March 6, 2018

## MEMORANDUM

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|---|---|
| TO: | Ms. Kate Thunstrom<br>**City of St. Francis** |
| FROM: | Mr. Daniel Gatchell<br>Mr. Matt Mullins<br>**Maxfield Research and Consulting, LLC** |
| RE: | Initial Market Assessment for Affordable and General Occupancy Market Rate Rental Housing in St. Francis, Minnesota |

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## Introduction/Purpose and Scope of Research

This memorandum contains an initial market assessment to evaluate the development potential for market rate rental and affordable general occupancy rental housing in St. Francis, Minnesota. Maxfield Research and Consulting, LLC (Maxfield Research) calculates demand for general occupancy rental housing based on 1) projected household growth, 2) turnover of existing households and 3) the amount of pending product in the surrounding market area.

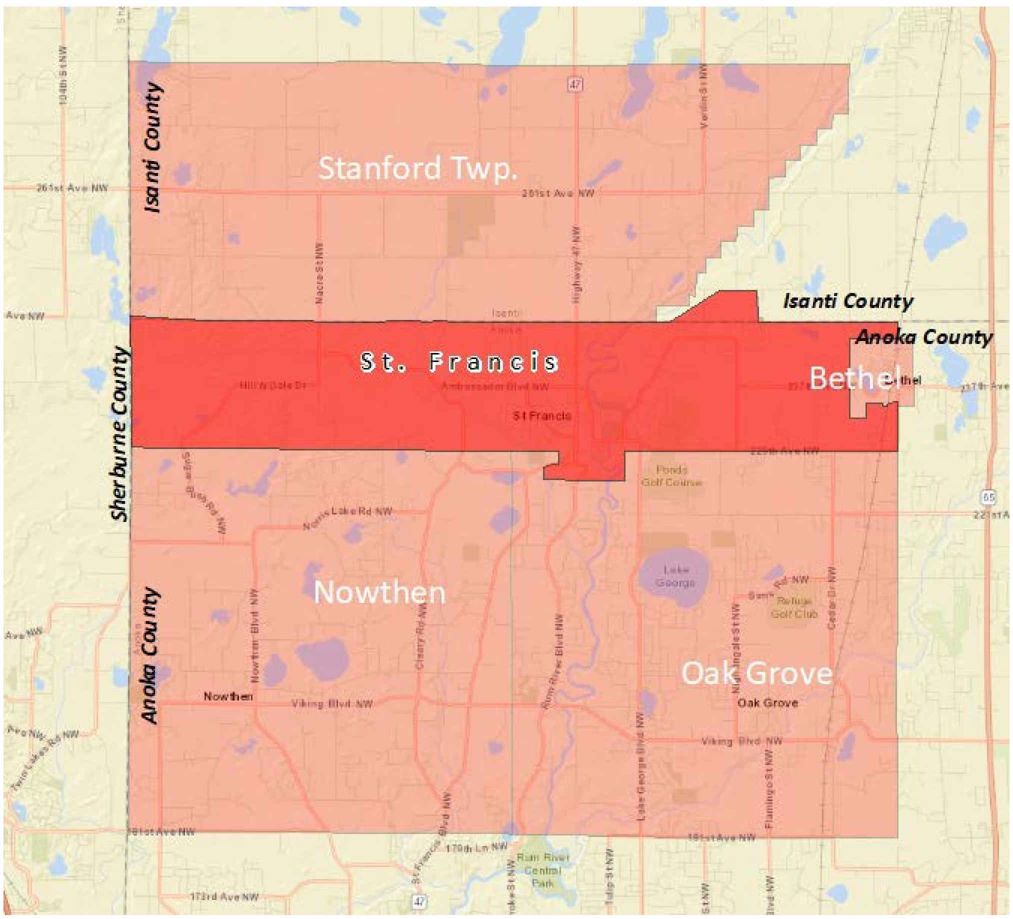
The scope of the study includes a demographic review of population and household growth trends, household income trends, household tenure, employment trends, an assessment of current market conditions for rental housing and a survey of newer market rate rental properties in the Market Area. Maxfield Research also inventoried pending developments in the surrounding area and provides an estimate of demand for additional market rate rental housing. The methodology used to calculate demand in this memorandum is proprietary to Maxfield Research but is consistent with methodologies used by analysts throughout the housing industry.

This report includes both primary and secondary research. Primary research includes interviews with rental property managers and data on existing and proposed rental properties. Secondary research is credited to the source when used, and is usually data from the U.S. Census or regional planning agencies. Secondary research is always used as a basis for analysis, and is carefully reviewed in light of other factors that may impact projections. All of the information on competitive rental housing projects and pending rental housing developments was gathered by Maxfield Research and is accurate to the best of our knowledge.

## Primary Market Area Definition

Maxfield Research determined the draw area for general occupancy rental housing in St. Francis based on geographic and man-made barriers, commuting and community orientation patterns, renter leasing patterns, and our general knowledge of rental housing draw areas. Considering these factors, we determined a Primary Market Area (PMA) including the Cities of St. Francis, Bethel, Nowthen and Oak Grove as well as the Township of Stanford.

**Primary Market Area**




We estimate that 75% of the demand for general occupancy rental housing will be generated from the PMA. The remaining portion of the demand (25%) will come from outside the defined PMA.

## Population and Household Growth Trends

Table 1 presents population and household growth trends in the Market Area from 2000 to 2025. The 2000 and 2010 population and household figures were obtained from the U.S. Census Bureau. The 2017 estimates and projections for 2022 and 2025 were based on estimates and forecasts made by ESRI Inc. (a nationally recognized demographics firm) and the Metropolitan Council with adjustments made by Maxfield Research to reflect proportional anticipated growth to 2025.

The following are key points from Table 1.

- As of 2010, the PMA contained 22,425 people and 7,695 households. Between 2000 and 2010, the population increased 24.9% (4,474 people) while the number of households expanded 31.8% (1,858 households). The proportional change in population was lower relative to new households suggesting a trend toward shrinking household sizes in the PMA and fewer people, on average, in each household.

- In the PMA, the average household size decreased from 3.08 in 2000 to 2.91 in 2010, a decrease of -5.5%. The trend toward declining household sizes reflects a general shift in demographic factors that favor smaller households, such as a declining proportion of married couple households with children.

- From 2000 to 2010, the St. Francis portion of the PMA's population increased 41.3% (2,108 people) and the number of households increased by 824 or 48.6%. The average household sizes in the St. Francis portion of the PMA experienced the same decrease, dropping from 3.01 people per household to 2.86 people in 2010.

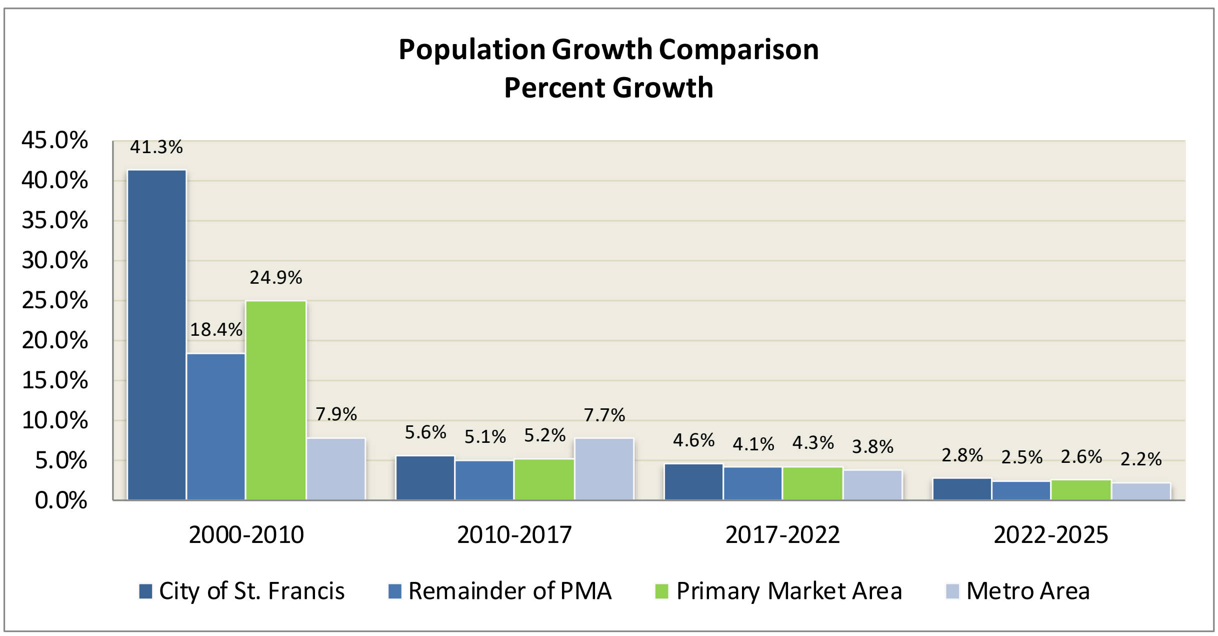
- We estimate that the PMA's population increased 5.2% to 23,599 between 2010 and 2017 (+1,174 people), while the number of households increased 5.6% to 8,124 (+429 households). The pace of growth escalated between 2010 and 2017 as the Metro Area pulled out of the Recession and experienced a surge in employment along with increased housing development.

- Between 2017 and 2025, the PMA is projected to add 1,647 people (+7.0%) and 584 households (+7.2%). The Metro Area is projected to experience 6.1% population growth and 9.6% household growth between 2017 and 2025.

**TABLE 1**
**POPULATION AND HOUSEHOLD GROWTH TRENDS AND PROJECTIONS**
**ST. FRANCIS MARKET AREA**
**2000 - 2025**

| | Census | | Estimate | Forecast | | Change 2000-2010 | | Change 2010-2022 | |
|---|---|---|---|---|---|---|---|---|---|
| | 2000 | 2010 | 2017 | 2022 | 2025 | No. | Pct. | No. | Pct. |
| **Population** | | | | | | | | | |
| City of St. Francis | 5,110 | 7,218 | 7,624 | 7,976 | 8,197 | 2,108 | 41.3% | 758 | 10.5% |
| *Remainder of PMA* | *12,841* | *15,207* | *15,975* | *16,636* | *17,049* | *2,366* | *18.4%* | *1,429* | *9.4%* |
| **Primary Market Area** | **17,951** | **22,425** | **23,599** | **24,612** | **25,246** | **4,474** | **24.9%** | **2,187** | **9.8%** |
| Twin Cities Metro Area* | 2,642,062 | 2,849,567 | 3,070,137 | 3,187,812 | 3,258,305 | 207,505 | 7.9% | 338,245 | 11.9% |
| **Households** | | | | | | | | | |
| City of St. Francis | 1,696 | 2,520 | 2,674 | 2,803 | 2,884 | 824 | 48.6% | 283 | 11.2% |
| *Remainder of PMA* | *4,141* | *5,175* | *5,450* | *5,680* | *5,824* | *1,034* | *25.0%* | *505* | *9.8%* |
| **Primary Market Area** | **5,837** | **7,695** | **8,124** | **8,483** | **8,708** | ***1,858*** | ***31.8%*** | **788** | **10.2%** |
| Twin Cities Metro Area* | 1,021,456 | 1,117,749 | 1,201,993 | 1,268,769 | 1,317,525 | *96,293* | *9.4%* | 151,020 | 13.5% |

*Includes the 7- County Area (Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties)
Sources: US Census Bureau; ESRI; Maxfield Research & Consulting, LLC




- Growth in the St. Francis portion of the PMA is projected to outpace the Remainder of the PMA, expanding by a total of 573 people (+7.5%) and 210 households (+7.9%) between 2017 and 2025. By comparison, the Remainder of the PMA is expected to experience 7.0% growth in population and 7.2% household growth.

## Age Distribution

The age distribution of a community's population helps in assessing 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 2 presents the age distribution of the Primary Market Area population from 2000 to 2022. Information from 2000 and 2010 is sourced from the U.S. Census. The 2017 estimates and projections for 2022 were calculated by Maxfield Research based on information from ESRI, a reputable national demographics firm. The following are key trends about the age distribution of the Market Area's population.

- In 2017, the largest adult cohort by age in the PMA was 45 to 54, totaling an estimated 3,852 people (16.3% of the total population), followed by the 55 to 64 age group with an estimated 3,233 people (13.7%) and the 35 to 44 age group with an estimated 3,214 people (13.6%).

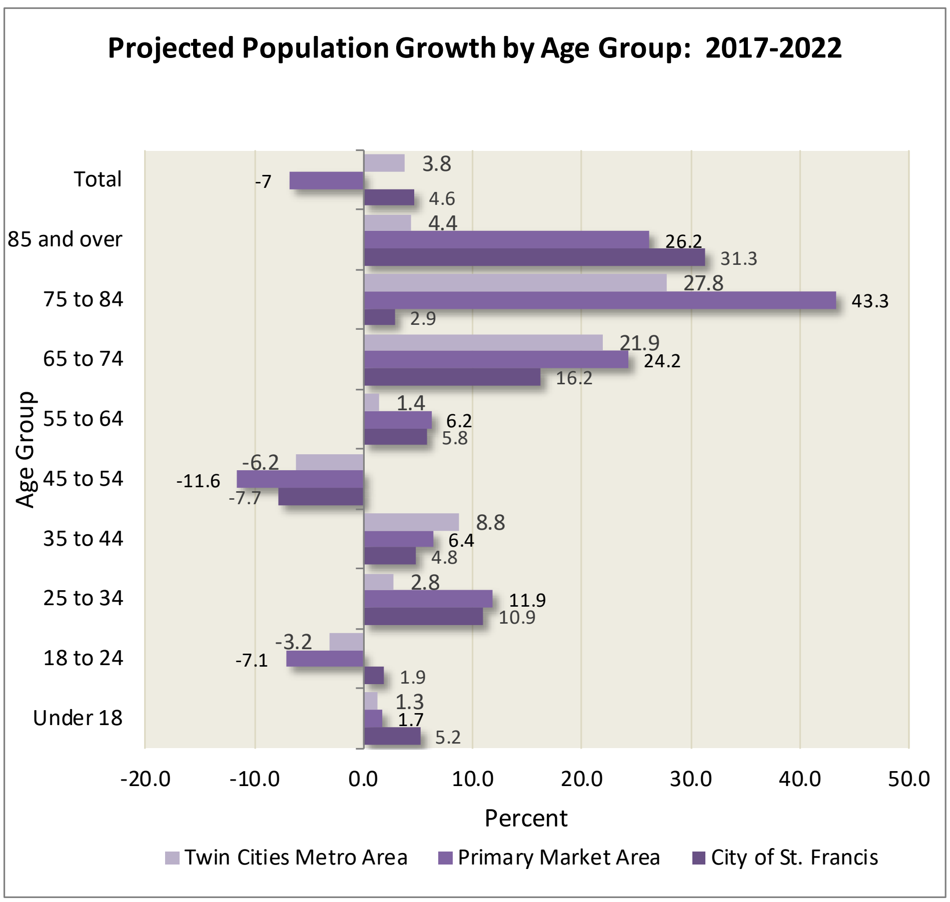


**TABLE 2**
**POPULATION AGE DISTRIBUTION**
**PRIMARY MARKET AREA**
**2000 to 2022**

| | Census | | Estimate | Projection | Change | | | |
|---|---|---|---|---|---|---|---|---|
| | 2000 | 2010 | 2017 | 2022 | 2000-2010 | | 2017-2022 | |
| Age | No. | No. | No. | No. | No. | Pct. | No. | Pct. |
| ***City of St. Francis*** | | | | | | | | |
| Under 18 | 1,730 | 2,336 | 2,257 | 2,374 | 606 | 35.0 | 117 | 5.2 |
| 18 to 24 | 462 | 541 | 584 | 595 | 79 | 17.1 | 11 | 1.9 |
| 25 to 34 | 959 | 1,149 | 1,173 | 1,301 | 190 | 19.8 | 128 | 10.9 |
| 35 to 44 | 869 | 1,222 | 1,181 | 1,238 | 353 | 40.6 | 57 | 4.8 |
| 45 to 54 | 456 | 963 | 1,072 | 989 | 507 | 111.2 | -83 | -7.7 |
| 55 to 64 | 263 | 540 | 761 | 805 | 277 | 105.3 | 44 | 5.8 |
| 65 to 74 | 107 | 312 | 390 | 453 | 205 | 191.6 | 63 | 16.2 |
| 75 to 84 | 53 | 129 | 174 | 179 | 76 | 143.4 | 5 | 2.9 |
| 85 and over | 11 | 26 | 32 | 42 | 15 | 136.4 | 10 | 31.3 |
| **Total** | **4,910** | **7,218** | **7,624** | **7,976** | **2,308** | **47.0** | **352** | **4.6** |
| ***Primary Market Area*** | | | | | | | | |
| Under 18 | 5,852 | 6,467 | 6,130 | 6,236 | 615 | 10.5 | 107 | 1.7 |
| 18 to 24 | 1,338 | 1,625 | 1,751 | 1,626 | 287 | 21.4 | -125 | -7.1 |
| 25 to 34 | 2,538 | 2,498 | 2,908 | 3,253 | -40 | -1.6 | 345 | 11.9 |
| 35 to 44 | 3,648 | 3,554 | 3,214 | 3,419 | -94 | -2.6 | 205 | 6.4 |
| 45 to 54 | 2,424 | 4,059 | 3,852 | 3,405 | 1,635 | 67.5 | -447 | -11.6 |
| 55 to 64 | 1,324 | 2,491 | 3,233 | 3,433 | 1,167 | 88.1 | 200 | 6.2 |
| 65 to 74 | 507 | 1,214 | 1,775 | 2,205 | 707 | 139.4 | 430 | 24.2 |
| 75 to 84 | 211 | 415 | 612 | 877 | 204 | 96.7 | 265 | 43.3 |
| 85 and over | 46 | 102 | 126 | 159 | 56 | 121.7 | 33 | 26.2 |
| **Total** | **17,888** | **22,425** | **23,599** | **24,612** | **4,537** | **25.4** | ***1,013*** | ***4.3*** |
| ***Twin Cities Metro Area*** | | | | | | | | |
| Under 18 | 697,534 | 725,965 | 737,038 | 746,970 | 28,431 | 4.1 | 9,932 | 1.3 |
| 18 to 24 | 244,226 | 238,457 | 255,791 | 247,717 | -5,769 | -2.4 | -8,074 | -3.2 |
| 25 to 34 | 411,155 | 420,311 | 443,631 | 455,898 | 9,156 | 2.2 | 12,267 | 2.8 |
| 35 to 44 | 469,324 | 391,324 | 406,476 | 442,118 | -78,000 | -16.6 | 35,642 | 8.8 |
| 45 to 54 | 363,592 | 440,753 | 413,846 | 388,257 | 77,161 | 21.2 | -25,590 | -6.2 |
| 55 to 64 | 200,980 | 326,007 | 398,393 | 404,151 | 125,027 | 62.2 | 5,758 | 1.4 |
| 65 to 74 | 130,615 | 163,425 | 246,832 | 300,953 | 32,810 | 25.1 | 54,121 | 21.9 |
| 75 to 84 | 90,292 | 97,442 | 112,148 | 143,308 | 7,150 | 7.9 | 31,159 | 27.8 |
| 85 and over | 34,338 | 45,883 | 55,981 | 58,439 | 11,545 | 33.6 | 2,459 | 4.4 |
| **Total** | **2,642,056** | **2,849,567** | **3,070,137** | **3,187,812** | **207,511** | **7.9** | ***117,675*** | ***3.8*** |

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

- The largest adult cohort in St. Francis was the 25 to 34 cohort at an estimated 1,173 people (15.4%). The 25 to 34 age cohort was also the largest age group in the Twin Cities Metro Area in 2017, representing 14.4% of the population.

- The most rapid growth is expected to occur among older adults in the Market Area. Aging of baby boomers led to an increase of 1,167 people (88.1%) in the 55 to 64 population in the PMA between 2000 and 2010. As this group ages, all cohorts age 65 or greater are expected to experience increases in the next five years and beyond, particularly the 75 to 84 age group which is projected to grow 43.3% in the PMA (265 people).

- The Market Area is expected to see a decline in the middle age cohorts between 2017 and 2022. The 45 to 54 age group is projected to decline -7.7% in St. Francis, -11.6% in the PMA and -6.2% in the Metro Area.

- The loss projected for the middle age population is a result of the comparatively small number of people who will move into this age group between 2017 and 2022, a phenomenon known as the "baby bust." The "baby bust" is often referred to the generation of children born between 1965 and 1980, an era when the United States birthrate dropped sharply.

- Although younger age groups have traditionally been drawn to rental housing, older adults between the ages of 45 and 64 are exhibiting a greater preference for rental housing due to shifting lifestyles. While the 45 to 54 age group is projected to contract over the next five years, the 55 to 64 cohort is projected to increase modestly by 6.2% (200 people) in the PMA.

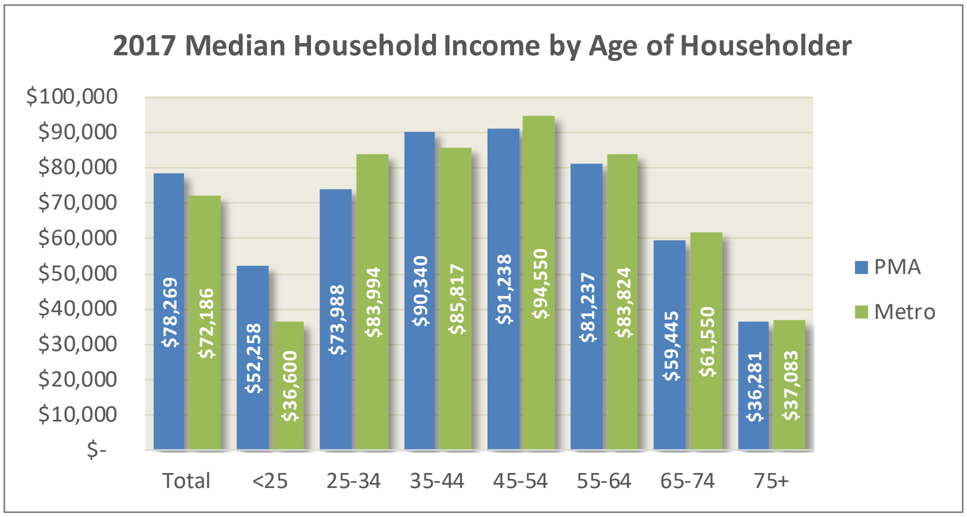
- The younger age groups have traditionally been drawn to rental housing and continue to exhibit the highest proportions of renters in the Twin Cities. In the PMA, the 25 to 34 age population is expected to increase 11.9% (345 people) between 2017 and 2022, while the 35 to 44 age group increases 6.4% (205 people) by 2022.

- Growth in the age 35 to 44 cohort is a result of the peak of the "echo boom" moving into this age group. Due to lifestyle and economic factors, a higher proportion of this age group now than in the past is likely to rent their housing for a longer period of time versus shifting over into the for-sale market.

## Household Income

Household income data is important when considering the ability of households to pay different rent levels. In general, housing costs of up to 30% of income are considered affordable by the Department of Housing and Urban Development (HUD). Table 3 presents data on household income by age of householder for the Primary Market Area in 2017 and 2022. The data is estimated by ESRI and adjusted by Maxfield Research to reflect the most current local household estimates and projections. The following are key points.

- In 2017, the median household income was estimated to be $78,269 in the PMA, 8.4% higher than the median income of $72,186 in the Twin Cities Metro Area. As households age through the lifecycle, household incomes tend to peak in their late 40s and early 50s. This trend is evident in the Market Area as the age 45 to 54 cohort has the highest estimated income at $91,238 in the PMA and $94,550 in the Metro Area.




- The median income in the PMA is expected to increase 8.8% over the next five years to $85,132 in the PMA compared to 10.0% growth in the Metro Area. The average annual increase between 2017 and 2022 in the PMA (1.8%) is expected to be slightly lower than the historical annual inflation rate of 2.0% over the past ten years.

- Rental housing often targets younger renter households. The median household income in the PMA is $52,258 for the under-25 age group and $73,988 for the 25 to 34 age group. Households earning the median income for these cohorts could afford monthly housing costs estimated at $1,306 and $1,850, respectively. Households in the 35 to 44 age group that may delay buying a home could afford a monthly rent of $2,259 based on the median household income of $90,340.

- Based on average pricing of $647 for one-bedroom units in the competitive set of newer rental properties in the PMA, a household will need to have an annual income of roughly $26,000 or greater to not exceed 30% of its monthly income on housing costs. In 2017, approximately 7,371 PMA households are estimated to have incomes of at least $26,000. By 2022, total income-qualified households are projected to increase to 7,707 households after accounting for inflation.

**TABLE 3**
**HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER**
**PRIMARY MARKET AREA**
**2017 & 2022**

| | | Age of Householder | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **Total** | **Under 25** | **25-34** | **35-44** | **45-54** | **55-64** | **65 -74** | **75+** |
| **2017** | | | | | | | | |
| Less than $15,000 | 372 | 11 | 38 | 45 | 52 | 96 | 79 | 51 |
| $15,000 to $24,999 | 382 | 12 | 38 | 48 | 51 | 71 | 90 | 72 |
| $25,000 to $34,999 | 520 | 14 | 75 | 73 | 87 | 104 | 84 | 83 |
| $35,000 to $49,999 | 1,026 | 37 | 151 | 153 | 193 | 203 | 177 | 113 |
| $50,000 to $74,999 | 1,523 | 39 | 273 | 267 | 356 | 308 | 204 | 77 |
| $75,000 to $99,999 | 1,387 | 24 | 241 | 295 | 380 | 278 | 153 | 17 |
| $100,000 to $149,999 | 1,937 | 15 | 241 | 457 | 560 | 446 | 197 | 22 |
| $150,000 to $199,999 | 631 | 4 | 54 | 149 | 230 | 141 | 47 | 6 |
| $200,000+ | 347 | 3 | 24 | 90 | 115 | 91 | 23 | 1 |
| **Total** | **8,124** | **159** | **1,134** | **1,576** | **2,023** | **1,737** | **1,053** | **442** |
| *Median Income* | *$78,269* | *$52,258* | *$73,988* | *$90,340* | *$91,238* | *$81,237* | *$59,445* | *$36,281* |
| **2022** | | | | | | | | |
| Less than $15,000 | 393 | 12 | 42 | 48 | 42 | 88 | 95 | 66 |
| $15,000 to $24,999 | 384 | 12 | 38 | 40 | 35 | 64 | 99 | 96 |
| $25,000 to $34,999 | 492 | 12 | 72 | 64 | 62 | 91 | 89 | 102 |
| $35,000 to $49,999 | 965 | 35 | 144 | 130 | 139 | 173 | 192 | 152 |
| $50,000 to $74,999 | 1,363 | 36 | 255 | 238 | 246 | 269 | 216 | 103 |
| $75,000 to $99,999 | 1,343 | 24 | 259 | 282 | 302 | 272 | 179 | 25 |
| $100,000 to $149,999 | 2,280 | 16 | 321 | 537 | 547 | 531 | 288 | 40 |
| $150,000 to $199,999 | 804 | 6 | 80 | 188 | 247 | 192 | 79 | 12 |
| $200,000+ | 460 | 5 | 34 | 118 | 137 | 123 | 41 | 2 |
| **Total** | **8,483** | **158** | **1,245** | **1,645** | **1,757** | **1,803** | **1,278** | **598** |
| *Median Income* | *$85,132* | *$53,799* | *$80,194* | *$100,990* | *$102,693* | *$93,653* | *$67,198* | *$37,352* |
| **Change - 2017 to 2022** | | | | | | | | |
| Less than $15,000 | 21 | 1 | 4 | 3 | -10 | -8 | 16 | 15 |
| $15,000 to $24,999 | 2 | 0 | 0 | -8 | -16 | -7 | 9 | 24 |
| $25,000 to $34,999 | -28 | -2 | -3 | -9 | -25 | -13 | 5 | 19 |
| $35,000 to $49,999 | -61 | -2 | -7 | -23 | -54 | -30 | 15 | 39 |
| $50,000 to $74,999 | -160 | -3 | -18 | -29 | -110 | -39 | 12 | 26 |
| $75,000 to $99,999 | -44 | 0 | 18 | -13 | -78 | -6 | 26 | 8 |
| $100,000 to $149,999 | 343 | 1 | 80 | 80 | -13 | 85 | 91 | 18 |
| $150,000 to $199,999 | 173 | 2 | 26 | 39 | 17 | 51 | 32 | 6 |
| $200,000+ | 113 | 2 | 10 | 28 | 22 | 32 | 18 | 1 |
| **Total** | **359** | **-1** | **111** | **69** | **-266** | **66** | **224** | **156** |
| *Median Income* | *$6,863* | *$1,541* | *$6,206* | *$10,650* | *$11,455* | *$12,416* | *$7,753* | *$1,071* |

Sources: ESRI; Maxfield Research and Consulting LLC

- Households between the ages of 20 and 35 are most likely to rent their housing, although there is a growing group of households over age 35 that are choosing to rent for lifestyle reasons, including a higher proportion of households age 55 to 64. In 2017, 43% of households under age 25 and 64% of households age 25 to 34 in the PMA are estimated to have incomes of at least $60,000. Because younger householders are often willing to live with roommates, the percent income-qualified is likely slightly higher.

## Tenure by Household Income

Table 4 shows household tenure by income for St. Francis and the Market Area in 2016. Data is an estimate from the American Community Survey. Household tenure information is important to assess the propensity for owner-occupied or renter-occupied housing options based on household affordability. The Department of Housing and Urban Development determines affordable housing as not exceeding 30% of the household's income. The higher the income, the lower percentage a household typically allocates to housing. Many lower income households, as well as many young and senior households spend more than 30% of their income, while middle-aged households in their prime earning years typically allocate 20% to 25% of their income.

**TABLE 4**
**TENURE BY HOUSEHOLD INCOME**
**PRIMARY MARKET AREA**
**2016**

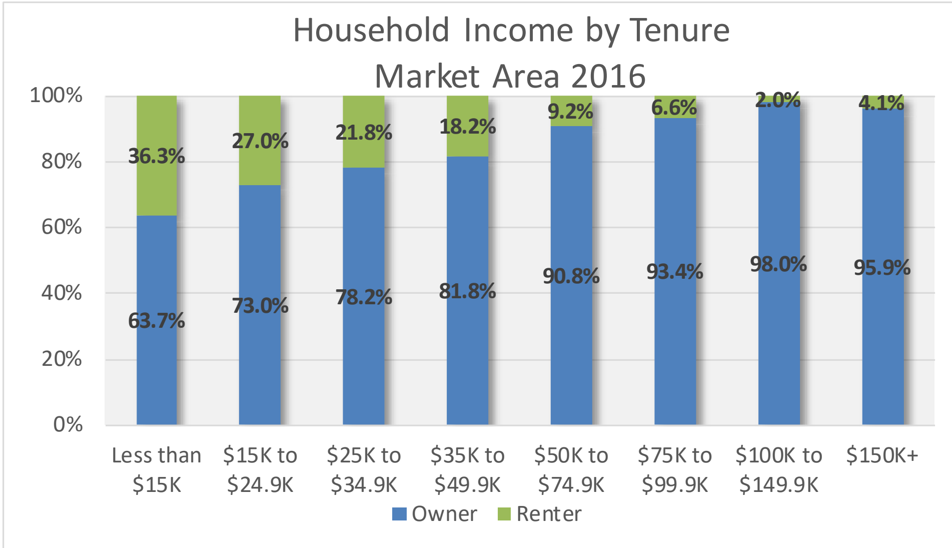
| | CITY OF ST. FRANCIS | | | | PMA | | | | TWIN CIITES METRO | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Income | Owner-Occupied | Pct. | Renter-Occupied | Pct. | Owner-Occupied | Pct. | Renter-Occupied | Pct. | Owner-Occupied | Pct. | Renter-Occupied | Pct. |
| Less than $15,000 | 76 | 44.7% | 94 | 55.3% | 218 | 63.7% | 124 | 36.3% | 26,058 | 27.4% | 68,872 | 72.6% |
| $15,000 to $24,999 | 140 | 74.9% | 47 | 25.1% | 309 | 73.0% | 114 | 27.0% | 34,787 | 39.2% | 53,892 | 60.8% |
| $25,000 to $34,999 | 95 | 61.3% | 60 | 38.7% | 265 | 78.2% | 74 | 21.8% | 42,640 | 47.9% | 46,341 | 52.1% |
| $35,000 to $49,999 | 271 | 75.9% | 86 | 24.1% | 789 | 81.8% | 175 | 18.2% | 75,289 | 56.0% | 59,044 | 44.0% |
| $50,000 to $74,999 | 390 | 84.4% | 72 | 15.6% | 1,388 | 90.8% | 140 | 9.2% | 135,355 | 67.0% | 66,809 | 33.0% |
| $75,000 to $99,999 | 442 | 90.8% | 45 | 9.2% | 1,383 | 93.4% | 97 | 6.6% | 124,601 | 77.9% | 35,272 | 22.1% |
| $100,000 to $149,999 | 581 | 98% | 14 | 2.4% | 1,918 | 98.0% | 39 | 2.0% | 177,966 | 86.5% | 27,796 | 13.5% |
| $150,000+ | 167 | 94.9% | 9 | 5.1% | 848 | 95.9% | 36 | 4.1% | 170,547 | 93.3% | 12,272 | 6.7% |
| **Total** | **2,162** | **83.5%** | **427** | **16.5%** | **7,118** | **89.9%** | **799** | **10.1%** | **787,243** | **68.0%** | **370,298** | **32.0%** |
| **Median Household Income** | **$78,917** | | **$39,236** | | **$82,584** | | **$41,043** | | **$92,375** | | **$41,668** | |

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

- Typically, as income increases, so does the rate of homeownership. This can be seen in the Market Area, where the homeownership rate increases from 63.7% of households with incomes below $15,000 to 97.4% of households with incomes above $100,000.

- In 2016, the median incomes of owners was $78,917 while the median incomes of renters was $39,236 in St. Francis. Higher homeownership rates and household incomes in the Remainder of the Market Area reflect the rural character outside of St. Francis.

- A portion of renter households that are referred to as lifestyle renters, or those who are financially-able to own but choose to rent, have household incomes of $50,000 or more (about 39% of the Market Area's renters in 2016). Households with incomes below $15,000 are typically a market for deep subsidy rental housing (about 36% of the Market Area's renters in 2016).




## Rent and Income Limits

Table 5 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 Twin Cities Metro Area Counties. These incomes are published and revised annually by the Department of Housing and Urban Development (HUD) and also published separately by the Minnesota Housing Finance Agency based on the date the project was placed into service. Fair market rent is the amount needed to pay gross monthly rent at modest rental housing in a given area. This table is used as a basis for determining the payment standard amount used to calculate the maximum monthly subsidy for families at financially assisted housing.

**TABLE 5**
**HUD INCOME AND RENT LIMITS**
**TWIN CITIES METRO AREA - 2017**

| | Income Limits by Household Size | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **1 pph** | **2 phh** | **3 phh** | **4 phh** | **5 phh** | **6 phh** | **7 phh** | **8 phh** |
| 30% of median | $18,990 | $21,720 | $24,420 | $27,120 | $29,310 | $31,470 | $33,630 | $35,820 |
| 50% of median | $31,650 | $36,200 | $40,700 | $45,200 | $48,850 | $52,450 | $56,050 | $59,700 |
| 60% of median | $37,980 | $43,440 | $48,840 | $54,240 | $58,620 | $62,940 | $67,260 | $71,640 |
| 80% of median | $50,640 | $57,920 | $65,120 | $72,320 | $78,160 | $83,920 | $89,680 | $95,520 |
| 100% of median | $63,300 | $72,400 | $81,400 | $90,400 | $97,700 | $104,900 | $112,100 | $119,400 |
| 120% of median | $75,960 | $86,880 | $97,680 | $108,480 | $117,240 | $125,880 | $134,520 | $143,280 |

| | Maximum Gross Rent | | | | |
|---|---|---|---|---|---|
| | **EFF** | **1BR** | **2BR** | **3BR** | **4BR** |
| 30% of median | $474 | $543 | $610 | $678 | $732 |
| 50% of median | $791 | $905 | $1,017 | $1,130 | $1,221 |
| 60% of median | $949 | $1,086 | $1,221 | $1,356 | $1,465 |
| 80% of median | $1,266 | $1,448 | $1,628 | $1,808 | $1,954 |
| 100% of median | $1,582 | $1,810 | $2,035 | $2,260 | $2,442 |
| 120% of median | $1,899 | $2,172 | $2,442 | $2,712 | $2,931 |

| | Fair Market Rent | | | | |
|---|---|---|---|---|---|
| | **EFF** | **1BR** | **2BR** | **3BR** | **4BR** |
| Fair Market Rent | $699 | $862 | $1,086 | $1,538 | $1,799 |

Sources: HUD, Novogradac, Maxfield Research and Consulting LLC

Table 6 shows the maximum rents by household size and AMI based on income limits illustrated in Table 5. The rents on Table 5 are based on HUD's allocation that monthly rents should not exceed 30% of income. In addition, the table reflects maximum household size based on HUD guidelines of number of persons per unit. For each additional bedroom, the maximum household size increases by two persons.

## Household Tenure

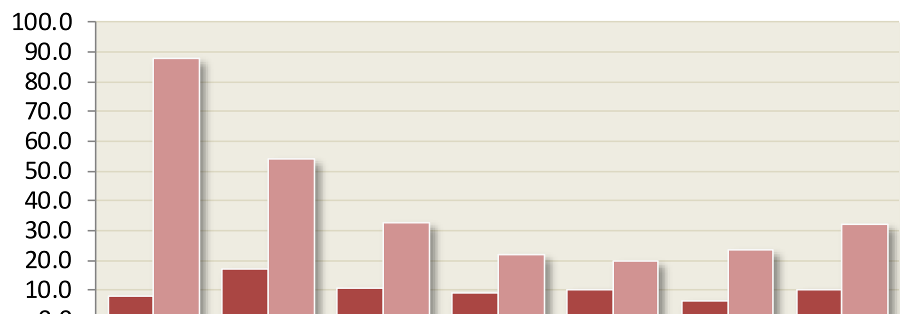
Table 7 on the following page shows household tenure by age of householder for the PMA and the Metro Area in 2010 and 2016. Data for 2010 is obtained from the Decennial Census, while the 2016 data is an estimate from the 2012-2016 American Community Survey. The table shows the number and percent of renter- and owner-occupied housing units in the Market Area. All data excludes unoccupied units and group quarters such as dormitories and nursing homes. Household tenure information is important in understanding households' preferences to rent or own their housing. In addition to preferences, contributing factors include mortgage interest rates, household age, and lifestyle considerations, among others.

- In the PMA, 10.1% of all households rented in 2016, giving it a rental rate that was lower than the the Metro Area (32% of households rented in 2016). Within the prime ownership years (35 to 64), 90.2% of households in the PMA owned in 2016, higher than 76% in the Metro Area.

- Typically, the youngest and oldest households rent their housing in greater proportions than middle-age households. This pattern is apparent among the younger Market Area households as a higher percentage 16.3% of the population under the age of 35 rents in the PMA as compared to 9.1% of ages 35+ that rent in the PMA. In the Metro area, 60% of Metro Area householders under the age of 35 rent.

- Roughly 7.8% of households under age 25 rented in the PMA in 2016 while 17.1% of households age 25 to 34 rented. These percentages are higher than the Metro Area which had 88% of households under age 25 and 54% of age 25 to 34 households renting in 2016.

**Household Tenure by Age of Householder**
**Percentage of Renters in 2016**



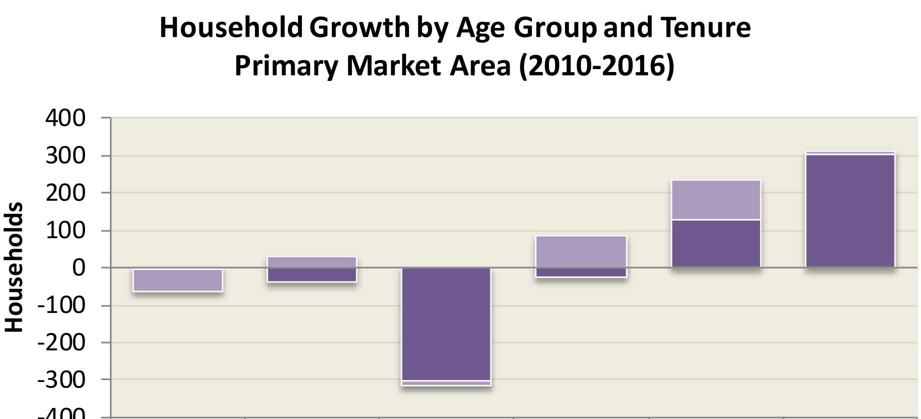

| | Under 25 | 25-34 | 35-44 | 45-54 | 55-64 | 65 + | Total |
|---|---|---|---|---|---|---|---|
| PMA | 7.8 | 17.1 | 10.6 | 9.2 | 9.9 | 6.2 | 10.1 |
| Metro | 88.0 | 54.0 | 32.5 | 21.9 | 19.5 | 23.5 | 32.0 |

**TABLE 7**
**TENURE BY AGE OF HOUSEHOLDER**
**PRIMARY MARKET AREA**
**2010 and 2016**

| | | Primary Market Area | | | | Twin Cities Metro Area | | | |
|---|---|---|---|---|---|---|---|---|---|
| | | 2010 | | 2016 | | 2010 | | 2016 | |
| **Age** | | No. | Pct. | No. | Pct. | No. | Pct. | No. | Pct. |
| **15-24** | Own | 98 | 59.8 | 94 | 92.2 | 7,947 | 16.0 | 5,094 | 12.0 |
| | Rent | 66 | 40.2 | 8 | 7.8 | 41,789 | 84.0 | 37,518 | 88.0 |
| | **Total** | **164** | **100.0** | **102** | **100.0** | **49,736** | **100.0** | **42,612** | **100.0** |
| **25-34** | Own | 893 | 85.8 | 857 | 82.9 | 102,236 | 50.6 | 97,272 | 46.0 |
| | Rent | 148 | 14.2 | 177 | 17.1 | 99,716 | 49.4 | 113,996 | 54.0 |
| | **Total** | **1,041** | **100.0** | **1,034** | **100.0** | **201,952** | **100.0** | **211,268** | **100.0** |
| **35-44** | Own | 1,625 | 90.5 | 1,324 | 89.4 | 154,678 | 72.3 | 141,851 | 67.5 |
| | Rent | 170 | 9.5 | 157 | 10.6 | 59,303 | 27.7 | 68,381 | 32.5 |
| | **Total** | **1,795** | **100.0** | **1,481** | **100.0** | **213,981** | **100.0** | **210,232** | **100.0** |
| **45-54** | Own | 2,096 | 94.4 | 2,072 | 90.8 | 202,404 | 79.8 | 187,902 | 78.1 |
| | Rent | 125 | 5.6 | 209 | 9.2 | 51,379 | 20.2 | 52,796 | 21.9 |
| | **Total** | **2,221** | **100.0** | **2,281** | **100.0** | **253,783** | **100.0** | **240,698** | **100.0** |
| **55-64** | Own | 1,345 | 96.1 | 1,472 | 90.1 | 162,595 | 82.6 | 177,726 | 80.5 |
| | Rent | 54 | 3.9 | 162 | 9.9 | 34,355 | 17.4 | 43,185 | 19.5 |
| | **Total** | **1,399** | **100.0** | **1,634** | **100.0** | **196,950** | **100.0** | **220,911** | **100.0** |
| **65-74** | Own | 712 | 94.6 | 882 | 95.8 | 85,347 | 82.6 | 106,028 | 82.3 |
| | Rent | 41 | 5.4 | 39 | 4.2 | 17,998 | 17.4 | 22,791 | 17.7 |
| | **Total** | **753** | **100.0** | **921** | **100.0** | **103,345** | **100.0** | **128,819** | **100.0** |
| **75-84** | Own | 236 | 90.4 | 315 | 88.5 | 50,083 | 75.6 | 51,696 | 76.1 |
| | Rent | 25 | 9.6 | 41 | 11.5 | 16,185 | 24.4 | 16,235 | 23.9 |
| | **Total** | **261** | **100.0** | **356** | **100.0** | **66,268** | **100.0** | **67,931** | **100.0** |
| **85+** | Own | 48 | 78.7 | 102 | 94.4 | 17,185 | 54.2 | 19,674 | 56.1 |
| | Rent | 13 | 21.3 | 6 | 5.6 | 14,549 | 45.8 | 15,396 | 43.9 |
| | **Total** | **61** | **100.0** | **108** | **100.0** | **31,734** | **100.0** | **35,070** | **100.0** |
| **TOTAL** | Own | 7,053 | 91.7 | 7,118 | 89.9 | 782,475 | 70.0 | 787,243 | 68.0 |
| | Rent | 642 | 8.3 | 799 | 10.1 | 335,274 | 30.0 | 370,298 | 32.0 |
| | **Total** | **7,695** | **100.0** | **7,917** | **100.0** | **1,117,749** | **100.0** | **1,157,541** | **100.0** |

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

- The number of PMA renter households increased overall between 2010 and 2016. Households under 25, 35 to 44, 65 to 74, and 85+ saw declines in renter households. The total number of renter households residing in the PMA grew by an estimated 157 households, an increase of 24.5%. By comparison, the number of owner-occupied households in the PMA increased by 0.9% (+65 households) between 2010 and 2016.




| | Under 25 | 25-34 | 35-44 | 45-54 | 55-64 | 65+ |
|---|---|---|---|---|---|---|
| Rent | -58 | 29 | -13 | 84 | 108 | 7 |
| Own | -4 | -36 | -301 | -24 | 127 | 303 |

- The largest overall increase occurred in the 55 to 64 age group in the PMA, as 108 renter households were added (200%) and the number of owner households expanded 9.4% (127 households).

- Substantial renter household growth also occurred in the 45 to 54 cohort with the addition of 84 renter households (67.2%).

## Employment Trends

Employment characteristics are an important component in assessing housing needs in any given market area. These trends are important to consider since employment growth often fuels household growth. Typically, households prefer to live near work for convenience, which is a primary factor in choosing a housing location. This preference is particularly true among renters. Young adults entering the workforce, a primary target market for rental housing, often place great value on living near employment, education, shopping, and entertainment.

### <u>Employment Growth</u>

Table 8 on the following page shows employment growth trends and projections from 2000 to 2025 based on the most recent information available from the Minnesota Department of Employment and Economic Development (DEED). Data for 2000, 2005, 2010, and 2016 represents the annual average employment for that year. Employment projections for 2020 and 2025 are based on data provided by Metropolitan Council and projected job growth trends.

**TABLE 8**
**EMPLOYMENT GROWTH TRENDS AND PROJECTIONS**
**PRIMARY MARKET AREA**
**2000-2025**

| | | | | | Projection | Forcast | Change | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | | | | 2000-2010 | | 2010-2016 | | 2010-2020 | |
| | 2000 | 2005 | 2010 | 2016 | 2020 | 2025 | No. | Pct. | No. | Pct. | No. | Pct. |
| **St. Francis** | **1,135** | **1,517** | **1,504** | **1,533** | **2,200** | **2,299** | **369** | **32.5** | **29** | **1.9** | **696** | **46.3** |
| **Primary Market Area** | **2,144** | **3,054** | **3,236** | **3,638** | **4,399** | **4,748** | **1,092** | **50.9** | **402** | **12.4** | **1,163** | **35.9** |
| *Twin Cities Metro Area* [1] | *1,600,741* | *1,593,962* | *1,543,872* | *1,704,925* | *1,828,000* | *1,869,000* | *-56,869* | *-3.6* | *161,053* | *10.4* | *284,128* | *18.4* |

[1] MN DEED EDR 11 - 7 County Twin Cities; 2020 projection from Metropolitan Council

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

As employment growth fuels household growth, employment trends are a reliable indicator of housing demand. Typically, households prefer to live near work for convenience. However, housing is often less expensive in smaller towns, making commuting from outlying communities to work in larger employment centers attractive for households concerned about housing affordability. Employment growth is also tied strongly to transportation access.

- In 2000, there were 2,144 reported jobs in the PMA, 1,135 of which were located in St. Francis. Employment in the PMA grew by 50.9 between 2000 and 2010, while St. Franc increased employment by 369 jobs (32.5%) during the same period.

- Data from the Quarterly Census of Employment and Wages indicates that employment in the PMA expanded 12.4% (402 jobs) between 2010 and 2016. St. Francis gained 29 jobs (1.9%) between 2010 and 2016.

- Job growth is expected in the PMA from 2016 to 2020. The PMA is projected to experience a 20.9% gain by 2020 (761 jobs). It is expected that many of these jobs (667 jobs) will occur in St. Francis which is projected to experience a 43.5% gain in jobs between 2016 and 2020.

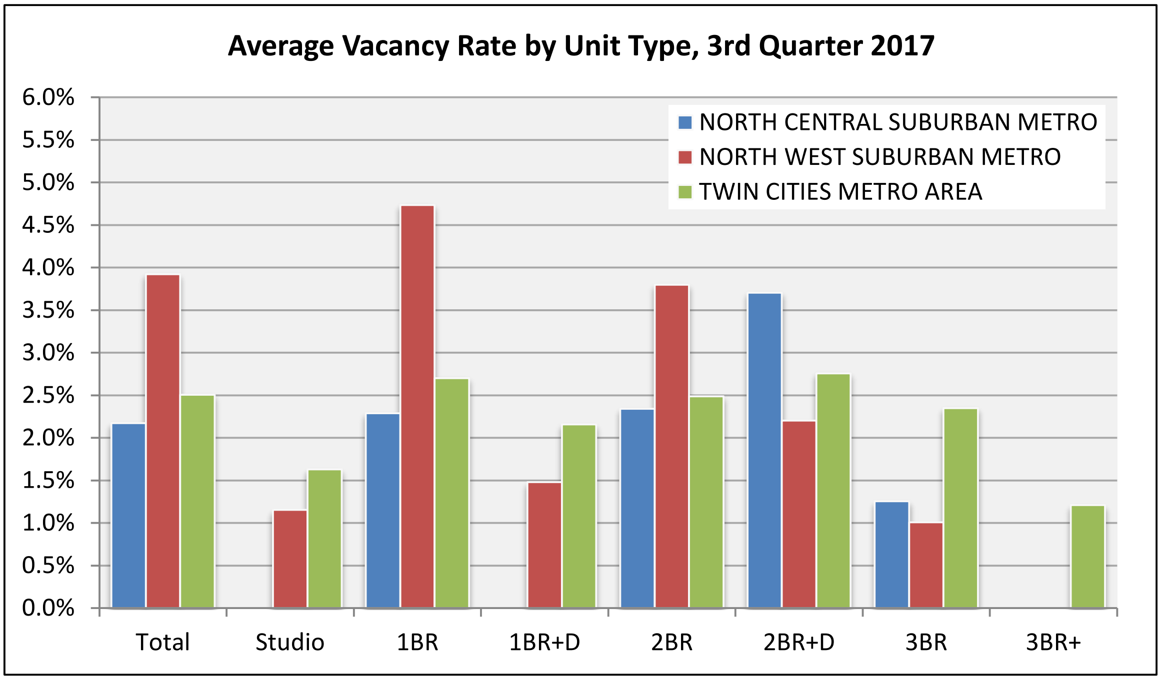
- Another 349 jobs (7.9%) are expected to be added to the PMA between 2020 and 2025. St. Francis is expected to gain another 99 jobs in this same time. The pace of job growth is projected to slow after 2020, as the region will experience potential labor force shortages and a surge in retirements.

## Overview of Rental Market Conditions

Table 9 on the following page displays average monthly rent and vacancy rate data from Marquette Advisors *Apartment Trends* report for the Twin Cities Metro Area along with the North Central Suburban Metro and North West Suburban submarkets surrounding. The data is shown for the third quarter of 2016 compared to the third quarter of 2017, the most recent data available.

- The equilibrium vacancy rate for rental housing is considered to be 5.0%. This allows for normal turnover and an adequate supply of alternatives for prospective renters. During the third quarter of 2017, the vacancy rate was 2.5% in the Twin Cities Metro Area, 2.2% in the North Central Suburban Metro submarket and 3.9% in the North West Suburban Metro submarket. In effect, the overall supply of rental housing in the areas near the PMA is well below the level considered adequate to meet demand.

- As illustrated in the following chart, vacancy rates were below equilibrium across all unit types in the submarkets near the PMA. Three-bedroom plus units had a vacancy rate of 0.0% and studio units had a vacancy rate of 1.2% or less. One-bedroom units were between 2.3% and 4.7% vacant, one-bedroom plus den were at 1.5% or less vacant, two-bedroom units were between 3.8% and 2.3% vacant, and two-bedroom plus den were between 3.7% and 2.2% vacant.




- Across the Metro Area, vacancies were lowest for three-bedroom plus units with vacancies at 1.2%. Studio units had a vacancy of 1.6%. One-bedroom units had a vacancy of 2.7% while one-bedroom plus den had a vacancy rate of 2.2%. Two-bedroom units had a vacancy rate of 2.5% and two-bedroom plus den had a vacancy rate of 2.8%. Three-bedroom units had a 2.4% vacancy rate. All vacancy rates are well below the 5% market equilibrium rate.

- Total vacancy in the North Central Suburban Metro submarket decreased from 3.5% in 2016 to 2.2% in 2017. In the North West Suburban Metro, the vacancy rate increased from 2.5% to 3.9% over the same period. Vacancy in the Twin Cities Metro stayed the same at 2.5%. Overall rents in the Metro Area have increased by 5.1% over the past year.

**TABLE 9**
**AVERAGE RENTS/VACANCIES TRENDS**
**NORTH CENTRAL, NORTH WEST SUBURBAN METRO'S AND TWIN CITIES METRO AREA**
**Third Quarter 2016 to Third Quarter 2017**

| | | Total | Studio | 1 BR | 1 BR w/ Den | 2 BR | 2 BR w/ Den | 3 BR | 3 BR/D or 4BR | Average Change |
|---|---|---|---|---|---|---|---|---|---|---|
| **NORTH CENTRAL SUBURBAN METRO** | | | | | | | | | | |
| Q3/2016 | Units | **7,108** | 48 | 2,444 | 82 | 3,792 | 27 | 711 | 4 | -- |
| | No. Vacant | **250** | 0 | 88 | 1 | 152 | 1 | 8 | 0 | -- |
| | Avg. Rent | **$943** | $824 | $843 | $871 | $990 | $1,305 | $1,297 | $1,334 | 1.6% |
| | Vacancy | **3.5%** | 0.0% | 3.6% | 1.2% | 4.0% | 3.7% | 1.1% | 0.0% | 1.1% |
| Q3/2017 | Units | **7,409** | 63 | 2,576 | 92 | 3,931 | 27 | 716 | 4 | -- |
| | No. Vacant | **161** | 0 | 59 | 0 | 92 | 1 | 9 | 0 | -- |
| | Avg. Rent | **$967** | $787 | $861 | $947 | $1,010 | $1,268 | $1,298 | $1,342 | 1.5% |
| | Vacancy | **2.2%** | 0.0% | 2.3% | 0.0% | 2.3% | 3.7% | 1.3% | 0.0% | -0.7% |
| **NORTH WEST SUBURBAN METRO** | | | | | | | | | | |
| Q3/2016 | Units | **15,383** | 159 | 7,274 | 271 | 6,745 | 196 | 738 | -- | -- |
| | No. Vacant | **387** | 3 | 196 | 2 | 178 | 2 | 6 | -- | -- |
| | Avg. Rent | **$971** | $745 | $868 | $1,093 | $1,033 | $1,225 | $1,268 | -- | 2.8% |
| | Vacancy | **2.5%** | 1.9% | 2.7% | 0.7% | 2.6% | 1.0% | 0.8% | -- | 0.1% |
| Q3/2017 | Units | **14,689** | 173 | 5,806 | 270 | 7,420 | 227 | 793 | -- | -- |
| | No. Vacant | **576** | 2 | 275 | 4 | 282 | 5 | 8 | -- | -- |
| | Avg. Rent | **$1,014** | 818 | $917 | 1,074 | $1,077 | 1,278 | $1,289 | -- | 4.5% |
| | Vacancy | **3.9%** | 0 | 4.7% | 0 | 3.8% | 0 | 1.0% | -- | 0.2% |
| **TWIN CITIES METRO AREA** | | | | | | | | | | |
| Q3/2016 | Units | **133,003** | 6,936 | 58,776 | 3,301 | 55,178 | 1,638 | 6,620 | 554 | -- |
| | No. Vacant | **3,338** | 138 | 1,661 | 69 | 1,333 | 32 | 101 | 4 | -- |
| | Avg. Rent | **$1,091** | $858 | $959 | $1,375 | $1,167 | $1,813 | $1,426 | $2,618 | 3.6% |
| | Vacancy | **2.5%** | 2.0% | 2.8% | 2.1% | 2.4% | 2.0% | 1.5% | 0.7% | 0.2% |
| Q3/2017 | Units | **139,527** | 7,854 | 61,324 | 3,153 | 57,009 | 1,559 | 6,976 | 1,652 | -- |
| | No. Vacant | **3,497** | 128 | 1,656 | 68 | 1,418 | 43 | 164 | 20 | -- |
| | Avg. Rent | **$1,147** | $885 | $998 | $1,380 | $1,210 | $1,963 | $1,584 | $2,702 | 5.1% |
| | Vacancy | **2.5%** | 1.6% | 2.7% | 2.2% | 2.5% | 2.8% | 2.4% | 1.2% | 0.0% |

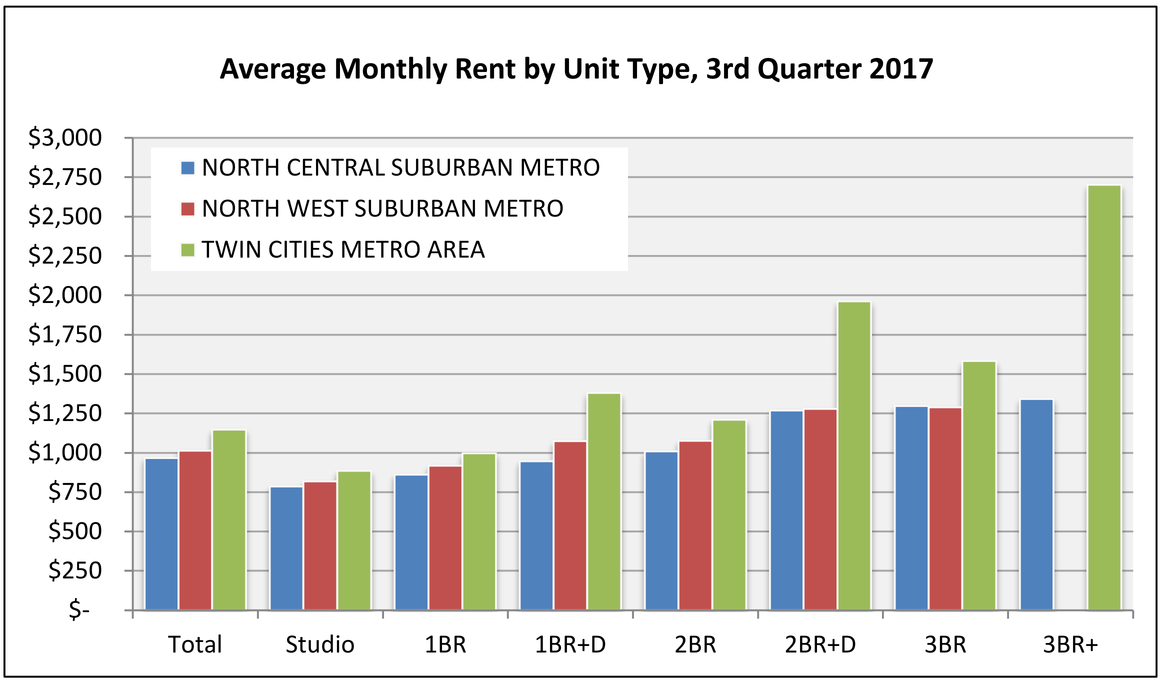
Sources: GVA Marquette Advisors; Maxfield Research & Consulting, LLC

- Two-bedroom units are the predominant unit type combining both the North Central and North West submarkets, representing 51.4% of the inventory, followed by one-bedroom units at 37.9% of the inventory. Three-bedroom units represent 6.8% of the inventory. Studio (1.1%), one-bedroom plus den units (1.6%), and two-bedroom plus den units (1.1%) make up a small proportion of the rental housing inventory. Three-bedroom plus represent less than 1% of the total supply.

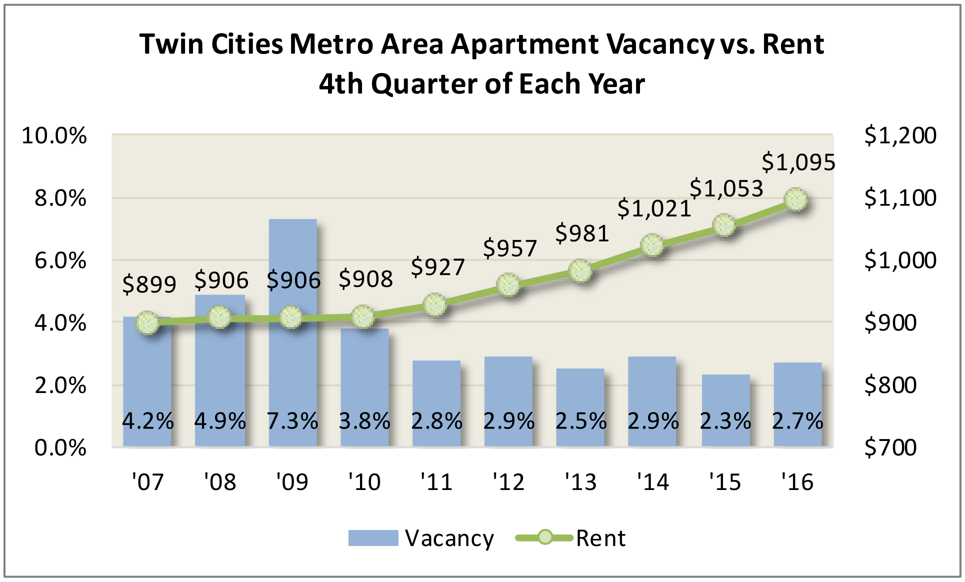
- The Metro Area has a lower proportion of two-bedroom units (41%) but a higher proportion of one-bedroom units (44%). Roughly 5% of the units in the Metro Area have three-bedrooms and 2.3% have one-bedroom plus a den. Studio units represent 5.6% of the Metro Area inventory, while 1.1% of the units have two bedrooms plus a den, and 1.2% have more than three bedrooms. The Metro Area has higher proportions of one-bedroom plus den and the same proportion of two-bedroom plus den units than the North Central and North West submarkets.

- Average monthly rents increased 5.1% over the year to $1,147 across the Metro Area, while the North Central increased rents by 1.5% and the North West submarket experienced a 4.5% increase in rents. At $991, the average monthly rent between both submarkets is -13.6% lower than the Twin Cities average. We note however, that new product is charging rents considerably higher than the average noted for within submarkets.

- Average rental rates are $967 in the North Central Submarket and $1,014 in the North West submarket.



The following chart illustrates how the general occupancy apartment market recovered after struggling with rapidly rising vacancy rates between the fourth quarter of 2007 and the fourth quarter of 2009. Since 2009, apartment rents in the Metro Area have increased at an average rate of roughly 2.8% per year.




- The Metro Area's tight rental market can be partially attributed to a group of foreclosed homeowners that entered the rental market during the Great Recession and traditional renters, who are potential home-owners, staying in the rental market longer due to lifestyle preferences. Job growth is also contributing to demand for apartment units, as new people are relocating to the region for employment and moving into rental properties.

- Since 2011, the Metro Area has absorbed 2,700 units per year on average, slightly higher than the pace of new construction (average of 2,600 units delivered annually since 2011).

- Numerous projects are either under construction or in the development pipeline in the Twin Cities. Maxfield Research is tracking approximately 5,000 units that are under construction or scheduled to move forward. Much of the new construction is located in or near Downtown Minneapolis as over 4,000 new units have opened in the past three years, and roughly 1,500 units are currently under construction in or near Downtown Minneapolis. However, new market rate rental construction is making its way into suburban locations.

## Selected Market Rate Apartment Developments

Maxfield Research compiled detailed information for a select group of the newest market rate apartment properties in or near the PMA that would compete either directly or indirectly with general occupancy apartment units on the subject property.

Data on these competitive properties is presented in Tables 9 and 10 on the following pages. Rents shown are quoted rental rates and were not adjusted to include or exclude utilities. Most new rental properties (post 2010) require the tenant to pay most, if not all, of the utilities.

**Competitive Properties Location Map**

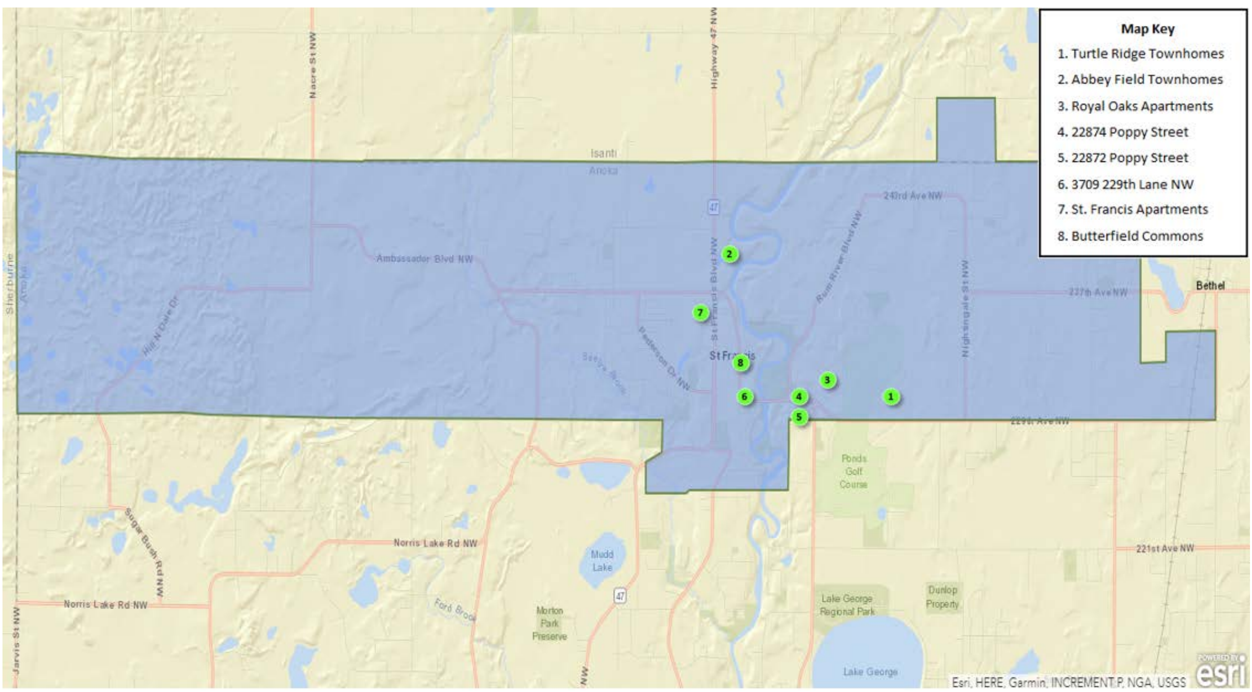


**TABLE 10**
**SELECT GENERAL OCCUPANCY RENTAL PROJECTS**
**PRIMARY MARKET AREA**
**JANUARY 2018**

| Project Name/Location Contact Information | Year Built / Remodeled | No. of Units | Total Vacant | Unit Description Type | No. | Size | Monthly Rent Min | Max | Rent/sq. ft. Min | Max |
|---|---|---|---|---|---|---|---|---|---|---|
| **AFFORDABLE AND SUBSIDIZED HOUSING RENTAL PROJECTS** | | | | | | | | | | |
| **Turtle Ridge Townhomes** | 2001 | 30 | 1 | 2BR | 10 | 1,015 - 1,298 | $841 | | $0.83 | |
| 2648 230th Court NW | | vacancy rate: | 3.3% | 3BR | 20 | 1,169 - 1,438 | $973 | | $0.83 | |
| *St. Francis* | | | | | | | | | | |
| | **Notes / Resident profile:** LIHTC Section 42. 29 units income restricted at 60% AMI. | | | | | | | | | |
| **Abbey Field Townhomes** | 1982 | 42 | 2 | 2BR | 24 | 898 | $957 | | $1.07 | |
| 3911 233rd Ave NW | | vacancy rate: | 4.8% | 3BR | 18 | 1,000 | $1,102 | | $1.10 | |
| *St. Francis* | | | | | | | | | | |
| | **Notes / Resident profile:** Basketball Court, Grill, Laundry Facilities, Laundry Service, Playground, Property Manager on Site. | | | | | | | | | |
| **Total** | | **72** | **3** | **4.2%** | **vacant** | | | | | |
| **MARKET RATE GENERAL OCCUPANCY RENTAL HOUSING** | | | | | | | | | | |
| **Royal Oaks Apartments** | 1989 | 42 | 3 | 1BR | 21 | 750 | $841 | | $1.12 | |
| 23010 & 23013 Kerry St NW | | vacancy rate: | 7.1% | 2BR | 21 | 1,022 | $973 | | $0.95 | |
| *St. Francis* | | | | | | | | | | |
| | **Notes / Resident profile:** Royal Oaks consists of 2 building located at 23010 and 23013 Kerry Street. On-site laundry facilities, maintenance on site, property manager on site, AC, units with balcony. | | | | | | | | | |
| **22874 Poppy St** | 1987 | 12 | 1 | 2BR | 12 | 780 | $817 | | $1.05 | |
| *St. Francis* | | vacancy rate: | 8.3% | | | | | | | |
| | **Notes / Resident profile:** Laundry facility, playground | | | | | | | | | |
| **22872 Poppy St** | 1986 | 12 | 1 | 2BR | 12 | 850 | $895 | | $1.05 | |
| *St. Francis* | | vacancy rate: | 8.3% | | | | | | | |
| | **Notes / Resident profile:** ammenities include garages, on site laundry facility, cable ready, open floor plan, paid heat/water/garbabe removal. No pets allowed. Six months leases available. | | | | | | | | | |
| **3709 229TH LN NW** | 1981 | 6 | | | | | | | | |
| *St. Francis* | | vacancy rate: | | | | | | | | |
| | **Notes / Resident profile:** ***Unable to locate property data for this development*** | | | | | | | | | |
| **St. Francis Apartments** | 1979 | 24 | 4 | 1BR | 12 | 550 | $544 | | $0.99 | |
| 23543-23559 Degardner Cir NE | | vacancy rate: | 16.7% | 2BR | 12 | 611 | $608 | | $1.00 | |
| *St. Francis* | | | | | | | | | | |
| | **Notes / Resident profile:** Online services, playground, property manager on site, curbside trash pickup, storage units, wheelchair accessible rooms | | | | | | | | | |
| **Butterfield Commons** | 1978 | 4 | 0 | 1BR | 1 | | | | | |
| 23160 Butterfield Dr. NW | | vacancy rate: | 0.0% | 2BR | 3 | | | | | |
| *St. Francis* | | | | | | | | | | |
| | **Notes / Resident profile:** ***Unable to locate property data for this development*** | | | | | | | | | |
| **Total** | | **100** | **9** | **9.0%** | **vacant** | | | | | |
| **Source: Maxfield Research & Consulting** | | | | | | | | | | |

The per square foot average rents presented are a weighted average based on the number of units in each development. Therefore, developments with a larger number of units of any one type contribute more toward the average than those with only a few units of a specific type. The points that follow summarize key observations for the selected rental properties. A total of 172 units is represented among eight properties located in the PMA.

**TABLE 11**
**SURVEYED UNIT TYPE SUMMARY**
**GENERAL OCCUPANCY RENTAL DEVELOPMENTS**
**JANUARY 2018**

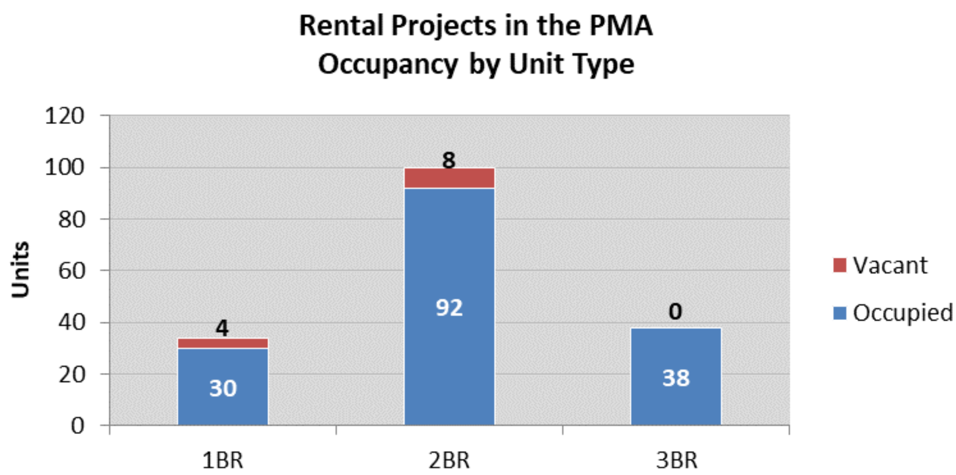
| Affordable and Subsidized | | | | | | Monthly Rents | | |
|---|---|---|---|---|---|---|---|---|
| Unit Type | Total Units | % of Total | Vacant Units [1] | % Vacant | Avg. Size | Range Low - High | Avg. Rent | Avg. Rent/ Sq. Ft. |
| 2BR | 34 | 47% | 3 | 8.8% | 1,070 | $841 - $957 | $899 | $0.84 |
| 3BR | 38 | 53% | 0 | 0.0% | 1,202 | $973 - $1,102 | $1,037 | $0.86 |
| **Total:** | **72** | **100%** | **3** | **4.0%** | **1,136** | **$841 - $1,102** | **$968** | **$0.85** |

| Market Rate General Occupancy | | | | | | Monthly Rents | | |
|---|---|---|---|---|---|---|---|---|
| Unit Type | Total Units | % of Total | Vacant Units [1] | % Vacant | Avg. Size | Range Low - High | Avg. Rent | Avg. Rent/ Sq. Ft. |
| 1BR | 34 | 34% | 4 | 11.8% | 700 | $544 - $750 | $647 | $0.92 |
| 2BR | 66 | 66% | 5 | 7.6% | 825 | $608 - $973 | $880 | $1.07 |
| **Total:** | **100** | **100%** | **9** | **9.0%** | **762** | **$544 - $608** | **$763** | **$1.00** |

[1] Vacant units are calculated only from properties where information was provided by property management. Overall monthly rents are a weighted average.

Source: Maxfield Research and Consulting, LLC

- Roughly 66% of all units in the market rate general occupancy set are two-bedroom units and 34% of the units have one bedrooms. For affordable and subsidized developments 47% of units are 2 bedrooms and 53% are 3-bedroom units.




- On average, units in these market rate properties have an average of 762 square feet, with one-bedroom units being the smallest (700 square feet) and three-bedroom units being the largest at 1,202 square feet.

- Monthly rental rates range from a low of $550 for 1-bedroom units at St. Francis apartments to a high of $1,102 for a three-bedroom unit at Abbey Field Townhomes in St. Francis.

- Monthly rents average for market rate units are $647 for one bedroom units and $880 for two-bedroom units. Monthly rents for affordable and subsidized units are $899 for two-bedroom units and $1,037 for three-bedroom units.

- The weighted average monthly rent at these market rate projects is $763 which equates to $1.00 per square foot.

- The following list identifies the average per square foot rent for these properties along with their City and year built:

| | | |
|---|---|---|
| – Turtle Ridge Townhomes (2001) | St. Francis | $0.83 per square foot |
| – Abbey Field Townhomes (1982) | St. Francis | $1.08 per square foot |
| – Royal Oaks Apartments (1989) | St. Francis | $1.03 per square foot |
| – 22874 Poppy Street (1987) | St. Francis | $1.05 per square foot |
| – 22872 Poppy Street (1986) | St. Francis | $1.05 per square foot |
| – 3709 229th Lane NW (1981) | St. Francis | Unavailable |
| – St. Francis Apartments (1979) | St. Francis | $0.99 per square foot |
| – Butterfield Commons (1978) | St. Francis | Unavailable |

## Pending Rental Developments

Maxfield Research reviewed city council meeting minutes from 2016 thru 2018 the Market Area to identify any new rental developments that are proposed, planned or under construction that may be competitive with the proposed development. As of February 8th2018 there are no proposed, planned or under construction currently in the market area.

## Affordable Rental Demand Calculations

Demand calculations analyze information from the demographic (demand-side) and market (supply-side) conditions for affordable rental housing. Table 12 presents a summary of demand calculations for affordable rental housing in the PMA over the next five years.

Demand for additional housing in the PMA will be generated by new households to the PMA as well as existing PMA residents seeking new housing. The PMA is projected to add 359 households from 2018 to 2023, as seen in the *Demographic Analysis* section of this report. Of this projected growth in households, we anticipate between 15% and 20% will seek rental housing, which is slightly higher than the current renter rate in St. Francis (10.1% in 2017). It is anticipated that a higher proportion of the population will seek rental housing in the short-term.

Maxfield Research & Consulting carefully reviewed data on household income, household size, and tenure in order to estimate the percentage of renter households in the PMA that would be qualified (based on income with adjustments for household size) and able to afford the rental rates at the proposed development. Based on this data, the target income is about $15,000 to $45,000. We estimate that 25% of rental demand would meet the general affordability, resulting in 13 to 18 units of demand for new affordable rental housing units from new household growth.

In addition to demand generated from household growth, a portion of demand between 2018 and 2023 will come from households outside of the PMA. We project that an additional 30% will come from outside the PMA. Including demand from outside the PMA, projected demand for new rental housing generated by household growth is estimated to be between 19 and 26 units between 2018 and 2023.

Additional demand for rental housing will also come from existing renter households in the PMA through normal turnover. In 2017 there is an estimated 799 renter households in the PMA. Based on data from the U.S. Census, about 56% of all renter households in the PMA are expected to move during the next five years. Of the expected 447 renters that are expected to move, we project that 25% will be income-qualified for affordable rental housing at 60% AMI or below.

| TABLE 12<br>AFFORDABLE RENTAL HOUSING DEMAND<br>ST FRANCIS PMA<br>2018 to 2023 | | |
|---|---|---|
| **Demand from Projected Household Growth** | | |
| Projected new housing unit demand from household growth, 2018 to 2023 | = | 359 |
| (times) Estimated rental demand | x | 15% - 20% |
| (equals) Projected PMA demand for rental housing units | = | 54 - 72 |
| (times) % of Households Size & Income Qualified[1] | x | 25% |
| (equals) Demand For Affordable Rental Housing, 2018 - 2023 | = | 13 - 18 |
| (plus) Additional demand from outside PMA[2] | + | 6 - 8 |
| **(equals) Projected Study Area demand for new rental housing units** | **=** | **19 - 26** |
| **Demand from Existing Renter Households** | | |
| Number of renter households in PMA in 2017 | = | 799 |
| (times) Estimated % Turnover between 2018 & 2023 | x | 56% |
| (equals) Total Existing Households Projected to Turnover | = | 447 |
| (times) % of Households Size & Income Qualified | x | 25% |
| (equals) Demand For Affordable Rental Housing, 2018 - 2023 | = | 112 |
| (times) Estimated % desiring new rental housing | x | 20% - 25% |
| **(equals) Demand from existing PMA households** | **=** | **22 - 28** |
| **Total Demand From Household Growth and Existing Households 2018 to 2023** | | **42 - 54** |
| (minus) Affordable units pending for development[4] | - | 0 |
| (equals) Excess demand for affordable rental housing units | = | 42 - 54 |
| (times) Percent of demand capturable by subject Site | x | 65% |
| (equals) Total demand capturable by subject Site | = | **27 - 35** |

[1] Affordable to households earning 60% or below AMI, adjusted for household size.
[2] We estimate that household growth from outside the PMA will be 30%.
[3] This figure is based on previous place of residence data between 2010 and 2015 from 2010 ACS.
[4] At stabilized occupancy (95%).

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

Since new housing is typically more desirable than older housing, a portion of the existing renter households turning over will seek new units – we conservatively estimate 20% to 25%. We use 20% to 25% as a conservative percentage as a higher proportion of renters will desire new housing if they income-qualify since new developments have greater amenities and modern features. Using these figures, we estimate that about 22 to 28 existing PMA income-qualified renter households would seek new housing in the PMA between 2018 and 2023.

Combined, demand from household growth and from turnover of existing households results in total PMA demand for about 42 to 54 rental units between 2018 and 2023.

There are no affordable rental units pending in the PMA. No single Site can capture all of the excess demand in a PMA. We estimate that the Site in St. Francis can capture 65% of the market share, resulting in demand for 27 to 35 affordable units between 2018 and 2023.

## Market Rate General Occupancy Rental Demand Calculations

Table 12 presents our calculation of general occupancy market rate rental housing demand for the PMA and assesses the potential for the subject property to capture a portion of demand. Factors considered include competitiveness of nearby rental properties, pending developments, demographic trends and population shifts, and the overall image and popularity of the neighborhood as a residential location. Potential demand is calculated from two categories:

1. From new household growth by age group based on the propensity of households to rent their housing in the Primary Market Area; and,

2. From existing households that will remain in the Market Area because new product is available and they value other area amenities including proximity to employment, entertainment and recreation.

First, we calculate potential demand from new income-qualified household growth over the next five years by age group based on the propensity of households to rent their housing. We focus on households between the ages of 18 and 64 that will account for the vast majority of rental demand on the subject property. We also include a portion (20%) of the demand generated by households age 65 and older, as a segment of this age group that is able to live independently could be drawn to a new general occupancy rental housing development on the subject property. The propensity to rent or own is based on 2015 American Community Survey figures by age cohort, adjusted upward to 2017.

Next, we calculate the percentage of renters who are income-qualified for market rate rental housing. For new market rate housing, household incomes must equal or exceed $26,000 in order to afford a one-bedroom unit in the competitive set of newer market rate properties in and near the PMA.

The second part of the analysis calculates demand from existing households, or turnover demand. Younger households tend to be highly mobile, relative to older households. The youngest households are often unable to afford rents at the top of the market unless they receive assistance from their parents or desire a roommate. Mobility rates were identified by age group (utilizing Census data) and were applied to the existing household base.

Together with demand from projected household growth and turnover, the total demand for PMA market rate rental housing is summarized. In the PMA, total demand for income-qualified market rate housing over the next five years is 726 units. An additional proportion is added for households that would move to a rental project in the PMA who currently reside outside the PMA. We estimate that 25% of the demand potential for market rate rental housing in the PMA would be derived from outside the PMA, increasing demand to 968 units.

**TABLE 12**
**PROJECTED DEMAND FOR MARKET RATE RENTAL HOUSING**
**ST FRANCIS, MN PRIMARY MARKET AREA**
**2018 TO 2023**

| | | Number of Households | | | | |
|---|---|---|---|---|---|---|
| | | **Age <25** | **Age 25 to 34** | **Age 35 to 44** | **Age 45 to 64** | **Age 65 & Over** |
| **Demand From Household Growth** | | | | | | |
| Projected Income-Qualifed Household Growth 2018 - 2023 | | 136 | 1,059 | 1,484 | 3,492 | 885 |
| (times) Proportion estimated to be renting their housing[2] | x | 8% | 17% | 10% | 9% | 6% |
| **(equals) Demand For Rental Housing, 2018 - 2023** | = | **11** | **180** | **148** | **314** | **53** |
| **Demand From Existing Households** | | | | | | |
| Estimated number of renter households in 2017 | | 8 | 177 | 157 | 371 | 86 |
| (times) Estimated % Turnover between 2018 & 2023 | x | 76% | 75% | 52% | 52% | 32% |
| **(equals) Total Existing Households Projected to Turnover** | = | **6** | **133** | **82** | **193** | **28** |
| (times) Percent of Households Income Qualified[2] | x | 85% | 93% | 94% | 92% | 75% |
| **(equals) Total Number of Income-Qualified Households** | = | **5** | **123** | **77** | **177** | **21** |
| (times) Estimated % Desiring New Rental Housing[3] | x | 16% | 16% | 16% | 16% | 16% |
| **(equals) Demand From Existing Households** | = | **1** | **20** | **12** | **28** | **3** |
| **Total Demand From Household Growth and Existing Households** | | **11** | **200** | **161** | **343** | **56** |

| | | |
|---|---|---|
| **Demand Summary** | | |
| **Total Market Area Demand for Rental Housing in PMA** | = | 726 |
| (plus) Demand from outside PMA (25%) | + | 242 |
| **(equals) Potential demand for rental housing in the PMA (2018 to 2023)** | = | **968** |
| (minus) Pending rental units in the PMA at equilibrium | - | 0 |
| **(equals) Excess demand for rental housing in the PMA (2018 to 2023)** | = | **968** |
| (times) Percent capturable on a Site in the PMA | | 20% |
| **(equals) Total Demand Capturable in the PMA (units)** | = | **194** |

[1] $26,000 in 2018 based on average pricing of one-bedroom units in the competitive set in and outside of the PMA.
[2] Data from U.S. Census Bureau.
[3] Source - *The Upscale Apartment Market: Trends and Prospects*. Prepared by Jack Goodman of Hartrey Advisors for the National Multi Housing Council.

Source: Maxfield Research & Consulting, LLC

From the demand potential, we subtract pending rental developments in the PMA at market equilibrium (95% occupancy) to find the remaining excess demand in the Market Area. As of February 2018, there are no pending projects in the PMA.

We anticipate that a development in St. Francis could easily capture approximately 20% of the total excess demand potential in the PMA over the next five years. This capture rate takes into consideration the number and location of other developments that would satisfy demand.

Based on a 20% capture rate, we anticipate that a property in St. Francis could support 194 units of new general occupancy market rate rental housing between 2018 and 2023.

## Conclusions Regarding Affordable and Market Rate General Occupancy Rental Housing in St. Francis

Multifamily rental housing has been a bright spot in the real estate industry over the past seven years; here in the Twin Cities Metro Area and nationally. The downturn in the housing market and the overall economic slowdown initially created increased demand for rental housing, but vacancy rates climbed steadily from 2007 through 2009 with increased home buying due to the tax credit and increased unemployment. However, vacancy rates declined in 2010 and 2011 and have since held steady while rental traffic has increased according to leasing personnel.

As of the 3rd quarter of 2017, the overall vacancy rate was 2.5% in the Metro Area and 3% in the submarkets comprising the PMA. However, the stabilized competitive market rate properties in and near the PMA are currently 9% vacant, suggesting that there is some current softness in the marketplace among general occupancy rental housing units in the PMA. At the same time, mot the vacancies are located in older properties that lack amenities today's renters desire.

Because of the strong demand over the next five years, a variety of concepts or product types could be pursued in the City of St. Francis. Maxfield Research preliminary recommends the following rental development scenarios on for the City:

- Multiple apartment buildings with detached garages and a central common area;
- Traditional 3-story apartment building with underground/at-grade parking;
- Market Rate Rental townhomes; and
- Affordable Rental Townhomes.

Table 13 presents the recommended unit mix, sizes, and monthly fees for new market rate rental housing products and affordable townhomes. We have outlined two different multifamily apartment building concepts and a townhome row-style concept for market rate townhomes and affordable townhomes. Regardless of the market rate concept, we recommend a middle- to upper-bracket rental project that will feature a higher-level of features and community amenities today's renters seek. The incorporation of these amenities should meet or exceed the existing rental product in the PMA.

**TABLE 13**
**PRELIMINARY UNIT SIZE/MIX/RENT RECOMMENDATIONS**
**SITE IN ST. FRANCIS**
**March 2018**

| Unit Type | No. of Units | % of Total | Average Square Feet | Average Rent Range | Average Rent Per Sq. Ft. |
|---|---|---|---|---|---|
| **Option A: Market Rate Multifamily Style Rental (Multiple buildings w/Detached Garages)** | | | | | |
| 1BR | 20 | 40% | 750 - 800 | $900 - $995 | $1.20 - $1.24 |
| 2BR | 20 | 40% | 1,000 - 1,150 | $1,200 - $1,300 | $1.13 - $1.20 |
| 2BR+Den/3BR | 10 | 20% | 1,200 - 1,350 | $1,400 - $1,500 | $1.11 - $1.17 |
| **Totals/Avg.** | **50** | **100%** | **995** | **$1,169** | **$1.17** |
| **Option B: Market Rate Multifamily Style Rental (At-grade or underground parking)** | | | | | |
| Studio | 6 | 9% | 525 - 550 | $800 - $825 | $1.50 - $1.52 |
| 1BR | 28 | 40% | 700 - 800 | $950 - $1,050 | $1.31 - $1.36 |
| 1BR+Den | 6 | 9% | 850 - 950 | $1,100 - $1,200 | $1.26 - $1.29 |
| 2BR | 22 | 31% | 975 - 1,150 | $1,300 - $1,475 | $1.28 - $1.33 |
| 2BR+Den/3BR | 8 | 11% | 1,200 - 1,300 | $1,525 - $1,675 | $1.27 - $1.29 |
| **Totals/Avg.** | **70** | **100%** | **929** | **$1,221** | **$1.31** |
| **Option C: Market RateTownhome Style Rental (with Attached Garages)** | | | | | |
| 2BR | 30 | 50% | 1,175 - 1,250 | $1,300 - $1,400 | $1.11 - $1.12 |
| 2BR+Den/3BR | 30 | 50% | 1,325 - 1,400 | $1,475 - $1,600 | $1.11 - $1.14 |
| **Totals/Avg.** | **60** | **100%** | **1,288** | **$1,444** | **$1.12** |
| **Option D: Affordable Townhome Style Rental (with Attached Garages)** | | | | | |
| 2BR | 20 | 33% | 975 - 1,050 | $1,175 - $1,225 | $1.17 - $1.21 |
| 2BR+Den/3BR | 20 | 33% | 1,150 - 1,200 | $1,300 - $1,350 | $1.13 - $1.13 |
| **Totals/Avg.** | **40** | **67%** | **1,094** | **$1,263** | **$1.15** |

Note: Pricing in 2018 dollars and can be trended upward by 2% prior to occupancy.

Source: Maxfield Research & Consulting, LLC

Affordable General Occupancy Multifamily Housing- There have been two affordable development built since 1980 in St. Francis. These developments have been successful and have only three vacancies at this time. Unlike the market rate supply, existing affordable properties are typically dominated by families with children who find it more difficult to afford ownership property and market rate rents.

The success of affordable developments in the market area continues to support the demand shown for affordable housing. These projects would have income-restrictions established by HUD and would likely target households with incomes between 50% to 80% of area median income; however, some could be workforce units with affordability up to 120% AMI.

We find that demand exists for about 35 affordable units through 2023. Affordable housing attracts household that cannot afford market rate housing units but do not income-qualify for deep subsidy housing. Affordable projects attract a broad group of people based of tenants based on the unit type. One-bedroom units target singles and couples, whereas two and three-bedroom units target families. Some retired seniors would also be attracted to an affordable concept. We recommend an affordable concept that would target residents at 50% to 60% AMI. Maxfield Research recommends a townhome-style affordable housing development.

Multifamily Concept (Multiple Buildings w/Detached Garages)

We recommend a concept that could have multiple buildings of about 50 units per building that would surround a central common-area building. Because the buildings would not have underground parking; the construction costs to develop these structures would be significantly less than a multifamily structure with underground parking. Buildings could be phased based on absorption and demand.

Maxfield Research recommends base monthly rents range from $900 to $995 for one-bedroom units ($1.20 to $1.24 PSF), $1,200 to $1,300 for two-bedroom units ($1.13 to $1.20 PSF), and from $1,400 to $1,500 for two-bedroom plus den or three-bedroom units ($1.11 to $1.17 PSF). Rent premiums should also be reviewed at the time of occupancy to ensure competitiveness with current market conditions. Finally, the recommended rents can be trended up by 2.0% annually prior to occupancy to account for inflation depending on overall market conditions.
We recommend one-bedroom units from 750 to 800 square feet (40%), two-bedroom units from 1,000 to 1,150 square feet (40%), and two-bedroom dens or three-bedroom units from 1,200 to 1,350 square feet (20%). Combined, the average square footage is about 995 square feet with an average base rent of $1,169 ($1.17 per square foot).

We recommend the landlord provide professional management, grounds/common area maintenance, trash removal, and common-area Internet. Tenants should be responsible for gas, water, sewer, electricity, and the following optional fees: telephone, and cable or satellite television. The recommended utility break-out is similar to other new apartment buildings where the tenant pays for most utilities.

We recommend that the developer consider contracting for a master plan for cable/satellite television and internet connection to the units. This would likely result in a significant cost savings to the residents for these features.

Multifamily Concept w/At-Grade or Underground Parking

Alternatively, a traditional suburban-style multifamily development with underground parking or covered at-grade parking would also be well-accepted. However, because of increased construction costs the monthly rents would be higher and unit square footages could be slightly smaller. Maxfield Research recommends base monthly rents range from $800 to $825 for a studio unit ($1.50 to $1.52 PSF), $950 to $1,050 for one-bedroom units ($1.31 to $1.36 PSF), $1,100 to $1,200 for one-bedroom plus den units ($1.26 to $1.29 PSF), $1,275 to $1,475 for two-bedroom units ($1.28 to $1.31 PSF), and from $1,525 to $1,675 for two-bedroom plus den or three-bedroom units ($1.27 to $1.29 PSF). Rent premiums should also be reviewed at the time of occupancy to ensure competitiveness with current market conditions. Finally, the recommended rents can be trended up by 2.0% annually prior to occupancy to account for inflation depending on overall market conditions.

Maxfield Research recommends a variety of unit types from studio units to two-bedroom/den or three-bedroom units. We recommend studio units from 525 to 550 square feet (9%) one-bedroom units from 700 to 800 square feet (40%), one-bedroom den units from 850 to 950 square feet (9%), two-bedroom units from 975 to 1,150 square feet (31%), and two-bedroom dens for three-bedroom units from 1,200 to 1,300 square feet (11%). Combined, the average square footage is about 930 square feet with an average base rent of $1,221 ($1.31 per square foot).

We recommend the landlord provide professional management, grounds/common area maintenance, trash removal, and common-area Internet. Tenants should be responsible for gas, water, sewer, electricity, and the following optional fees: telephone, and cable or satellite television. The recommended utility break-out is similar to other new apartment buildings where the tenant pays for most utilities.

We recommend that the developer consider contracting for a master plan for cable/satellite television and internet connection to the units. This would likely result in a significant cost savings to the residents for these features.

Townhome Concept

A townhome row-style concept or other related concept would also be well-received in St. Francis. Townhomes are very popular for a variety of household types; from families with children, professionals, and older adults these units are attractive to a variety of market segments. For a townhome concept, we recommend a concept that includes 50 units; however, this could be increased as demand warrants and should the site allow for more density.

Maxfield Research recommends base monthly rents range from $1,300 to $1,400 for two-bedroom units ($1.11 to $1.12 PSF) and from $1,475 to $1,600 per month for two-bedroom plus den or three-bedroom units ($1.11 to $1.14 PSF). Rent premiums should also be reviewed at the time of occupancy to ensure competitiveness with current market conditions. Finally, the recommended rents can be trended up by 2.0% annually prior to occupancy to account for inflation depending on overall market conditions. Similar to the multifamily concept, the tenant should pay for most utilities while the landlord provides exterior maintenance and garbage removal.

Maxfield Research recommends two-bedroom and larger unit types. We recommend two-bedroom units from 1,175 to 1,250 square feet (50%) and two-bedroom dens or three-bedroom units from 1,325 to 1,400 square feet (50%). Combined, the average square footage is about 1,290 square feet with an average base rent of $1,444 ($1.12 per square foot).

***Suggest Features and Amenities***

The following bullet points outline the recommended in-unit features and community amenities that should be incorporated into the new apartment concepts. These recommendations exceed the features and amenities that are available at the existing rental developments in the PMA.

*In-Unit Features (Apartment Style & Townhome Style)*

- Open floor plans with over-sized windows maximizing natural light;
- 9’ ceilings (or higher);
- Individually climate controlled heating with central air conditioning;
- Full kitchen appliance package (including refrigerator, range, dishwasher, microwave oven, exhaust system, and garbage disposal) and kitchen center-island;
- Granite or other solid surface countertop and similar backsplash;
- In-unit washer/dryer (full-size or side-by-side), window treatments, and walk-in closets;
- Private balcony or patio;
- Wired for high-speed Internet; recommend wireless system; and,
- Gas fireplaces, private front entrances, and individual water heaters (townhome units only).

*Building Features & Amenities (Can be incorporated into the multifamily apartment building(s) or a common clubhouse building)*

- Community room with full serving kitchen, central clubhouse, large screen TV and a high-quality sound system, gas fireplace;
- Centrally located elevator (apartment-style only);
- On-site office and business/conference center;
- Covered parking garage and car wash area (luxury apartment only);
- Outdoor community terrace with gas grills;
- Extra storage, bike rack and bike storage (secured);
- Common area Wi-Fi;
- Fitness room;
- Trash & recycling room (each floor recommended); and
- Playground (optional).

*Parking*

For the apartment-style concept with detached garages we recommend including one detached garage stall in the monthly rent and pricing additional garage stalls at $60+ per month.

For the building with underground parking, we recommend parking fees of $70+ per month per stall with free surface parking.

For the townhome-style concept(s), we recommend a two-stall attached garage to each unit that is included in the monthly rent.

## Projected Absorption

Based on our review of demographics and growth in the Market Area, our assessment of the existing competitive market, and our experience with absorption of other new projects; we have recommended a preliminary absorption scheduled in Table 14. The projected absorption rates assume 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.

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.

**TABLE 14**
**PRELIMINARY ABSORPTION ESTIMATE**
**ST. FRANCIS SITE CONCEPTS**

| Product Type | Total Units | Prelease Pct. | Number Pre-Leased | Avg. Mo. Absorption Low | | Avg. Mo. Absorption High | # Months to Equil. Low | | # Months to Equil. High |
|---|---|---|---|---|---|---|---|---|---|
| MR Apartment - Detached Garages | 50 | 25% | 13 | 5.0 | - | 6.0 | 5.9 | - | 7.1 |
| MR Apartment - Underground Parking | 70 | 20% | 14 | 5.0 | - | 6.0 | 8.9 | - | 10.6 |
| MR Rental Townhomes | 60 | 20% | 12 | 5.0 | - | 6.0 | 7.6 | - | 9.1 |
| Affordable Rental Townhomes | 40 | 40% | 16 | 6.0 | - | 7.0 | 3.3 | - | 3.8 |

Source: Maxfield Research & Consulting, LLC