

A Market Feasibility Study for
Rental Housing, Commercial Retail and
Permanent Supportive Housing in Downtown
Pine City, Minnesota

FINAL



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March 9, 2020

Ms. Leslie Sauter
Community Development Director
City of Pine City
315 Main St. S, Suite 100
Pine City, MN 55063

Dear Ms. Sauter:

Attached is our study entitled *"A Market Feasibility Study for Rental Housing, Commercial Retail and Permanent Supportive Housing in Downtown Pine City, Minnesota."* The study considers the potential demand for general occupancy rental housing development with a first-floor retail space and a supportive housing component to be located on a 0.68-acre parcel located at 320 3rd Street Southeast in Pine City, Minnesota.

This study assesses demographic and economic characteristics of the primary draw area, analyzes the competitive market situation for market rate rental housing, and quantifies demand for market rate rental units that could be captured on the subject Site. Our findings reveal that there is demand for 20 units of market rate rental housing, 15 units of deep-subsidy housing, 13 units of permanent supportive housing and approximately 2,100 square feet of commercial retail space.

We discuss a potential project's ability to capture a share of the target market and project the rate of absorption for the subject development. Two development concept recommendations are also provided, including suggestions for an appropriate unit mix, pricing, features, and common area amenities.

We enjoyed completing this study and are available should you have any further questions or require additional information.

Sincerely,

Maxfield Research and Consulting, LLC

Matt Mullins
Vice President

Rob Wilder
Research Associate

Attachment

TABLE OF CONTENTS

	<u>Page</u>
STUDY PURPOSE & SCOPE	1
EXECUTIVE SUMMARY	2
SITE ANALYSIS	5
DEMOGRAPHIC ANALYSIS	13
Introduction	13
Market Area Definition	13
Population and Household Growth Trends	14
Age Distribution	16
Household Income Distribution	18
Tenure by Age of Householder	20
Tenure by Household Size	21
Household Type	23
Tenure by Household Income	25
Building Permit Trends.....	27
Summary of Demographic Trends	29
EMPLOYMENT ANALYSIS	30
Introduction	30
Employment Projections.....	30
Resident Labor Force.....	31
Employment and Wages by Industry	33
Commuting Patterns	36
Resident Profile	40
Major Employers	41
Summary of Employment Trends	42
HOMELESS POPULATIONS	43
Introduction	43
Demographic and Economic Statistics on Homeless Population.....	43
Number of Homeless in Central Minnesota	43
Age Distribution of Homeless in Central Minnesota	44
Ethnic Background of the Homeless	45
Monthly Income of the Homeless.....	46
Maximum Affordable Rents	47
Size of Bedroom Needed.....	48
Comparison of 2015 and 2018 Figures	49
Summary of Homeless Populations	50

TABLE OF CONTENTS CONTINUED

RENTAL MARKET ANALYSIS	51
Introduction	51
Overview of Rental Market Conditions.....	51
General Occupancy Rental Projects.....	55
Market Rate Projects	55
Affordable/Subsidized.....	58
HOUSING AFFORDABILITY	61
Introduction	61
Naturally-Occurring Affordable Housing.....	61
Rent and Income Limits.....	62
COMMERCIAL REAL ESTATE ANALYSIS	64
Introduction	64
Daytime Population.....	64
Consumer Expenditure Patterns.....	64
Types of Retail Goods and Customer Shopping Patterns	68
Retail Demand Potential and Leakage	70
Retail Space in the PMA.....	72
PLANNED AND PROPOSED RESIDENTIAL AND COMMERCIAL DEVELOPMENTS.....	74
DEMAND CALCULATIONS.....	75
Rental Housing Demand Analysis.....	75
Retail Development Potential.....	78
Permanent Supportive Housing Demand Potential.....	80
CONCLUSIONS AND RECOMMENDATIONS	82
Recommended Development Concept.....	82
Suggested Features and Amenities.....	85
Projected Absorption	86

LIST OF TABLES

<u>Table Number and Title</u>	<u>Page</u>
D1. Population and Household Growth Trends and Projections, PMA, 2000-2030.....	14
D2. Population Age Distribution, Primary Market Area, 2000-2025	17
D-3. Household Income by Age of Householder, Primary Market Area, 2020 & 2025	25
D4. Tenure by Age of Householder, Primary Market Area, 2010 & 2017	21
D5. Households by Size, Primary Market Area, 2017	22
D6. Household Type, Primary Market Area, 2010 & 2017	24
D7. Tenure by Household Income, Primary Market Area, 2017	26
D8. Building Permit Trends, Pine City, 2009 to 2019.....	27
E1. Employment Projections, Central Minnesota Planning Area, 2016 to 2026.....	30
E2. Annual Average Resident Employment, Pine County, EDR-7E, 2000 to Nov. 2019	32
E3. Quarterly Census of Employment and Wages, Pine City and Pine County, 2018 Q3 to 2019Q3	35
E4. Commuting Patterns, City of Pine City, 2017.....	37
E5. Commuting Inflow/Outflow Characteristics, City of Pine City, 2017.....	38
E6. Resident Profile, Pine City, 2017.....	40
E7. Major Employers, Pine City, 2017.....	41
H1. Number of Homeless People, Central Minnesota, October 2018	43
H2. Age Distribution of Homeless People, Central Minnesota, October 2018	44
H3. Ethnic Background of Homeless People, Central Minnesota, October 2018	45
H4. Monthly Income Homeless People, Central Minnesota, October 2018	46
H5. Maximum Affordable Rents for Homeless People, Central Minnesota, October 2018..	47
H6. Size of Bedroom Needed, Central Minnesota, October 2018.....	48
R1. Bedrooms by Gross Rent, Pine City, Pine County and PMA, 2017	52
R2. General Occupancy Rental Projects, PMA, February 2020	57
R3. Summary of Market Rate Rental Projects, PMA, February 2020	58
R4. MFHA/HUD Income and Rent Limits, Pine County, 2019.....	63
C1. Daytime Population, Pine City, 2012-2017.....	64
C2. Estimated Household Expenditures by Selected Product Type, Primary Market Area, 2020	66
C4. Retail Demand Potential and Leakage, Primary Market Area, 2020	71
C5. Retail Space Characteristics, PMA, February 2020.....	73
P1. Proposed, Planned, Under Construction Commercial and Housing Projects, Pine City, 2020	74

LIST OF TABLES CONTINUED

<u>Table Number and Title</u>	<u>Page</u>
DMD1. Demand for Additional Rental Housing, PMA, 2020 to 2025.....	76
DMD2. Demand for Retail Space, PMA, 2020 to 2025	79
DMD3. Estimated Demand for Permanent Supportive Housing, PMA, 2020 to 2025	81
CR1. Demand Summary, PMA, March 2020	82
CR2. Recommended Pricing, Unit Mix and Sizes, Pine City, March 2020.....	84

Study Purpose

Maxfield Research and Consulting, LLC was engaged by the City of Pine City to assess the market potential of various real estate uses at a subject Site in Pine City, including demographic and economic trends, trends on various real estate product types, and recommended concepts. This study is intended to provide guidance on the future demand for real estate products on the site, provide specific recommendations on pricing, absorption, demand calculations, for a potential mixed-use project at the subject Site.

Scope of Services

The scope of this study includes an evaluation of the subject property. The scope of this study provides a review of the economic and demographic characteristics of the Primary Market Area (abbreviated as PMA) that would factor into the type of development that could be supported on the subject property. In addition, various real estate market segments were analyzed including multifamily residential, retail, and permanent supportive housing. We identified planned/pending and developments under construction in Primary Market Area that are in the development pipeline.

The report contains primary and secondary research. Primary research includes interviews with property managers/owners, Realtors, builders, and city staffs. All of the information on competitive real estate developments and pending developments was collected by Maxfield Research and Consulting, LLC and is accurate to the best of our knowledge. This study also utilizes secondary data. Secondary research is always used as a basis for analysis and is carefully reviewed in light of other factors that may impact projections.

The analysis will assess the market potential to develop these product types in the Primary Market Area and, more specifically, on the subject site.

Demographic Analysis

- As of 2010, the PMA contained 11,109 people and 4,328 households. Between 2000 and 2010, the PMA population increased 12.6% while households increased by 15.6%. During this period Pine City's population and household bases increased by 2.6% and 8.2%, respectively. Between 2020 and 2025, the Primary Market Area is projected to add 105 households, growth of 2.3%.
- Traditionally, younger households are most likely to rent their housing. Between 2020 and 2025, people aged 25 to 54 are forecast to decrease by 56 people (1.4%).
- In 2020, the median household income in the PMA is estimated to be \$48,878. Incomes are forecast to increase to \$52,416 by 2025.
- In Pine City, 37.9% of all households rented in 2010, compared to 17.3% in the PMA. By 2017, 19.3% of PMA households were renters, compared to 40.5% of Pine City households. In the Under 25 age group, 35.6% of PMA households rented, decreasing to 22.9% in the 25 to 34 age group, and further decreasing to 13.5.6% of 35 to 44 age households.
- As of 2017, Married Couples without Children remains the largest proportion of households in the PMA. The proportion of Non-family households (households either living alone or with roommates) in the PMA increased from 44.2% of households in 2010 to 53.0% of households in 2017.
- Median incomes for renter-occupied households were less than half of the median incomes of owner-occupied households in all geographies. The largest income gap reported was between owner-occupied households in the remainder of the PMA (\$58,844), compared to renter households in the remainder of the PMA (\$24,496) a gap of \$34,349.
- Between 2009 and 2019, permits were issued for 133 new single-family homes in Pine City, an average of 12 per year.

Summary of Employment Trends

- As of November 2019, the unemployment rate in Pine County was 4.8%, above Economic Development Region 7 East (abbreviated EDR-7E) unemployment rate of 4.8% and above the State of Minnesota (2.9%).
- The Education and Health Services sector is the largest employment sector in Pine City, accounting for 26.4% of jobs with an average weekly wage of \$790.
- Across Pine County, average weekly wages increased by 8.4%, \$50 per week, between 2018 Q3 and 2019 Q3. Wages increased in nine of the ten Industry groups. Wages in the Professional and Business services sector fell 8.6% (\$62/week).
- Most Pine City workers travel less than 10 miles to their jobs (55.0%). An estimated 25.8% travel between 10 and 24 miles to their job, while 8.7% travel between 25 and 50 miles and 10.5% travel 50 miles or more.
- Most Pine City workers commute into Pine City, with 1,929 employees commuting into the City and 513 workers living and working in the City, compared to 1,034 workers leaving the City.
- The largest employers in Pine City are Walmart, Pine City School District, and Pine Technical and Community College.

Rental Housing Summary

- Overall, five market rate properties with a combined 76 units were surveyed. Overall, these units were 100% occupied. This is below the equilibrium vacancy rate of 5.0% for market rate units and suggests that there is pent-up demand for market rate rental units.
- One-bedroom units rented for an average of \$638 per month, two-bedrooms were \$794 per month and three-bedroom units were \$945 per month. Across all unit types, rents were 768 on average.

Demand Summary

- Demand was found at the subject site for 20 units of market rate rental units, 15 units of subsidized rental units (deep subsidy) and 13 units of Permanent Supportive Housing, for a total of 48 new housing units.
- Demand for commercial retail space was found for 2,138 square feet at the subject site.

Recommended Development Concept

- Based on the sites current size and the currently attainable rent structure, it would be difficult to develop a vertical multifamily development without significant tax incentives or subsidies. Therefore, we recommend a 10-unit market rate tuck-under townhome development on the subject site.
- The recommended rents would start at \$1,050 for a two-bedroom unit, and \$1,250 for a three-bedroom unit.
- If the parcel currently used by “A Place for You” transitional housing could be acquired, we recommend a development concept that includes 20-market rate apartments, as well as relocating the 10 beds currently at “A Place for You” into a separate wing of the development with a separate access.
- Although there is demand for retail space, the financial challenges of a first-floor retail component in a mixed-use development are difficult given the lease rate needed to cover development costs, and as such we do not recommend a retail component in either concept.

Introduction

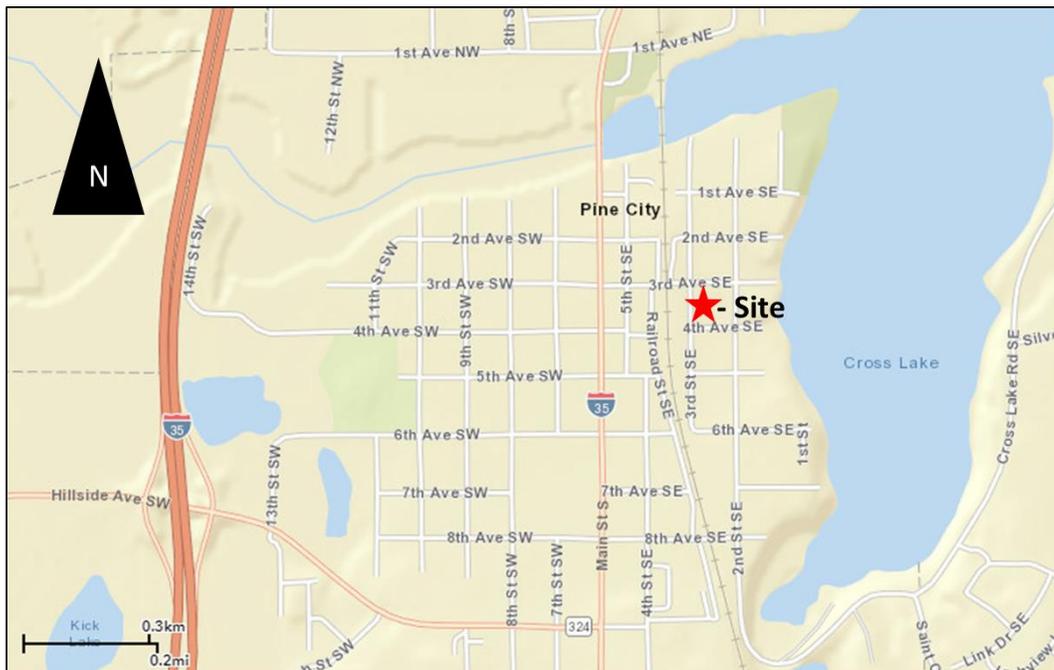
This section of the report assesses the attributes of the subject Site as they relate to the appeal of the property as a location for general occupancy rental housing (market rate and affordable), supportive housing and commercial retail space. These attributes include community orientation and aesthetics, adjacent and surrounding land use, proximity to area resources, access and visibility. These factors individually and collectively impact the attractiveness of a site for the above-mentioned uses. Maxfield Research and Consulting, LLC visited the Site in February 2020 and assessed the location based on these factors.

Site Location and Characteristics

This section of the report assesses the characteristics of the subject Site as they relate to the appeal for the proposed Pine City Feed Mill Site development in Pine City, Minnesota. The site is the location of the former feed mill, which was razed in 2018. Pine City is in Pine County located about 70 miles north of the Twin Cities. As of 2010, Pine City had a population of about 3,100 people.

More specifically, the subject Site is at 320 3rd Avenue SE in Pine City, about three blocks to the east of Main Street, the main thoroughfare in Pine City, and south of the Snake River which bisects Pine City. Maps and photos are located on the following pages.

Site Location



Detailed Site Location



Site Photos



Looking east at Site



Looking north at Site



Vacant Land east of site



Looking west toward site



4th Ave SE, southside of Site



3rd Ave SE, northside of Site

Adjacent and Surrounding Land Uses

The subject Site is at 320 3rd Street SE in Pine City, Minnesota. The immediate neighborhood is a mix of residential uses to the east and north, light industrial to the south, and commercial uses to the west. The Site is located on the eastside of 3rd Street SE, which runs north/south in Pine City south of the Snake River.

- North of the Site: A Place for You (transitional housing), Village Bar and Grill, single-family neighborhood
- East of the Site: Single-family neighborhood, Cross Lake.
- West of the Site: Public utilities, St. Croix Valley Railroad, Downtown Pine City.
- South of the Site: Light industrial uses, Lakeside Medical Center, Single-family neighborhood.

Access and Visibility

Primary access to the Site is via 3rd Ave SE, which intersects with Main Street S. Main St S intersects Hillside Ave SW, which has access to Interstate 35W to the west of town. Interstate 35 W connects Pine City to the Twin Cities to the south and Duluth to the north.

The Site is not located along the main thoroughfare in Pine City and is not directly visible from Main Street SE, which will serve to enhance the privacy of residents, and is two-blocks away from 5th St SE and Robinson Park, from which it is clearly visible.

The general location of the site is somewhat secluded, as access to the southeast portion of Pine City is only approachable via Main Street S from the north, west and south. From the east, access is via St. Croix Road SE, which approaches from around the south side of Cross Lake.

SITE ANALYSIS

Surrounding Land Uses



Village Bar and Grill, north of site



Retail/Restaurants along 5th St SE



Cross Lake, east of Site



Robinson Park, west of Site



New construction, behind site



Commercial Building north of site

Proximity to Shopping, Services, and Health Care

The ease of access to retail, healthcare, and community services is important to residents and retail tenants and enhances the marketability of a mixed-use development. The proposed development would have access to a large number of goods and services in Pine City, and some shopping and restaurants are within walking distance from the site.

Many retail stores exist within a convenient driving distance of the proposed Site and would offer residents an array of goods and services. The nearest grocery store is Walmart, about five-minutes from the site. The Village Bar and Grill is directly across 3rd Ave SE from the Site. The nearest medical clinic is Fairview Clinic, Pine City, about five minutes from the Site.

Other nearby notable nearby services Pine City Public Library, Frandsen Bank and Trust, Pizza Pub, New Horizons Thrift Store, Three Twenty Brewing Co., and Robinson Park, all within walking distance of the site.

Additionally, directly north of the site is A Place for You, a transitional housing shelter for singles with 10 beds.

Nearby shopping centers are Walmart, about a five-minute drive from the site, numerous stores along Main Street SE. There are also several churches of all denominations near the Site.

Nearby Amenities



Appropriateness of Site for Housing and Retail

The Site is appropriate for rental housing for several reasons:

- The Site is located on a less developed area with low traffic on the southeast side Pine City is close enough to nearby amenities to be convenient but is secluded from the busy traffic and activity that occurs along Main Street S.
- The Site has high visibility from 3rd Avenue SE and Robinson Park, which will increase the marketability of the rental housing units. The Site's walkable location and close proximity to many services will be especially attractive to residents.
- The Site is within a reasonable driving distance to retail, healthcare, and community services.

The Site is appropriate for first floor retail for several reasons:

- The site has good visibility from 3rd Street SE and 3rd Avenue SE, although it is more neighborhood oriented.
- The site is walkable from other shopping at 5th Street SE.
- The site could be home to a number of different retail tenants, from apparel store, or pharmacy.

In summary, the Site is appropriate for the development of rental housing and commercial retail space and should be well-received by people desiring rental housing in the surrounding area. The Site's local visibility and will make it very attractive to renters seeking a convenient lifestyle in Pine City.

Strengths

- Low-traffic, semi-secluded
- Walkable from shopping at 5th St SE
- Large number of nearby amenities

Weaknesses

- Medium Visibility from Main St S
- Somewhat Limited Access

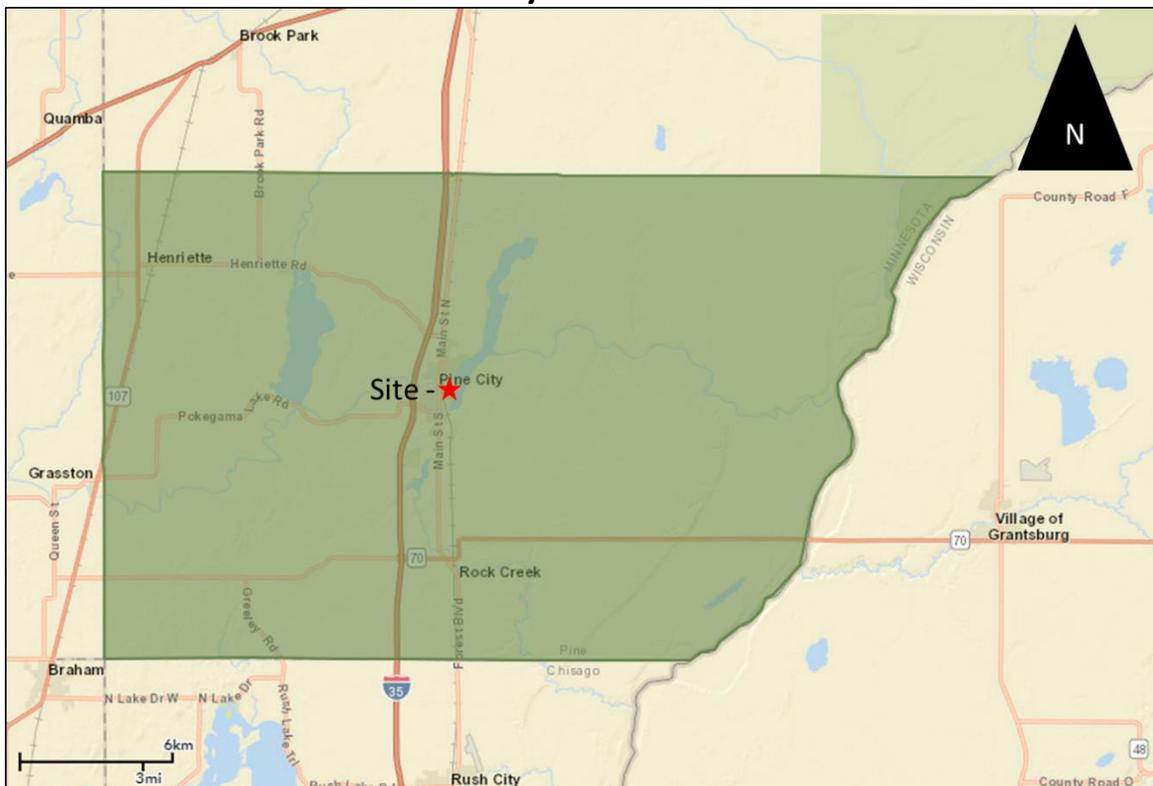
Primary Market Area Definition

Based on community orientation patterns, municipal boundaries and our experience in conducting analyses for rental housing and commercial real estate, Maxfield Research identified a draw area for the proposed housing product and retail space in the Pine City Feed Mill Site at 320 3rd Street SE, in Pine City. The draw area or Primary Market Area (PMA) consists of seven county subdivisions in Pine County: Chengwatana Township, Henriette City, Pine City, Pine City Township, Pokegama Township, Rock Creek City and Royalton Township. A map illustrating the geographic area included is shown below.

In considering the PMA, we estimate that 75% of the demand for rental housing in the PMA will be generated from the PMA. The remaining portion of the demand (25%) would come from outside of the PMA.

This report also includes a commercial market analysis for potential retail at the site. The retail analysis will utilize the same market area.

Primary Market Area



DEMOGRAPHIC ANALYSIS

Population and Household Growth Trends

Table 1 presents population and household growth trends and projections for the PMA from 2000 to 2030. The 2000 and 2010 population and household figures were obtained from the U.S. Census Bureau. The 2020 estimates and projections for 2025 are based on forecasts made by ESRI, Inc. (a nationally recognized demographics firm) and adjusted by Maxfield Research.

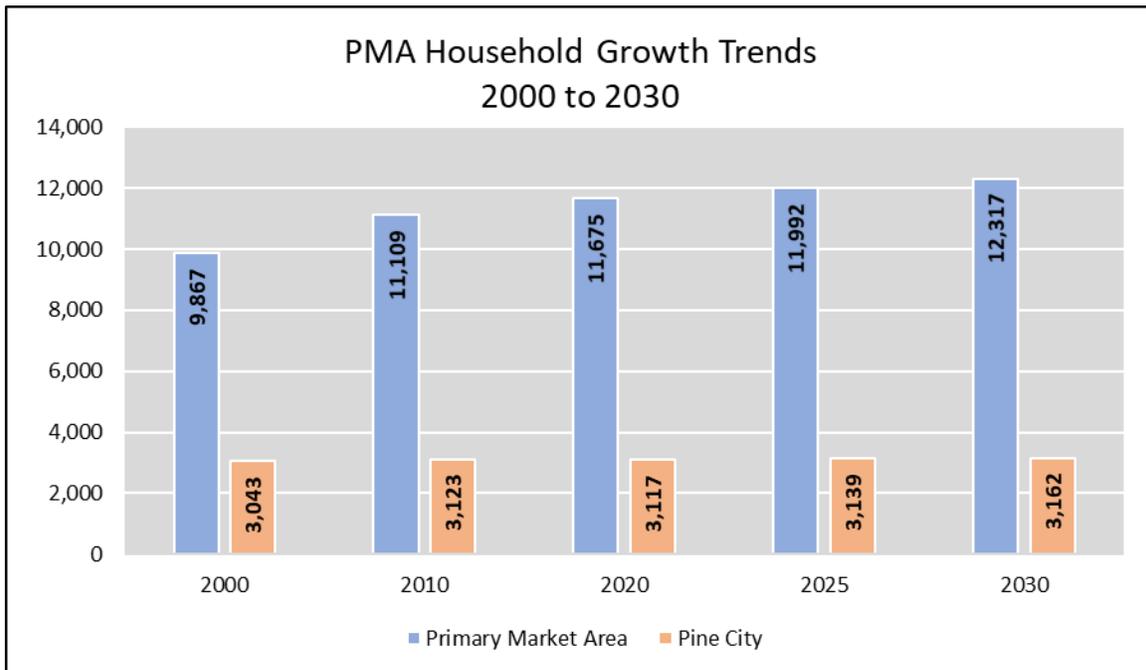
- As of 2010, the PMA contained 11,109 people and 4,328 households. Between 2000 and 2010, the PMA population increased 12.6% while households increased by 15.6%. During this period Pine City's population and household bases increased by 2.6% and 8.2%, respectively.
- Between 2010 and 2020, it is estimated that the PMA experienced 5.1% population growth and 4.3% household growth, compared to Pine City's population remaining flat and households declining slightly.

	Historic		Forecast			Change					
	Census		Estimate	Projection	Projection	2000 - 2010		2010 - 2020		2020 - 2030	
	2000	2010	2020	2025	2030	No.	Pct.	No.	Pct.	No.	Pct.
Population											
Primary Market Area	9,867	11,109	11,675	11,992	12,317	1,242	12.6%	566	5.1%	642	5.5%
Pine City	3,043	3,123	3,117	3,139	3,162	80	2.6%	-6	-0.2%	44	1.4%
Pine County	26,530	29,750	31,002	31,770	32,557	3,220	12.1%	1,252	4.2%	1,555	5.0%
State of Minnesota	4,919,479	5,715,341	5,762,866	6,006,485	6,260,403	795,862	16.2%	47,525	0.8%	497,537	8.6%
Households											
Primary Market Area	3,744	4,328	4,514	4,619	4,727	584	15.6%	186	4.3%	213	4.7%
Pine City	1,222	1,322	1,313	1,320	1,327	100	8.2%	-9	-0.7%	14	1.1%
Pine County	9,939	11,373	11,854	12,131	12,415	1,434	14.4%	481	4.2%	561	4.7%
State of Minnesota	1,895,127	2,239,335	2,257,186	2,348,595	2,443,707	344,208	18.2%	17,851	0.8%	186,522	8.3%
Persons Per Household											
Primary Market Area	2.64	2.57	2.59	2.60	2.59						
Pine City	2.49	2.36	2.37	2.59	2.58						
Pine County	2.67	2.62	2.62	2.58	2.57						
State of Minnesota	2.60	2.55	2.55	2.56	2.41						

Sources: Maxfield Research and Consulting, LLC; Esri, Inc.; MN Demographer

DEMOGRAPHIC ANALYSIS

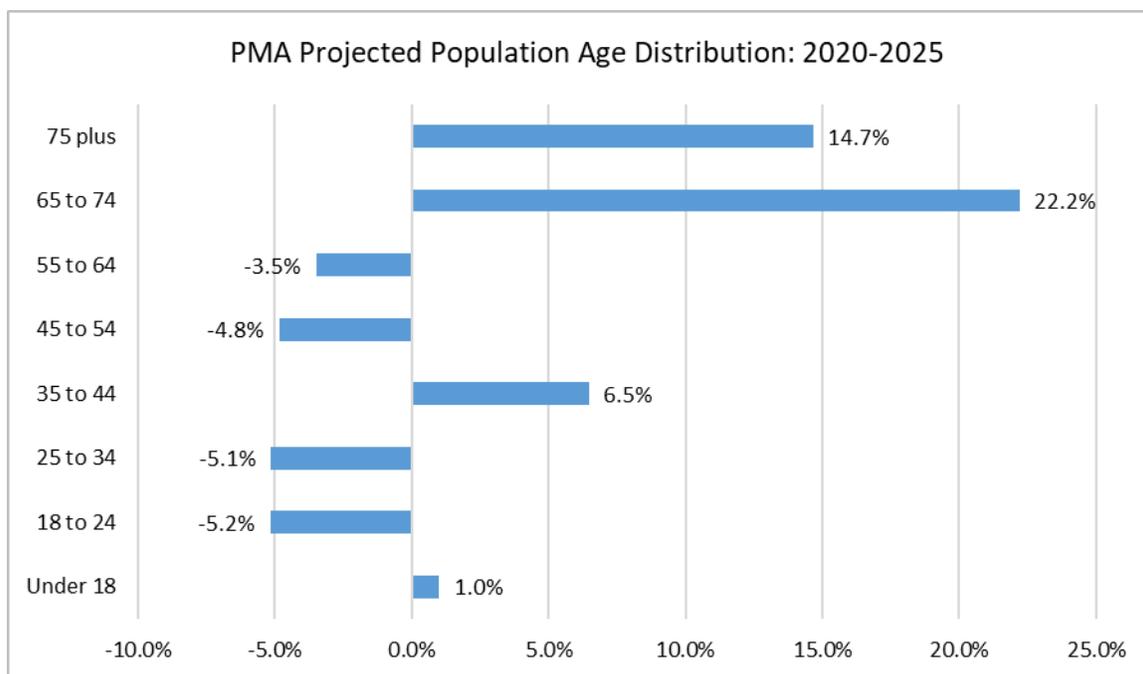
- Since households represent occupied housing units, household growth trends are a better indicator of housing demand than population growth trends. Between 2020 and 2030, the Primary Market Area is projected to add 213 households, growth of 4.7%.
- The average household size in the Market Area decreased from 2.64 people per household in 2000 to 2.57 people per household in 2010. The household size in the PMA is anticipated to remain flat between 2010 and 2025, rising slightly from 2.57 to 2.60 by 2025 and 2.59 in 2030.



Age Distribution

The age distribution of a community’s population helps to assess the type of housing needed. For example, younger and older people are more attracted to higher density housing located near urban services and entertainment while middle-aged people (particularly those with children) traditionally prefer lower-density single-family homes. Table D-2 presents the age distribution of the PMA population from 2000 to 2025. Information from 2000 and 2010 is sourced from the U.S. Census. The 2020 estimates and projections for 2025 were calculated by ESRI, a reputable national demographics firm and adjusted by Maxfield Research. The following are key trends about the age distribution of the PMA’s population.

- In 2010, the largest adult age group in Pine City was 25 to 34, totaling 450 people (14.4% of the City’s population). As of 2020, it is estimated that the 25 to 34 age cohort remains the largest age cohort, representing 14.0% of the total population. In the PMA in 2010, the largest adult age group was age 45 to 54 (16.6% of the total population). By 2020, the largest adult age group is the 55 to 64 age group, with 15.9% of the total population.
- Traditionally, younger households are most likely to rent their housing. Between 2020 and 2025, people aged 18 to 34 are forecast to decrease by 111 people (5.1%). As a portion of baby boomers consider alternative housing products to their single-family homes, some will seek out maintenance-free housing and may select general-occupancy rental housing. People age 55 to 74 are also forecast to experience growth during this period, increasing by 237 people (7.4%).



DEMOGRAPHIC ANALYSIS

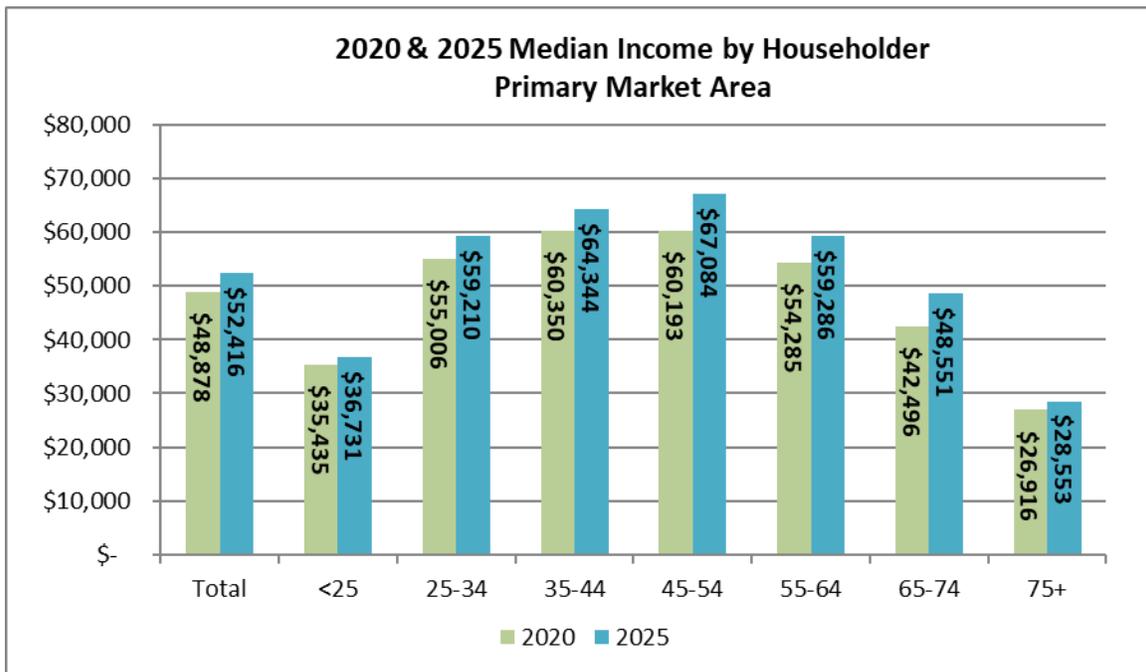
TABLE D-2 POPULATION AGE DISTRIBUTION PRIMARY MARKET AREA 2000-2025								
	U.S. Census		ESRI		Change 2000-2010		Change 2020-2025	
	2000	2010	2020	2025	No.	Pct.	No.	Pct.
Primary Market Area								
Under 18	2,585	2,578	2,355	2,378	-7	-0.3%	24	1.0%
18 to 24	771	767	803	761	-4	-0.5%	-42	-5.2%
25 to 34	1,083	1,269	1,361	1,291	186	17.2%	-70	-5.1%
35 to 44	1,621	1,381	1,365	1,453	-240	-14.8%	88	6.5%
45 to 54	1,259	1,843	1,527	1,453	584	46.4%	-74	-4.8%
55 to 64	1,004	1,385	1,858	1,793	381	37.9%	-65	-3.5%
65 to 74	860	1,024	1,358	1,659	164	19.1%	302	22.2%
75 plus	684	862	1,049	1,202	178	26.0%	154	14.7%
Total	9,867	11,109	11,675	11,992	1,242	12.6%	317	2.7%
Pine City								
Under 18	771	679	615	615	-92	-11.9%	0	0.0%
18 to 24	319	272	242	236	-47	-14.7%	-6	-2.5%
25 to 34	352	450	435	403	98	27.8%	-32	-7.4%
35 to 44	410	342	345	373	-68	-16.6%	28	8.1%
45 to 54	311	419	375	361	108	34.7%	-14	-3.7%
55 to 64	233	297	361	348	64	27.5%	-13	-3.6%
65 to 74	244	282	357	390	38	15.6%	33	9.2%
75 plus	403	382	379	408	-21	-5.2%	29	7.7%
Total	3,043	3,123	3,117	3,139	80	2.6%	22	0.7%
Pine County								
Under 18	6,752	6,599	6,121	6,176	-153	-2.3%	55	0.9%
18 to 24	2,054	2,100	2,124	2,008	46	2.2%	-116	-5.5%
25 to 34	3,024	3,763	3,865	3,668	739	24.4%	-197	-5.1%
35 to 44	4,378	3,778	3,785	3,975	-600	-13.7%	190	5.0%
45 to 54	3,500	4,868	4,006	3,839	1,368	39.1%	-167	-4.2%
55 to 64	2,835	3,786	4,784	4,678	951	33.5%	-106	-2.2%
65 to 74	2,221	2,800	3,643	4,310	579	26.1%	667	18.3%
75 plus	1,766	2,056	2,523	2,961	290	16.4%	438	17.4%
Total	26,530	29,750	31,002	31,770	3,220	12.1%	768	2.5%

Sources: U.S. Census; ESRI; Metropolitan Council; Maxfield Research & Consulting, LLC

Household Income Distribution

Income data is important when considering the ability of households to pay different rent levels. Table D-3 presents data on household income by age of householder in 2020 and 2025 for the Primary Market Area. The data is estimated by ESRI, a nationally recognized demographic services firm. The following are key points:

- In 2020, the median household income in the PMA is estimated to be \$48,878, compared to \$46,379 in Pine County and in \$71,336 in Minnesota.
- The PMA median income is expected to increase 7.2% (\$3,538). The average annual increase between 2020 and 2025 in the PMA (1.4%) is slightly lower than the historical annual inflation rate of 1.7% over the past ten years. As households age through the lifecycle, incomes tend to peak for households in their late 40s and early 50s. This trend is evident in the PMA as the age 45 to 54 cohort has the highest estimated income at \$67,084.
- Based on the recommended entry-level pricing of about \$975 per month for one-bedroom units at the site, a household will need an annual income of roughly \$39,000 or greater to not exceed 30% of its monthly income on housing costs. In 2019, an estimated 2,753 PMA households (61.0% of the total) have incomes of at least \$39,000. By 2025, total income-qualified households are projected to increase to 2,860 households (62.9% of the total) after accounting for inflation.



DEMOGRAPHIC ANALYSIS

**TABLE D-3
HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER
PRIMARY MARKET AREA
2020 & 2025**

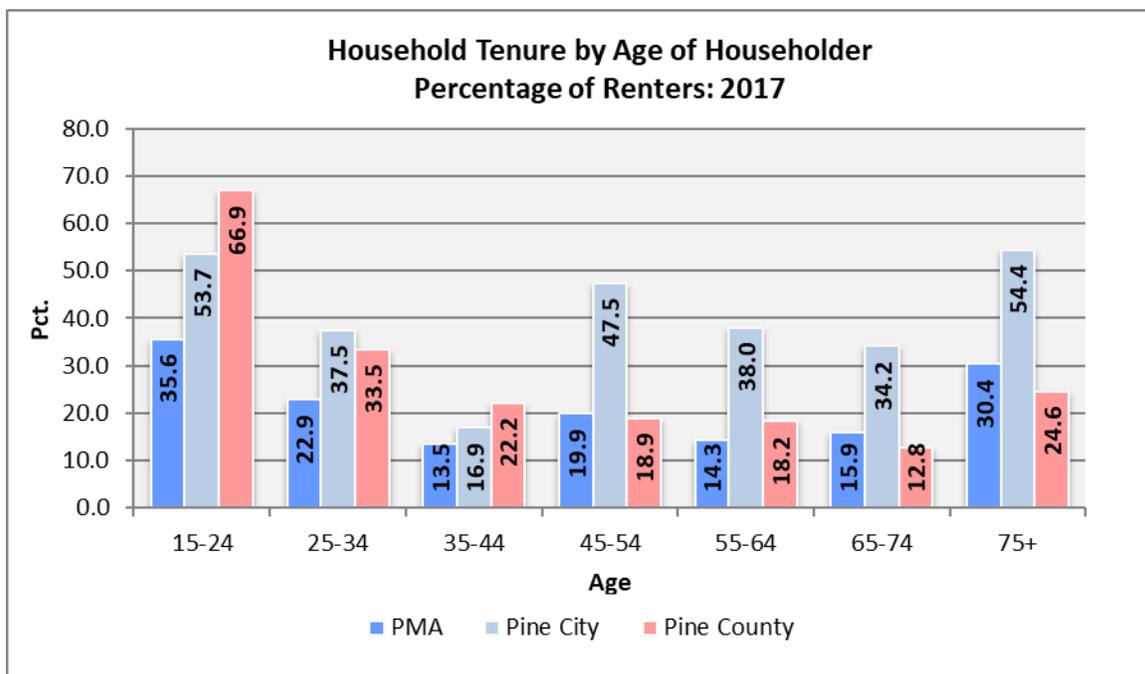
	Age of Householder							
	Total	<25	25-34	35-44	45-54	55-64	65-74	75+
2020								
Less than \$15,000	534	15	44	51	75	125	89	134
\$15,000 to \$24,999	535	16	37	45	51	95	112	178
\$25,000 to \$34,999	498	16	50	49	60	71	108	143
\$35,000 to \$49,999	733	22	94	102	113	151	139	113
\$50,000 to \$74,999	878	15	125	154	167	217	150	51
\$75,000 to \$99,999	626	9	79	109	146	161	84	38
\$100,000 or more	711	3	93	146	158	171	99	41
Total	4,514	96	524	655	770	991	780	698
Median Income	\$48,878	\$35,435	\$55,006	\$60,350	\$60,193	\$54,285	\$42,496	\$26,916
2025								
Less than \$15,000	481	16	34	45	60	98	91	136
\$15,000 to \$24,999	509	13	30	41	41	78	116	189
\$25,000 to \$34,999	454	13	37	46	45	56	107	149
\$35,000 to \$49,999	739	23	83	103	97	137	162	134
\$50,000 to \$74,999	897	15	117	158	150	205	189	63
\$75,000 to \$99,999	651	9	76	115	139	157	107	47
\$100,000 or more	889	3	103	175	184	203	158	63
Total	4,619	92	482	684	716	934	931	780
Median Income	\$52,416	\$36,731	\$59,210	\$64,344	\$67,084	\$59,286	\$48,551	\$28,553
Change 2020 - 2025								
Less than \$15,000	-53	1	-10	-6	-15	-26	2	2
\$15,000 to \$24,999	-26	-3	-7	-4	-10	-17	5	11
\$25,000 to \$34,999	-44	-3	-13	-3	-15	-15	-0	6
\$35,000 to \$49,999	6	1	-11	2	-15	-14	23	21
\$50,000 to \$74,999	18	-0	-7	4	-17	-12	39	12
\$75,000 to \$99,999	24	-0	-3	7	-7	-4	23	9
\$100,000 or more	178	-0	10	29	26	32	59	22
Total	105	-4	-42	28	-54	-57	151	83
Median Income	\$3,538	\$1,296	\$4,204	\$3,994	\$6,891	\$5,001	\$6,055	\$1,637

Sources: ESRI; US Census Bureau; Maxfield Research & Consulting, LLC

Tenure by Age of Householder

Table D-4 shows the number of owner and renter households in Pine City, the PMA and Pine County by age cohort in 2010 and 2017. This data shows the propensity of households to own or rent their housing based on their age.

- In Pine City, 37.9% of all households rented in 2010, compared to 17.3% in the PMA. By 2017, 19.3% of PMA households were renters, compared to 40.5% of Pine City households. In the Under 25 age group, 35.6% of PMA households rented, decreasing to 22.9% in the 25 to 34 age group, and further decreasing to 13.5% of 35 to 44 age households.
- Renter households are clustered in the youngest and oldest age cohorts. The younger age groups tend to be mobile, are more likely to be single, may not have yet accumulated a down payment for a single-family home or do not want to settle into homeownership. Seniors often no longer need the space of a single-family home, some travel frequently or have a second home in the warmer climates, and others just want/need to rid themselves of the burden of home maintenance.
- By the time households reach their senior years, rental housing often becomes a more viable option than homeownership. The rental rate increased in Pine City from 15.9% for households age 65 to 74 to 34.0% for households age 75 and older. The dramatic increase between these two age cohorts indicates that seniors move into rental housing alternatives in their mid-70s.



DEMOGRAPHIC ANALYSIS

**TABLE D-4
TENURE BY AGE OF HOUSEHOLDER
PRIMARY MARKET AREA
2010 to 2017**

Age		Primary Market Area				Pine City				Pine County			
		2010		2017		2010		2017		2010		2017	
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
15-24	Own	42	37.5	47	64.4	18	27.3	19	46.3	118	36.4	84	33.1
	Rent	70	62.5	26	35.6	48	72.7	22	53.7	206	63.6	170	66.9
	Total	112	100.0	73	100.0	66	100.0	41	100.0	324	100.0	254	100.0
25-34	Own	385	74.8	378	77.1	116	59.2	125	62.5	935	67.0	751	66.5
	Rent	130	25.2	112	22.9	80	40.8	75	37.5	460	33.0	378	33.5
	Total	515	100.0	490	100.0	196	100.0	200	100.0	1,395	100.0	1,129	100.0
35-44	Own	570	80.9	418	86.5	109	61.6	113	83.1	1,405	80.9	1,102	77.8
	Rent	135	19.1	65	13.5	68	38.4	23	16.9	331	19.1	314	22.2
	Total	705	100.0	483	100.0	177	100.0	136	100.0	1,736	100.0	1,416	100.0
45-54	Own	860	87.4	678	80.1	163	67.4	95	52.5	2,194	85.8	1,759	81.1
	Rent	124	12.6	168	19.9	79	32.6	86	47.5	364	14.2	411	18.9
	Total	984	100.0	846	100.0	242	100.0	181	100.0	2,558	100.0	2,170	100.0
55-64	Own	706	89.6	787	85.7	132	72.1	155	62.0	1,904	87.6	1,924	81.8
	Rent	82	10.4	131	14.3	51	27.9	95	38.0	270	12.4	429	18.2
	Total	788	100.0	918	100.0	183	100.0	250	100.0	2,174	100.0	2,353	100.0
65-74	Own	555	88.9	651	84.1	135	71.1	160	65.8	1,518	88.0	1,684	87.2
	Rent	69	11.1	123	15.9	55	28.9	83	34.2	207	12.0	248	12.8
	Total	624	100.0	774	100.0	190	100.0	243	100.0	1,725	100.0	1,932	100.0
75-84	Own	367	82.1	295	73.0	101	59.8	82	45.6	897	82.6	875	76.8
	Rent	80	17.9	109	27.0	68	40.2	98	54.4	189	17.4	264	23.2
	Total	447	100.0	404	100.0	169	100.0	180	100.0	1,086	100.0	1,139	100.0
85+	Own	95	62.1	119	62.3	47	47.5	52	45.2	234	62.4	255	71.0
	Rent	58	37.9	72	37.7	52	52.5	63	54.8	141	37.6	104	29.0
	Total	153	100.0	191	100.0	99	100.0	115	100.0	375	100.0	359	100.0
TOTAL	Own	3,580	82.7	3,373	80.7	821	62.1	801	59.5	9,205	80.9	8,434	78.4
	Rent	748	17.3	806	19.3	501	37.9	545	40.5	2,168	19.1	2,318	21.6
	Total	4,328	100.0	4,179	100.0	1,322	100.0	1,346	100.0	11,373	100.0	10,752	100.0

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

Tenure by Household Size

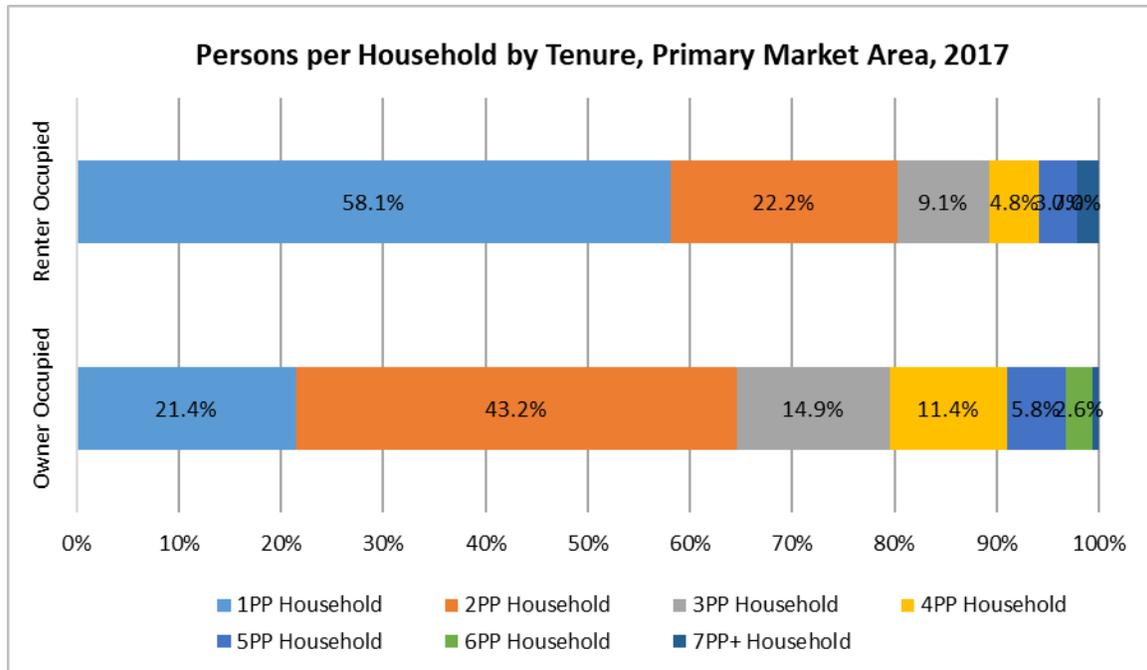
Table D-5 shows the distribution of households by size and tenure in the Primary Market Area in 2017. This data is useful in that it sheds insight into the types of housing units that may be most needed in the PMA.

- Household size for renters tends to be smaller than for owners. This trend is a result of the typical market segments for rental housing, including households that are younger and are less likely to be married with children, as well as, older adults and seniors who choose to downsize from their single-family homes. In 2016, 80.3% of renter households in the PMA were one- or two-person households.
- This trend is reflected in both Pine City and the PMA where 66.4% and 58.1% of renter households had only one person. Owner households were most likely to contain two

DEMOGRAPHIC ANALYSIS

people in Pine City and the PMA, representing 44.1% of households in Pine City and 43.2% of PMA owner households.

- Among renter households in the PMA, 89.9% have three or fewer people. Owner households are most likely to be two-person households, but larger households such as families with children are still common with about 10.0% being three-or four-person households.



**TABLE D-5
HOUSEHOLDS BY SIZE
PRIMARY MARKET AREA
2017**

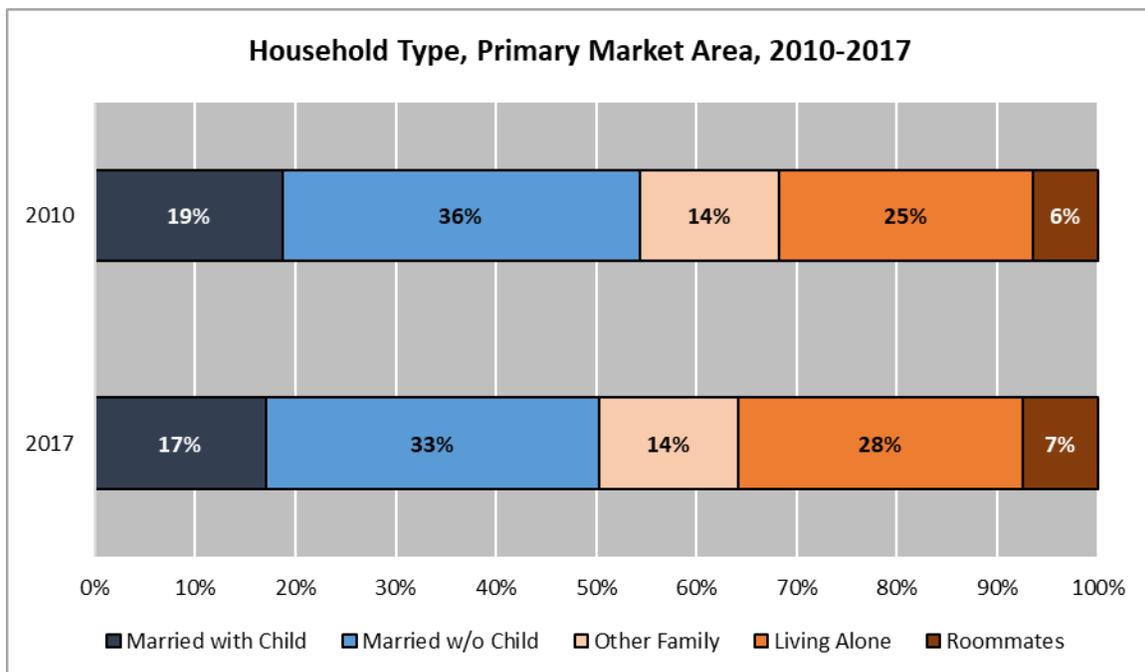
Size	Pine City				Pine County				Primary Market Area			
	Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
1PP Household	224	28.0%	362	66.4%	2,139	25.4%	1,124	48.5%	723	21.4%	468	58.1%
2PP Household	369	46.1%	101	18.5%	3,693	43.8%	563	24.3%	1,457	43.2%	179	22.2%
3PP Household	101	12.6%	27	5.0%	1,001	11.9%	331	14.3%	503	14.9%	73	9.1%
4PP Household	57	7.1%	27	5.0%	896	10.6%	141	6.1%	385	11.4%	39	4.8%
5PP Household	40	5.0%	28	5.1%	428	5.1%	91	3.9%	196	5.8%	30	3.7%
6PP Household	10	1.2%	0	0.0%	179	2.1%	38	1.6%	89	2.6%	0	0.0%
7PP+ Household	0	0.0%	0	0.0%	98	1.2%	30	1.3%	20	0.6%	17	2.1%
Total	801	100%	545	100%	8,434	100%	2,318	100%	3,373	100%	806	100%

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

Household Type

Table D-6 shows a breakdown of the type of households present in Pine City, the Primary Market Area, Pine County and Minnesota in 2010 and 2017. The data is useful in assessing housing demand since the household composition often dictates the type of housing needed and preferred. The following key points are summarized from Table D-6.

- Married couples without children represented the largest household type in the Primary Market Area in 2010. These households accounted for 35.7% of all households in the PMA.
- The next largest household type in the PMA was non-family households living alone (25.3% of households). A growing proportion of single-person households reflects several demographic and cultural shifts. The biggest contributing factor is the aging of the population, as baby boomers age and millennials postpone starting families.
- As of 2017, Married Couples without Children remains the largest proportion of households in the PMA, holding steady at 33.2%. Married with Children households in the PMA decreased from 18.7% to 17.1% of households, an 1.6% decrease. In Pine City, Married with Children households is projected to have decreased by 3.8% between 2010 and 2017.
- The proportion of Non-family households in the PMA increased from 44.2% of households in 2010 to 53.0% of households in 2017. Other Family households decreased slightly from 13.9% of households to 13.8%.



DEMOGRAPHIC ANALYSIS

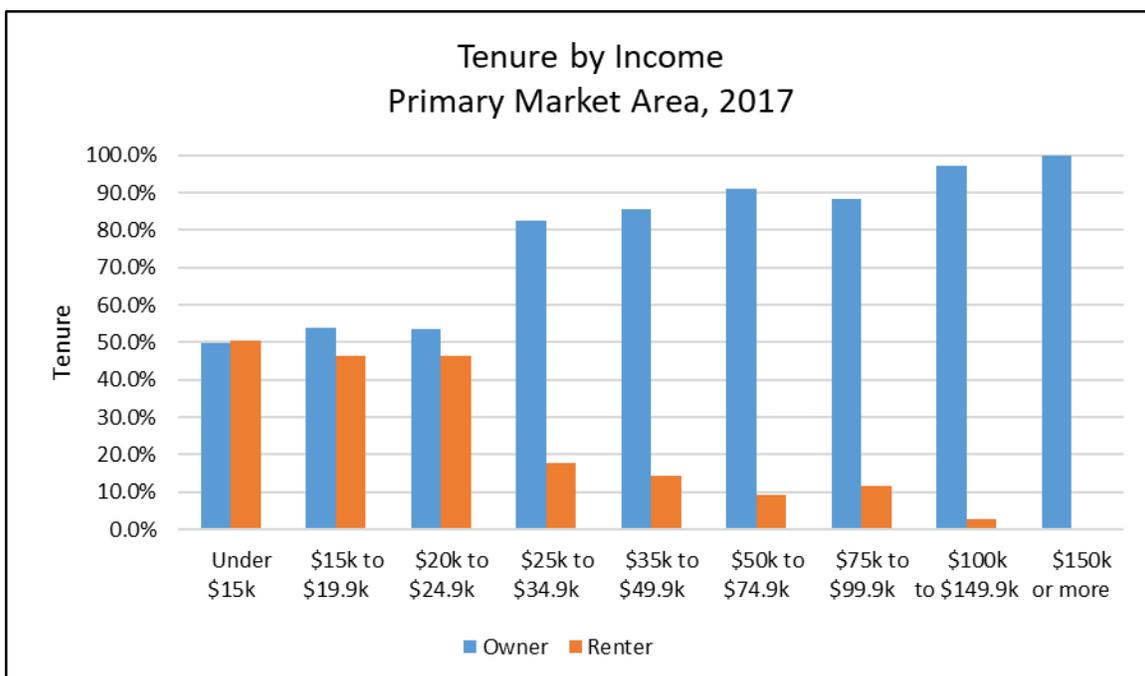
**TABLE D-6
HOUSEHOLD TYPE
PRIMARY MARKET AREA
2010 & 2017**

Households	Total HH's		Family Households						Non-Family Households			
			Married w/ Child		Married w/o Child		Other *		Living Alone		Roommates **	
	2010	2017	2010	2017	2010	2017	2010	2017	2010	2017	2010	2017
Pine City	1,322	1,346	172	129	326	281	240	222	504	586	80	128
Pine County	11,373	10,752	1,943	1,731	3,919	3,615	1,718	1,518	3,040	3,263	753	625
Primary Market Area	4,328	4,179	808	713	1,547	1,388	600	578	1,094	1,191	279	309
State of Minnesota	2,087,227	2,153,202	443,212	460,317	617,297	638,685	288,506	291,179	584,008	609,357	154,204	153,664
Percent												
Pine City	100.0	100.0	13.0	9.6	24.7	20.9	18.2	16.5	38.1	43.5	6.1	9.5
Pine County	100.0	100.0	17.1	16.1	34.5	33.6	15.1	14.1	26.7	30.3	6.6	5.8
Primary Market Area	100.0	100.0	18.7	17.1	35.7	33.2	13.9	13.8	25.3	28.5	6.4	7.4
State of Minnesota	100.0	100.0	21.2	21.4	29.6	29.7	13.8	13.5	28.0	28.3	7.4	7.1
	Change 2010-2017											
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Pine City	24	1.8%	-43	-25.0%	-45	-13.8%	-18	-7.5%	82	16.3%	48	60.0%
Pine County	-621	-5.5%	-212	-10.9%	-304	-7.8%	-200	-11.6%	223	7.3%	-128	-17.0%
Primary Market Area	-149	-3.4%	-95	-11.8%	-159	-10.3%	-22	-3.7%	97	8.9%	30	10.8%
State of Minnesota	65,975	3.2%	17,105	3.9%	21,388	3.5%	2,673	0.9%	25,349	4.3%	-540	-0.4%
* Single-parents with children												
** Includes unmarried couples without children and group quarters												
Sources: U. S. Census; ESRI, Inc.; Maxfield Research and Consulting, LLC												

Tenure by Household Income

Table D-7 presents information on tenure by household income in Pine City, Pine County, and the PMA. Data was obtained through the American Community Survey for years 2012-2017.

- Households in the PMA earning less than \$15,000 annually are slightly more likely to be renters, with 50.4% of PMA households with incomes below \$15,000 as renter households. In Pine City, 66.0% of households with incomes less than \$15,000 are renters.
- Generally, lower-income households are more likely to rent and as incomes rise, the proportion of ownership households rises.
- A portion of renter households are referred to as lifestyle renters, those who are financially able to own a home but choose to rent. Lifestyle renters typically have household incomes above \$50,000. Within Pine City 8.8% of renters have incomes of \$50,000 or greater, and a larger proportion of PMA renters (19.0%) have incomes above \$50,000 (14.0%).
- Median incomes for renter-occupied households were less than half of the median incomes of owner-occupied households in all geographies. The largest income gap reported was among owner-occupied households in the remainder of the PMA (\$58,844), compared to renter households in the remainder of the PMA (\$24,496) a gap of \$34,349. In Pine City, owner households had a median income of \$51,424, compared to renter households with a median income of \$17,159, a difference of \$34,265.



DEMOGRAPHIC ANALYSIS

Income No. of Households	Pine City		Pine County		Primary Market Area	
	Owner	Renter	Owner	Renter	Owner	Renter
Under \$14,999	116	225	817	681	265	269
\$15,000 to \$19,999	25	84	371	249	123	106
\$20,000 to \$24,999	9	74	381	270	134	116
\$25,000 to \$34,999	122	62	967	263	380	81
\$35,000 to \$49,999	108	52	1,327	317	485	81
\$50,000 to \$74,999	173	27	1,903	308	734	73
\$75,000 to \$99,999	133	10	1,098	147	506	66
\$100,000 to \$149,999	57	11	999	53	471	14
\$150,000 or more	58	0	571	30	275	0
Total	801	545	8,434	2,318	3,373	806
Pct. of Households by Tenure						
Under \$14,999	34.0%	66.0%	54.5%	45.5%	49.6%	50.4%
\$15,000 to \$19,999	22.9%	77.1%	59.8%	40.2%	53.7%	46.3%
\$20,000 to \$24,999	10.8%	89.2%	58.5%	41.5%	53.6%	46.4%
\$25,000 to \$34,999	66.3%	33.7%	78.6%	21.4%	82.4%	17.6%
\$35,000 to \$49,999	67.5%	32.5%	80.7%	19.3%	85.7%	14.3%
\$50,000 to \$74,999	86.5%	13.5%	86.1%	13.9%	91.0%	9.0%
\$75,000 to \$99,999	93.0%	7.0%	88.2%	11.8%	88.5%	11.5%
\$100,000 to \$149,999	83.8%	16.2%	95.0%	5.0%	97.1%	2.9%
\$150,000 or more	100.0%	0.0%	95.0%	5.0%	100.0%	0.0%
Total	59.5%	40.5%	78.4%	21.6%	80.7%	19.3%
Median Income	\$51,424	\$17,159	\$54,106	\$24,363	\$58,844	\$24,496

Sources: American Community Survey, 2013-2017; Maxfield Research and Consulting, LLC

- In Pine City, approximately 41% of renters have incomes under \$14,999. In the PMA, 33% of renters have incomes under \$14,999.

Building Permit Trends

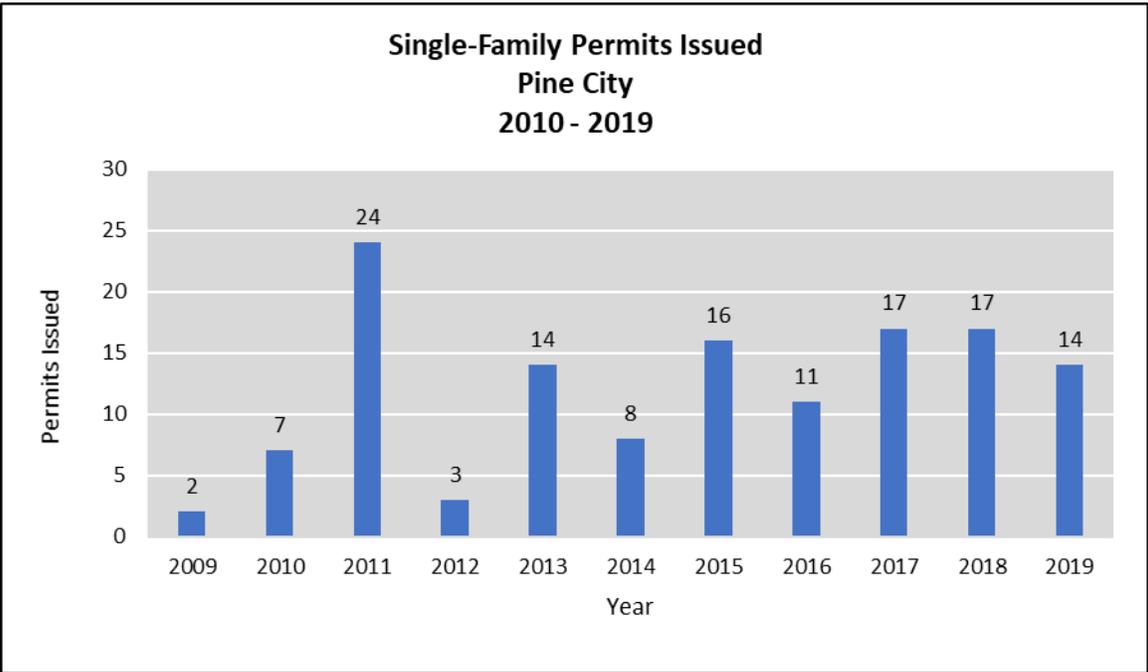
Table D-8 shows building permit trends for Pine City for new single-family units between 2009 and 2019. Building permit trends are useful as a proxy for evaluating household growth in a market as well as housing turnover over a period of time.

The following are key points from Table D-9:

- Between 2009 and 2019, permits were issued for 133 new single-family homes in Pine City. The most active year was 2011, with 24 permits issued, and the least active year was 2009, right after the 2008 housing crash.
- On average, 12 homes have been issued permits annually, and activity has been above this average since 2015.

TABLE D-8 RESIDENTIAL BUILDING PERMITS ISSUED PINE CITY, MN 2009 to 2019	
Year	Permits Issued
2009	2
2010	7
2011	24
2012	3
2013	14
2014	8
2015	16
2016	11
2017	17
2018	17
2019	14
Total	133
Average	12

Source: City of Pine City



Summary of Demographic Analysis

- As of 2010, the PMA contained 11,109 people and 4,328 households. Between 2000 and 2010, the PMA population increased 12.6% while households increased by 15.6%. During this period Pine City's population and household bases increased by 2.6% and 8.2%, respectively. Between 2020 and 2025, the Primary Market Area is projected to add 105 households, growth of 2.3%.
- Traditionally, younger households are most likely to rent their housing. Between 2020 and 2025, people aged 25 to 34 are forecast to decrease by 111 people (5.1%).
- In 2020, the median household income in the PMA is estimated to be \$48,878. Incomes are forecast to increase to \$52,416 by 2025.
- In Pine City, 37.9% of all households rented in 2010, compared to 17.3% in the PMA. By 2017, 19.3% of PMA households were renters, compared to 40.5% of Pine City households. In the Under 25 age group, 35.6% of PMA households rented, decreasing to 22.9% in the 25 to 34 age group, and further decreasing to 13.5.6% of 35 to 44 age households.
- Median incomes for renter-occupied households were less than half of the median incomes of owner-occupied households in all geographies. The largest income gap reported was among owner-occupied households in the remainder of the PMA (\$58,844), compared to renter households in the remainder of the PMA (\$24,496) a gap of \$34,349.
- As of 2017, Married Couples without Children remains the largest proportion of households in the PMA. The proportion of Non-family households in the PMA increased from 44.2% of households in 2010 to 53.0% of households in 2017.
- Between 2009 and 2019, permits were issued for 133 new single-family homes in Pine City, an average of 12 per year.

Introduction

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

Employment Projections

Table E-1 shows Total Employment projections from the Minnesota Department of Employment and Economic Development, which provides employment projections for the major economic development regions in the state, and the State of Minnesota. The Primary Market Area is located in the Central Minnesota Planning Area, which consists of thirteen counties: Benton, Chisago, Isanti, Kanabec, Kandiyohi, McLeod, Meeker, Mille Lacs, Pine, Renville, Sherburne, Stearns and Wright Counties. Total employment in the Central Minnesota Planning Area is projected to increase by 8.6% between 2016 and 2026, while employment in the State is projected to grow by 5.9%.

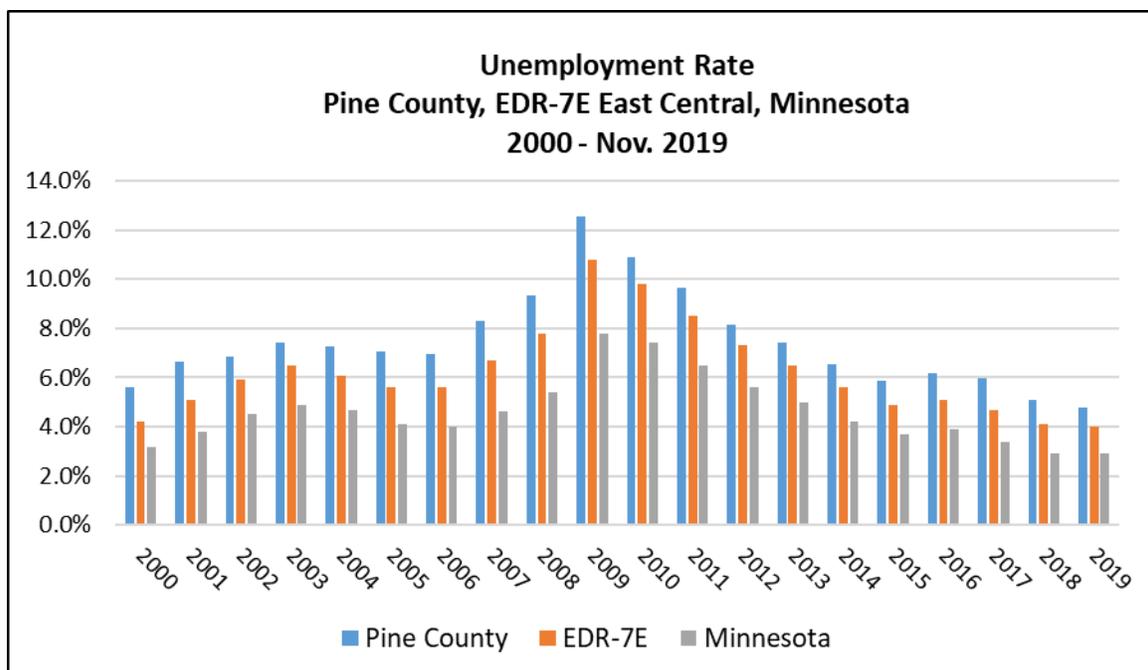
TABLE E-1				
EMPLOYMENT PROJECTIONS (TOTAL EMPLOYMENT)				
CENTRAL MINNESOTA PLANNING AREA & STATE OF MINNESOTA				
2016 - 2026				
Area	2016	2026	No. Change	Pct. Change
Central Minnesota	310,433	337,062	26,629	8.6%
Minnesota	3,097,300	3,278,900	181,600	5.9%
Central Minnesota Planning Area consists of 13 counties in Central Minnesota: Benton, Chisago, Isanti, Kanabec, Kandiyohi, McLeod, Meeker, Mille Lacs, Pine, Renville, Sherburne, Stearns, and Wright Counties.				
Sources: MNDEED, Maxfield Research and Consulting, LLC				

EMPLOYMENT TRENDS

Resident Labor Force

Table E-2 presents resident employment data for Pine County from 2000 through Nov. 2019. Resident employment data is calculated as an annual average *and reveals the work force and number of employed persons living in the County*. Not all of these individuals however, work in Pine County. The unemployment rate for Economic Development Region 7E (Economic Development Region 7 East, which includes the PMA) also shown, along with the State of Minnesota for comparison purposes. The data is obtained from the Minnesota Department of Employment and Economic Development.

- As of November 2019, the unemployment rate in Pine County was 4.8%, above EDR-7E unemployment rate of 4.0% and above the State of Minnesota (2.9%).
- Between 2000 and 2017, the labor force in Pine County fluctuated between 12,774 in 2000 and 14,368 (Nov. 2019), averaging 13,524 annually in this period, with a recent upwards trend upwards since 2014.
- The East Central Economic Development Region, which includes Pine County, had an unemployment rate of 4.0% as of November 2019. Between 2000 and November 2019, the EDR 7W had an average unemployment rate of 4.0%.
- The effects of the national economic recession are reflected strongly in the unemployment rate for Pine County and EDR-7E. The unemployment rate in EDR-7E fell from 10.8% in 2009 to 4.0% as of November 2019.



EMPLOYMENT TRENDS

TABLE E-2
ANNUAL AVERAGE RESIDENT EMPLOYMENT
PINE COUNTY, EDR-7E, MINNESOTA
2000 to Nov. 2019

Year	Pine County Labor Force	Pine County Employed	Pine County Unemp. Rate	EDR-7E Unemp. Rate	Minnesota Unemp. Rate	U.S. Unemp. Rate
2000	13,456	12,744	5.6%	4.2%	3.2%	4.0%
2001	13,942	13,074	6.6%	5.1%	3.8%	4.7%
2002	14,551	13,615	6.9%	5.9%	4.5%	5.8%
2003	14,718	13,701	7.4%	6.5%	4.9%	6.0%
2004	14,776	13,777	7.3%	6.1%	4.7%	5.5%
2005	13,666	12,768	7.0%	5.6%	4.1%	5.1%
2006	13,593	12,711	6.9%	5.6%	4.0%	4.6%
2007	13,713	12,664	8.3%	6.7%	4.6%	4.6%
2008	14,161	12,950	9.4%	7.8%	5.4%	5.8%
2009	14,543	12,919	12.6%	10.8%	7.8%	9.3%
2010	15,355	13,848	10.9%	9.8%	7.4%	9.6%
2011	15,150	13,817	9.6%	8.5%	6.5%	8.9%
2012	14,881	13,761	8.1%	7.3%	5.6%	8.1%
2013	14,831	13,805	7.4%	6.5%	5.0%	7.4%
2014	14,604	13,708	6.5%	5.6%	4.2%	6.2%
2015	14,781	13,961	5.9%	4.9%	3.7%	5.3%
2016	14,878	14,011	6.2%	5.1%	3.9%	4.9%
2017	14,981	14,138	6.0%	4.7%	3.4%	4.4%
2018	14,850	14,130	5.1%	4.1%	2.9%	3.9%
2019 Nov.	15,053	14,368	4.8%	4.0%	2.9%	3.3%
Change 2013 - 2018						
No.	19	325				
Pct.	0.1%	2.4%				
EDR-7E consists of seven counties in East Central Minnesota. They are Chisago, Isanti, Kanabec, Mille Lacs, and Pine County.						
Sources: MNDEED, Maxfield Research and Consulting, LLC						

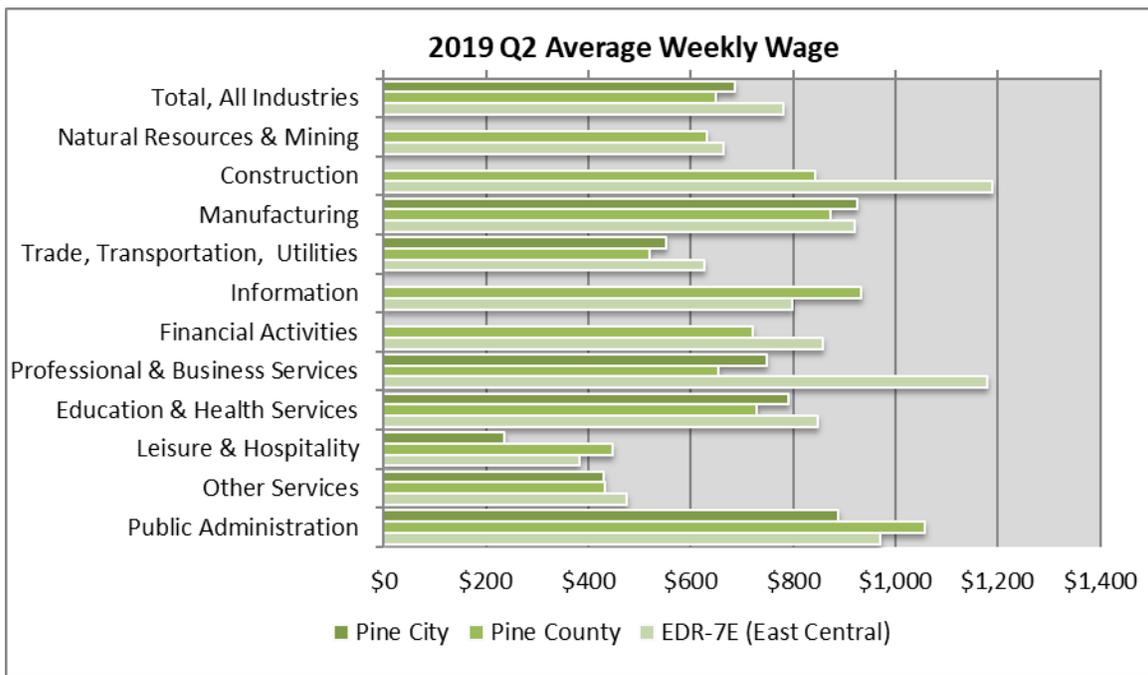
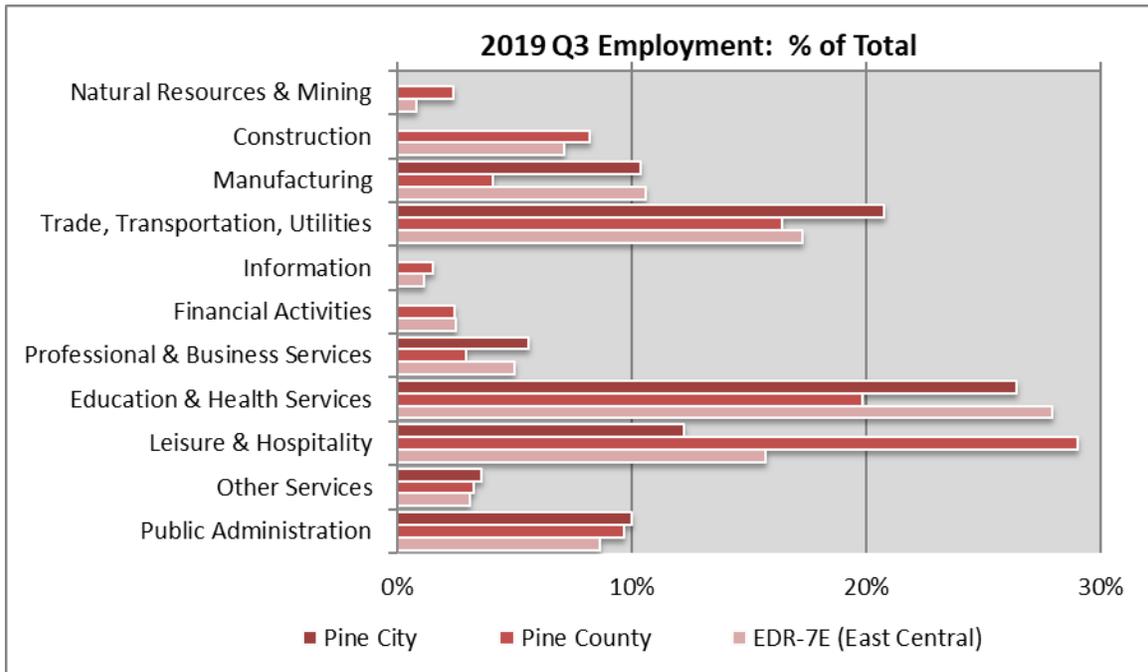
Employment and Wages by Industry

Table E-3 displays information on employment and wages in Pine City and Pine County (the PMA) and the East Central Economic Development Region 7E. The data is sourced from the Minnesota Department of Employment and Economic Development (MNDEED) for the third quarters of 2018 Q3 through 2019 Q3. All establishments covered under the Unemployment Insurance (UI) Program are required to report wage and employment statistics quarterly to MNDEED. Federal government establishments are also covered by the Quarterly Census of Employment and Wages (QCEW) program.

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

- Within Pine City, the Manufacturing sector reported the highest weekly wage, \$926, or approximately \$48,152 annually. The lowest average weekly wage was in the Leisure and Hospitality sector at \$236.
- The Education and Health Services sector is the largest employment sector in Pine City, accounting for 26.4% of jobs with an average weekly wage of \$790.
- The Education and Health Services sector experienced the largest proportional increase in wages between the third quarters of 2018 and 2019. Wages increased by 13.7%, a gain of \$95 per week.
- Across Pine County, average weekly wages increased by 8.4%, \$50 per week, between 2018 Q3 and 2019 Q3. Wages increased in nine of the ten Industry groups. Wages in the Professional and Business services sector fell 8.6% (\$62/week).
- The largest employment sector in the Pine County is the Leisure and Hospitality Services sector, with 2,543 employees as of 2019 Q3, representing 29.0% of the PMA's workers. The second largest employment sector is Education & Health Services sector, with 1,692 employees, accounting for 19.2% of total employment.
- Wages in EDR-7E East Central had a weekly average wage of \$782 as of 2019 Q3. The highest average weekly wage in EDR-7E is in the Construction industry, with an average weekly wage of \$1,189.

EMPLOYMENT TRENDS



EMPLOYMENT TRENDS

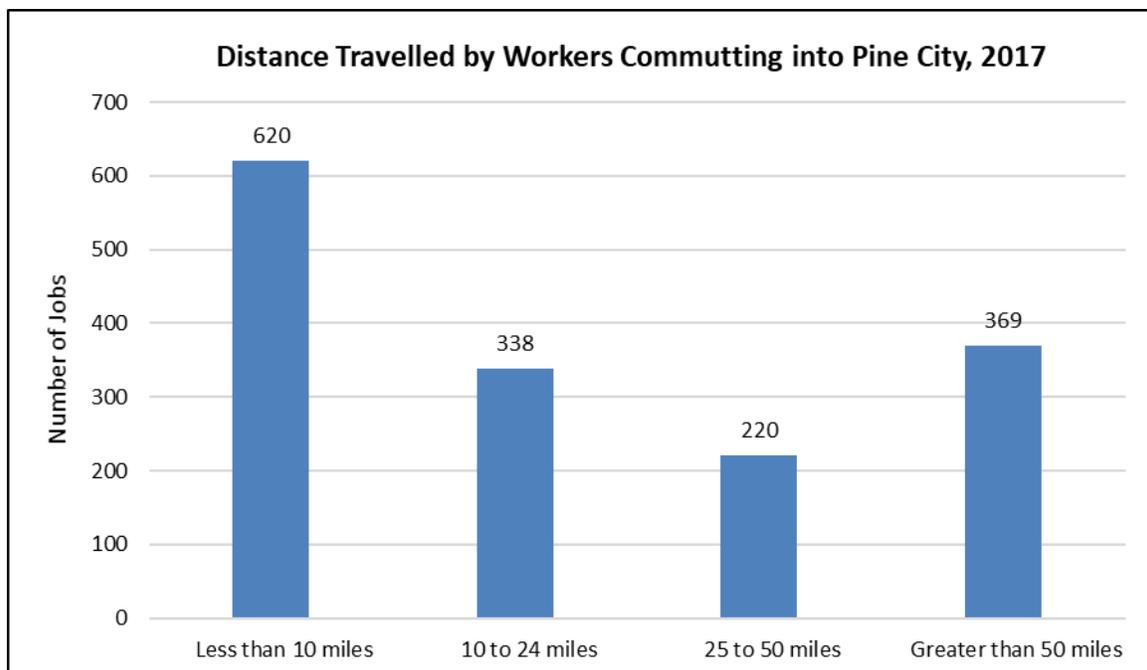
Industry	2018 Q3			2019 Q3			Change 2018 - 2019			
	Establish- ments	Employ- ment	Weekly Wage	Establish- ments	Employ- ment	Weekly Wage	Employment		Wage	
							#	%	#	%
Pine City										
Total, All Industries	162	2,306	\$616	168	2,671	\$687	365	15.8%	\$71	11.5%
Natural Resources & Mining	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Construction	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Manufacturing	5	133	\$829	10	278	\$926	145	109.0%	\$97	11.7%
Trade, Transportation, Utilities	34	586	\$490	32	555	\$551	-31	-5.3%	\$61	12.4%
Information	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Financial Activities*	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Professional & Business Services	22	156	\$857	24	150	\$748	-6	-3.8%	(\$109)	-12.7%
Education & Health Services	29	650	\$695	26	705	\$790	55	8.5%	\$95	13.7%
Leisure & Hospitality	21	296	\$238	23	327	\$236	31	10.5%	(\$2)	-0.8%
Other Services	16	74	\$397	14	96	\$429	22	29.7%	\$32	8.1%
Public Administration	5	241	\$844	5	267	\$889	26	10.8%	\$45	5.3%
Pine County										
Total, All Industries	633	8,451	\$598	671	8,525	\$648	74	0.9%	\$50	8.4%
Natural Resources & Mining	23	239	\$576	22	206	\$632	-33	-13.8%	\$56	9.7%
Construction	111	595	\$836	115	700	\$842	105	17.6%	\$6	0.7%
Manufacturing	21	240	\$692	22	349	\$872	109	45.4%	\$180	26.0%
Trade, Transportation, Utilities	140	1,381	\$480	145	1,398	\$519	17	1.2%	\$39	8.1%
Information	8	144	\$748	6	131	\$933	-13	-9.0%	\$185	24.7%
Financial Activities	43	223	\$669	46	212	\$721	-11	-4.9%	\$52	7.8%
Professional & Business Services	48	256	\$717	54	253	\$655	-3	-1.2%	(\$62)	-8.6%
Education & Health Services	66	1,727	\$676	70	1,692	\$728	-35	-2.0%	\$52	7.7%
Leisure & Hospitality	75	2,543	\$417	84	2,474	\$447	-69	-2.7%	\$30	7.2%
Other Services	59	286	\$405	69	281	\$433	-5	-1.7%	\$28	6.9%
Public Administration	39	813	\$990	38	827	\$1,056	14	1.7%	\$66	6.7%
EDR-7E (East Central)										
Total, All Industries	3,668	48,688	\$760	3,781	49,147	\$782	459	0.9%	\$22	2.9%
Natural Resources & Mining	62	460	\$619	62	419	\$664	-41	-8.9%	\$45	7.3%
Construction	620	3,365	\$1,121	632	3,502	\$1,189	137	4.1%	\$68	6.1%
Manufacturing	248	5,145	\$930	251	5,203	\$920	58	1.1%	(\$10)	-1.1%
Trade, Transportation, Utilities	764	8,337	\$604	778	8,493	\$626	156	1.9%	\$22	3.6%
Information	44	615	\$759	43	584	\$798	-31	-5.0%	\$39	5.1%
Financial Activities	228	1,316	\$825	224	1,249	\$859	-67	-5.1%	\$34	4.1%
Professional & Business Services	354	2,358	\$1,153	358	2,454	\$1,178	96	4.1%	\$25	2.2%
Education & Health Services	418	13,727	\$830	457	13,708	\$847	-19	-0.1%	\$17	2.0%
Leisure & Hospitality	379	7,781	\$364	382	7,728	\$384	-53	-0.7%	\$20	5.5%
Other Services	396	1,441	\$465	438	1,539	\$475	98	6.8%	\$10	2.2%
Public Administration	155	4,140	\$955	156	4,265	\$971	125	3.0%	\$16	1.7%

Sources: Minnesota Department of Employment and Economic Development; Maxfield Research and Consulting LLC

Commuting Patterns

Proximity to employment is often a primary consideration when choosing where to live, since transportation costs often account for a considerable proportion of households' budgets. Table E-4 highlights the commuting patterns of workers in Pine City and Pine County in 2017 (the most recent data available), based on the Local Employer-Household Dynamics database (LEHD) compiled and published by the U.S. Census Bureau. Home destination is defined as where workers live who are employed in the selection area. Work destination is defined as where workers are employed who live in the selection area.

- As Table E-4 illustrates, an estimated 33.2% of workers who are employed in Pine City live in Pine City and 7.4% live in Hinckley. The next largest work destinations were Rush City (4.8%) and Cambridge (2.8%). The top three home destinations for workers in Pine City are Pine City (21.0%), Rock Creek (5.9%), and Rush City (2.1%).
- Most Pine City workers travel less than 10 miles to their jobs (55.0%). An estimated 25.8% travel between 10 and 24 miles to their job, while 8.7% travel between 25 and 50 miles and 10.5% travel 50 miles or more.
- Workers with longer commutes may be interested in new rental or for-sale housing that is closer to their place of employment. Workers with commutes of more than 50 miles, may be workers working remotely on a regular basis or may be working from a regional location of a larger company that is based elsewhere.



EMPLOYMENT TRENDS

**TABLE E-4
COMMUTING PATTERNS
PINE CITY, MN
2017**

Home Destination			Work Destination		
Place of Residence	Count	Share	Place of Employment	Count	Share
Pine City city, MN	513	21.0%	Pine City city, MN	513	33.2%
Rock Creek city, MN	143	5.9%	Hinckley city, MN	114	7.4%
Rush City city, MN	52	2.1%	Rush City city, MN	74	4.8%
Hinckley city, MN	49	2.0%	Cambridge city, MN	43	2.8%
North Branch city, MN	39	1.6%	Mora city, MN	42	2.7%
Sandstone city, MN	36	1.5%	North Branch city, MN	37	2.4%
Mora city, MN	31	1.3%	Wyoming city, MN	30	1.9%
Grantsburg village, WI	20	0.8%	Duluth city, MN	24	1.6%
Cambridge city, MN	18	0.7%	Minneapolis city, MN	24	1.6%
Braham city, MN	16	0.7%	St. Paul city, MN	22	1.4%
All Other Locations	1,525	62.4%	All Other Locations	624	40.3%
Distance Traveled			Distance Traveled		
Total Primary Jobs	2,442	100.0%	Total Primary Jobs	1,547	100.0%
Less than 10 miles	1,343	55.0%	Less than 10 miles	620	40.1%
10 to 24 miles	630	25.8%	10 to 24 miles	338	21.8%
25 to 50 miles	212	8.7%	25 to 50 miles	220	14.2%
Greater than 50 miles	257	10.5%	Greater than 50 miles	369	23.9%

Home Destination: Where workers live who are employed in the selection area

Work Destination: Where workers are employed who live in the selection area

Sources: U.S. Census Bureau Local Employment Dynamics, Maxfield Research & Consulting, LLC

EMPLOYMENT TRENDS

Inflow/Outflow

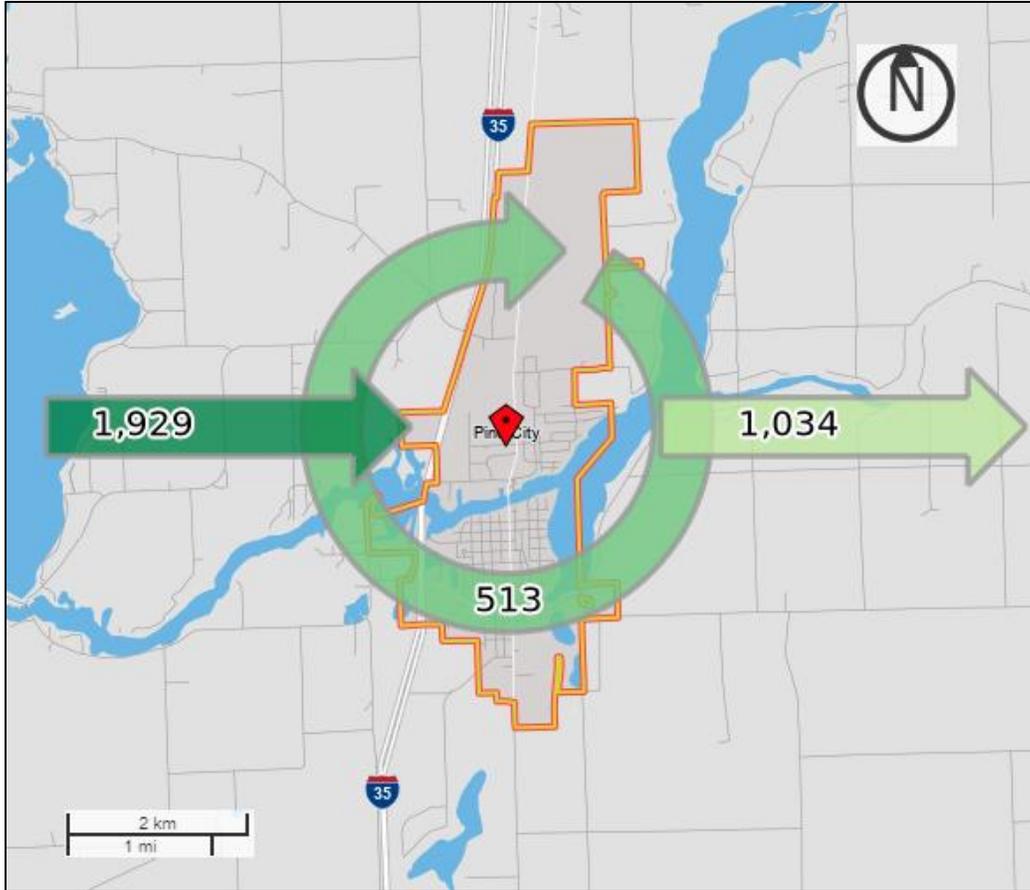
Table E-5 provides a summary of the inflow and outflow of workers for Pine City. Outflow reflects the number of workers living in the City but employed outside of the jurisdiction while inflow measures the number of workers that are employed in the City but live outside.

- Most Pine City workers live outside of Pine City, with 1,929 employees commuting into the City and 513 workers living and working in the City, compared to 1,034 workers leaving the City.
- Among the outflow workers, 38.8% earned over \$3,333 per month, compared to 32.8% of inflow workers who earned over \$3,333.
- The majority of Pine City's inflow, outflow and interior workers are between the ages of 30 to 54 – 53.2% for inflow workers, 54.1% for outflow workers and 42.9% for interior flow.
- About two-thirds of all workers across all commuting categories worked in the "All Other Services" industry class, ranging from 64.4% of Outflow workers to 67.1% of interior flow workers.

	Outflow		Inflow		Interior Flow	
City Total	1,034	100.0%	1,929	100.0%	513	100.0%
<u>By Age</u>						
Workers Age 29 or younger	231	22.3%	454	23.5%	136	26.5%
Workers Age 30 to 54	559	54.1%	1,027	53.2%	220	42.9%
Workers Age 55 or older	244	23.6%	448	23.2%	157	30.6%
<u>By Monthly Wage</u>						
Workers Earning \$1,250 per month or less	263	25.4%	578	30.0%	173	33.7%
Workers Earning \$1,251 to \$3,333 per month	370	35.8%	718	37.2%	231	45.0%
Workers Earning More than \$3,333 per month	401	38.8%	633	32.8%	109	21.2%
<u>By Industry</u>						
Workers in the "Goods Producing" Industry Class	188	18.2%	211	10.9%	35	6.8%
Workers in the "Trade, Transportation, and Utilities" Industry Class	180	17.4%	452	23.4%	134	26.1%
Workers in the "All Other Services" Industry Class	666	64.4%	1,266	65.6%	344	67.1%

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

**Inflow/Interior Flow/Outflow
Pine City, MN**



EMPLOYMENT TRENDS

Resident Profile

Table E-6 compares characteristics of employed residents living in Pine City in 2017 with the State of Minnesota. Information on monthly earnings, age, race and ethnicity, educational attainment and job classification is provided. Key points from Table E-6 are below.

TABLE E-6 RESIDENT PROFILE PINE CITY 2017			
	Pine City		MN
	No.	Pct.	Pct.
Total Jobs			
Total All Jobs	1,547	100.0%	100.0%
Monthly Earnings			
\$1,250 per month or less	436	28.2%	23.4%
\$1,251 to \$3,333 per month	601	38.8%	28.2%
More than \$3,333 per month	510	33.0%	48.4%
Worker Ages			
Age 29 or younger	367	23.7%	24.2%
Age 30 to 54	779	50.4%	53.0%
Age 55 or older	401	25.9%	22.9%
Worker Race and Ethnicity			
White Alone	1,479	95.6%	86.5%
Black or African American Alone	12	0.8%	6.1%
American Indian or Alaska Native Alone	19	1.2%	0.9%
Asian Alone	14	0.9%	4.9%
Native Hawaiian or Other Pacific Islander Alone	1	0.1%	0.1%
Two or More Race Groups	22	1.4%	1.6%
Ethnicity			
Not Hispanic or Latino	1,531	99.0%	95.8%
Hispanic or Latino	16	1.0%	4.2%
Worker Educational Attainment			
Less than high school	94	6.1%	6.1%
High school or equivalent, no college	394	25.5%	19.8%
Some college or Associate degree	422	27.3%	26.3%
Bachelor's degree or advanced degree	270	17.5%	23.7%
Educational attainment not available (workers aged 29 or younger)	367	23.7%	24.2%
Sources: U.S. Census Bureau, Maxfield Research and Consulting, LLC			

- Pine City residents earning more than \$3,333 per month accounted for 33.0% of workers. This is less than the proportion of residents in Minnesota (48.4%). Workers between the ages of 30 to 54 accounted for 50.4% of workers, slightly lower than the proportion in the State of Minnesota (53.0%).

EMPLOYMENT TRENDS

- The proportion of workers who live in Pine City with only a high school diploma (25.5%) was higher than the State of Minnesota (19.8%). Pine City workers with a Bachelor’s degree were 17.5% of workers compared to 23.7% in the State of Minnesota.

Major Employers

A portion of employment growth in the Pine City PMA will be generated by the largest employers in Pine City. Table E-7 below lists the top employers in Pine City along with a description of their primary industry and number of employees based on data provided by ReferenceUSA, a database of businesses in the United States.

The following are key points from Table E-7:

- The largest employer in Pine City is Walmart, a retail department store, with an estimated 300 jobs.
- The next largest employers are Pine City schools and the Technical and Community College.
- Pine City has a diverse employment base, and the largest employers being local schools is not unusual, especially in more rural areas.

TABLE E-7 MAJOR EMPLOYERS PINE CITY FEBRUARY 2020		
Employer Name	Industry (NAICS Description)	No. of Employees
Walmart Supercenter	Department Stores	300
Pine City District Office	Elementary & Secondary Schools	150
Pine Technical & Community Clg	Junior Colleges	140
Pine City Elementary School	Elementary & Secondary Schools	120
Atscott Manufacturing	Machine Shops	80
Community Living Options	Other Residential Care Facilities	70
Mc Donald's	Limited-Service Restaurants	65
Minpack	Paper Bag & Coated & Treated Paper Manufacturing	50
Eide Chrysler Pine City	New Car Dealers	40
Firstlight Health System	Freestanding Ambulatory Surgical & Emergency Ctrs	40
Phase	Human Rights Organizations	40

Sources: ReferenceUSA; Maxfield Research and Consulting, LLC

Summary of Employment Trends

- As of November 2019, the unemployment rate in Pine County was 4.8%, above EDR-7E unemployment rate of 4.0% and above the State of Minnesota (2.9%).
- The Education and Health Services sector is the largest employment sector in Pine City, accounting for 26.4% of jobs with an average weekly wage of \$790.
- Across Pine County, average weekly wages increased by 8.4%, \$50 per week, between 2018 Q3 and 2019 Q3. Wages increased in nine of the ten Industry groups. Wages in the Professional and Business services sector fell 8.6% (\$62/week).
- Most Pine City workers travel less than 10 miles to their jobs (55.0%). An estimated 25.8% travel between 10 and 24 miles to their job, while 8.7% travel between 25 and 50 miles and 10.5% travel 50 miles or more.
- Most Pine City workers commute into Pine City, with 1,929 employees commuting into the City and 513 workers living and working in the City, compared to 1,034 workers leaving the City.
- The largest employers in Pine City are Walmart, Pine City School District, and Pine Technical and Community College.

Introduction

This section presents findings from the 2018 Wilder Survey of the homeless population and information on the housing needs of the homeless in the Central Region, which includes the PMA, and Minnesota totals. The Wilder Foundation only presents data at the regional geography

Demographic and Economic Statistics on Homeless Populations

Number of Homeless in Central Minnesota

Table H-1 shows the number of homeless people in temporary housing programs, informal housing or unsheltered as of October 2018. As shown, in the Central Minnesota, 565 people including adults, youth and children were homeless. Of that number, 553 were adults age 18 or older. Of all adults, 188 adults were located in temporary facilities or unsheltered in Central Minnesota. The adult counts exclude parents with children.

TABLE H-1 NUMBER OF HOMELESS PEOPLE CENTRAL MINNESOTA AND MINNESOTA OCTOBER 2018				
Housing Situation	Total number of people in temporary housing programs, informal housing or unsheltered		Total number of adults* age 18+ in temporary housing programs, informal housing or unsheltered	
	CENTRAL MN	MINNESOTA	CENTRAL MN	MINNESOTA
Emergency shelter	105	2,600	105	2,539
Battered women's shelter	41	323	40	322
Transitional housing	221	1,707	220	1,647
Informal shelter	133	771	133	771
Unsheltered	65	1,142	55	1,072
TOTAL	565	6,543	553	6,351
* Homeless people age 18 and older, excluding children with parents and unaccompanied youth				
Sources: Wilder Research, March 2019. "Homelessness in Minnesota, 2018" Maxfield Research and Consulting, LLC				

HOMELESS POPULATIONS

Age Distribution of Homeless in Central Minnesota

Table H-2 presents information on the age distribution of homeless adults, age 18 or older in Central Minnesota as of 2018. The table shows that the average age of the homeless in Central Minnesota and Minnesota was nearly equal, about 39 and 40 years. In each geographic area, the largest number of homeless was those ages 30 to 39, followed by those 40 to 49 and those 20 to 29. Fewer people age 50 or older were homeless.

TABLE H-2 AGE DISTRIBUTION HOMELESS PEOPLE IN CENTRAL MN AND MINNESOTA OCTOBER 2018				
Age	Central MN		Minnesota	
	Number	Pct.	Number	Pct.
18 to 21	59	10.7%	655	10.3%
21 to 29	99	17.9%	1,114	17.5%
30 to 39	150	27.1%	1,544	24.3%
40 to 49	117	21.2%	1,226	19.3%
50 to 54	37	6.7%	669	10.5%
55 to 59	55	9.9%	568	8.9%
60 to 69	35	6.3%	521	8.2%
70 to 79	1	0.2%	49	0.8%
80+	0	0.0%	2	0.0%
	553	100.0%	6,348	100.0%
Average age	39		40	
* People living in temporary housing programs or informal housing and identified unsheltered people, excluding youth less than 18 years of age and children staying with parents				
Sources: Wilder Research, March 2019. "Homelessness in Minnesota, 2018" Maxfield Research and Consulting, LLC				

This table shows that, in general, the largest group of homeless is young to mid-age, between the ages of 20 and 50 years old.

HOMELESS POPULATIONS

Ethnic Background of the Homeless

Table H-3 presents information on the ethnic background of those that were identified as homeless in 2018. The table presents information based on self-identification of ethnic background from the homeless that were surveyed.

As shown on the table, the largest number of homeless persons was identified as being White or Caucasian in Central Minnesota. In Central Minnesota 56.6% of homeless were identified as White or Caucasian. In Minnesota as a whole, the proportion was nearly 32.1%. The second highest category was African American, accounting for 15.3% of the homeless in Central Minnesota and 32.1% in Minnesota. American Indians accounted for 7.3% in Central Minnesota and 12.0% in Minnesota. Other ethnicities such as Asian, African Native, or other groups were identified in much smaller proportions.

Racial/Ethnic background	Central MN		Minnesota	
	Number	Pct.	Number	Pct.
White or Caucasian	343	56.6%	2,296	33.4%
African American	93	15.3%	2,206	32.1%
American Indian	44	7.3%	826	12.0%
Multi-racial	36	5.9%	482	7.0%
African Native	8	1.3%	162	2.4%
Other	16	2.6%	162	2.4%
Asian or Pacific Islander	9	1.5%	116	1.7%
Not Specified	4	0.7%	100	1.5%
Hispanic, Latino, or Chicano	53	8.7%	515	7.5%
TOTAL	606	100.0%	6,865	100.0%

Sources: Wilder Research, March 2019. "Homelessness in Minnesota, 2018"
Maxfield Research and Consulting, LLC

HOMELESS POPULATIONS

Monthly Income of the Homeless

Table H-4 presents information on the income of those that are homeless.

As shown on Table h-4, the highest proportion of homeless people surveyed has a monthly income of less than \$200. In Central Minnesota, 30.6% of those surveyed are in this category. In Minnesota, the proportion is slightly less at 27.8%. About 24.3% of homeless in Central MN and 20.8% in Minnesota have a monthly income of \$1,000 or more. The mean monthly income for the homeless surveyed was \$725 in Central MN and \$684 in Minnesota. The median monthly income for the homeless surveyed was \$600 in Central Minnesota and \$550 in Minnesota.

TABLE H-4				
MONTHLY INCOME OF THE HOMELESS PEOPLE SURVEYED				
HOMELESS PEOPLE IN CENTRAL MN AND MINNESOTA				
OCTOBER 2018				
<u>Monthly Income</u>	Central MN		Minnesota	
	<u>Number</u>	<u>Pct.</u>	<u>Number</u>	<u>Pct.</u>
Under \$200	156	30.6%	1,578	27.5%
\$200 to \$400	55	10.8%	916	16.0%
\$400 to \$600	58	11.4%	521	9.1%
\$600 to \$800	65	12.7%	981	17.1%
\$800 to \$1,000	52	10.2%	539	9.4%
<u>\$1,000+</u>	<u>124</u>	<u>24.3%</u>	<u>1,194</u>	<u>20.8%</u>
TOTAL	510	100.0%	5,729	100.0%
Mean Income	\$725		\$684	
Median Income	\$600		\$550	

Sources: Wilder Research, March 2019. "Homelessness in Minnesota, 2018"
Maxfield Research and Consulting, LLC

At the mean and median income levels, the homeless are generally not able to afford to house themselves through the private market. Public housing may be available, but the wait lists are exceptionally long. Other life issues may be a challenge as well for many homeless requiring support services in addition to providing only housing.

HOMELESS POPULATIONS

Maximum Affordable Rents

Table H-5 presents information on the maximum rent affordable for the homeless that were surveyed in October 2018. The table shows the mean affordable rent was \$290 per month in Central Minnesota and \$274 per month in Minnesota. The median affordable rent in Central Minnesota was \$240 per month and \$220 in Minnesota a whole. The table shows that 35.4% of those surveyed could only afford a monthly rent of less than \$290 in Central Minnesota. In Minnesota, 33.5% of those surveyed could only afford less than \$274.

With an average rent in the in the PMA at \$768 per month, it is easy to understand the dilemma. Unless the household can obtain a Housing Choice Voucher or is in project-based Section 8 housing or public housing, there is little likelihood of being able to find housing at a cost level that is affordable to the vast majority of these households.

TABLE H-5 MAXIMUM AFFORDABLE RENTS AMONG SURVEYED HOMELESS PEOPLE HOMELESS PEOPLE IN CENTRAL MN AND MINNESOTA OCTOBER 2018				
Monthly Income	Central MN		Minnesota	
	Number	Pct.	Number	Pct.
Under \$200	156	30.6%	1,578	27.5%
\$200 to \$400	55	10.8%	916	16.0%
\$400 to \$600	58	11.4%	521	9.1%
\$600 to \$800	65	12.7%	981	17.1%
\$800 to \$1,000	52	10.2%	539	9.4%
\$1,000+	124	24.3%	1,194	20.8%
TOTAL	510	100.0%	5,729	100.0%
Mean Affordable Rent	\$290		\$274	
Median Affordable Rent	\$240		\$220	

Sources: Wilder Research, March 2019. "Homelessness in Minnesota, 2018"
Maxfield Research and Consulting, LLC

HOMELESS POPULATIONS

Size of Bedroom Needed

Table H-6 presents information on the size of bedroom needed for those surveyed as of October 2018. The data shows that the overwhelming need was for efficiency and one-bedroom units. One quarter of those surveyed indicated they would need an efficiency unit or a single-room in Central Minnesota. Another 30.1% indicated a need for a one-bedroom. For Minnesota, the proportions were 26.4% and 36.2%, respectively.

TABLE H-6 NUMBER OF BEDROOM SIZE NEEDED HOMELESS PEOPLE IN CENTRAL MN AND MINNESOTA OCTOBER 2018				
No. of Bedroom	Central MN		Minnesota	
	No.	Pct.	No.	Pct.
0BR or single-room occ.	137	25.0%	1,648	26.1%
1 BR	165	30.1%	2,282	36.2%
2 BR	138	25.1%	1,476	23.4%
3 BR	90	16.4%	667	10.6%
4 or More	19	3.5%	236	3.7%
TOTAL	549	100.0%	6,309	100.0%
Sources: Wilder Research, March 2019. "Homelessness in Minnesota, 2018" Maxfield Research and Consulting, LLC				

The data on the table indicates that the majority of homeless are likely singles that do not have children and would only require housing for themselves.

Comparison of 2015 and 2018 Homeless Figures

Based on figures from the 2015 and 2018 studies completed by the Wilder Foundation, homeless populations in Minnesota have continued to increase.

The Wilder study counted 6,531 homeless in Minnesota as of October 2018, a 17.9% increase from October 2015. Clearly, despite an improving economy many people are being left behind.

Consistent with findings from the 2015 report, the 2018 study showed increasing levels of distress among the homeless, including high rates of mental illness, physical disabilities and recent incarceration.

Other significant findings as compared to the 2015 report include:

- 55.2% of all homeless adults had been homeless for more than one year (up from 46.4% in 2015);
- 31.6% of all homeless adults had been jobless for more than one year (up from 27.9% in 2015);
- 16.3% of homeless adults reported full-time employment (down from 18.8% in 2015);
- 5.2% of homeless adults reported a “lack of employment opportunities” as one of their main reasons for not working (up from 4.8% in 2015);
- Median monthly income of homeless adults was \$600 in 2018, the same as in 2015;
- 50.8% of homeless adults reported using food stamps during the month of October 2018 (up from 45.1% in 2015).
- Study findings show that those who are homeless for at least one year are significantly more likely to experience barriers to finding stable housing situations.
- Examples of these barriers to finding and securing a stable housing situation include:
 - Persistent mental illness
 - Chronic health condition
 - Cognitive disability
 - Traumatic Brain Injury
 - Substance abuse

Summary of Homeless Populations

Based on the data presented in this section, following are the key points relating to the potential need/demand for housing to serve the homeless population.

- The majority of the homeless population in Central Minnesota was adults over the age of 18.
- Among this group, most were young to mid-age between the ages of 20 and 50;
- The largest group of homeless was White/Caucasian, followed by African Americans. Minorities are more likely to experience homelessness than white/Caucasians in Central Minnesota.
- The median monthly income of the homeless was \$600 per month (2018 Dollars) in Central Minnesota.
- The maximum affordable median rent was \$240 per month in Central Minnesota (2018 Dollars) with most people responding that they would be looking for is a one-bedroom unit, followed by studio units.

Introduction

The following section of the report analyzes current market conditions for general occupancy rental housing in Pine City and the Primary Market Area. Topics covered include rental housing data from the American Community Survey and detailed information on individual rental developments in the Primary Market Area. Maxfield Research and Consulting identified and surveyed larger rental properties of eight or more units in PMA.

For the purposes of the analysis, we classify rental properties into three categories of general occupancy rental properties: market rate (those without income restrictions), affordable (those receiving tax credits or some type of moderate assistance to keep rents affordable) and subsidized (those with income restrictions based solely on a proportional allocation of income to housing).

Overview of Rental Market Conditions

Maxfield Research utilized data from the American Community Survey (ACS) to summarize overall rental market conditions in Pine City, Pine County and the PMA. The ACS is an ongoing survey conducted by the United States Census Bureau that provides data every year rather than every ten years as presented by the Decennial Census. This data is used to provide more current information on housing than the Decennial Census (every ten years).

Table R-1 on the following page presents a breakdown of median gross rent and monthly gross rent ranges by number of bedrooms in renter-occupied housing units from the 2013-2017 ACS in Pine City, Pine County and the PMA, in comparison to Minnesota. Gross rent is defined as the amount of the contract rent plus the estimated average monthly cost of utilities (electricity, gas, and water and sewer) and fuels (oil, coal, wood, etc.) if these are paid by the renter.

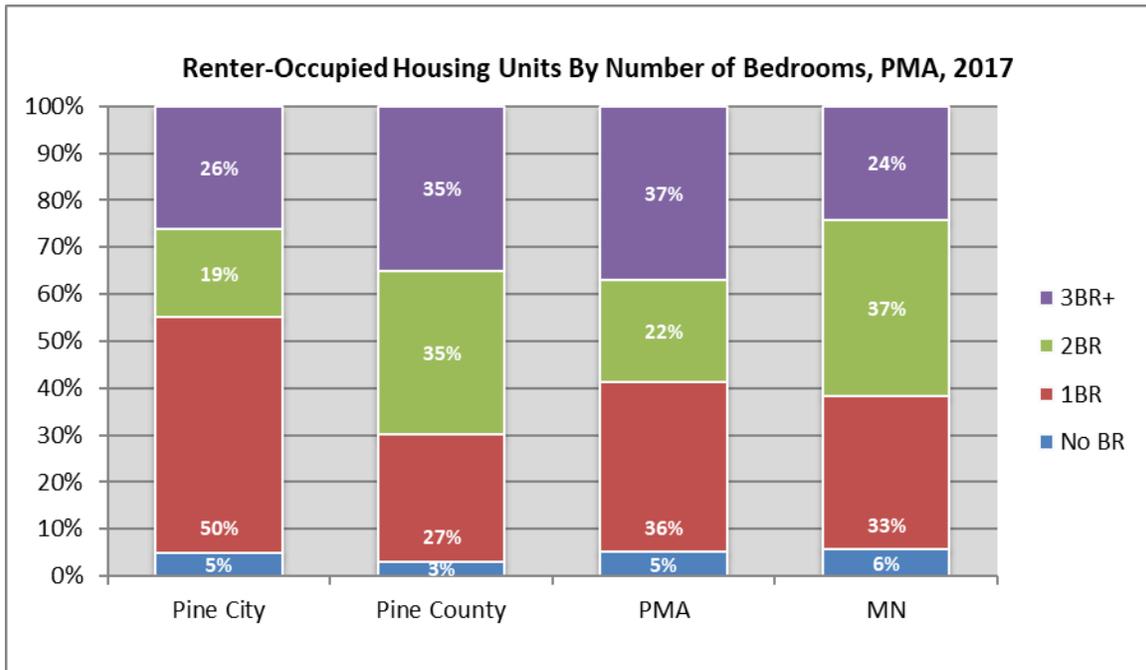
- A median gross monthly rent of \$669 was reported in Pine City, which was below the PMA (\$806). The PMA median rent is 11.0% less than the median gross rent reported in Minnesota (\$906).
- An estimated 67.6% of rental units in the PMA are located in Pine City. The most common type of rental unit in Pine City is a one-bedroom unit, which comprises half of all units (50%) and is proportionally higher than the PMA (33%). Three or more-bedroom units are the next most common in Pine City comprising 26% of rental units. In the PMA, two-bedroom units are the most common unit type, comprising 36% of rental units.

RENTAL MARKET ANALYSIS

TABLE R-1 BEDROOMS BY GROSS RENT, RENTER-OCCUPIED HOUSING UNITS PINE CITY, PINE COUNTY, PMA AND MINNESOTA 2017							
	Pine City		Pine County		PMA		MN
	#	% of Total	#	% of Total	#	% of Total	% of Total
Total:	545	100%	2,318	100%	806	100%	100%
Median Gross Rent	\$669		\$713		\$806		\$906
No Bedroom	27	5%	70	3%	41	5%	6%
Less than \$300	0	0%	3	0%	0	0%	10%
\$300 to \$499	0	0%	3	0%	0	0%	15%
\$500 to \$749	0	0%	21	0%	10	0%	33%
\$750 to \$999	0	0%	4	0%	0	0%	22%
\$1,000 to \$1,499	27	0%	27	0%	27	0%	12%
\$1,500 or more	0	0%	0	0%	0	0%	7%
No cash rent	0	0%	12	0%	4	0%	1%
1 Bedroom	273	50%	630	27%	292	36%	33%
Less than \$300	78	29%	140	22%	78	27%	11%
\$300 to \$499	95	35%	164	26%	95	33%	12%
\$500 to \$749	82	30%	229	36%	96	33%	22%
\$750 to \$999	10	4%	56	9%	13	4%	31%
\$1,000 to \$1,499	0	0%	5	1%	2	1%	16%
\$1,500 or more	8	3%	17	3%	8	3%	6%
No cash rent	0	0%	19	3%	0	0%	1%
2 Bedrooms	102	19%	805	35%	174	22%	37%
Less than \$300	0	0%	47	6%	0	0%	3%
\$300 to \$499	8	8%	100	12%	11	6%	5%
\$500 to \$749	20	20%	219	27%	31	18%	17%
\$750 to \$999	38	37%	244	30%	59	34%	28%
\$1,000 to \$1,499	18	18%	101	13%	43	25%	33%
\$1,500 or more	0	0%	4	0%	4	2%	10%
No cash rent	18	18%	90	11%	26	15%	3%
3 or More Bedrooms	143	26%	813	35%	299	37%	24%
Less than \$300	0	0%	19	2%	0	0%	2%
\$300 to \$499	0	0%	41	5%	16	5%	5%
\$500 to \$749	18	13%	118	15%	18	6%	10%
\$750 to \$999	37	26%	206	25%	78	26%	14%
\$1,000 to \$1,499	25	17%	163	20%	60	20%	31%
\$1,500 or more	16	11%	63	8%	46	15%	28%
No cash rent	47	33%	203	25%	81	27%	10%

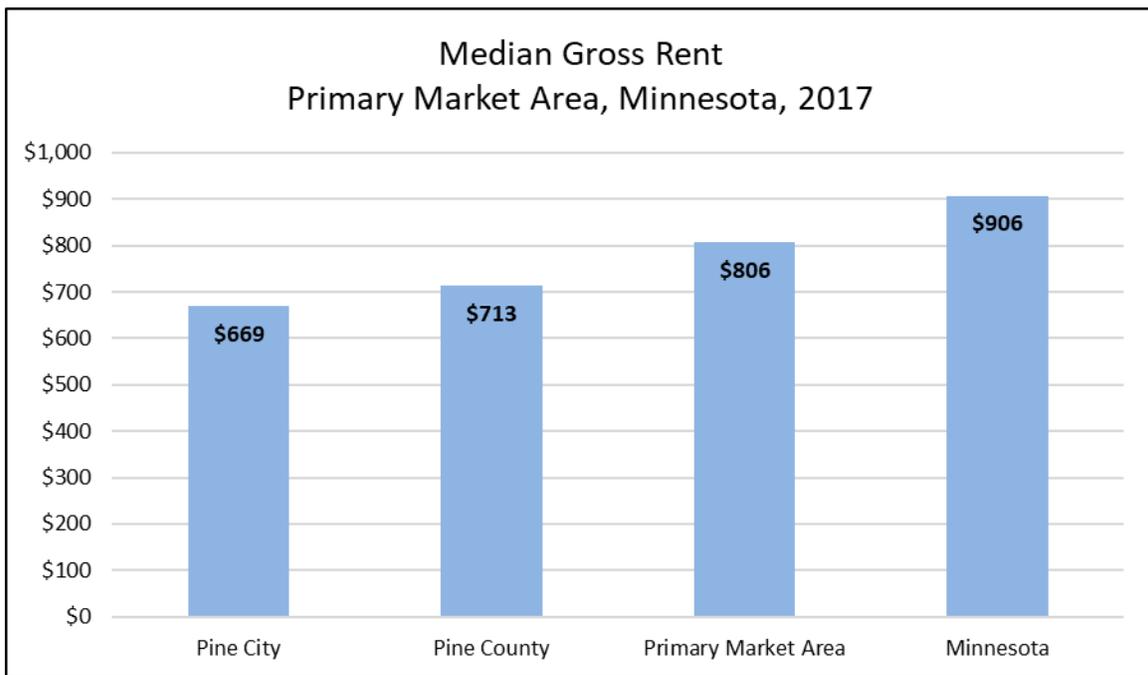
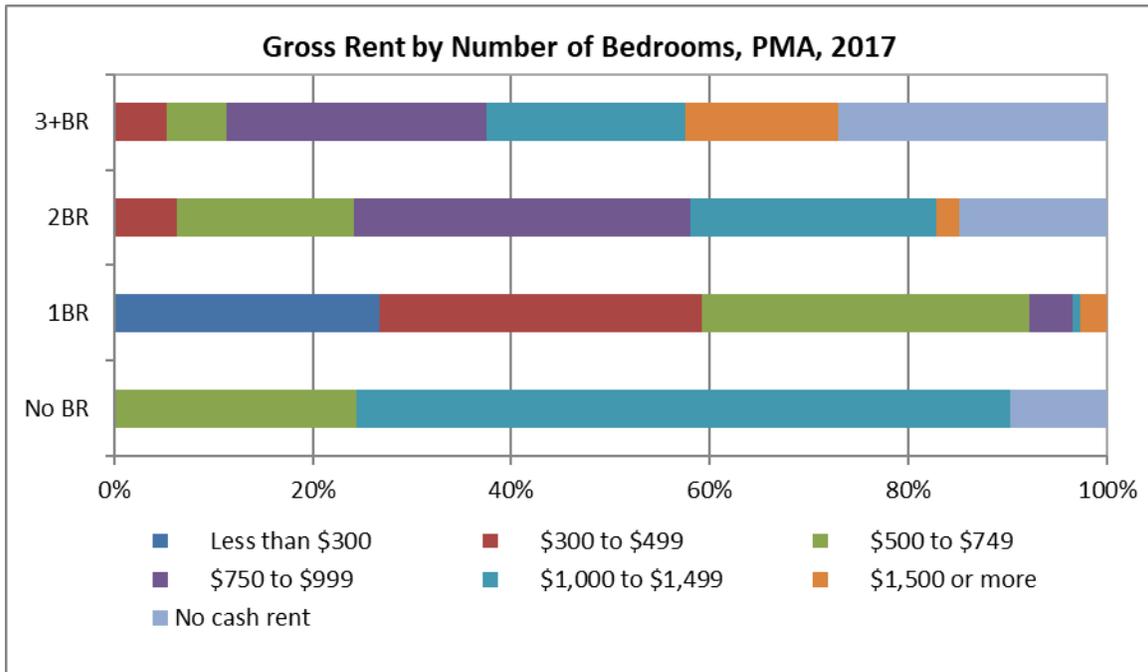
Sources: American Community Survey; Maxfield Research and Consulting, LLC

RENTAL MARKET ANALYSIS



- In Pine City, most monthly rents ranged from \$300 to \$499 (22.0% of units) and 18.9% of units had rents between \$200 and \$299. In the PMA, the most common rent range was \$300 to \$499, (19.2% of units), followed by the \$500 to \$749 range (18.6%).
- Units with no cash rent, which are often owned by a friend or family member, owned by a charitable organization, or part of a subsidized rental program, represented 11.9% of rental units in Pine City and 13.8% of units in the PMA.

RENTAL MARKET ANALYSIS



General Occupancy Rental Projects

Analysis of the Primary Market Area's general occupancy rental market included a survey of five market rate apartment properties (8 units and larger) and four affordable/subsidized communities during February 2020. These properties represent a combined total of 145 units, including 76 market rate units and 69 subsidized units.

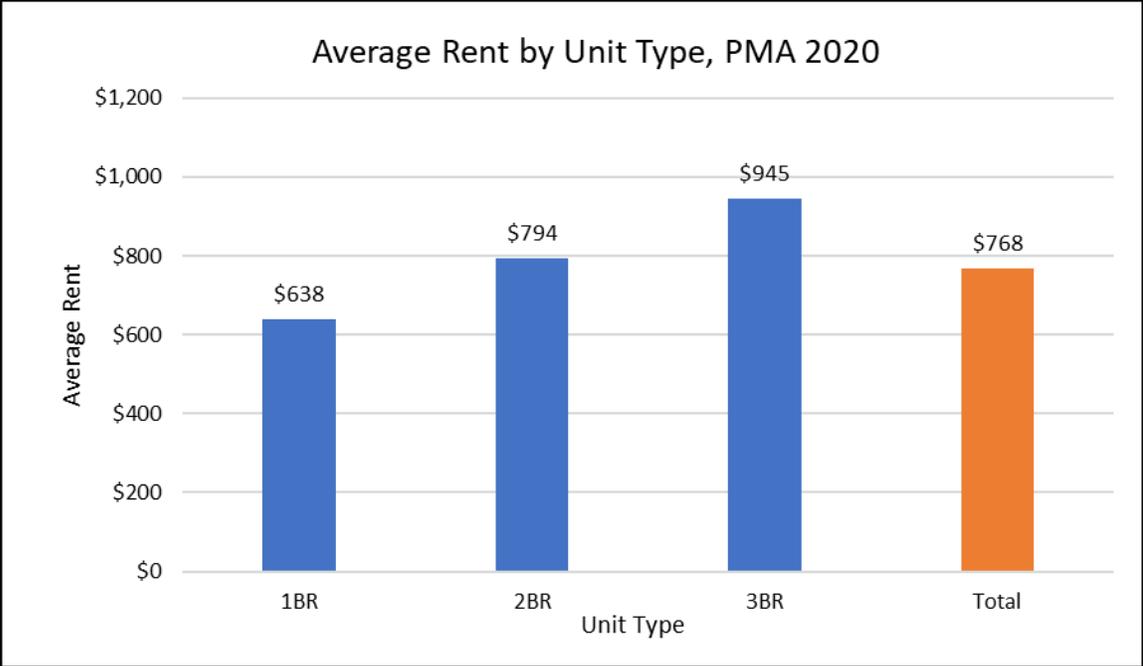
At the time of the survey, market rate units and affordable/subsidized units were 100% occupied. The market rate vacancy rate is lower than the industry standard of 5% vacancy for a stabilized market rate rental market, which promotes competitive rates, ensures adequate choice, and allows for unit turnover. Affordable and subsidized units have an equilibrium vacancy rate of 2.0% to 3.0%.

Tables R-2 and R-3 summarize information on market rate properties including unit types, vacancies and pricing. Table R-4 provides information for the subsidized properties.

Market Rate

- Overall, five market rate properties with a combined 76 units were surveyed. Overall, these units had a 100% occupancy rate. This is below the equilibrium vacancy rate of 5.0% for market rate units and suggests that there is pent-up demand for market rate rental units (units without income restrictions). However, rent levels in Pine City are quite low and rent levels for new construction market rate units would likely be much higher than what is currently being charged. Therefore, demand is indicated at the current market pricing, but may be less if new construction units are priced substantially higher.
- Two-bedroom units accounted for the majority of market rate units in the PMA. The breakout by unit type is summarized below.
 - One-bedroom units: 18 | 26.5%
 - Two-bedroom units: 43 | 63.2%
 - Three-bedroom units: 7 | 10.3%
- The following are the monthly rent ranges and average rent for each unit type:
 - One-bedroom units: \$550 to \$765 | Avg. \$638
 - Two-bedroom units: \$575 to \$845 | Avg. \$794
 - Three-bedroom units: \$945 | Avg. \$945
- One- and two-bedroom units are the most common in the PMA. These units rented for averages of \$0.84 and \$0.95 rent per square foot, respectively. Three-bedroom apartment rented for \$0.95 per square foot.

RENTAL MARKET ANALYSIS



RENTAL MARKET ANALYSIS

TABLE R-2 GENERAL OCCUPANCY RENTAL PROJECTS PRIMARY MARKET AREA FEBRUARY 2020							
Property Name/Location	Year Built	Units/ Vacant	Unit Mix	Unit Size	Monthly Rent	Rent per Square Foot	Comments
PRIMARY MARKET AREA							
Pine City Apartments 615 11th Street SW Pine City	2003	12 0	4 - 1BR 8 - 2BR	760 960	\$700 \$825	\$0.92 \$0.86	Units have full size washer/dryer, full kitchen appliance packages, and wall air conditioning units. Garage included. Tenant pays for electricity.
Northridge Apartments 615 Northridge Dr Pine City	2006	24 0	3 - 1BR 14 - 2BR 7 - 3BR	700 - 750 850 - 925 1,000 - 1,100	\$685 \$820 - \$845 \$945	\$0.91 - \$0.98 \$0.89 - \$0.96 \$0.86 - \$0.95	Heat, water, sewer, garbage included in rent. Units include, electric fireplace and a balcony or patio.
Lone Oak Manor 800 2nd St NE Pine City	1999	8 0	n/a	n/a	n/a	n/a	Property contact requested that information not be published.
Woodhaven Apartments 1030 Main St S Pine City	1989	24 0	4 - 1BR 20 - 2BR	560 760	\$695 - \$765 \$775 - \$845	\$1.24 - \$1.37 \$1.02 - \$1.11	Common Space Laundry, wall mounted A/C.
925 6th Ave Apartments 925 6th Ave SW Pine City	1979	8 0	7 - 1BR 1 - 2BR	900 1,000	\$550 \$575	\$0.61 \$0.58	Water and sewer included. Full kitchen appliance package. Tenants a mix of young and older adults. Generally steady occupancy.
Total Market Rate Units in PMA/Vacancy		76	0	0.0%			
<i>There are no general occupancy affordable housing projects located in the Primary Market Area.</i>							
Subsidized General Occupancy Units							
Hillside Court 905 7th Street SW Pine City	N/A	34 0	20 - EFF 14 - 1BR	400 - 400 600 - 600	\$535 - \$535 \$535 - \$535	\$1.34 - \$1.34 \$0.89 - \$0.89	Subsidized. 30% of income
Johnson Apartments 1010 Main Street S Pine City	1970	8 0	8 - 2BR	n/a	\$545 - \$561 30% of income	NA - NA	Rural Development.
North Pine Apts 815 Johnson Ave Pine City	1984	27 0	20 - 1BR 7 - 2BR	624 - 624 750 - 750	\$490 - \$676 \$530 - \$716	\$0.79 - \$1.08 \$0.71 - \$0.95	Rural Development. Heat, water, sewer, trash included. 30% of income
Total Subsidized Units in PMA/Vacancy		69	0	0.0%			
Sources: Maxfield Research and Consulting, LLC							

RENTAL MARKET ANALYSIS

- The majority of the properties surveyed offer common laundry facilities on-site or have washer/dryer hook-ups in the units. It is also common for properties to include heat, water, and trash in the monthly rent.

TABLE R-3					
SUMMARY OF MARKET RATE RENTAL PROJECTS					
PRIMARY MARKET AREA					
FEBRUARY 2020					
Unit Type	No.	Pct.	Average Size	Average Rent	Rent PSF
1BR	18	26.5%	760	\$638	\$0.84
2BR	43	63.2%	832	\$794	\$0.95
3BR	7	10.3%	1,000	\$945	\$0.95
Total	68	100.0%	830	\$768	\$0.93
Note: Averages are calculated only from units where number, size and rents were available.					
Sources: Maxfield Research and Consulting, LLC					

Affordable/Subsidized

- There are three subsidized (deep-subsidy) properties in the PMA, These properties provide 69 units of affordable/subsidized housing. There are no affordable (shallow-subsidy) general occupancy projects in the PMA at this time.
- The subsidized properties have a high proportion of one-bedroom (49.3%) and efficiency units (29.0%). Only 21.7% of the subsidized units have two-bedrooms.
- The affordable properties had were 100% occupied, with no units available at the time of the survey.
- All the affordable developments offer common laundry facilities either on-site or in the unit.
- Trash, sewer and water were included in the rent at most of the properties and a few also include heat/gas in the rent payment.

Select General Occupancy Rental Projects



Pine City Apartments - MR



Northridge Apartments - MR



Lone Oak Manor - MR



Woodhaven Apartments - MR



925 6th Ave SW - MR



Johnson Apartments - Subsidized

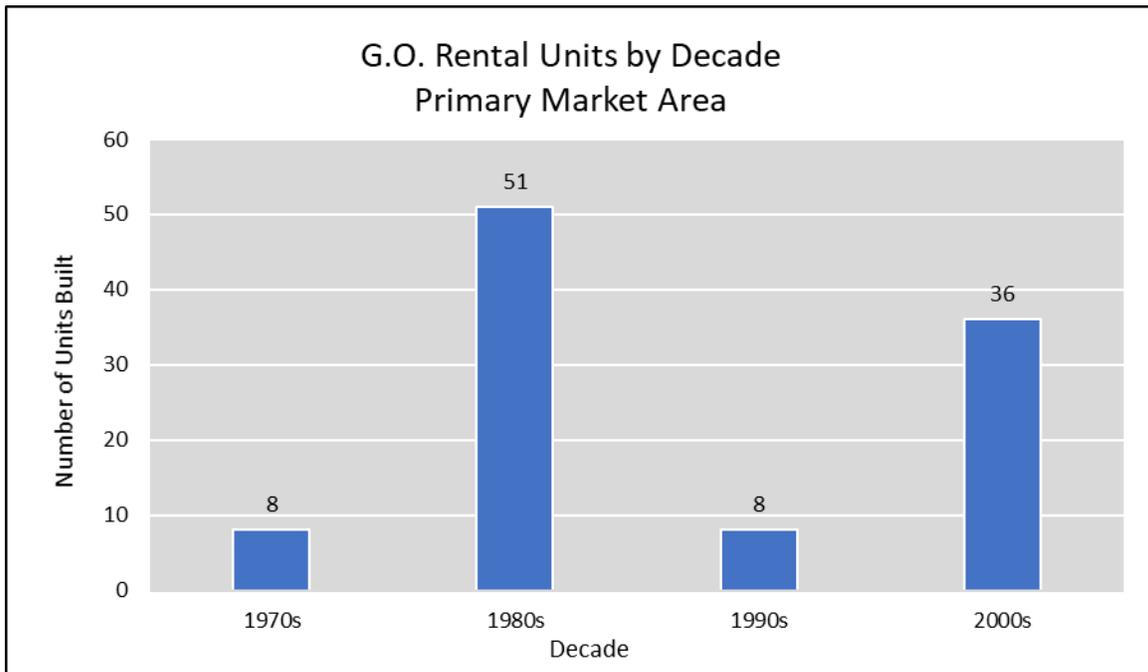
RENTAL MARKET ANALYSIS



North Pine Apartments - Subsidized



Hillside Court – Subsidized



As the chart above shows, the plurality of rental units surveyed were built in the 1980s, with the next most active decade being the 2000s. Rental units shown only include buildings with 8 or more units.

Introduction

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

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

FIGURE 1
AREA MEDIAN INCOME (AMI) DEFINITIONS

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

Note: Pine County 4-person AMI = \$72,400 (2019)

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

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

HOUSING AFFORDABILITY

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

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

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

Because this naturally occurring affordable housing is available in the private market, households may elect to reside in housing where the cost is less than 30% of their income. These households choose to live below their means and elect instead, to spend or save additional income in other ways. As a result, a portion of naturally occurring affordable housing is occupied by those that could, theoretically, move-up to higher priced housing. This creates a need for additional affordable housing to satisfy the demand from households whose incomes are at a level that would qualify

Rent and Income Limits

Table R-4 shows the maximum allowable incomes by household size to qualify for affordable housing and maximum gross rents that can be charged by bedroom size in the PMA. These incomes are published and revised annually by the Minnesota Housing and based on the date the project was placed into service. Fair market rent is the amount needed to pay gross monthly rent at modest rental housing in a given area. Fair market rents are used as the standard by which local housing authorities consider the availability of private market units to be considered for potential availability through the Housing Choice Voucher Program. This table is used as a basis for determining the payment standard amount used to calculate the maximum monthly subsidy for families at financially assisted housing.

Table R-4 also shows the maximum rents by household size and AMI based on income limits. The rents are based on HUD's allocation that monthly rents should not exceed 30% of income. For each additional bedroom, the maximum household size increases by two people.

HOUSING AFFORDABILITY

**TABLE R-4
MHFA/HUD INCOME AND RENT LIMITS
PINE COUNTY- 2019**

Income Limits by Household Size								
	1 pph	2 pph	3 pph	4 pph	5 pph	6 pph	7 pph	8 pph
30% of median	\$15,210	\$17,400	\$19,560	\$21,720	\$23,460	\$25,200	\$26,940	\$28,680
50% of median	\$25,350	\$29,000	\$32,600	\$36,200	\$39,100	\$42,000	\$44,900	\$47,800
60% of median	\$30,420	\$34,800	\$39,120	\$43,440	\$46,920	\$50,400	\$53,880	\$57,360
80% of median	\$40,560	\$46,400	\$52,160	\$57,920	\$62,560	\$67,200	\$71,840	\$76,480
100% of median	\$50,700	\$58,000	\$65,200	\$72,400	\$78,200	\$84,000	\$89,800	\$95,600
120% of median	\$60,840	\$69,600	\$78,240	\$86,880	\$93,840	\$100,800	\$107,760	\$114,720
Maximum Gross Rent								
	EFF	1BR	2BR	3BR	4BR			
30% of median	\$380	\$435	\$489	\$543	\$586			
50% of median	\$633	\$725	\$815	\$905	\$977			
60% of median	\$760	\$870	\$978	\$1,086	\$1,173			
80% of median	\$1,014	\$1,160	\$1,304	\$1,448	\$1,564			
100% of median	\$1,267	\$1,450	\$1,630	\$1,810	\$1,955			
120% of median	\$1,521	\$1,740	\$1,956	\$2,172	\$2,346			
Fair Market Rent								
	EFF	1BR	2BR	3BR	4BR			
Fair Market Rent	\$514	\$593	\$784	\$987	\$1,186			

Sources: HUD, Novogradac, Maxfield Research and Consulting LLC

Introduction

This section of the Study analyzes economic and demographic characteristics of the PMA as the specifically relate to the feasibility of additional retail space being developed at the subject site. Data presented in this section includes daytime population figures, from the U.S. Census Bureau, consumer expenditure patterns and retail surplus/leakage with data from Esri, Inc., and retail space characteristics with data from Costar.

Daytime Population

Table C-1 shows daytime population figures for Pine City, Minnesota, in 2017 (the most recent data available) and 2012, for comparison. The data is from the United States Census Bureau. Daytime population is estimated based on net population inflow from commuting patterns. As shown in Table C-1, the daytime population in Pine City increased by 3.7% from 2012 to 2017, while the ratio of people living in the selection area and working in the selection area remained flat, falling from 1.59 in 2012 to 1.58 in 2017.

TABLE C-1 DAYTIME POPULATION PINE CITY, MN 2012 - 2017			
	2012	2017	% Change
			2012 - 2017
Daytime Population	2,336	2,442	4.5%
Inflow	1,878	1,929	2.7%
Interior Flow	458	513	12.0%
Resident Workforce	1,473	1,547	5.0%
Outflow	1,015	1,034	1.9%
Interior Flow	458	513	12.0%
Net Job Inflow (+) or Outflow (-)	863	895	3.7%
Live Here/Work Here Ratio	1.59	1.58	-0.5%

Sources: US Census Bureau LEHD; Maxfield Research & Consulting, LLC

Consumer Expenditure Patterns

Table C-2 shows estimated consumer expenditures and average expenditures per households for retail goods and services in the PMA compared to Minnesota in 2020, according to data obtained from ESRI based on Consumer Expenditure Surveys from the Bureau of Labor Statistics.

COMMERCIAL RETAIL ANALYSIS

The table shows the average expenditures per household in the Primary Market Area and the amount spent in Minnesota by product or service. In addition, a Spending Potential Index (SPI) is illustrated for comparison purposes. The SPI is based on households and represents the annual expenditures for a product or service relative to the national average which is given a benchmark index of 100. An SPI of 115 indicates that the average annual expenditure by local consumers is 15% above the national average. In addition, Minnesota is indexed in the table. The average expenditure reflects the average amount spent per household, while the total expenditure reflects the aggregate amount spent by all households.

Consumer spending is influenced by market conditions and trends. In times of economic troubles, market conditions drive spending patterns toward convenience and necessities, whereas in times of a booming economy consumer trends feature opportunity and luxury items. Sales of luxury items and other large purchases are generally the first to falter in economic downturns. Two-thirds of the national economy is driven by consumer spending. During the most recent recession, households decreased spending, increased savings, and reduced credit card debt as many households were faced with job losses. In essence, when the housing market began its decline in late 2006 into 2007, consumer spending and consumer confidence followed.

The following are key points from the household expenditures table.

- Overall, residents will spend an estimated \$27,438,000 on retail goods and services in 2020 in the PMA, excluding housing, finance/insurance, and travel expenditures, as well as vehicle purchases.
- Average annual expenditures (excluding the categories mentioned above) are estimated to be \$5,565 per household in the PMA. This compares to an average of \$8,384 per household in Minnesota.
- Total average annual expenditures per household are estimated to be approximately \$56,722 in the PMA and \$82,091 in the Minnesota.
- Compared to Minnesota, it appears that PMA residents are allocating a slightly higher portion of their resources toward housing. Housing expenses account for approximately 23.6% of total consumer expenditures in the PMA, compared to 23.0% in Minnesota.
- Among the retail categories, Market Area spending was greatest for Food at Home (i.e. groceries) at an average of \$3,762 per household in the PMA compared to \$5,591 per household in Minnesota.
- Spending was also high for Food Away from Home goods and services (\$2,560 per household in the PMA) and Entertainment and Recreation (\$2,403 per PMA household).

COMMERCIAL RETAIL ANALYSIS

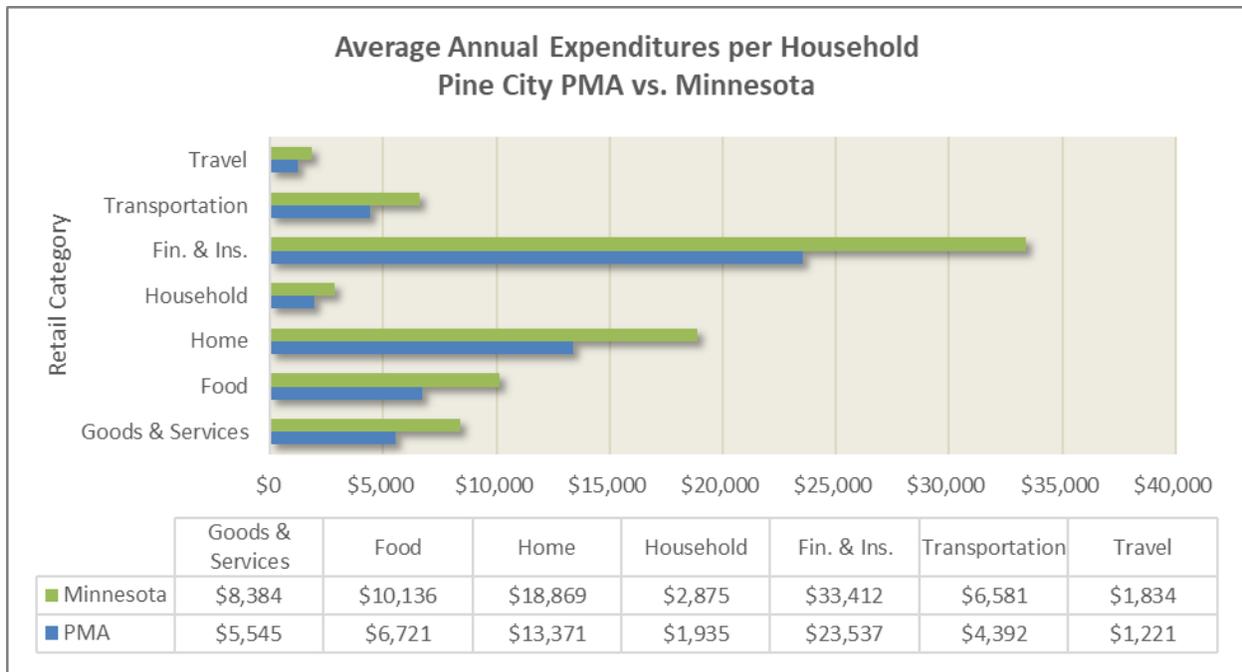
**TABLE C-2
ESTIMATED HOUSEHOLD EXPENDITURES BY SELECTED PRODUCT TYPE
PRIMARY MARKET AREA
2020**

Category	PMA Expenditures		Minnesota Expenditures	Spending Potential Index to USA	
	Total (\$000's)	Average Per HH	Average Per HH	Pine City PMA	Minnesota
Goods & Services				Index	Index
Apparel & Services	\$6,606	\$1,463	\$2,266	68	106
Entertainment and Recreation	\$10,847	\$2,403	\$3,558	74	109
Nonprescription Drugs	\$492	\$109	\$159	76	111
Prescription Drugs	\$1,320	\$293	\$409	80	112
Eye Glasses & Contact Lenses	\$323	\$72	\$103	79	114
Personal Care Products	\$1,571	\$348	\$538	69	107
Child Care	\$1,460	\$323	\$548	63	107
School Books & Supplies	\$473	\$105	\$166	68	107
Smoking Products	\$1,412	\$313	\$451	77	112
Computer Hardware	\$495	\$110	\$176	66	106
Computer Software	\$31	\$7	\$11	67	104
Pets	\$2,408	\$533	\$745	81	113
Food				Index	Index
Food at Home	\$16,982	\$3,762	\$5,591	73	108
Food Away from Home	\$11,555	\$2,560	\$3,934	70	107
Alcoholic Beverages	\$1,802	\$399	\$610	69	106
Home				Index	Index
Home Mortgage Payment/Rent	\$34,778	\$7,705	\$10,776	77	107
Maintenance & Remodeling Services	\$7,314	\$1,620	\$2,260	76	106
Maintenance & Remodeling Materials	\$1,929	\$427	\$567	87	116
Utilities	\$16,335	\$3,619	\$5,267	74	108
Household Furnishings, Equipment, & Operations				Index	Index
Household Textiles	\$318	\$71	\$109	70	108
Furniture	\$1,911	\$423	\$661	69	108
Rugs	\$107	\$24	\$37	73	115
Major Appliances	\$1,212	\$268	\$389	76	110
Small Appliances	\$153	\$34	\$53	70	108
Housewares	\$355	\$79	\$116	74	109
Luggage	\$41	\$9	\$15	64	104
Telephone & Accessories	\$233	\$52	\$81	68	107
Lawn & Garden	\$1,709	\$379	\$525	81	112
Moving/Storage/Freight Express	\$192	\$43	\$71	64	106
Housekeeping Supplies	\$2,504	\$555	\$820	74	109
Financial & Insurance				Index	Index
Investments	\$74,608	\$16,528	\$23,156	77	108
Vehicle Loans	\$9,293	\$2,059	\$3,113	72	109
Owners & Renters Insurance	\$2,112	\$468	\$640	81	111
Vehicle Insurance	\$5,009	\$1,110	\$1,673	72	108
Life/Other Insurance	\$1,618	\$358	\$501	78	109
Health Insurance	\$13,604	\$3,014	\$4,328	77	110

CONTINUED

COMMERCIAL RETAIL ANALYSIS

TABLE C-2 CONTINUED					
ESTIMATED HOUSEHOLD EXPENDITURES BY SELECTED PRODUCT TYPE					
PRIMARY MARKET AREA					
2020					
Category	PMA Expenditures		Minnesota Expenditures	Spending Potential Index to USA	
	Total (\$000's)	Average Per HH	Average Per HH	Pine City PMA	Minnesota
Transportation					
				Index	Index
Cars and Trucks (Net Outlay)	\$8,532	\$1,890	\$2,822	74	111
Gasoline and Motor Oil	\$7,564	\$1,676	\$2,491	73	109
Vehicle Maintenance/Repair	\$3,728	\$826	\$1,268	72	111
Travel					
				Index	Index
Airline Fares	\$1,649	\$365	\$565	67	103
Lodging	\$2,053	\$455	\$664	73	107
Vehicle Rental	\$81	\$18	\$29	68	109
Food & Drink on Trips	\$1,730	\$383	\$576	71	107
Average Annual Household Expenditures Summary					
Goods & Services	\$27,438	\$5,545	\$8,384		
Food	\$30,339	\$6,721	\$10,136		
Home	\$60,356	\$13,371	\$18,869		
Household	\$8,735	\$1,935	\$2,875		
Financial and Insurance	\$106,245	\$23,537	\$33,412		
Transportation	\$19,824	\$4,392	\$6,581		
Travel	\$5,513	\$1,221	\$1,834		
Total	\$258,450	\$56,722	\$82,091		
Note: The Spending Potential Index is based on households and represents the amount spent for a product or service relative to the national average of 100.					
Sources: ESRI; Maxfield Research & Consulting, LLC					



Types of Retail Goods and Customer Shopping Patterns

The following describes the various types of retail goods and the manner in which customers generally shop for these goods. Because of the significant diversification of retail outlets, some of these categories overlap in certain cases.

Shopping goods are those on which shoppers spend the most effort and for which they have the greatest desire to comparison shop. The trade area for shopping goods tends to be governed by the urge among shoppers to compare goods based on selection, service and price. Therefore, the size of the trade area for shopping goods is affected most by the overall availability of goods in alternate locations. Some examples of shopping goods include furniture, appliances, clothing and automobiles.

Convenience goods are those that consumers need immediately and frequently and are therefore purchased where it is most convenient for shoppers. Shoppers as a rule find it most convenient to buy such goods near home, near work or near a temporary residence when traveling. Examples of these types of goods include gasoline, fast food, liquor, groceries, pharmaceuticals, health and beauty aids, among others.

Specialty goods are those on which shoppers spend more effort to purchase. Such merchandise has no clear trade area because customers will go out of their way to find specialty items wherever they are sold. By definition, comparison shopping for specialty goods is much less significant than for shopping goods. Examples of these include gift shops, florists, pet stores, art gallery, antiques, home furnishings, textiles (needlework and fabrics), art supplies, books. The home furnishings segment has some overlap between shopping goods and specialty goods.

Impulse goods are those that shoppers do not actively or consciously seek. In stores, impulse goods are positioned near entrances or exits or in carefully considered relationships to shopping goods. Examples of these types of goods are: candy and drinks at a dry-cleaning establishment, candy or small novelty items near the cash register at a gift shop, accessories or jewelry at the counter in a clothing store. These may be located within existing stores but would not be a separate establishment.

According to the International Council of Shopping Centers (ICSC), general-purpose retail shopping centers can generally be classified into five major categories, as described below.

Strip/Convenience: The smallest shopping center category, at less than 30,000 square feet. Strip centers are generally an attached row of stores with on-site parking typically located in front of the stores and have a trade area of less than one mile.

COMMERCIAL RETAIL ANALYSIS

Neighborhood Center: Neighborhood centers are usually anchored by a grocery store or a drug store and have a draw area of one to three miles. This type of center fulfills the day-to-day needs of the surrounding neighborhood, is located at major street intersections, and is typically between 30,000 and 125,000 square feet.

Community Center: Community Centers generally range in size from 125,000 to 400,000 square feet and have at least two anchor tenants which may include a general merchandise discount store in addition to a supermarket or drug store. Limited small shop space is occupied by a mix of service-oriented tenants and soft-goods retailers. Community centers typically have a trade area of three to six miles.

Regional Center: A regional center is a major shopping area generally with two or more anchor department stores and a variety of additional shops. These centers are generally 400,000 to 800,000 square feet in size and draw customers from a broad geographical area (i.e. five to 15 miles).

Super-Regional Center: Similar to a regional center, but larger in size (over 800,000 square feet) and offer a greater variety and number of goods and services. The trade area for a super-regional center is also larger, generally five to 25 miles.

There are also other specialized purpose shopping centers, including lifestyle centers, factory outlets, festival/theme centers, and Central Business District retail. Central Business District retail offerings are typically located on skyways or street fronts and are often smaller than 20,000 square feet due to the smaller size and scope of the market.

Visibility and access are primary considerations for retailers seeking a location. Several factors are taken into consideration based on traffic counts and visibility when retailers select a site, including: daily traffic volumes in the area; proximity to public transportation; accessibility for potential customers as well as delivery vehicles; visibility of the store and business signage from surrounding road network; and, the sites proximity to other traffic generators.

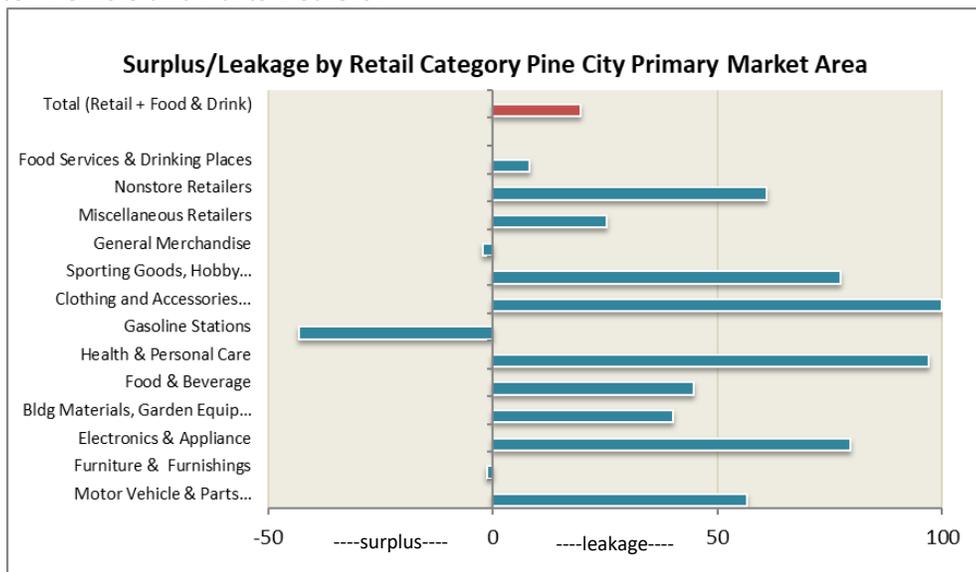
The following figure summarizes the various types of retail shopping centers, typical size ranges, and typical trade area sizes.

Center Type	Size Range (Sq. Ft.)	Trade Area Size
Community	125,000 to 400,000	3 to 6 miles
Neighborhood	30,000 to 125,000	1 to 3 miles
Regional	400,000 to 800,000	5 to 15 miles
Super-Regional	800,000 or larger	5 to 25 miles
Strip/Convenience	Less than 30,000	Less than 1 mile

Retail Demand Potential and Leakage

Table C-3 on the following page present current retail sales and consumer expenditure data for the PMA. The sales information is from ESRI based on household counts. This information lists retail demand (potential sales), retail supply to consumers (retail sales) and provides a picture of the gap between the area’s retail supply and demand. A positive value represents “leakage” of retail opportunity to stores outside of the Primary Market Area. A negative value represents a “surplus,” where more customers are coming into the area for retail goods and services than there are households in the area.

- As depicted in the tables and illustrated in the following graph, leakage exist in most retail industry segments in the PMA. There were leakages in 10 of the 13 categories. There were surpluses in three categories: Gasoline Stations, General Merchandise, and Furniture and Furnishings.
- This data indicates that there is a deficit of retailers in the Pine City PMA able to capture sales from the local market plus attracting non-local shoppers. The retail surplus suggests that establishments in the PMA is able to attract a large number of patrons from outside of its boundaries.
- It appears PMA residents are purchasing neighborhood-oriented retail goods and services at establishments located outside the area, generating “leakage” of retail opportunity outside the city, including; Food Services and Drinking Places, Nonstore Retailers, Miscellaneous retailers, Sporting goods, Hobby, Book & Music stores, Clothing and Accessory stores, General Merchandise stores, Health and Personal Care stores, Food and Beverage stores, Building Materials, Garden Equipment and Supply stores, Electronics and Appliance stores, and Motor Vehicle and Parts Dealers.



COMMERCIAL RETAIL ANALYSIS

Industry Group (NAICS Code)	Demand (Retail Potential)	Supply (Retail Sales)	Retail Gap (Demand - Supply)	Surplus/Leakage Factor	Number of Businesses
SUMMARY					
Total Retail Trade and Food & Drink (NAICS 44-45, 722)	\$146,134,305	\$98,153,253	\$47,981,052	19.6	78
Total Retail Trade (NAICS 44-45)	\$132,927,071	\$86,958,327	\$45,968,744	20.9	54
Total Food & Drink (NAICS 722)	\$13,207,234	\$11,194,926	\$2,012,308	8.2	24
EXPENDITURE TYPE					
Motor Vehicle & Parts Dealers	\$28,855,928	\$7,966,067	\$20,889,862	56.7	12
Automobile Dealers	\$23,070,009	\$5,054,338	\$18,015,671	64.1	6
Other Motor Vehicle Dealers	\$3,359,722	\$1,130,371	\$2,229,351	49.7	2
Auto Parts, Accessories & Tire Stores	\$2,426,197	\$1,781,358	\$644,839	15.3	4
Furniture & Home Furnishings Stores	\$3,924,496	\$612,999	\$3,311,497	73.0	3
Furniture Stores	\$2,307,876	\$0	\$2,307,876	100.0	0
Home Furnishings Stores	\$1,616,620	\$612,999	\$1,003,621	45.0	3
Electronics & Appliance Stores	\$4,634,223	\$530,665	\$4,103,559	79.5	1
Bldg Materials, Garden Equip. & Supply Stores	\$10,242,578	\$4,371,094	\$5,871,484	40.2	7
Bldg Material & Supplies Dealers	\$9,180,719	\$4,371,094	\$4,809,625	35.5	7
Lawn & Garden Equip & Supply Stores	\$1,061,859	\$0	\$1,061,859	100.0	0
Food & Beverage Stores	\$20,541,825	\$7,848,261	\$12,693,564	44.7	7
Grocery Stores	\$17,117,359	\$3,112,139	\$14,005,220	69.2	3
Specialty Food Stores	\$1,052,947	\$1,493,155	(\$440,209)	(17.3)	1
Beer, Wine & Liquor Stores	\$2,371,519	\$3,242,966	(\$871,447)	(15.5)	3
Health & Personal Care Stores	\$9,664,534	\$139,889	\$9,524,645	97.1	1
Gasoline Stations	\$15,041,120	\$37,845,433	(\$22,804,313)	(43.1)	10
Clothing & Clothing Accessories Stores	\$6,317,303	\$0	\$6,317,303	100.0	0
Clothing Stores	\$4,350,180	\$0	\$4,350,180	100.0	0
Shoe Stores	\$902,230	\$0	\$902,230	100.0	0
Jewelry, Luggage & Leather Goods Stores	\$1,064,893	\$0	\$1,064,893	100.0	0
Sporting Goods, Hobby, Book & Music Stores	\$3,805,107	\$483,172	\$3,321,935	77.5	2
Sporting Goods/Hobby/Musical Instr Stores	\$3,317,325	\$483,172	\$2,834,153	74.6	2
Book, Periodical & Music Stores	\$487,782	\$0	\$487,782	100.0	0
General Merchandise Stores	\$22,400,591	\$23,463,988	(\$1,063,397)	(2.3)	3
Department Stores Excluding Leased Depts.	\$16,638,402	\$22,575,901	(\$5,937,499)	(15.1)	2
Other General Merchandise Stores	\$5,762,189	\$888,087	\$4,874,102	73.3	1
Miscellaneous Store Retailers	\$5,334,808	\$3,172,220	\$2,162,588	25.4	7
Florists	\$287,109	\$277,869	\$9,240	1.6	1
Office Supplies, Stationary & Gift Stores	\$990,635	\$185,712	\$804,923	68.4	2
Used Merchandise Stores	\$589,751	\$371,910	\$217,840	22.7	1
Other Miscellaneous Store Retailers	\$3,467,314	\$2,336,729	\$1,130,585	19.5	3
Nonstore Retailers	\$2,164,558	\$524,540	\$1,640,018	61.0	1
Electronic Shopping & Mail-Order Houses	\$1,548,449	\$0	\$1,548,449	100.0	0
Vending Machine Operators	\$94,606	\$0	\$94,606	100.0	0
Direct Selling Establishments	\$521,503	\$524,540	(\$3,037)	(0.3)	1
Food Services & Drinking Places	\$13,207,234	\$11,194,926	\$2,012,308	8.2	24
Full-Service Restaurants	\$342,091	\$0	\$342,091	100.0	0
Limited-Service Eating Places	\$742,480	\$1,167,042	(\$424,562)	(22.2)	5
Special Food Services	\$12,122,662	\$10,027,884	\$2,094,778	9.5	19

Note: All figures quoted in 2019 dollars. Supply (retail sales) estimates sales to consumers by establishments, sales to businesses are excluded. Demand (retail potential) estimates the expected amount spent by consumers at a retail establishment. Leakage/Surplus factor measures the relationship between supply and demand at ranges from +100 (total leakage) to -100 (total surplus). A positive value represents "leakage" of retail opportunity outside the trade area. A negative value represents a surplus of retail sales, a market where customers are drawn in from outside the trade area.

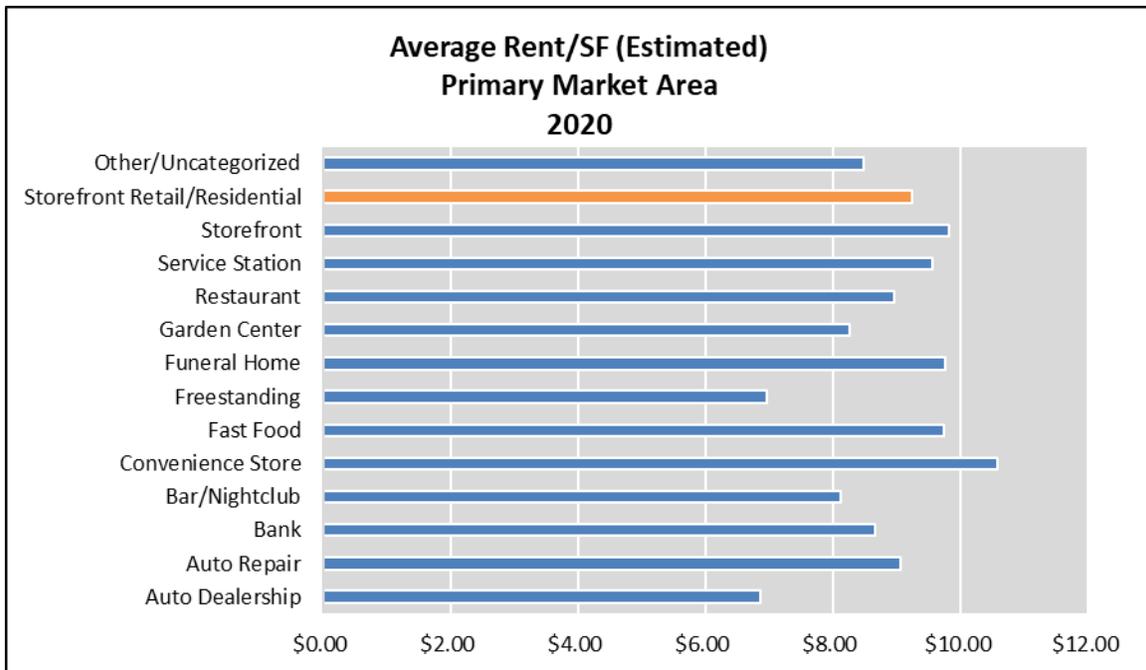
Sources: ESRI; Maxfield Research & Consulting, LLC

Retail Space in the PMA

Table C-4 presents data on Retail Space Characteristics by Type on commercial retail properties in the PMA. At the time of this study, there were no retail commercial listings posted, and based on conversations Maxfield Research and Consulting, LLC had with local realtors and public officials, most of the commercial transactions are unlisted. Data shown below therefore does not include current availability, which is estimated to be very low in the PMA. Because overall vacancy data is not centralized, absorption trends are unavailable. Similarly, rental rates are estimates, and are approximate. Data is from Costar, a real-estate news, marketing and data service. Information is deemed to be reliable, but not guaranteed.

The following are key points from Table C-3:

- The average rent per square foot for commercial retail space in the PMA is estimated to be \$7.90, with a low of \$5.16 and a high of \$13.89. Storefront/residential space ranged between \$7.30 and \$10.74, with an average of \$9.23 per square foot.
- Storefront Retail/Residential sizes ranged from 1,775 square feet to 12,612 square feet, with an average of 5,614 square feet. Overall, sizes ranged from 700 square feet to 162,000 square feet (Walmart), and averaged 8,685 square feet.



COMMERCIAL RETAIL ANALYSIS

TABLE C-4
RETAIL SPACE CHARACTERISTICS BY TYPE
PRIMARY MARKET AREA
FEBRUARY 2020

Type of Retail Space	Size Range		Average	Rent Range (Est.)		Avg. Rent Per
	Low	High	Size	Low	High	Square Foot
Auto Dealership	9,127	61,385	29,119	\$5.16	\$10.64	\$6.86
Auto Repair	1,661	5,272	3,347	\$7.25	\$10.74	\$9.07
Bank	8,166	22,440	11,220	\$7.31	\$10.54	\$8.65
Bar/Nightclub	3,570	3,570	3,570	\$7.31	\$8.93	\$8.12
Convenience Store	2,110	5,415	4,004	\$8.79	\$12.75	\$10.59
Fast Food	2,802	4,910	3,856	\$8.70	\$10.75	\$9.73
Freestanding	1,740	162,000	14,866	\$5.16	\$12.41	\$6.96
Funeral Home	3,898	3,898	3,898	\$8.79	\$10.75	\$9.77
Garden Center	1,448	1,448	1,448	\$7.43	\$9.09	\$8.26
Restaurant	3,600	7,497	5,839	\$7.43	\$10.74	\$8.95
Service Station	1,020	4,800	3,368	\$7.43	\$10.74	\$9.57
Storefront	700	9,480	2,808	\$7.31	\$13.89	\$9.82
Storefront Retail/Residential	1,775	12,612	5,614	\$7.30	\$10.74	\$9.23
Other/Uncategorized	2,376	63,225	17,754	\$7.20	\$10.74	\$8.48
Total	700	162,000	8,685	\$5.16	\$13.89	\$7.90

Notes: Data is from CoStar, and is considered to be reliable but not guaranteed. The majority of the commercial transactions in the PMA are unlisted, and as such, comprehensive data on those transactions is unavailable. Consequently, direct available square feet (vacant space) was unavailable, as are absorption trends over time, and rents are estimated.

Sources: CoStar; Maxfield Research and Consulting, LLC.

Planned, Proposed Residential and Commercial Developments

Maxfield Research interviewed planning staff members in communities in the Primary Market Area to identify housing developments under construction, planned, or pending. At the time of the study, there is one development under construction.

In total, there are five residential projects underway as of February 2020. Timber Pines Senior Living is currently under construction, with 103 units of service-based senior living. Elan shores has been proposed but has not been approved. These units would not be competitive with new general occupancy units at the subject site.

Hilltop Cottages is a Low-Income Housing Tax Credit (LIHTC) Project with 35 units that is slated to begin construction in early 2020. Two other general occupancy projects are proposed, including the former Feed Mill Site, which is the subject of this report, and housing units above Frandsen Bank. Both projects unit totals are too be determined and will not be included in demand calculations.

TABLE P-1 PROPOSED, PLANNED AND UNDER CONSTRUCTION COMMERCIAL AND HOUSING PROJECTS PINE CITY FEBRUARY 2020				
Project Name	Type	Address	Status	Notes
Residential Projects				
Timber Pines Senior Living	Senior Housing	1550 Northridge Drive NW	Under Construction	103 Units, continuum of care
Hilltop Cottages	General Occupancy	1345 8th St SW	Approved	LIHTC 35 units, TIF in progress, 2020 start
Former Feed Mill Site	General Occupancy	320 3rd St SE	Proposed	Subject site of this report
Frandsen Bank & Trust	General Occupancy	560 3rd Street	Proposed	Add apartments above bank
Elan Shores	Senior Housing	6 1st St SE	Proposed	60 unit senior CoC building.
Commercial Projects				
Don Julio	Commercial	1120 Hillside Ave	Under Construction	Opening in 2020
EZ Electrical Solutions	Commercial	Pine City Industrial Park	Planned	Manufacturing
Airport Road Hangar/Range	Commercial	Pine City Industrial Park	Planned	Commercial site once cleaned up
Sources: Pine City; Maxfield Research and Consulting, LLC				

Rental Housing Demand Analysis

Tables DMD-1 presents a calculation of market rate general occupancy rental housing demand for the Pine City Primary Market Area. This analysis identifies potential demand for rental housing that is generated from new households and turnover households.

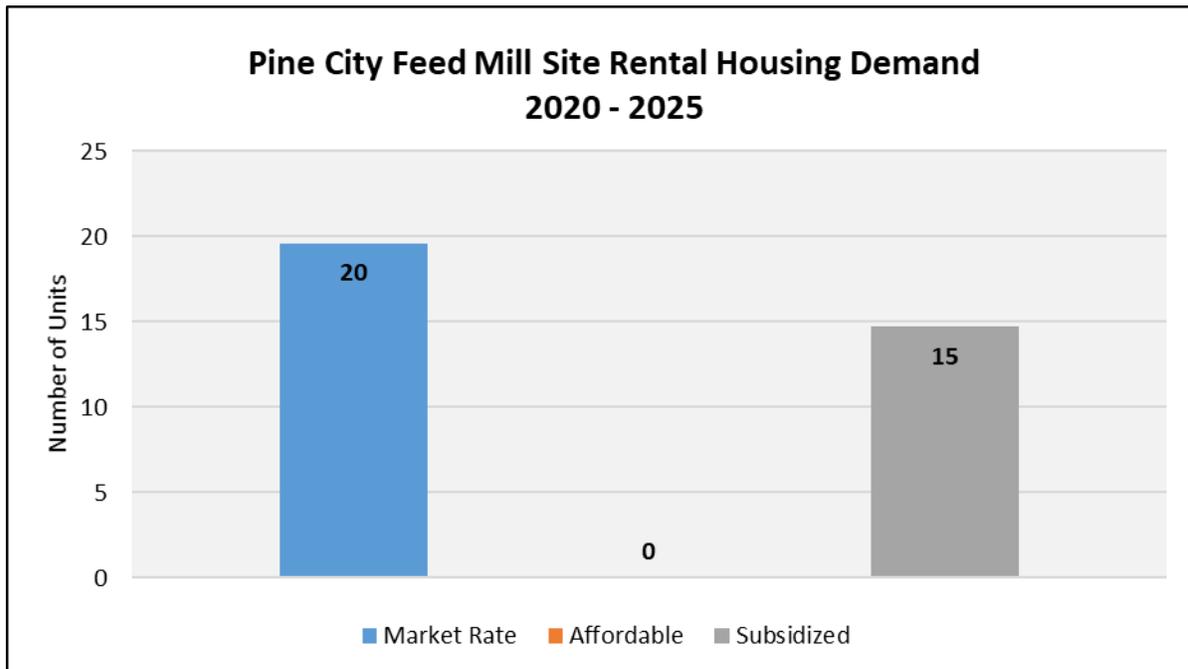
- According to our projections, the PMA household base is expected to decrease in the age groups under 65 between 2020 and 2025. Because the 65 and older cohort is typically not a target market for new general-occupancy market rate rental housing, we limit demand from household growth to only those households under age 65, if however, there are no senior rentals, some seniors may choose general occupancy rental housing.
- We identify the percentage of new households likely to rent their housing based on 2017 tenure data. The propensity to rent for new households is 18.8%. After adjusting household growth by renters, there is no organic growth to 2025 for renter households in the PMA.
- We calculate demand from existing households under age 65 in the Primary Market Area that are expected to turnover between 2020 and 2025. As of 2020, there are 547 renter households under age 65 in the PMA. Based on household turnover data from the 2017 American Community Survey, we estimate that 48.0% of these under-65 renter households will experience turnover between 2020 and 2025.
- We then estimate the percent of existing renter households turning over that would prefer to rent in a new rental development. Considering the age of the PMA's housing stock, we estimate that 20% of the households turning over in the PMA will desire new rental housing. This estimate results in demand from existing households for 52 new residential rental units between 2020 and 2025.
- We estimate that 25% of the total demand for new rental housing units in the PMA will come from people currently living outside of the PMA. As a result, we find demand for 70 renter households based on household growth and existing households alone between 2020 and 2025.
- Pine City is the largest draw in the PMA, but the subject site will not capture 100% of excess demand. Therefore, we apply a 70% capture rate to the Subject Site. This results in 49 units of rental housing demand capturable at the Site between 2020 and 2025.

DEMAND CALCULATIONS

TABLE DMD-1 DEMAND FOR ADDITIONAL RENTAL HOUSING PRIMARY MARKET AREA 2020 to 2025	
	Primary Market Area
DEMAND FROM NEW HOUSEHOLD GROWTH	
Household growth under age 65, 2020 to 2025	0
(times) % propensity to rent ¹	18.8%
(Equals) Number of potential renter hhds from new HH growth	0
(Equals) Demand from new household growth	0
DEMAND FROM EXISTING HOUSEHOLDS	
Total renter households under age 65, 2018	547
(times) % of renter turnover 2020-2025 ²	48.0%
(times) % desiring new rental housing	20.0%
(Equals) Demand from existing households	52
TOTAL MARKET DEMAND	
Total demand from new HH growth and turnover	52
(Plus) Demand from outside Primary Market Area	25.0%
(Equals) Total demand potential for rental housing	70
(Times) Percent Capturable in at Subject Site (%)	70%
(Equals) Total Number of Units Capturable at Subject Site	49
Percent Market Rate ³	40%
<i>Number</i>	20
(Minus) Planned and Pending Units at equilibrium	0
(Equals) Number of Market Rate Units Capturable at Subject Site	20
Percent Affordable ³	30%
<i>Number</i>	15
(Minus) Planned and Pending Units at equilibrium	33
(Equals) Number of Affordable Units Capturable at Subject Site	0
Percent Subsidized ³	30%
<i>Number</i>	15
(Minus) Planned and Pending Units at equilibrium	0
(Equals) Number of Subsidized Units Capturable at Subject Site	15
¹ Based on percent renter households under age 65 in 2017	
² Based on household turnover and mobility data (2017 American Community Survey, Five Year Estimates)	
³ Based on the pricing of current rental product and household incomes of area renters (i.e. excludes owner incomes)	
Source: Maxfield Research and Consulting, LLC.	

DEMAND CALCULATIONS

- Based on a review of renter household incomes and sizes and monthly rents at existing properties, we estimate that 40% of the total demand will be for market rate housing, while the remaining 60% of demand is split between affordable and subsidized units. Then, planned and pending and under construction units are subtracted from the total, to give the number of units capturable at the subject site. Hilltop Cottages is currently approved, with 35-units of affordable housing, which will satisfy demand for affordable units during this period.
- Between 2020 and 2025 we find excess demand at the subject site for 20 units of market rate rental housing, no affordable housing because Hilltop Cottages will satisfy demand for this period, and 15 units of subsidized housing.
- Affordable housing is broader term for housing that includes Low-Income Housing Tax Credit (LIHTC) projects, Workforce Housing projects, and generally income restricted housing that is shallow-subsidy. Figure 1 on page 61 shows the Area Median Income definitions and the associated income range. In Pine County the Area Median Income in 2019 is \$72,400 for a four-person household.



Retail Development Potential

Demand for additional retail space, measured in gross leasable space in square feet, is calculated in the tables on the following pages which combine demand information with supply to calculate the amount of retail space supportable in the Primary Market Area. Sources of data used in the calculations include the Maxfield Research and Consulting, LLC, ESRI, and the Urban Land Institute.

The demand calculation begins with household growth projections combined with an estimate of the total expenditures for retail goods and services by Market Area residents, excluding expenditures for automobiles, homes, finance and insurance, education, and travel. We anticipate that the primary source of demand for new retail space on the Site will be generated by household and consumer expenditure growth in the PMA. The following points summarize the retail demand methodology.

- As of 2020, there are an estimated 4,515 households in the PMA. The household base is projected to grow by 104 households between 2020 and 2025.
- Based on a review of consumer expenditure patterns in the PMA, PMA residents will spend an average of \$16,703 on retail goods and services in 2020.
- Because of growth in the household base and accounting for inflation, as well as projected increases in household income, PMA residents are expected to increase their overall retail expenditures from an estimated \$75.4 million in 2020 to \$82.7 million in 2025. Projected increases in households and annual expenditures will result in growth in retail expenditures by PMA residents of roughly \$7.2 million between 2020 and 2025.
- As of 2020, total leakage of retail expenditures (including food and drink) from the Trade Area is estimated to be at -19.8%, indicating a deficit of retail sales in the PMA. Incorporating the sales surplus into the total PMA expenditures results in purchasing power that will be retained in the PMA.
- Accounting for inflation, we anticipate that the average retail sales per square foot will increase from an estimated \$200 in 2020 to \$215 in 2025. The retail sales per square foot reflects an average across neighborhood shopping centers in the Midwest and is based on information published in the “Dollars & Cents of Shopping Centers” prepared by the International Council of Shopping Centers and the Urban Land Institute, with adjustments made by Maxfield Research and Consulting.

DEMAND CALCULATIONS

- Dividing purchasing power by average retail sales per square foot equates to total demand for about 450,976 square feet of retail space in the PMA in 2020, increasing to about 460,061 square feet in 2025, for a net gain of 9,085 square feet from 2020 to 2025.
- We anticipate that 85% of the demand for retail goods and services on the Site will come from households in the PMA and the remaining 15% will come from sources other than PMA households. Some of these sources include employees working at businesses establishments in the area and daily traffic on the surrounding road network.
- Adding in demand generated by sources other than PMA households results in potential demand for an estimated 10,668 square feet of new retail space in the PMA between 2020 and 2025.
- We estimate that the subject property could capture 20% of the total growth in retail demand in the PMA, resulting in demand for approximately 2,138 square feet of retail space on the Site between 2020 and 2025.

TABLE DMD-2 DEMAND FOR RETAIL SPACE RETAIL MARKET AREA 2020 to 2025		
	2020	2025
PMA Households	4,515	4,619
(times) Annual Household Expenditures ¹	x \$16,703	\$17,905
(equals) PMA Area Expenditures	= \$75,414,045	\$82,703,195
(plus) Approx. % Leakage Outside the PMA ²	+ -19.6%	-19.6%
(equals) Leakage Outside of PMA	= -\$14,781,153	-\$16,209,826
(equals) Total Purchasing Power	\$90,195,198	\$98,913,021
(divided by) Average sales per Sq. Ft.	/ \$200	\$215
(equals) Total Retail Space Demand (Sq. Ft.)	= 450,976	460,061
Growth in Retail Demand from PMA Households 2020 to 2025		9,085
(plus) Demand from outside PMA (15%) ³	+ 1,603	
(equals) Potential Demand for Retail Space (Sq. Ft.) in Pine City	= 10,688	
(times) % of Demand Growth Capturable on Site	x 20.0%	
(equals) Retail space supportable on Site (square feet)	= 2,138	
¹ Excluding expenditures for home buying, finance & insurance, travel, vehicle sales.		
² Leakage is the estimated amount of retail dollars spent outside the Primary Market Area.		
³ An estimated 15% of the demand will be generated by households from outside the PMA.		
Note: The leakage factor is derived from subtracting the estimated retail sales in the PMA from the total retail expenditures by PMA residents.		
Sources: ESRI; ULI; Maxfield Research & Consulting, LLC		

Permanent Supportive Housing Demand Potential

Table DMD-3 shows our calculation of demand for individual adults in the PMA. The table calculates demand from homeless households utilizing data from the American Community Survey, 2013-2017 figures, as well as ESRI data on household incomes.

- First, we estimate the number of new age and income qualified households, which is household growth in households under age 65 with incomes below the federal poverty level of \$12,760 for a single household in 2020 and estimated to be \$14,140 in 2025. Then, we multiply this figure by the number of households estimated to be living alone in the Primary Market Area, which was 28.5% in 2017, per the American Community Survey. There is forecast to be no growth among age, income and household type qualified households in the PMA between 2020 and 2025.
- Next, we apply the same calculations to existing households in the PMA. In 2020, we estimate that there are 270 age and income qualified households in the Primary Market Area. It is estimated that 48.0% of these households will experience turnover between 2020 and 2025, which equals 130 households. Then we multiply this figure by 28.5% to account for households living alone, which equals 37 households. A portion of demand will come from outside of the market area. We anticipate approximately 20% of demand for permanent supportive housing will be from households currently residing from outside the PMA, which brings demand to 44 units in the PMA.
- No single site can capture all of the excess demand in a given market. We estimate that the subject site could capture 30% of the excess demand for permanent supportive housing, or 13 units between 2020 and 2025.

DEMAND CALCULATIONS

TABLE DMD-3 ESTIMATED DEMAND FOR PERMANENT SUPPORTIVE HOUSING PRIMARY MARKET AREA 2020 to 2025		
Demand from Projected Household Growth		
Projected unit demand from new type and income qualified HHs, 2020 to 2025 ¹	=	0
(times) Estimated proportion of single-person adult households ²	x	28.5%
(equals) Total Existing Households that would be age and income-qualified	=	0
(plus) Additional demand from outside PMA ³	+	0
(equals) Projected demand for subject housing from household growth	=	0
Demand from Existing Renter Households		
Number of existing age and income-qualified HHs in Market Area in 2020 ¹	=	270
(times) Estimated % turnover between 2020 and 2025 ⁴	x	48.0%
(equals) Total Existing Households Projected to Turnover	=	130
(times) Estimated proportion of single-person adult households ²	x	28.5%
(equals) Total Existing Potential Households	=	37
(plus) Additional Demand from outside the Market Area (20%)	x	7
(equals) Projected demand for subject housing from existing households	=	44
Total Demand from Household Growth and Existing Single Households that are LTH, 2020 to 2025		
(equals) Demand from qualified base of existing and new households	=	44
(times) Estimated Capture Rate at Subject Site	x	30%
(equals) Demand Capturable at Subject Site	=	13
¹ Single adults with incomes below poverty threshold in 2019. Growth was calculated using ACS data (five-year estimates).		
² This figure is based on American Community Survey, 2013-2017.		
³ This figure is based on previous place of residence from American Community Survey, 2013-2017.		
⁴ We estimate that households attracted to the facility from outside of the PMA will be 20%.		
Source: Maxfield Research and Consulting, LLC		

CONCLUSIONS AND RECOMMENDATIONS

Recommended Development Concept

Based on the assessment of market rate rental housing in the PMA, including occupancy rates and the overall performance of comparable properties and new product, we find market support for additional market rate rental units in the PMA, as well as modest demand for commercial retail space. Additionally, demand was found for subsidized and permanent supportive housing. However, given the lack of funding to develop subsidized housing and permanent supportive housing, we are recommending two potential concepts, which are outlined on the following page: 1) a 10-unit townhome development on the site as is, or 2) a mixed-use development with market rate rental units and retail space at the subject site, if additional land could be secured to enlarge the site.

TABLE CR-1 DEMAND SUMMARY PRIMARY MARKET AREA MARCH 2020		
Type of Real Estate Product	PMA Demand	Subject Site Demand
Market Rate Rental	28	20
Affordable Rental	0	0
Subsidized Rental	21	15
Permanent Supportive Housing	44	13
Total Housing Units	93	48
Commercial Retail Space (in Sq. Ft.)	10,688	2,138

Source: Maxfield Research and Consulting, LCC

We understand the project would be located at 320 3rd St SE in Pine City, Minnesota. The proposed location is suitable for rental housing and commercial retail and should be well-received by prospective tenants and businesses. The subject site is approximately 0.68 acres (30,000 square feet), however the entire block is 2.13 acres (93,000 square feet). The adjacent *A Place for You* to the north encompasses three parcels and about 25,500 square feet that could be considered for redevelopment into the subject parcel.

As Table CR-1 indicated, the subject site could capture about 70% of the excess general occupancy housing demand in the PMA, combined results in 35 units in a mixed income development. Given the current site acreage of approximately 0.68 acres, a vertical multifamily concept would be needed to accommodate this demand. In addition, a parking structure would be required to accommodate parking minimums that would increase the development cost to the project. Given the current rent structures and development costs it would be financially

CONCLUSIONS AND RECOMMENDATIONS

difficult to cashflow a multifamily structure without substantial incentives and/or subsidies. Therefore, a lower density tuck-under townhome concept is recommended.

Table CR-2 presents a recommended unit mix, sizes and monthly rents for new market rate rental housing at the subject Site. There are two options presented, a 10-unit townhome concept and a 20-unit market rate concept that would incorporate the existing transitional housing units at “A Place for You”. We recommend that the proposed development target primarily young to mid-age professional singles and couples, as well as empty-nesters.

Our review of current market conditions in the PMA suggests that pricing and sizing for new construction rental townhomes or apartments would range as shown in Table CR-2. The proposed project should have rents competitive with or modestly higher than other new properties in the PMA. The building’s rents should reflect its location and in-unit features and building amenities.

We recommend two potential developments: the first concept is a 10-unit townhome development that would be constructed on the site as is. The second potential development would be a 20-unit mixed-use development, with all 20-units market rate general occupancy units. This second concept would also relocate the 10 existing beds at “A Place for You” in a separate wing with a separate entrance.

Although there is demand for retail space, the financial challenges of a first-floor retail component in a mixed-use development are difficult given the lease rate needed to cover development costs, and as such we do not recommend a retail component in either concept.

We believe that given that there were no vacant units among surveyed properties, either concept of market rate rental housing would be well received in the market.

Estimated rents in Table CR-1 are quoted in 2020 dollars. For the townhome concept, Maxfield Research recommends monthly rents range from \$1,050 to \$1,150 for two-bedroom units, \$1,250 to \$1,350 for three-bedroom units.

For the apartment concept, Maxfield Research recommends monthly rents range from \$850 to \$900 for one-bedroom units, \$950 to \$1,000 for two-bedroom units, \$1,150 to \$1,250 for three-bedroom units.

Rent premiums should be reviewed at the time of occupancy to ensure competitiveness with current market conditions. Finally, the recommended rents can be trended up by 1.5% annually prior to occupancy to account for inflation depending on overall market conditions.

CONCLUSIONS AND RECOMMENDATIONS

TABLE CR-2 RECOMMENDED PRICING, UNIT MIX AND SIZES PINE CITY GENERAL OCCUPANCY RENTAL MARCH 2020						
Unit Type	Unit Mix		Unit Sizes		Average Rent Range	Rent/SF
	No.	Pct.	Range	Avg.	Range	Range
Market Rate Townhome Concept on Subject site						
2BR	8	80.0%	950 - 1000	975	\$1,050 - \$1,150	\$1.11 - \$1.15
3BR	2	20.0%	1050 - 1100	1,075	\$1,250 - \$1,350	\$1.19 - \$1.23
Total/Average:	10	100%	950 - 1,100	995	\$1,140	Avg. = \$1.15
Market Rate Multifamily Concept if "A Place for You" Parcels are incorporated into project.						
1BR	6	30%	680 - 735	708	\$850 - \$900	\$1.22 - \$1.25
2BR	10	50%	840 - 900	870	\$950 - \$1,000	\$1.11 - \$1.13
3RB	4	20%	1,100 - 1,150	1,125	\$1,150 - \$1,250	\$1.05 - \$1.09
Total/Average:	20	100%	680 - 1,150	872	\$990	Avg. = \$1.13
The 10 beds currently at "A Place for You" are not included in the multifamily rent structure above, however, this assumes the 10 beds would be relocated into a component of the mixed use development.						
*Pricing is in 2020 dollars.						
Sources: Maxfield Research and Consulting LLC						

Newly constructed rental buildings are now requiring tenants to pay most, if not all of the utilities. We recommend the landlord provide professional management, grounds/common area maintenance and refuse removal.

The tenant should be responsible for heat, water/sewer, electricity and the following optional fees: telephone, cable or satellite television, and internet. Enclosed garage parking would be included with the tuck-under townhome development, while surface lot parking spots would be free.

CONCLUSIONS AND RECOMMENDATIONS

Suggested Features and Amenities

The following bullet points outline the recommended in-unit features and community amenities that should be incorporated into the proposed development. These recommendations mirror the features and amenities that are available at new construction rental apartments.

In-Unit Features

- Open floor plans with 9ft. ceilings and over-sized windows maximizing natural light;
- Individual climate-controlled heating with central air conditioning;
- Full stainless-steel kitchen appliance package including refrigerator, stove top/oven, dishwasher, and garbage disposal; microwave oven;
- Hardwood laminate flooring in kitchen and entry foyer or throughout the unit;
- In-unit washer/dryer (full-size stacked or side-by-side);
- Wired for high-speed Internet; recommend wireless system;
- Window treatments

Building Features & Amenities

The following building amenities are recommended for the subject development:

- Building security/surveillance system;
- Attractive entrance lobby/reception and waiting area;
- Package delivery system for residents;
- Trash & recycling room (each floor recommended);
- Extra storage (at additional monthly charge);

CONCLUSIONS AND RECOMMENDATIONS

Projected Absorption

Most new general occupancy rental projects in the Twin Cities had a pre-lease rate of about 25% with an average per month absorption of 10 to 12 units. We believe that units in Pine City would lease up at a slower rate, about 2 to 3 units per month. Based on the aforementioned fundamentals, a 10-unit townhomes could be expected to reach stabilized occupancy in 4 months, while the 20-unit apartment building would reach stabilized occupancy in 6 to 8 months.

The projected absorption rate assumes that the project would open for occupancy during the peak leasing season which begins in mid to late spring to allow for the maximum exposure to prospective renters and that an effective marketing campaign will be undertaken to generate awareness of the project. If the project comes on-line during the late fall or winter months, absorption will be slower, resulting in a slightly extended period from lease-up to stabilized occupancy.

The absorption of the commercial space is somewhat more open ended, however, given that the space would be new and well located, it would be leased within 12-months.

Additionally, should a substantial amount of additional product come online beyond what has been identified in this market analysis, the lease-up period would likely be extended.