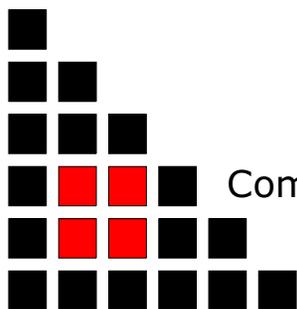


# **Carver County AFFORDABLE HOUSING UPDATE**

July 2017

**City of Carver**



Community Partners Research, Inc.

Lake Elmo, MN

## **Key Findings - 2017 Affordable Housing Study Update**

- ▶ Carver has been one of the fastest growing cities in the County in recent decades, due in large part to its location adjoining Chaska in the eastern portion of the County. From 2000 to 2016, Carver's population more than tripled in size. Going forward, the City should continue to grow as the Twin Cities Metropolitan Area expands to the southwest.
- ▶ A realistic expectation of annual growth through the year 2021 is approximately 75 to 90 households per year. While a faster rate of future growth is certainly possible, Carver has not been able to sustain annual average growth at this projected level over the past 10. However, it is probable that an increased level of growth will occur in the future, as the City has the potential to add both home owners and rental households.
- ▶ For rental housing, Carver has historically had a below-average inventory. At the time of the 2010 Census, the City's rental tenure rate was less than 8%. A large, 68-unit rental development was constructed after 2010, and the City's rental tenure rate has increased. However, it is still well below the rental rates typical in other Carver County Cities.
- ▶ The recently constructed project did add a substantial number of affordable rental units oriented to moderate income households, earning less than 60% of the median income level. With some project-based rent subsidy offered for a few units, Carver even added housing for some very low income renters.
- ▶ The Metropolitan Council analyzes the supply of housing that is affordable within each city. This placed less than 37% of the existing stock in Carver below the applicable price thresholds in 2015. It is not clear if the new Carver Crossings project was included in this calculation.
- ▶ Recent construction patterns place 33% of all units constructed between 2010 and 2015 as affordable, due largely to Carver Crossings.
- ▶ The Metropolitan Council calculates a Housing Performance Score for each city, based on the maintenance or expansion of affordable housing. Carver received 84 out of 100 possible points, the second highest score in the County. Once again, the Carver Crossings project, which added 68 affordable rental units, helped the City achieve this high score.

- ▶ Home ownership is increasingly becoming less affordable, as values for existing homes rise. In 2016, the estimated median value for detached single family house sales was \$322,000. The median prices for existing attached single family units was below \$180,000 in 2016.
- ▶ Income statistics by housing tenure for Carver were suppressed in the 2015 American Community Survey, due to lack of usable data. However, the overall median household income for owners and renters combined was approaching \$114,000. Since most households in Carver own their housing unit, the median income level for home owners was relatively high.
- ▶ When compared to the estimated housing costs in 2015, most Carver home owners were able to secure affordable housing, according to the American Community Survey. For a median income home owner, only 21.2% of income was required for housing costs. No estimate was provided for the median renter cost or rental cost burden.
- ▶ Going forward to the year 2021, this Update has made the following housing unit development recommendations to meet the projected growth-generated demand from approximately 75 to 90 households in an average year. The estimated tenure distribution is based on 80% owner-occupancy and 20% rental demand.
- ▶ To meet expected rental demand, at least 75 to 90 new units will be needed over the five-year projection period.

**Minimum 5-year Rental Housing Recommendations**

- ▶ Very affordable/subsidized 5 to 10 units
  - ▶ Moderate rent/income restricted 20 to 25 units
  - ▶ Market rate - all types 45 to 65 units
- ▶ To meet expected home ownership demand, at least 225 to 270 new units will be needed over the five-year projection period.

**Minimum 5-year Ownership Housing Recommendations**

- ▶ Entry-level/affordable 45 to 55 units
- ▶ Moderate/trade-up 100 to 125 units
- ▶ Higher-priced 80 to 90 units

## Overview

### Purpose

In 2017, the Carver County Community Development Agency (CDA) contracted with Community Partners Research, Inc., to conduct research into affordable housing needs for the individual cities in the County. The project was based on updating a previous document, the ***Comprehensive Housing Needs Assessment for Carver County, Minnesota*** which was completed by Maxfield Research Inc., in June 2014.

At the time that the 2014 project was being completed, conditions were still being impacted by the housing market decline and national economic recession that began in the late 2000s. Construction activity had been suppressed for a number of years, and growth projections were being revised to adjust for actual development patterns.

In 2014, the Metropolitan Council had made a significant downward revision to their previously issued forecasts for the individual cities in the County. Since that time at least two additional revisions have been made for some of the individual cities to better track actual market conditions and future growth potential. No recent revisions have been made for the City of Carver.

This 2017 Update has been able to access more recently released information, including an additional three years of actual housing construction data. While a broad range of housing information has been reviewed in the pages that follow, particular emphasis was placed on the more affordable housing market segments.

Most of the truly market-driven housing segments have been gradually recovering and stabilizing in Metro Area cities. Market rate housing segments can typically be addressed by the traditional for-profit development community.

Affordable housing development will often require some form of public financial intervention, as the costs associated with new housing development are generally prohibitive to generate housing that can be accessed by low and moderate income people. Since affordable housing creation does not happen naturally, a better understanding of demographic and housing market conditions is required to help cities and policy makers with informed decisions of future needs.

## Content

This document contains specific data updates on selected demographic and housing topics. A brief summary of the content is as follows:

- ▶ **Projected Community Growth** - There are various household growth projections that exist for the City. Existing projections have been reviewed, and compared to actual growth patterns in recent years. Based on this review, probable five-year growth projections have been created, and used for anticipating future housing development needs.
- ▶ **Building Permit Trends** - Updated annual totals for new housing development activity have been provided through the year 2016.
- ▶ **Affordable Housing Construction Trends** - The Metropolitan Council, with the assistance of individual cities, tracks new housing creation to determine if it is affordable. This information has been presented through 2015 to monitor the patterns within each city.
- ▶ **Existing Affordable Housing Assessment** - Using information from the Census Bureau's American Community Survey and other available data sources, the Metropolitan Council has produced an assessment summary of the total existing housing inventory in each community.
- ▶ **Future Affordable Housing Unit Allocation Needs** - The Metropolitan Council has assigned allocation goals for each community to help meet regional affordable housing needs in the future. While difficult to actually achieve, the goals are to be used to facilitate future housing development that can serve low and moderate income people.
- ▶ **American Community Survey Rental Data** - Using the detailed tables in the American Community Survey, information is presented on the overall rental inventory in the City.
- ▶ **Rental Housing Cost Burden** - Using the detailed tables in the American Community Survey, information is presented on rental housing costs compared to renter household income levels.
- ▶ **Rental Housing Inventory** - This section examines information about the total rental stock that exists along with an approximate allocation of units by market segment.

- ▶ ***Rental Housing Telephone Survey*** - As part of the research process for this Update, Community Partners Research Community conducted a telephone survey of the larger multifamily rental projects in the City. This survey attempted to collect current information on occupancy patterns, rent levels and market segments being served. Summary information is provided along with the property-specific findings.
- ▶ ***Home Sales and Values*** - Information from the Carver County Assessor's Office is provided on single family housing sales activity in 2015 and 2016, with a review of the share that are viewed as affordable.
- ▶ ***Employment and Commuting Patterns*** - Updated information is presented on the number of workers in the community, along with projected growth over time. Updated information on commuting patterns from the American Community Survey is provided.
- ▶ ***Findings and Recommendations*** - After analysis of the multiple sections presented, this final section presents projected housing development needs for the future.

## Projected Community Growth

There are various projection sources that exist for population and household growth in the City. These include long-range forecasts that extend as far as the year 2040, as well as shorter-term forecasts, that extend to the years 2020 or 2021. While long-range projections may be useful for planning purposes, they will be subject to revision over time, as growth patterns change and actual household formation is incorporated into any forecasting methodology.

For the purposes of this document, emphasis has been placed on projecting near-term growth. The following table examines some of the annual average growth projections that exist for the City of Carver, taken from five to ten-year projection periods, depending on the base year used. Since the time frame differs, each projection has been reduced to an annual average.

The Metropolitan Council’s **Thrive MSP 2040** forecast uses the annual average growth that is expected for the 10-year period between 2010 and 2020. For Carver, no revisions have been made since these were first issued in 2014.

The **2014 Carver County Housing Study** forecast uses the annual average household growth expected for the 6-year period from 2014 to 2020, as calculated by Maxfield Research Inc.

The **Esri** forecast uses the annual average growth for the 5-year period from 2016 to 2021. Esri is a private data service that is often used by government entities and financial institutions.

<b>Table 1 Projected and Actual Growth - City of Carver</b>	
<b>Data Source</b>	<b>Average Annual Growth</b>
<b>Projected</b>	
Met Council Thrive MSP 2040	94 households/year projected
2014 Carver County Housing Study	142 households/year projected
Esri	23 households/year projected
<b>Actual</b>	
Average annual growth 2010-2016 estimate	38 households/year actual
Average annual housing unit construction 2010-2016	48 units/year actual
Housing units constructed in 2016	73 units actual

Source: Met Council; Maxfield Research; Esri; Building permits

As evident in the table above, there is a wide variation in the near-term growth expectations that exist for the City of Carver.

The highest projection was contained in the 2014 Carver County Housing Study, which expected Carver to add an average of 142 households per year between the base year of 2014 and 2020, the end of the projection period. That annual growth forecast was significantly higher than the other sources reviewed, including the Metropolitan Council forecast which expected an annual average of approximately 94 households in a typical year.

Based on the available information, the Maxfield forecast appears to be too high. To reach the annual incremental growth that was projected, the annual housing unit construction totals would need to nearly double going forward. Even reaching the Metropolitan Council forecast may be difficult to achieve, although the number of single housing starts in the City did increase substantially in Carver in 2016, indicating that market conditions have the potential to improve over the next few years.

For use in this Update, average annual growth in a range between 75 and 90 households has been used. If larger-scale rental housing development proceeds in the future, the upper end of this range could be surpassed.

### **Long-Range Forecasts**

Although this Study has not focused on longer-term projections, they are necessary for City planning efforts. The forecasts from the Metropolitan Council for the City of Carver would expect average incremental growth of approximately 150 households per year between 2020 and 2030, and nearly 200 households per year between 2030 and 2040, as the annual level of household growth continues to accelerate.

With the expectation that Carver will add between 75 and 90 households per year for the remainder of the current decade, these long-range growth forecasts would appear to be somewhat optimistic. However, it is very possible that Carver will grow at an accelerating rate in the future, as the Twin Cities Metropolitan Area expands, and growth within the more fully developed communities to the east of Carver slows.

## Building Permit Trends

The following table tracks new housing unit creation in the City of Carver, using annual building permit reports. This information has been obtained from the Metropolitan Council and from City records. In most cases, the units represent new construction, but in some cases, units created through the conversion of existing structures could also be reported.

Information for the period from 2010 to 2013 has also been reviewed from the Comprehensive Housing Needs Assessment for Carver County, prepared by Maxfield Research Inc. in 2014.

<b>Table 2 Carver Housing Construction Activity: 2010 to 2016</b>				
Year	Single Family Detached	Attached Single Family	Multifamily Rental	Total Units
2016	52	21	0	73
2015	8	12	68	88
2014	10	9	0	19
2013	25	12	0	37
2012	26	6	0	32
2011	45	0	0	45
2010	23	16	0	39
2010-2016 Total	189	76	68	333

Source: Metropolitan Council

Since 2010, the City of Carver has generally been successful with ongoing single family home construction, although the annual volume is still well below the peak years of the 2000s. In each of the years from 2000 to 2005, more than 70 single family housing starts occurred, based on building permit reports. Starting in 2006, the annual number dropped, but in most years, at least 30 single family housing starts were permitted.

By 2014, the single family volume dropped to 19 units, the lowest annual level over the time period reviewed. According to staff, the City had a limited lot supply at that time, which negatively impacted construction. New lots did become available in 2015, but then controversy about a proposed moderate income rental project resulted in negative publicity, and the unit volume in 2015 was also below average.

However, by 2016, the City achieved 75 new single family housing units, the highest annual total since 2005.

Over the past seven years, only one multifamily rental development has proceeded, the 68-unit Carver Crossing project. Low income housing tax credits were used to create affordable rental housing, with income limits and rent restrictions on the units.

### **Pending Projects**

There are additional single family lots and residential subdivisions in the planning pipeline in 2017. Two projects expected to proceed in 2017 would create nearly 300 single family detached lots and nearly 90 lots for attached single family construction. It is possible that these projects will be improved in smaller phases.

There were no pending multifamily projects identified.

## Met Council Affordable Standard - Recent Construction

The Metropolitan Council conducts an annual survey to estimate the number of newly constructed owner and renter-occupancy housing units that are affordable to a household at 80% of the area median income level. Due to the timing of the reports, information on 2016 housing construction activity was not yet available.

There are some potential differences that may exist between the unit totals displayed in the table below, and the annual building permit summary presented on the previous pages. For most years, any differences would be minor. There can also be some differences in the estimated tenure of units, depending on the data source that was used.

<b>Table 3 Affordable Housing Construction Activity: 2010 to 2015</b>					
Year	Single Family Total	Single Family Affordable	Multifamily Total	Multifamily Affordable	Total Affordable Units
2015	20	0	68	68	68
2014	19	0	0	0	0
2013	37	0	0	0	0
2012	32	0	0	0	0
2011	45	0	0	0	0
2010	39	18	0	0	18
2010-2016 Total	192	18	68	68	86

Source: Metropolitan Council

As tracked by the Metropolitan Council, 33% of all housing units constructed within the City of Carver between 2010 and 2015 would meet the basic definition of affordable housing, based on a standard set at 80% of median income. This relatively high percentage was largely due to the Carver Crossing rental project, which created 68 income-restricted units.

There were also 18 affordable units were created in single family structures, presumably more affordable town houses that were constructed in 2010. After 2010, no affordable single family construction has been tracked in Carver.

## **Metropolitan Council Housing Performance Scores**

The Met Council, in conjunction with the Minnesota Housing Finance Agency, issues an annual score for each Metropolitan Area community. These scores are used to give priority in funding to cities and townships that are maintaining or expanding their supply of affordable housing and using fiscal, planning, and regulatory tools to promote affordable and mixed-income housing. These scores can range from 0 to 100 points.

The Metropolitan Council Housing Performance Score gives Carver 84 out of 100 possible points. In Carver County, only the City of Chaska had a higher score than Carver.

The construction of Carver Crossing, with 68 affordable rental units, contributed to the high Score for the City of Carver.

## Affordable Housing Inventory Assessment

To assist communities with their Comprehensive Planning efforts, the Metropolitan Council has analyzed American Community Survey and other available data sources to establish a starting point for addressing affordable housing needs. According to the Met Council, this information meets the minimum requirements for the Existing Housing Assessment component of the Comprehensive Plan. This document can be viewed at:

[https://metrocouncil.org/Handbook/Files/Existing-Housing-Assessment/02393762\\_Carver\\_ExistingHsg.aspx](https://metrocouncil.org/Handbook/Files/Existing-Housing-Assessment/02393762_Carver_ExistingHsg.aspx)

Only one of the items from the Existing Housing Assessment is provided below. It examines the number of existing units that are considered affordable to low and moderate income households. For the City of Carver, this assessment used a total housing unit inventory count of 1,408 units in 2015.

<b>Table 4 Affordable Existing Housing Allocation - 2015</b>		
Affordable Level	Total Units	% of All Units
30% or less of median	11	0.8%
31% to 50% of median	97	6.9%
51% to 80% of median	406	28.8%
Above 80% of median	894	63.5%
Total	1,408	100%

Source: Metropolitan Council

According to the analysis by the Metropolitan Council, most of the existing housing stock in Carver is not affordable. Overall, more than 63% of all units are above the price thresholds viewed as affordable for households earning 80% or less of the Twin Cities median income level. Nearly 29% of all existing units were viewed as affordable for households between 51% and 80% of the median income level, but fewer than 8% of all units were affordable for households at or below 50% of median income.

While the affordable housing breakdown does not identify occupancy tenure, the overall affordable unit total implies that some single family ownership options exist. In the analysis, there were only 91 total rental units citywide. With more than 500 units in Carver that were considered to be affordable, this would indicate that a fairly large number of single family houses were also viewed as affordable in 2015.

## Affordable Housing Allocation Needs

As part of the Metropolitan Council’s assistance role in helping communities to plan for future development, a city-by-city allocation has been made which distributes the region-wide affordable housing needs. The Region’s total need for affordable housing during the time period from 2021 to 2030 is 37,900 units. Carver's allocation of this need is 528 units.

It is important to recognize that the allocation of units should be interpreted as a goal for the community, but the Metropolitan Council recognizes that most cities will not be able to create all of the units, especially serving the lowest end of the income range. Instead, these allocations are provided for planning purposes, to help assure that a city could accommodate this level of unit growth, if the opportunities emerge. While recognizing that these are targets for items such as land use planning or infrastructure extensions, the numbers could also be used to establish targets for actual construction.

Although the most recently released allocation targets span the period between 2021 and 2030, they represent better guidance than those released for the period between 2011 and 2020. The allocations for the current decade were based on a rate of growth that was projected to be substantially greater than what has actually occurred. As a result, the numeric targets are much too high for the share within more affordable price ranges. Instead, the allocations for the next decade are better matched to current growth trends.

<b>Table 5 Ten-year Affordable Housing Allocation Goals</b>					
	30% or less of median	31% to 50% of median	51% to 80% of median	Total Affordable	% of Expected Units
Unit Allocation	310	125	93	528	36%

Source: Metropolitan Council

The allocation goals cover a 10-year time period, and would include both rental and ownership housing options. However, in most cases, these would tend to represent rental housing creation, as serving low and moderate income households with ownership options would be extremely difficult, especially for households below 60% of the median income level.

In comparison to recent patterns, these allocations are high. In actual practice between 2010 and 2015, only 86 affordable units were created in Carver, based on these standards. This represented approximately 33% of all construction, but Carver Crossing represented most of the affordable units. Excluding Carver Crossing, less than 10% of new construction was affordable, while this allocation sets a goal that approximately 36% of future construction.

## American Community Survey Rental Data

The Census Bureau’s annual American Community Survey collects information from renter households, and generates reports on renters and rental units. Since the data are collected from sampling, estimates are prepared that do contain a margin of error. However, this information source is consistent between communities and from year-to-year. As a result, the annual estimates do provide a comparative snapshot of the local rental market.

The most recent estimates available for Carver are for 2015. In that year, there were 88 renter-occupancy households estimated to be living in the City, with a margin of error +/- 74 households. Based on all other information, this estimate would have been relatively accurate for occupied rental units in 2015, as it predates the opening of Carver Crossing. The 2010 Census had counted 96 available units, and with some allowance for vacancy, the American Community Survey estimate would have been accurate, and represents useful data on the rental stock.

### Median Gross Rent

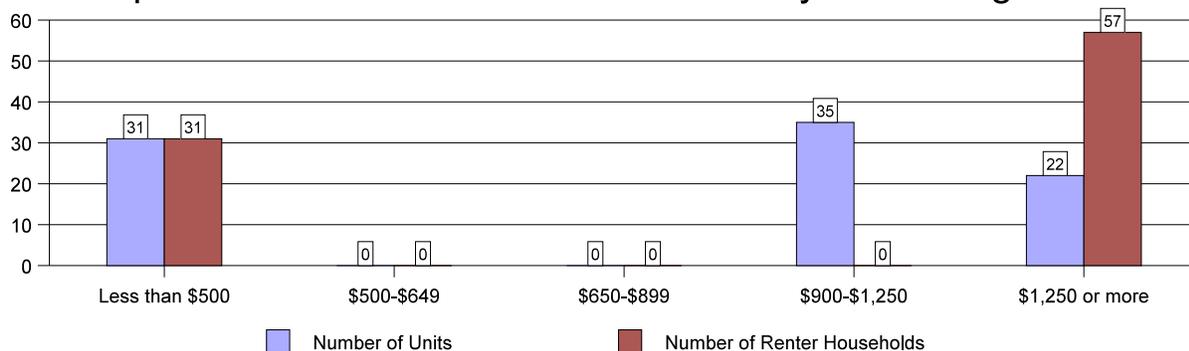
Due to the small number of rental housing units in Carver, no median gross rent levels were provided in the 2015 American Community Survey.

However, using the rent distribution information, it is possible to extrapolate an approximate median for all rental housing in the City. This calculation showed an estimated median gross rent of \$937 in 2015.

### Rental Rates Compared to Household Income

Information on rental rate distribution in the American Community Survey can be compared to renter household incomes, to make some general comparisons of supply and demand.

Comparison of Income to Unit Distribution by Rent Range - 2015



Based on the limited sampling that was completed in Carver, it would appear that the American Community Survey data are flawed for income and rent distribution. All of the renter households had either an annual income below \$20,000 or above \$50,000. It is probable that the income distribution was actually more distributed between ranges. As a result, no further analysis has been provided.

## **Rental Housing Data**

### **Census Records**

According to the 2010 Census, the City of Carver had 93 occupied rental housing units, and at least 3 unoccupied units, for a total estimated rental inventory of 96 units. The City's rental tenure rate was 7.9% in 2010, the second lowest rental rate among the cities in the County and well below the Statewide rental rate of 27%.

Based on building permit reports, only one rental project has been permitted in Carver after the 2010 Census, but this created 68 additional rental units in the City, significantly expanding the total inventory. With the newest project added, the City's total rental housing stock should be between 160 and 170 total units in 2017, before allowing for any additional shifts due to changes in tenure-conversion.

### **Rental Registration Records**

Carver does not have a rental housing licensing requirement.

### **Metropolitan Council Estimates**

The *Local Planning Handbook* prepared by the Metropolitan Council includes an "Existing Housing Assessment" for the City of Carver. That research document estimates that Carver had 91 rental housing units in 2015, which would include both occupied and vacant housing. Based on the overall distribution of units, regardless of occupancy, the estimated rental tenure rate was 6.4%, down from the level reported in the 2010 Census.

The Met Council's 2015 estimate predated the completion of Carver Crossing, which added 68 units. By 2016, it is probable that the Met Council's estimate would have increased to approximately 159 units.

### **Reconciliation of Data Sources**

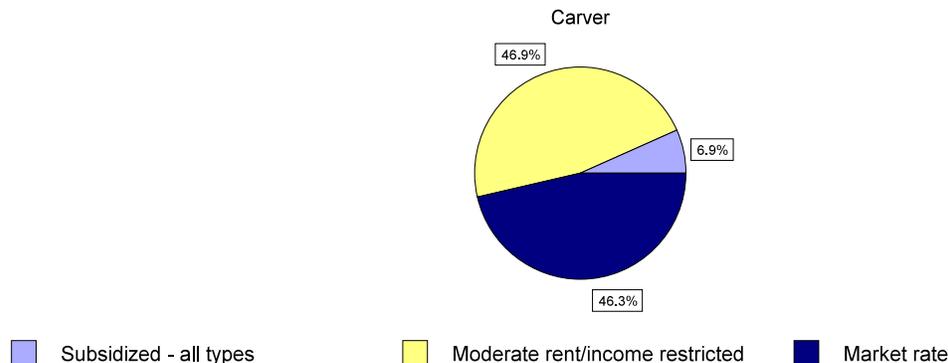
Although no precise number exists on the size of the overall rental stock, a working estimate of approximately 160 total units in 2017 represents a reasonable number for Carver's rental housing stock. While some of these units could be unoccupied, the best available information would indicate that a low rental vacancy rate tends to exist in the County, so only a small percentage would be unoccupied at any point in time.

## Rental Market Segments

Since Carver has a relatively small supply of rental housing, not all market segments are served. The following summary generally defines the different subsets of the local market. Carver does not have any providers of specialized senior housing, such as nursing home rooms, assisted living or memory care units.

- ▶ **Federally-subsidized units** - 11 units
  - ▶ General occupancy - 6 units
  - ▶ Long-term homeless - 4 units
  - ▶ Homeless - 1 unit
  
- ▶ **Moderate rent with income and occupancy restrictions** - 75 units
  - ▶ Moderate rent tax credit - 64 units
  - ▶ Moderate rent Carver County CDA - 11 units
  
- ▶ **Market rate housing** - 74 units

Rental Units by Market Segment



Some of the defined housing segments listed above may apply differing rules and regulations. For example, within the moderate rent/income restricted properties, the maximum allowable income or rent limits could be set at differing levels, from potentially 50% to 80% of the area median level. While the specifics can vary, the goal of this housing is to serve more moderate income renters, and the regulations attempt to keep these units in an affordable price range. Since these projects cannot typically offer any project-based rent assistance, they tend to serve moderate income households, while subsidized housing serves low income renters.

Approximately 46% of all rental units in Carver serve the traditional market rate segment. Approximately 54% of the identified rental options are in some form of affordable housing, in projects that have rent subsidies, income restrictions and/or a maximum rent structure.

There are also some tenant-based rent assistance Vouchers in use. However, the exact locations within the City for these Vouchers cannot be determined. In Carver it is probable that some are being used within the income-restricted projects, assisting very low income tenants that cannot afford an even low or moderate rent structure. But it is also possible that some Vouchers are being used in market rate housing, increasing the percentage of units in Carver that could be considered as subsidized housing.

### **Affordable Housing Gains and Losses**

There has been growth in the supply of income-restricted housing affordable housing in Carver after the 2010 Census. The Carver Crossing project was constructed in 2015 and added 68 affordable units. The project includes four project-based Vouchers and 64 moderate rent units serving households at or below 60% of the median income level.

There have been no identified losses of affordable, income-restricted housing.

## **Rental Housing Survey**

In February and March of 2017, a telephone survey was conducted of multifamily rental developments in the cities in Carver County. The survey primarily focused on rental properties with six or more units. The table that follows presents information for any subsidized, moderate rent/income restricted, and market rate projects separately.

The following basic definitions have been applied to identify these specific sectors within the broader housing market.

**Subsidized housing** is defined as units that have some form of federal or state subsidy assistance, typically provided through the U.S. Department of Housing and Urban Development (HUD), or through USDA Rural Development. In many cases, subsidized housing can offer project-based rent assistance, designed to allow households to pay rent based on 30% of income. However, not all subsidized projects can offer rent assistance for all units. In some cases, generally in Rural Development projects, a basic minimum rent is required. But these basic rents are still below the prevailing rental rates, and can offer a more affordable option, even if more than 30% of income is required from some households.

**Moderate rent/income restricted** housing is defined as projects that are regulated in some way, with maximum income limits, rent restrictions, occupancy restrictions, or all of the above. There are various programs that can be used to create this type of housing. The federal housing tax credit program is often used, and maximum tenant incomes are capped at 60% of median. The Carver County CDA has also developed some units that have income limits capped at either 80% or 100% of the area median income level.

These **moderate rent/income restricted** projects rarely have any type of rent assistance, although a small number of units may be designated as replacement Public Housing/MHOP, or as units serving people experiencing long-term homelessness. While a small percentage of units may be very affordable, most within this market segment tend to serve more moderate income households. Many projects will require that a tenant have a monthly income that is at least double the rent amount, so a unit priced at \$850 would require an annual income above \$20,000. Although the actual gross monthly rental rates in these projects may often approach the prevailing rental rates in the purely private market, the regulatory restrictions that apply are intended to keep these units in an affordable range for many years.

As used in this document, **market rate** rental housing defines projects that do not have any forms of rent, income or occupancy restrictions, other than those that pertain to the private competitive marketplace. Within the market rate segment, there may be newer, "luxury" projects with very high rent levels, as well as older conventional housing that offers low monthly rates.

## **Survey Coverage**

In Carver, there were only two multifamily rental projects that were identified, with a combined 86 rental units. Both of these projects were successfully contacted. When compared to the probable rental inventory in Carver, the telephone survey collected usable information from more than 50% of the local rental stock.

Both of the multifamily projects in Carver serve the affordable, income-restricted segment of the local market. Most of the units would meet the definition of moderate rent/income restricted housing, and primarily serve households at 50% to 80% of the median income level. However, both also offer a limited number of project-based rent assistance Vouchers, that can serve very low income households with rent based on 30% of income.

A general summary of the survey findings are presented my market segment.

## **Subsidized Housing Summary**

Both Carver Crossing and Carver Creek Apartments have some project-based rent assistance. In Carver Crossing there are four Vouchers designated for tenants meeting the definition of long-term homeless. In Carver Creek there are four Public Housing units and three project-based Vouchers. One of the Carver Creek Vouchers is designated for a homeless tenant.

All 11 of the subsidized units were occupied on the date of the survey. However, five of the units are designated for applicants are qualified as homeless or long-term homeless, so these are now generally available to the broader rental market. The Public Housing units are filled through referrals from the Minneapolis PHA, and once again are not generally available to local renters.

## **Moderate Rent/Income Restricted Housing Summary**

The majority of the units in both Carver Crossing and Carver Creek serve the moderate rent/income restricted segment. Carver Crossing is a tax credit new construction project that was placed in service in 2016, and serves households at or below 60% of median income. Carver Crossing has 68 total units, but four units have project-based rent assistance and offer subsidized housing. The remaining 64 units serve the more moderate income segment.

Carver Creek is owned by the Carver County CDA, and serves households at or below 80% of median income. Seven of the 18 units in this project do offer some form of subsidized housing, but the remaining 11 target the moderate income segment.

Both of the moderate rent/income restricted projects reported full occupancy at the time of the telephone survey.

## **Market Rate Housing Summary**

Although some of the rental options in Carver would be defined as purely market rate housing, these units do not exist in larger multifamily projects. Most of the market rate stock probably exists in single family houses, and in small properties with four or fewer rental units. The rental survey did not collect any information from this portion of the local rental market. It is very probable that single family rentals have a higher rent structure, especially when tenant-paid utilities are added.

## **Tenant-based Rent Assistance Vouchers**

In addition to the subsidized projects with project-based rent subsidies, Carver County renter households have access to HUD Housing Choice Vouchers. In March 2017 there were 249 Vouchers in use in the County, including 16 households in Carver. Since this rent assistance is tenant-based, and moves with the household, the actual number of participating households within the City and County can vary from month to month.

Voucher assistance is issued to income-eligible households for use in suitable, private market rental housing units. With the assistance, a household pays approximately 30% of their income for their rent, with the program subsidy paying any additional rent amounts. The rent assistance is administered by the Metro HRA, and serves much of the Twin Cities Metropolitan Area.

Metro HRA maintains a waiting list of households looking to secure a rent assistance Voucher. No specific information could be obtained on the number of Carver County households that are currently on the waiting list. However, the waiting list is closed to new applicants due to its length.

**Table 6 Carver Multifamily Rental Housing Inventory**

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
<b>Moderate Rent/Income-Restricted</b>					
Bluff Creek Apartments (formerly Carver Bluff) 1800 Main	1 - 1 Bedroom 17 - 2 Bedroom 18 Total Units	\$770 \$830 +electric 30% of income	No vacant units	General occupancy 80% of median with 3@50% of median	Multi-story apartment building that was constructed in the 1970s and later relocated from Chanhassen into the City of Carver and then refurbished. Now owned by the Carver County CDA. All tenants must be below 80% of median at time of move-in. Seven units can offer rent subsidy - 4 units are Public Housing at 80% of median and 3 are project-based Vouchers including 1 for homeless at 50% of median. Unit Amenities include stove, refrigerator, dishwasher, AC and garage parking for an extra \$35. One-bedroom has 875 sq ft and 2-bedrooms have 1025 sq ft; all units have 1 bathroom. Manager reported full occupancy.
Carver Crossing Apartments 1593 Hartwell Dr	14 - 1 Bedroom 36 - 2 Bedroom 18 - 3 Bedroom 68 Total Units	\$737 \$884 \$1020 +electric	No vacant units, waiting list	All units at 60% or less of median income 4@50% of median	Tax credit apartment project that was placed in service in 2016. Three-level building with elevators and underground parking. All units serve households at or below 60% of median income, with 4 units serving long-term homeless with project-based Vouchers. Rent includes heat with tenant paying electric. Unit amenities include stove, refrigerator, dishwasher, microwave, AC, patio/deck and underground parking. Project amenities include community room, fitness center, picnic and playground areas. One-bedrooms have 796-807 sq ft and 1 bathroom; 2-bedrooms have 1013-1315 sq ft and 2 bathrooms; 3-bedrooms have 1294-1357 sq ft and 2 bathrooms. Manager reported full occupancy and a growing waiting list - building was fully leased within first 2 months.

<b>Table 6 Carver Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Tenant Mix</b>	<b>Comments</b>
<b>Subsidized - Tenant-based Vouchers</b>					
Housing Choice Vouchers	16 assisted households in Carver	30% of income	N/A	N/A	Also known as the Section 8 Existing Program, HUD Housing Choice Vouchers provide tenant-based rent assistance that can be used in any suitable rental unit. Tenant rent contribution is based on 30% of income, with the assistance program paying additional subsidy. The County is served by Metro HRA program with 16 Vouchers being used in Carver and 249 Countywide. The program maintains a waiting list for participation.

Source: Community Partners Research, Inc.; 2014 Comprehensive Carver County Housing Needs Assessment

## Single Family Home Values

Information was obtained from Carver County on the annual number of “good” residential sales. Good sales represent fair, open market transactions, according to the County Assessor’s Office.

<b>Table 7 Carver Single Family Median Sales</b>				
Sales Year	Detached Houses		Townhouses	
	Number of Sales	Median Sale Price	Number of Sales	Median Sale Price
2016	73	\$322,000	24	\$179,450
2015	67	\$305,000	30	\$179,950

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

Based on the County’s sales sample, the typical single family detached house in Carver has a value above \$320,000. For sales recorded in 2016, the median price had reached \$322,000. Between 2015 and 2016 the median jumped up by \$17,000.

Townhouse sales were in a more affordable price range, with a median below \$180,000 in both 2015 and 2016.

To better define the share of annual home sales that would be considered more affordable for moderate income households, the following table examines the number of annual sales that have occurred for less than \$238,500, the current affordable ownership threshold used by the Metropolitan Council. The percentage of sales within each housing type is also provided.

<b>Table 8 Carver Sales for Less than \$238,500</b>				
Sales Year	Detached Houses		Townhouses	
	Number of Sales Under \$238,500	Percent	Number of Sales Under \$238,500	Percent
2016	9	12.3%	19	79.2%
2015	10	14.9%	26	86.7%

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

Only a small percentage of the detached home sales in Carver in the prior two years occurred within a price range that could be viewed as more affordable. However, more than 79% of the townhouse sales each year were priced below \$238,500.

## **Employment and Commuting**

Each of the individual cities in Carver County provides locally-based employment opportunities for area residents. The base employment data for the year 2010, as used in Metropolitan Council, showed 31,836 jobs available within the various County jurisdictions. This information was taken from the Quarterly Census of Employment and wages (QCEW), which tracks workers by place of employment that are covered by unemployment insurance.

The number of jobs varies greatly between communities. In 2010, nearly 66% of all covered jobs countywide were based in Chaska and Chanhassen, the two largest cities. If the employment in Waconia is added, more than 83% of the QCEW jobs were located within these three cities.

This does not imply that residents of Carver County primarily work within the County borders. Other data sources would indicate that most County residents actually leave the County for their primary employment. While some residents do both live and work within Carver County, most of the local jobs are filled by people that travel into the County from other locations.

Although many of the cities in the County serve as residential locations, and residents commute out for employment, job availability will have an impact on future housing needs. This is especially true for more affordable housing creation, as low and moderate income workers can be negatively impacted by the costs of commuting from more distant locations.

The following information is provided for the City of Carver to better understand current and future employment patterns, and the potential demand created by locally based workers.

<b>Table 9 Carver Employment Projections</b>			
	Employment in 2010	Employment in 2020 Projected	Change 2010 to 2020
Carver	187	650	463 / 245.4%

Source: Metropolitan Council Thrive MSP 2040

Historically, the City of Carver has primarily served as a residential community, with few locally-based jobs. As the City continues to grow, the Met Council forecasts anticipate a significant expansion of job opportunities within the community. Between 2010 and 2020, the projections expect an increase in local employment of approximately 245%.

In the base year of 2010, fewer than 0.6% of all jobs countywide were located in Carver. By 2020, the projections indicate that more than 1.5% of all jobs countywide will be located in Carver.

The accuracy of the projections can be tracked through changes that have occurred during the first five years of the current decade. The 2015 annual total showed 241 QCEW jobs in Carver, up by only 54 jobs from the base year in 2010. At the pace of job growth through 2015, Carver is not on course to reach the projected level for 2020. However, as a community that has only recently started to develop a retail/commercial property base, it would be possible that a number of new businesses could be added near Highway 212 within the next few years.

### **Wages**

The last full year of wage data through the Quarterly Census of Employment and Wages (QCEW) is for 2015. In that year, the average wage paid for employment within the City of Carver was \$26,260, assuming full-time employment. For all of Carver County, the average annual wage was \$52,208.

### **Commuting**

According to the Census Bureau's Center for Economic Studies, approximately 98% of employed Carver residents commuted out of the City for their primary employment in 2014. The primary work destinations identified for Carver residents were Chaska, Eden Prairie, Minneapolis, Chanhassen and Bloomington.

In addition to the people that both lived and worked in Carver, the top locations that were supplying inbound commuters for Carver-based jobs were Chaska, Victoria, Dahlgren Township and Shakopee.

## **Findings and Recommendations**

### **Overview**

Much of the future demand for housing production in the City of Carver will be driven by anticipated household growth. With little evidence of vacant housing capacity, growth in the community will generally require a commensurate level of new housing unit creation.

In addition to direct household growth, Carver is under served within the rental housing segment. At the time of the 2010 Census, fewer than 8% of all households living in Carver were renters. Although the construction of Carver Crossing increased the rental tenure rate, Carver still has a below-average distribution of rental households.

The different cities in Carver County have varying degrees of potential to serve a larger, regional demand for housing. As a community that is located near the eastern edge of the County, Carver does have the potential to serve some of the regional demand for housing. Since Carver shares a border with Chaska, larger-scale rental development in Carver would be a reasonable alternative location for households that might otherwise orient to Chaska or Chanhassen or to the communities in southwester Hennepin or northwestern Scott Counties.

Evidence of Carver's regional potential has been demonstrated by the 68-unit Carver Crossing project, which represented an expansion of more than 70% in the City's total rental housing inventory. This project filled quickly and has since developed a waiting list for occupancy.

The Metropolitan Council has defined Carver as an "Emerging Suburban Edge" community, along with Chanhassen, Victoria and Waconia, in recognition of its development status. The City of Chaska is designated as a "Suburban Edge" community.

The smaller cities in Carver County, and those located a greater distance from the Twin Cities core, represent a less likely alternative for outward migration. There has always been some desire from home owners to live in less developed communities, and a willingness to commute greater distances, but this has been much less evident for renter households. As a result, more locally-generated demand pertains to communities that are located farther west in the County, while more regional demand can apply to cities that are farther east, especially when the city is more fully developed.

For the City of Carver, the projection review provided earlier pointed to average annual household growth of between 75 and 90 households per year. The higher end of this range would seem to be very possible, especially if some new multifamily housing development is advanced.

### **Projected Tenure Distribution**

In the 2014 Housing Study, an overall tenure distribution of 17% rental and 83% owner-occupied had been used for the City of Carver to project unit demand to the year 2020. Based on building permits issued from 2014 to 2016, the actual tenure distribution has been closer to 38% rental and 62% owner since that time. However, these percentages are heavily impacted by the Carver Crossings rental project, which proceeded within this time frame.

Looking forward over the next five years, a tenure rate of up to 20% rental would appear to be realistic, assuming at least one larger-scale project proceeds. Multifamily rental projects tend to be constructed in larger phases.

Using the projected growth level of approximately 75 to 90 households per year in Carver results in the need for 375 to 450 housing units over the five-year projection period. The anticipated tenure distribution yields:

- ▶ 75 to 90 total rental units to meet growth and pent-up demand
- ▶ 300 to 360 total owner units to meet growth-generated demand

Additional production to serve other demand-generators growth may also occur. This would include unit replacement and similar factors.

### **Metropolitan Council Affordable Allocation Goals**

As presented earlier in this document, the Metropolitan Council has set goals for each Metro Area jurisdiction to help address region-wide demand for affordable housing. When compared to the Met Council's growth projection for Carver, the affordable unit goals are to place 36% of future production into units that serve households at or below 80% of the median income level. To actually reach these goals, Carver would need to achieve the following probable unit distribution:

- ▶ Approximately 44 rental units per year that are very affordable and serve households below 50% of median income - 218 units over the five-years
- ▶ Approximately 9 rental units per year that are affordable, and serve households between 50% and 80% of median income - 47 units over the five-years

## **Rental Housing Recommendations**

At a minimum, the City of Carver should attempt to produce at least 75 to 90 total rental housing units over the next five years to keep pace with expected household growth and to increase the rental opportunities for residents. Additional production above this level can be supported, if a larger regional market is targeted for new unit production.

To put the five-year production recommendation into context, the 68-unit Carver Crossings project in 2014 is the only larger-scale rental development that has ever been constructed in the City. The other large multifamily project, Bluff Creek Apartments, were actually existing structures that were moved into the City, after being relocated from Chanhassen.

With the recognition that achieving the high level of production within the most affordable price ranges (below 50% of median income) is very unlikely, a larger allocation has been made to the more moderate price ranges, serving households up to 80% of the median income level.

### **Minimum 5-year Rental Housing Recommendations for Carver**

▶ Very affordable/subsidized	5 to 10 units
▶ Moderate rent/income restricted	20 to 25 units
▶ Market rate - all types	45 to 65 units

The target market for the very affordable/subsidized units would be households below 50% of median income.

The target market for moderate rent/income restricted units would be households typically served by the tax credit program, or through affordable housing efforts through the Carver County CDA, between 50% and 80% of median income, although rent levels should be at or below the 60% limits.

The target groups for market rate housing would be households that can generally be served without any significant development assistance being required to substantially lower the end rental rates.

It is important to recognize that the unit recommendations above are presented as realistic targets for what is probable to occur in Carver, based on normal growth and development patterns. A larger level of production can be supported, especially within the more affordable price ranges. But a recognition is made that financial resources for affordable rental creation are limited, and achieving even these targets will present challenges for the community.

## **Home Ownership Recommendations**

At a minimum, the City of Carver will need to produce at least 300 to 360 total housing units for owner-occupants over the next five years to keep pace with expected demand generated by household growth. Additional production above this level can be supported, if a larger share of the regional market can be captured.

To put the five-year unit production recommendation into context, on an annual average basis this would yield 60 to 72 units per year. Carver was at the upper end of this annual production in 2016, but that is the only year of the past ten when more than 50 single family units were constructed in a single year.

The analysts have assumed that as market conditions continue to improve, single family construction activity will increase in Carver. Going forward, sustained annual production of 60 or more single family units per year should be very achievable for Carver, if both detached and attached single family houses are combined.

### **Minimum 5-year Ownership Housing Recommendations for Carver**

- |                          |                  |
|--------------------------|------------------|
| ▶ Entry-level/affordable | 45 to 55 units   |
| ▶ Moderate/trade-up      | 100 to 125 units |
| ▶ Higher-priced          | 80 to 90 units   |

Entry-level affordable homes are defined as being below the Met Council's affordable ownership threshold, currently set at \$238,500. Moderate/trade-up housing would be defined as up to \$450,000. Higher-priced homes would be above \$450,000.

### **Attached Housing Construction**

Achieving the production in the lower price ranges may be very difficult in Carver, as only a small percentage of recent single family home construction has been below the affordable price threshold. Any affordable housing is most likely to be created in the attached single family segment.

As tracked by building permit reports, approximately 29% of single family housing starts since 2010 have been attached units.

In the future it is probable that 35% or more of the single family units in Carver will be constructed as twin homes or town houses. This will be dependent upon an adequate supply of lots for these units. Any affordable new construction is most likely to be in this style of housing.

This would yield the following unit allocation in attached single family units.

- ▶ Entry level/affordable 45 to 55 units
- ▶ Above affordable price threshold 35 to 40 units

Although this would be a target for attached unit construction, it should be noted that this pattern has not been present in the recent past. Between 2010 and 2015, approximately 29% of the attached housing construction has been rated as affordable by the Metropolitan Council.

## **Summary of Senior-Designated Market Share**

The last reliable measure of households by age is contained in the 2010 Census. At that time, Carver had 203 households age 55 and older. This represented approximately 17% of all households in the City.

As a fast growing city in the early 2000s that was offering single family home ownership options, Carver was primarily attracting younger adult households. Countywide in 2010, approximately 32% of all households were age 55 or older. Carver had a much smaller distribution of senior and near-senior households.

Obtaining reliable age-based estimates and projections can be difficult for a small city. Esri estimated that approximately 28% of all households in Carver were age 55 and older in 2016, compared to approximately 38% countywide. Projections to the year 2021 indicate that fewer than 34% of Carver's households will be age 55 and older, compared to 42% of all households in Carver County within these senior-designated age ranges.

The 2014 Housing Study had recommended that up to 38% of the future rental development could be senior-designated, and that a small share of the owner-occupancy units could be in the form of attached housing that was also age-designated for households 55 and older. Based on the anticipated age distribution in 2021, the rental percentage would be reasonably consistent with the overall percentage expected in these older adult age groups. Since 2014, no senior-designated housing has been created in Carver and no pending projects were identified.

Although seniors and near-seniors will represent a growing share of housing demand in the future, Carver does not have the same concentrations of older adult households as many of the other cities in the County. Any rental housing that is developed in Carver should be cognizant of the growing demand from households age 55 and older and should be designed to appeal to older adult renters. But general occupancy housing would be encouraged in Carver to serve broad segments of the potential market.