership and new construction marketing programs

Findings: With the downturn in the housing economy, the competition among cities for households looking to buy or build a home will be greater than past years. Also, most cities have an excess inventory of residential lots, homes for sale, vacant homes and homes in foreclosure. Additionally, households are evaluating the appropriate timing to buy or build a home.

As the economy improves, cities that invest in marketing will have an advantage. Opportunities to buy or construct a home are sometimes limited because of the lack of information and awareness of financing and incentive programs, homes and lots on the market, local builders, etc. This is especially evident for new households moving into the area.

Recommendation: Although the City of Northfield has marketing materials, we recommend the creation and distribution of additional marketing materials and programs that describe available lots, area builders, housing opportunities and financing/assistance programs that are available in Northfield. Buying a lot, selecting a builder, obtaining financing, and constructing or purchasing a home can be an intimidating process. Often households have not been through this process and do not know where to begin or how to proceed. Pertinent and up-to-date information will encourage and assist households with constructing a home or finding a suitable move-up home and will distinguish Northfield from other communities.

Another possibility for promoting ownership options is to organize a Housing Fair that educates and informs the public on lots, builders, finance programs, etc. The Housing Fair should include developers, builders, lenders, realtors, public agencies, local businesses, etc. Local employers should be contacted to assess their interest and possible participation in the event.

These marketing programs do not have to be “city” projects but could possibly be developed by a local civic organization or the private sector.

Northfield - Housing Rehabilitation Recommendations

Housing Rehabilitation

Findings: The City of Northfield has an asset in its existing housing stock. Existing units, both now and into the future, will represent the large majority of the affordable housing opportunities. Existing units generally sell at a discount to their replacement value. Units that are not maintained and improved may slip into disrepair and be lost from the housing stock. Efforts and investment in housing rehabilitation activities will be critical to offering affordable housing opportunities into the future.

Housing options for households will largely be met by the existing, more affordable housing stock. As this existing stock ages, more maintenance and repair are required. Without rehabilitation assistance, the affordable stock may shrink, creating an even more difficult affordability situation.

The following specific recommendations are made to address the housing rehabilitation needs.

14. Promote rental housing rehabilitation programs

Findings: Based on 2010 U.S. Census data, Northfield currently has approximately 2,255 rental units. These rental units are in multi-family projects, small rental buildings, duplexes, single family homes and mobile homes. Some of these rental structures could benefit from rehabilitation as many of the rental structures are more than 30 years old and some rental units are in poor condition. Also, from 2000 to 2010, approximately 285 single family homes have converted from owner-occupied to renter-occupied. Some of these homes need rehabilitation.

The rehabilitation of older rental units can be one of the most effective ways to produce decent, safe and sanitary affordable housing. However, it is often difficult for rental property owners to rehabilitate and maintain their rental properties while keeping the rents affordable for the tenants.

The City of Northfield has offered a Rental Rehabilitation Program over the past several years with limited participation from rental property owners.

Recommendation: The City of Northfield and area housing agencies should continue to seek and utilize funds to rehabilitate rental units. Also, for a rental rehabilitation program to be workable and successful, the funds should to the extent possible, allow for program design flexibility to address rental rehabilitation needs.

Potential funding sources include Community Block Grant funds, the Federal Home Loan Bank, the Minnesota Housing Finance Agency, and local funds.

The Minnesota Housing Finance Agency has recently initiated the Rental Rehabilitation Deferred Loan Program. The Southwest Minnesota Housing Partnership is administering this new program in Rice County. This program provides a maximum 0% deferred loan of \$25,000/unit and \$300,000/project. The project must meet applicable income, rent and rehabilitation requirements.

15. Promote owner-occupied housing rehabilitation programs

Findings: The affordability of some of the existing housing stock in Northfield will continue to be an attraction for families that are seeking housing in the area. Investment in owner-occupied housing rehabilitation activities will be critical to offering affordable housing opportunities.

Our 2011 housing condition survey rated the 565 single family homes in three of the city's oldest neighborhoods. Our survey found that 249 homes need minor repairs and 55 homes need major repairs. Without rehabilitation assistance, there is the potential that the affordable housing stock will shrink in the City of Northfield.

Over the past several years, owner-occupied rehabilitation programs have been limited in the City of Northfield. However, Three Rivers Community Action, Inc., is currently administering the Weatherization Program and the MHFA Housing Rehabilitation Program in Northfield.

Recommendation: We recommend that the City of Northfield and area housing agencies identify and apply for funds to develop an ongoing owner-occupied housing rehabilitation program. Rural Development, the Minnesota Housing Finance Agency, the Federal Home Loan Bank and the Community Development Block Grant Program are all potential funding sources.

16. Develop a Neighborhood Revitalization Program

Findings: The City of Northfield has several neighborhoods that are on the "bubble." These neighborhoods have a significant number of homes that need rehabilitation and have a significant number of low/moderate income households. The neighborhoods could deteriorate or could be revitalized to continue to be strong vital neighborhoods.

The City of Northfield has recently identified a neighborhood north of Woodley St. and west of Washington St. to revitalize beginning in 2012. Community Partners Research, Inc., conducted a housing condition survey in this neighborhood and identified 46 homes that need minor rehabilitation, 20 homes that need major rehabilitation and two homes that are dilapidated and beyond repair.

Recommendation: We recommend that the City of Northfield and the Northfield HRA, with assistance from area housing agencies and the private sector, develop and implement the Neighborhood Revitalization Program in the selected neighborhood.

Redevelopment strategies and opportunities should be identified for the Neighborhood including:

- ▶ A plan for each parcel in the Neighborhood
- ▶ Owner-occupied rehabilitation
- ▶ Rental rehabilitation
- ▶ Demolition of dilapidated structures
- ▶ Infill new construction including single family homes and attached housing
- ▶ Land pooling for larger town home and attached housing projects
- ▶ Lease to Purchase and Purchase/Rehabilitation Programs that rehabilitate homes and provide home ownership for low/moderate income households
- ▶ Public projects (streets, utilities, park improvements, etc.)
- ▶ Possible rezoning, variances and/or replatting to make areas and parcels more desirable for redevelopment
- ▶ Programs that encourage energy conservation
- ▶ Other projects identified through the planning process

The Neighborhood Revitalization Plan should include timelines, responsible city department or housing agency, funding sources, etc. The program should be evaluated on an ongoing basis as opportunities and potential projects may change priorities.

It must be noted that neighborhood revitalization can result in the loss of affordable housing. Redevelopment projects, infill construction and other affordable housing projects in the community should assure that there are overall net gains in the affordable housing stock.

Also, as a neighborhood is revitalized, a new neighborhood can be selected for revitalization.

17. Continue the Rental Inspection Program

Findings: The Rental Inspection Program continues to be a valuable tool in improving the quality of the city's rental housing. According to the 2010 Census, there were 2,255 occupied rental units in the City of Northfield. There have also been approximately 285 single family homes that have converted from owner-occupied to rental from 2000 to 2010. Neighborhood deterioration, lower property values and unsafe rental units are often prevented when a rental housing inspection program is successfully implemented.

The need for an ongoing Rental Inspection Program includes the following:

Health and Safety

- ▶ There is a need to provide tenants with safe, sanitary, and standard living conditions and to eliminate life threatening hazards.

Age of Housing Stock

- ▶ Some of the existing rental housing stock in Northfield is more than 25 years old.
- ▶ Older housing needs continued rehabilitation and maintenance.
- ▶ Older housing often has difficulty complying with current codes.

Conversions

- ▶ Some of the rental buildings were originally constructed for uses other than rental housing such as owner-occupied single family homes, commercial use and mobile homes. In conversion, often owners do the work themselves and may have inadequate or faulty mechanical, electrical, plumbing, and heating systems. Also, constructing an apartment in the basement often results in a lack of natural lighting, ventilation and proper access and egress.

Trends of Conversions

- ▶ Many of today's buyers want more amenities and conveniences, and less maintenance, thus, they are less likely to purchase the older homes. Also, there has been an increase in foreclosure. These issues result in the continuation of converting old homes to rental units and magnify the problem.

Maintenance Efforts

- ▶ A large number of landlords are providing standard housing and reinvesting in their rental properties. However, some landlords do not maintain their buildings. Ongoing maintenance is necessary for older housing as buildings with continued deferred maintenance become unsafe and substandard.

High Number of Landlords

- Northfield has a significant number of rental property owners. Many of these landlords do an excellent job; however, some absentee landlords do not reinvest in their properties, and create a need for the program.

Neighborhood Stabilization

- Rental units need to be maintained to keep the integrity of the neighborhood and stabilize property values. Deferred maintenance, parked junk cars, trash and debris all have a negative impact on residential neighborhoods.

Zoning and Codes

- Illegal apartments such as inappropriately constructed basement apartments may be unsafe and a violation of zoning regulations.

Coordination

- A Rental Inspection Program provides a record of rental units and owners.
- The program provides a better opportunity for coordination of city programs and codes.

Recommendation: We recommend the continued implementation of the Rental Inspection Program to assure that all rental units in Northfield comply with housing laws and codes. The program assures that Northfield rental units are safe and sanitary, thus, removing blighted and unsafe conditions.

18. Continue the Home Matters Program/Develop a Purchase Rehabilitation Program

Findings: Northfield has a stock of older, lower valued homes, some of which need repairs. Also, approximately 285 homes have been converted from owner-occupied to rental from 2000 to 2010. Additionally, there are approximately 171 vacant homes in Northfield. As homes come up for sale, some may not be attractive options for potential home buyers because of the amount of repair work that is required. Over the past several years, Northfield has also experienced a significant number of foreclosed homes.

In the past, the Minnesota Housing Finance Agency has provided funding for the Minnesota Urban Homesteading Program (MURL) Program. Under the program, the city purchased an existing home that needs rehabilitation, rehabilitated the home, sold the home to a low income family and provided a mortgage and a monthly payment that are affordable for the family. The MURL Program accomplished many community goals, including the promotion of home ownership for lower income people, and the repair of substandard housing units. Unfortunately, the Minnesota Housing Finance Agency is no longer providing funding for the MURL Program.

Three Rivers Community Action, Inc., has recently initiated a Home Matters Program in Northfield. Under this program, Three Rivers Community Action, Inc., purchases foreclosed homes, rehabs the homes and sells the homes to low/moderate income households.

Recommendation: We recommend that the City of Northfield continue to work with Three Rivers Community Action, Inc., to implement the Home Matters Program. Also, if the housing inventory exists, the City of Northfield could consider the creation of a rehab/purchase program for existing houses that is similar to the previous MURL Program. Area housing agencies and financial institutions could assist by offering some rehabilitation assistance in conjunction with first-time buyer programs to make the city's older housing a more attractive option for potential home buyers. MHFA, the CDBG Program, and local funds are potential funding sources.

A program could also be developed to provide mortgage funds directly to households for the purchase and rehabilitation of existing substandard homes. Rural Development provides mortgage and rehabilitation funds to purchase a home and/or to make repairs to the home.

Attitudinal surveys that we have conducted in other cities have found that purchase/rehabilitation programs are appealing to people who are currently renting their housing. In some similar sized communities, more than 80% of survey respondents who were renters indicated an interest in buying a home in need of repair if rehabilitation assistance was also available.

A purchase/rehabilitation program will achieve several goals. The programs will encourage home ownership, prevent substandard homes from becoming rental properties, convert rental properties back to owner-occupied, reduce the number of vacant homes and rehabilitate homes that are currently substandard.

Northfield - Other Housing Initiatives

19. Promote employer involvement in housing programs

Findings: In the early 2000s, there was a growing trend in some Minnesota cities to involve area employers as financial participants in affordable housing programs. Unemployment rates were very low, and employer involvement was viewed as a way to retain employees and to attract new workers into the community.

Over the past several years, unemployment rates have been high, thus, the available work force has increased. Employers' motivation to become involved in housing has somewhat dissipated.

Northfield and Rice County have an immigrant population that continues to grow. Many of our immigrants work for area employers. Some immigrants come to the area with very few resources and limited knowledge of our culture. Also, some of the immigrants have large families. It is often difficult for immigrant households to find housing that addresses their needs.

Several area employers have assisted their employees with locating housing and in orienting them to our culture and living in Northfield and Rice County.

Recommendation: Employer involvement is still a concept worth pursuing as the community tries to address affordable housing needs. There are several successful examples of employer involvement in Minnesota communities including Worthington, Marshall and Park Rapids.

Three Rivers Community Action, Inc., is applying to MHFA for tax credits to construct affordable rental units in Northfield. This project could be a potential project for local employer participation.

20. Acquire and demolish dilapidated structures

Findings: Our housing condition survey of three Northfield neighborhoods identified five homes that are dilapidated and too deteriorated to rehabilitate. We also identified 55 homes as needing major repair and several of these homes may be too dilapidated to rehabilitate. There are also homes in other Northfield neighborhoods that are dilapidated and beyond repair. Additionally, there are approximately 171 vacant homes in Northfield. Some of these homes may deteriorate to the point of being beyond repair.

Recommendation: We recommend that the City of Northfield continue to demolish severely dilapidated structures. The city is enhanced when blighted and dilapidated structures are removed. Also, some of the cleared lots can possibly be utilized for the construction of new affordable housing units.

Additionally, the demolition of dilapidated rental structures will upgrade the city's rental housing stock.

21. Develop a City of Northfield New Construction Housing Incentive Program

Findings: Northfield has been impacted by the recent recession over the past four years, like most communities, with only 30 homes constructed in the city during that span. This is an average of approximately seven new homes annually. From 2000 through 2007, the city averaged approximately 60 new construction homes annually. Also, according to City of Northfield records, there are 417 vacant residential lots in the city.

Recommendation: We recommend that the city consider a New Construction Incentive Program to promote new housing construction. Incentives to households that construct a home could potentially include:

- ▶ Reduced lot prices
- ▶ Free water and sewer for a period of time
- ▶ Real estate tax abatement
- ▶ Permit fee waived
- ▶ Discounts at area businesses

22. Continue Mobile Home Programs/Consider Time of Sale Program

Findings: Based on the Mobile Home condition survey conducted by Community Partners Research, Inc., there are approximately 211 mobile homes in two mobile home parks in the City of Northfield. Approximately 48 mobile homes require minor repairs, 56 homes require major repairs and 57 mobile homes are dilapidated and beyond repair.

The City of Northfield and the Northfield Housing and Redevelopment Authority has developed two Mobile Home Programs.

- ▶ The Manufactured Home Acquisition Program will pay up to \$5,000 for the purchase of a newer, code compliant manufactured home. This program also allows up to \$2,500 for the demolition of the current unit.

- ▶ The Manufactured Home Repair Grant Program provides up to \$4,000 to assist the household with the repair of their manufactured home. These funds must be used to increase the safety, security or energy efficiency of the unit. The funds may be used to pay down an insurance deductible in the case of storm damage to the exterior of the unit, or may be used in conjunction with Weatherization funds.

The city recognizes the concerns with blight and living conditions in Florella's Manufactured Home Park, which is the result of aging and incompetent infrastructure and age/upkeep of many of the units within the park. The park has been for sale for several years, with questionable interest from the buying community. The HRA has expressed an interest in assisting a prospective buyer with the navigation of purchasing the park, either for a park or a commercial/industrial use. The city/HRA has not investigated the option of purchasing the park directly.

Recommendation: We recommend continuation of the Manufactured Home Acquisition and Manufactured Home Repair Grant Programs. We also recommend the eventual acquisition/demolition of the Florella's Manufactured Home Park.

Also, several cities have adopted and implemented a Time of Sale Inspection program. This inspection program is designed to provide safe living conditions to residents through the identification and elimination of basic life/safety hazards in older mobile homes. Mobile homes are inspected prior to a title transfer. All identified safety hazards must be corrected before the unit can be sold or occupied. We recommend that the City of Northfield consider the adoption and implementation of this program.

23. Create a plan and continue coordination among housing agencies

Findings: The City of Northfield needs staff resources in addition to existing city staff to plan and implement many of the housing recommendations advanced in this Study. The city has access to the Northfield Housing and Redevelopment Authority, the Rice County Housing and Redevelopment Authority, the Dakota County Community Development Agency, Three Rivers Community Action, Inc., and the Southwest Minnesota Housing Partnership. The city also has access to the Minnesota Housing Finance Agency and the USDA Rural Development Office. These agencies all have experience with housing and community development programs.

Recommendation: The City of Northfield is fortunate to have access to city staff and several agencies that can address housing needs. It is our recommendation that the city work with the housing agencies to prioritize the recommendations of this Study and to develop a plan to address the city's overall housing needs. The plan should include strategies, time lines and the responsibilities of each agency. While there has traditionally been a degree of staff interaction between these agencies, it will be important that a coordinated approach be used to prioritize and assign responsibility for housing programs.

It will also be important for the city to look for opportunities to work cooperatively with other Rice County cities to address housing issues. With the number of cities in the county, and limited staff capacity at both the city and county level, cooperative efforts may be the only way to accomplish certain projects. Cooperative efforts will not only make housing projects more practical, but they will often be more cost-effective and competitive.

24. Strategies to address Northfield's current housing issues

Findings: As with most cities in Minnesota and throughout the United States, the City of Northfield has experienced a downturn in its housing economy.

Over the past several years, the Northfield housing economy has experienced the following:

- ▶ Median home values have decreased from \$234,450 in 2006 to \$164,850 in 2011
- ▶ Significant increase in distressed existing home sales - 97 in 2011
- ▶ Excess residential lot inventory - 163 vacant residential lots for single family homes and platted sites for 70 townhomes in 2011
- ▶ Increase in home foreclosures
- ▶ Decrease in housing unit construction - 1,176 units from 2000 to 2005 and 360 units from 2006 to 2011
- ▶ Increase in vacant single family homes from 42 in 2000 to 171 in 2010
- ▶ Conversion of approximately 285 homes from owner-occupied to renter-occupied from 2000 to 2010

Recommendation: Many of the recommendations previously stated, directly or indirectly, address the housing problems that are the result of the downturn in the housing economy. However, we are recommending several additional actions including:

- ▶ Development of a specific housing marketing program that promotes and markets the current lot inventory, affordable homes, the positive aspects of living in Northfield, etc.
- ▶ Scheduling of a housing summit that involves all stakeholders (city and county officials, developers, builders, housing agencies, financial institutions, etc.) to discuss the current status of housing in Rice County to determine if there are additional solutions to the current housing issues.
 - * Follow up meetings could be held among subsets of the attendees to further pursue ideas and potential solutions that are generated from the summit.
- ▶ Determination if private/public partnerships can be created to develop programs, projects, etc.
- ▶ Research the potential for developing programs and projects that utilize the current housing economy to address ongoing housing needs. During this crisis are there opportunities? For example, Northfield has a shortage of large rental units with three to five-bedroom units. There are approximately 171 vacant homes in Northfield, many of which have three or more bedrooms.
- ▶ Potentially, these efforts could be undertaken with Rice County and the other cities in the county as all of the cities in Rice County have experienced similar problems and issues due to the downturn in the housing economy.