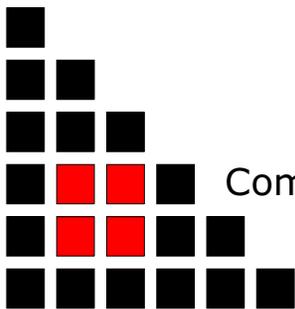


Carver County AFFORDABLE HOUSING UPDATE

July 2017

City of Chanhassen



Community Partners Research, Inc.

Lake Elmo, MN

Key Findings - 2017 Affordable Housing Study Update

- ▶ Chanhassen is the second largest city in Carver County, behind Chaska. In the opinion of Community Partners Research, Inc., Chaska and Chanhassen have the greatest future growth potential of the cities in the County.
- ▶ A realistic expectation of annual growth through the year 2021 is approximately 200 households per year. While a faster rate of future growth is certainly possible, Chanhassen has not been able to sustain annual average growth at this projected level for more than 10 years. However, going forward it is probable that an increased level of multifamily rental housing development will occur, raising the expected annual level of household growth.
- ▶ For the number of rental housing units, Chanhassen has the second largest inventory in the County, trailing Chaska. However, at the time of the 2010 Census, the City's rental tenure rate was below 14% and less than half the Statewide rate. After 2010, almost no rental housing has been added and the rental rate is even lower.
- ▶ No independent rental housing has been developed after 2010, although some specialized care senior units have been added. In 2017, there are plans advancing for two larger-scale multifamily developments that could add as many as 230 units. One of these would be oriented to seniors needing services with their housing and the other would create traditional general occupancy rental apartments.
- ▶ No affordable rental construction has occurred in many years. The last identified affordable development was Gateway Place in 2007.
- ▶ The Metropolitan Council analyzes the supply of housing that is affordable within each city. This placed only 32% of the existing stock in Chanhassen below the applicable price thresholds in 2015. Only Victoria had a smaller percentage of affordable options.
- ▶ Recent construction patterns place only 2.2% of all units constructed between 2010 and 2015 as affordable, and the last new units under the thresholds were built in 2011.
- ▶ The Metropolitan Council calculates a Housing Performance Score for each city, based on the maintenance or expansion of affordable housing. Chanhassen received 45 out of 100 possible points.

- ▶ 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 \$420,000. The median prices for existing attached single family units and condominiums was lower, but the median for attached single family units was above \$228,000 in 2016.
- ▶ According to the 2015 American Community Survey, the median income level for home owners in Chanhassen was just over \$123,000, and the median for renters was above \$46,000.
- ▶ When compared to the estimated housing costs in 2015, most Chanhassen home owners were able to secure affordable housing, according to the American Community Survey. For a median income home owner, only 18.5% of income was required for housing costs. However, for a median income renter, 33% of income was needed for housing. A percentage above 30% is considered a housing cost burden.
- ▶ Among all renters, approximately 59% of households did have a housing cost burden, with 30% or more of income required for gross rent. More than 62% of the renter households with a housing cost burden had an annual household income below \$35,000 in 2015.
- ▶ 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 200 households in an average year. The estimated tenure distribution is based on 60% owner-occupancy and 40% rental demand.
- ▶ To meet expected rental demand, at least 400 new units will be needed over the five-year projection period.

Minimum 5-year Rental Housing Recommendations

- | | |
|-----------------------------------|------------------|
| ▶ Very affordable/subsidized | 50 to 60 units |
| ▶ Moderate rent/income restricted | 100 to 110 units |
| ▶ Market rate - all types | 230 to 250 units |
- ▶ To meet expected home ownership demand, at least 600 new units will be needed over the five-year projection period.

Minimum 5-year Ownership Housing Recommendations

- | | |
|--------------------------|------------------|
| ▶ Entry-level/affordable | 100 to 120 units |
| ▶ Moderate/trade-up | 220 to 240 units |
| ▶ Higher-priced | 260 to 280 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. For Chanhassen, the most recent revision has raised the projected growth for 2020 and 2030.

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 Chanhassen, 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 **Thrive MSP 2040** forecast uses the annual average household growth that is expected for the 10-year period between 2010 and 2020. For Chanhassen, upward revisions have been made since 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.

Table 1 Projected and Actual Growth - City of Chanhassen	
Data Source	Average Annual Growth
Projected	
Met Council Thrive MSP 2040	165 households/year projected
2014 Carver County Housing Study	436 households/year projected
Esri	92 households/year projected
Actual	
Average annual growth 2010-2016 estimate	153 households/year actual
Average annual housing unit construction 2010-2016	148 units/year actual
Housing units constructed in 2016	124 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 Chanhassen.

The highest projection was contained in the 2014 Carver County Housing Study, which expected Chanhassen to add an average of 436 households per year between the base year of 2014 and 2020, the end of the projection period. That annual growth forecast was more than double the other sources reviewed, including the Metropolitan Council forecast which expected an annual average of approximately 165 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 triple going forward.

The Met Council's forecast was recently increased from an average of 120 households per year to 165 per year for the current decade. As tracked in this Update, annual housing unit production has been averaging nearly 150 units in a typical year so far in the current decade. Going forward, projected annual growth of between 150 and 200 households per year would seem to be a better indicator of the City's near-term growth potential. The Met Council's newest forecast for the City seems to be tracking this same growth trend.

Given the acceleration in annual growth in Chanhassen in the past few years, this Update has proceeded with the assumption that the City will add up to 200 households per year over the next five years.

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 Chanhassen would expect average incremental growth of 190 households per year between 2020 and 2030, and 210 households per year between 2030 and 2040.

With the expectation that Chanhassen will add approximately 200 households per year for the remainder of the current decade, these long-range growth forecasts have the potential to be conservative for future growth, but are reasonably consistent with current patterns.

Building Permit Trends

The following table tracks new housing unit creation in Chanhassen, using reports obtained from the City. For some recent years, the City’s reports differ from those available from the Metropolitan Council. It is possible that some of the discrepancy may be due to units created through the conversion of existing structures, which may not be included in the City’s reports.

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.

Table 2 Chanhassen Housing Construction Activity: 2010 to 2016				
Year	Single Family Detached	Attached Single Family	Multifamily	Total Units
2016	46	2	76 condos	124
2015	80	24	0	104
2014	57	96	24	177
2013	89	86	0	175
2012	107	78	0	185
2011	106	62	0	168
2010	71	30	0	101
2010-2016 Total	556	378	100	1,034

Source: City of Chanhassen

Like many communities in Minnesota, Chanhassen had a reduced level of new housing construction activity in the early years of the current decade, following the housing market collapse and economic recession of the late 2000s. During the construction boom years in the early 2000s, the City had achieved very high levels of single family home building, with more than 230 owner-occupancy houses permitted in 2003. But in 2010, only 101 single family houses were constructed in the City.

After 2011, some recovery began in the owner-occupancy segment, with more than 150 single family units constructed annually from 2012 to 2014. However, in 2015, only 104 single family units were permitted, and this total then dropped to fewer than 50 single family units in 2016. In each year, Chanhassen has had a mix of both attached and detached single family units.

It is not clear why the annual construction total for single family units has decreased in Chanhassen over the last two years, but it may be tied to the supply of vacant lots. This is especially true for attached single family units. Two specific development areas accounted for most of the attached single family construction between 2010 and 2014, but by the end of 2016, fewer than 20 vacant lots remained in these two subdivisions.

Although the single detached lot supply was larger at the end of 2016, there was only one active subdivision that contained more than 10 vacant lots. It appeared that two additional subdivisions were under development in 2016, but no houses had been built in these new areas. In the multiple older subdivisions created prior to 2016, a handful of lots existed, but these may be less desirable lots that have not sold in the past.

Only two multifamily projects have been permitted since 2010. In 2014, a 24-unit project was permitted. Exact details were not available, but it is believed that the units in 2014 created specialized senior housing in The BeeHive memory care project.

In 2016, a 78-unit project started construction. This is the newest phase of development at the Powers Lake Condominiums site. The first building in the complex was built as rental housing, but has since converted to privately-owned condominiums. The later phases were intended as for-sale condos.

Pending Projects

In late 2016, a specialized senior project with more than 100 total units was proceeding through the City approval process. This would provide a range of housing with services. This project is expected to proceed to construction in 2017. In early April, no permit had yet been issued for this project.

The City has been actively working on a mixed-use redevelopment project in the downtown area that would create approximately 130 units of market rate rental housing. Tax Increment Financing would be used, which could require that a portion of the units be reserved for more moderate income households.

A large master plan for a large mixed-use project known as the Avienda is also proceeding through the City's planning process. This plan includes the potential for up to 300 units of market rate housing and 100 units of senior housing. This mixed-use project is supported by a separate market study conducted in 2014.

Residential Lots

As stated above, the residential lot supply in Chanhassen has grown smaller over time, and may be a cause of reduced home construction in 2015 and 2016.

For detached single family lots, the City's inventory showed 149 vacant lots. However, 58 of these were in new development areas that had received approval in 2016 and were probably not available for home construction in 2016. Many of the other vacant lots could be "remnant" lots, as only one existing subdivision had more than 10 vacant lots remaining.

The supply of attached single family lots was even more limited. The three primary areas for attached home construction had a combined inventory of fewer than 20 vacant lots at the end of 2016. No new plats were approved in 2016.

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.

Table 3 Affordable Housing Construction Activity: 2010 to 2015					
Year	Single Family Total	Single Family Affordable	Multifamily Total	Multifamily Affordable	Total Affordable Units
2015	104	0	0	0	0
2014	159	0	24	0	0
2013	190	0	0	0	0
2012	185	0	0	0	0
2011	167	4	0	0	4
2010	101	16	0	0	16
2010-2016 Total	906	20	24	0	20

Source: Metropolitan Council

As tracked by the Metropolitan Council, only 2.2% of all housing units constructed within the City of Chanhassen between 2010 and 2015 would meet the basic definition of affordable housing, based on a standard set at 80% of median income.

All of the affordable units were created in single family attached structures, presumably more affordable town houses that were constructed in 2010 and 2011. In Chanhassen, the only multifamily units constructed during this time period were for seniors needing memory care. In some of the other cities, including Chaska, a higher percentage of multifamily housing was affordable, but there was an absence of traditional apartment construction in Chanhassen.

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 Chanhassen 45 out of 100 possible points. In Carver County, the cities of Chaska, Carver, Waconia and Watertown each had a higher score than Chanhassen.

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/02393799_Chanhassen_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 Chanhassen, this assessment used a total housing unit inventory count of 9,456 units in 2015.

Table 4 Affordable Existing Housing Allocation - 2015		
Affordable Level	Total Units	% of All Units
30% or less of median	151	1.6%
31% to 50% of median	936	9.9%
51% to 80% of median	1,950	20.6%
Above 80% of median	6,419	67.9%
Total	9,456	100%

Source: Metropolitan Council

According to the analysis by the Metropolitan Council, most of the existing housing stock in Chanhassen is not affordable. Overall, nearly 68% 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 21% of all existing units were viewed as affordable for households between 51% and 80% of the median income level, but fewer than 12% 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 1,270 total rental units citywide. With more than 3,000 units in Chanhassen 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. Chanhassen's allocation of this need is 806 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 median 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.

Table 5 Ten-year Affordable Housing Allocation Goals					
	30% or less of median	31% to 50% of median	51% to 80% of median	Total Affordable	% of Expected Units
Unit Allocation	464	197	145	806	42%

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 50% of the median income level.

In comparison to recent patterns, these allocations are very high. In actual practice between 2010 and 2015, only 20 affordable units were created in Chanhassen, based on these standards. This represented approximately 2.2% of all construction, while this allocation sets a goal that approximately 42% of future construction will be within the affordable price ranges.

American Community Survey Rental Data

The American Community Survey (ACS) provides additional information on rental units that exist in each of the cities in Carver County. Chanhassen has the second largest number of rental units and renter-occupancy households in the County, behind Chaska. At the time of the 2010 Census, nearly 19% of all renter households in Carver County were living in the City of Chanhassen.

Due to the larger number of renter households in the City, the annual sampling completed by the American Community Survey has a better chance of collecting more consistent data. As a result, additional details have been provided.

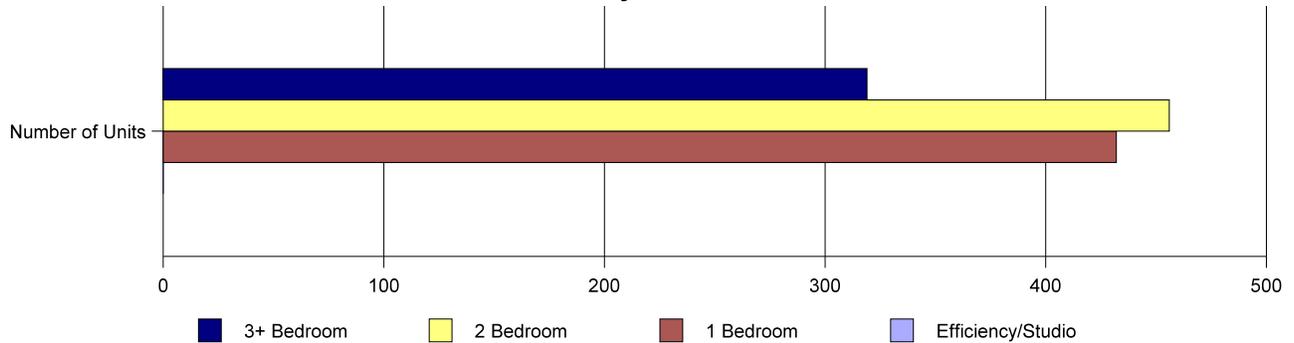
The most recent estimates available for Chanhassen are for 2015. In that year, the ACS estimated that there were 1,207 renter-occupancy households living in the City, with a margin of error +/-134 households. Based on all other information, this estimate may be slightly high for occupied rental units, but there were more than 1,200 available units counted in the 2010 Census and the 2015 American Community Survey estimate would appear to be relatively accurate.

Table 6 Chanhassen Rent Distribution by Bedrooms - 2015						
Unit Size	Rent less than \$500	Rent \$500 to \$749	Rent \$750 to \$999	Rent \$1,000+	No cash rent	Total Units
Efficiency/Studio	-	-	-	-	-	-
1 Bedroom	11	60	184	177	0	432
2 Bedroom	13	0	128	315	0	456
3+ Bedroom	0	0	24	268	27	319
Total	24	60	336	760	27	1,207

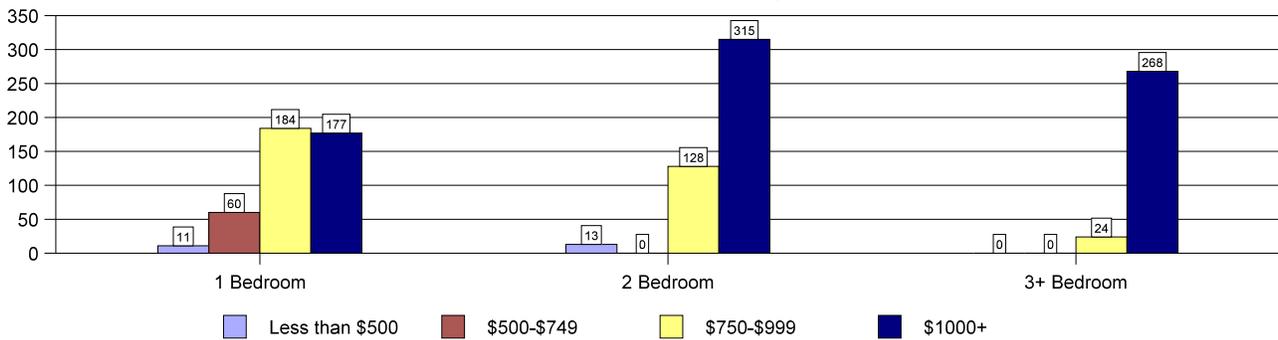
Source: American Community Survey

According to the American Community Survey, nearly 38% of all rental units in Chanhassen had two bedrooms. Approximately 36% had one bedroom and 26% had three or more bedrooms. No studio/efficiency units were sampled but it is probable that there are a small percentage of 0-bedroom units in the City.

Chanhassen Rental Units by Number of Bedrooms - 2015



Chanhassen Gross Rent Distribution by Bedroom Size - 2015



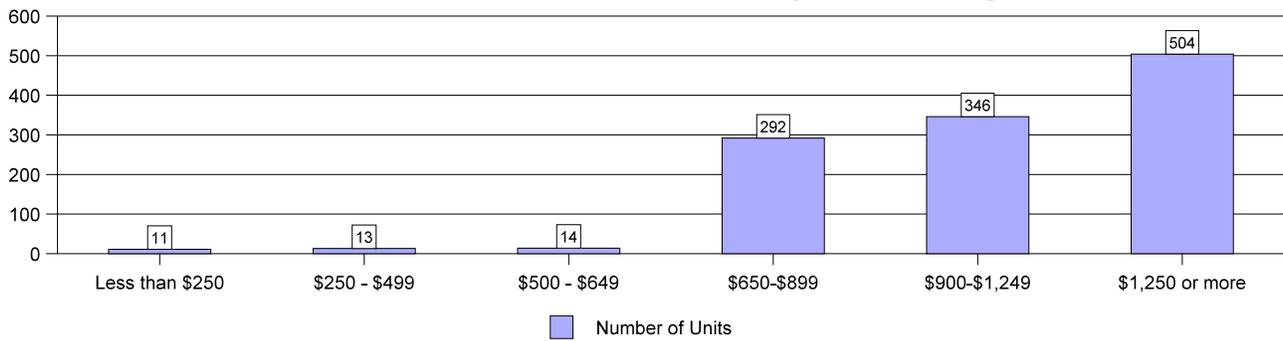
Median Gross Rent

The 2015 American Community Survey did not include an estimate of the median gross rent by number of bedrooms. The median gross rent for all rental housing units in Chanhassen was \$1,166 per month, including tenant-paid utilities.

Gross Rental Rate Distribution

The information on gross monthly rent by the number of bedrooms used fairly broad ranges for reporting rents. The American Community Survey also presents information on gross rents within more defined ranges, but this information is not distributed by bedroom mix.

Chanhasen Rental Unit Distribution by Rent Range - 2015

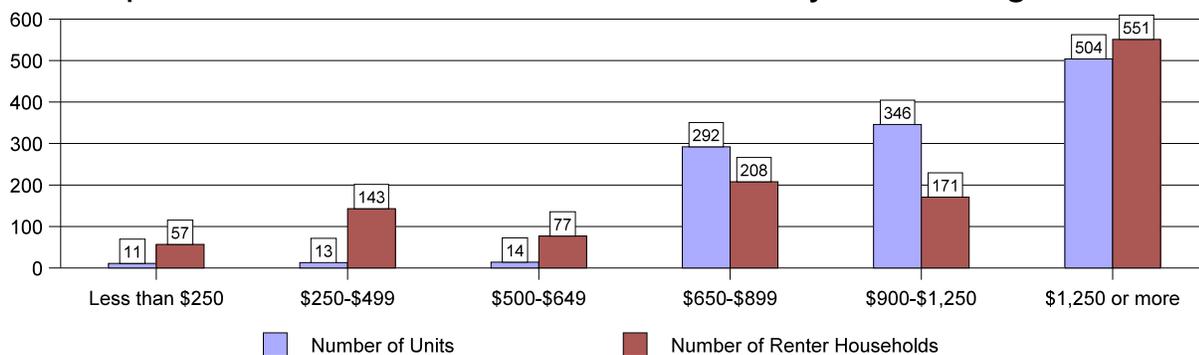


The rent distribution tables from the American Community Survey also do not differentiate between different segments of the market. Since all types of renter households should be surveyed, the rent distribution should include subsidized units, tax credit units, and probably some specialized senior housing, including units that include special services such as meals. However, the vast majority of units in the area would represent conventional, market rate housing.

Comparison of Rent and Renter Income

Using the overall distribution of gross monthly rents and renter household income, which is also included in the American Community Survey, it is possible to compare rents and income. The following chart displays the overall rent distribution within defined price ranges as estimated for all rental units in the County. This is then compared to the number of renter households that would need a unit within this same basic price range, using a standard that 30% of income can be applied to housing costs.

Comparison of Income to Unit Distribution by Rent Range - 2015



Comparing supply and demand, based on the price needed versus unit distribution, shows some interesting patterns. First, there were many more low income households that needed a unit priced less than \$500 than there were units available. There were more than eight times as many households with an annual income below \$20,000 as there were units that had a gross rent that was less than \$500 per month.

The mismatch between very affordable units and renter households with an income below \$20,000 would have been helped somewhat by rent assistance Vouchers or other public assistance programs. However, even with some rent assistance available, there were many lower income households with a housing cost burden. This is a group that generally cannot be served by the conventional rental market, where very few units exist in an affordable price range.

The unit supply in Chanhassen in the price ranges between \$500 and \$649 was also very limited, and there were more than three times as many households within the corresponding annual income range.

In the moderate rent ranges between \$650 and \$900, there were more units than corresponding households, based on income. Presumably, many of the lower income households that could not find a unit that was priced below \$650 moved into units in these higher price ranges, even though it may have constituted a rent burden. It is also probable that some higher income households were renting down, and were applying a smaller percentage of their income to housing costs.

In the higher rent ranges of \$900 or more, the overall supply of units in 2015 was somewhat greater than the number of renter households with moderate to higher incomes. Overall, the American Community Survey estimates showed that approximately 60% of all renter households in Chanhassen in 2015 had an annual income of \$36,000 or more.

It is important to recognize additional factors that may have impacted the estimated supply of higher-priced rental units. Some of the higher-priced units probably reflected specialized senior housing options, including independent living units that included meals and/or services. These units were generally priced at \$1,250 or more, and would have inflated the unit count within the higher rent ranges. With the limited detail available within the American Community Survey, it is difficult to adjust the data to reflect the impact of specialized senior housing on the rent distribution.

Rental Housing Cost Burden

The American Community Survey also provides data on the number of renter households that are paying different percentages of their gross household income for housing in the City.

Table 7 Gross Rent as a Percentage of Income by Age			
Percent of Income for Housing	Renter Households Age 64 and under	Renter Households Age 65+	All Renter Households
Less than 30%	443	24	467
30% or more	431	282	713
Not Computed	27	0	27
Total	965	306	1,207

Source: American Community Survey

Federal standards for rent subsidy programs generally identify 30% of household income as the maximum household contribution. When more than 30% of income is required, this is often called a “rent burden”. When more than 35% is required, this can be considered a “severe rent burden”.

According to the American Community Survey, approximately 59% of all renters in the City were paying 30% or more of their income for rent. The rental cost burden statistics showed all age groups were impacted.

In numeric terms, most cost-burdened households were age 64 or under. However, in percentage terms, senior-headed households were much more likely to apply 30% or more of their income to rent. Approximately 92% of senior households were paying 30% or more of their income for housing. Nearly 45% of the non-senior renter households also had a cost burden.

Although a housing cost burden could be caused by either high housing costs or low household income, in Chanhassen it was primarily due to the income levels for renters. More than 62% of the renter households with a housing cost burden had an annual household income below \$35,000 in 2015.

According to the 2015 American Community Survey, the median household income for all renters in Chanhassen was \$46,307 in 2015, well above the Countywide renter median of \$41,599. For all renter households, the median percentage of household income applied to rental costs was 33.0%. This was a much higher percentage than the Countywide median of 27.8% of income needed for monthly rent.

Rental Housing Data

Census Records

According to the 2010 Census, the City of Chanhassen had 1,140 occupied rental housing units, and at least 66 unoccupied units, for a total estimated rental inventory of 1,206 units. The City's rental tenure rate was only 13.6% in 2010, approximately half of the Statewide rental rate of 27%.

Based on building permit reports, no true rental units have been added in multifamily projects constructed after the 2010 Census. There was a 24-unit permit issued in 2014, but this was probably for memory care rooms, and not independent rental housing. Another 76-unit multifamily project permitted in 2016 will create for-sale condominium units.

Excluding the specialized memory care housing, the total rental inventory in 2017 is probably very similar to the level recorded by the 2010 Census, before allowing for any additional shifts between vacant and occupied units or changes in tenure-conversion.

Rental Registration Records

Chanhassen 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 Chanhassen. That research document estimates that Chanhassen had 1,270 rental housing units in 2015, up slightly from the 2010 Census count. Based on the overall distribution of units, regardless of occupancy, the estimated rental tenure rate was 13.4%, virtually unchanged from the 2010 Census.

Reconciliation of Data Sources

No precise number exists on the size of the overall rental stock, but a working estimate of 1,200 to 1,300 total units in 2017 represents a reasonable number for Chanhassen. While some of these units would be unoccupied, the best available information would indicate that a low rental vacancy rate tends to exist, so only a small percentage would be unoccupied at any point in time.

Rental Housing Losses

There is evidence of some loss of rental housing options in Chanhassen over time. Some of the larger multifamily rental projects that had once existed no longer offer rental housing in 2017. The following probable unit losses include:

Powers Ridge Condominiums - This complex contains 184 total housing units, with phased construction in three buildings, starting in 2003. The first building in the complex, at 1321 Lake Drive West, was built as rental housing, but was then converted to privately-owned condominiums. The later construction phases were intended as for-sale condos. The 2014 Maxfield Study had identified 101 rental units in this complex. While the accuracy of the Maxfield number cannot be verified, it is unlikely that the number of rental units was that high in 2014. In 2017 there appear to be a handful of privately-owned units that are made available as rental housing, but most units are owner-occupied.

West Village Townhomes (aka Foxridge) - This 64-unit town house project had offered rental housing in the past, but it appears that the town houses have been individually sold. The 2014 Maxfield Study had identified 64 rental units in this complex. While the accuracy of the Maxfield number cannot be verified, it is unlikely that the number of rental units was that high in 2014. While some owners may elect to offer their unit as rental housing, West Village no longer appears to operate as a rental complex.

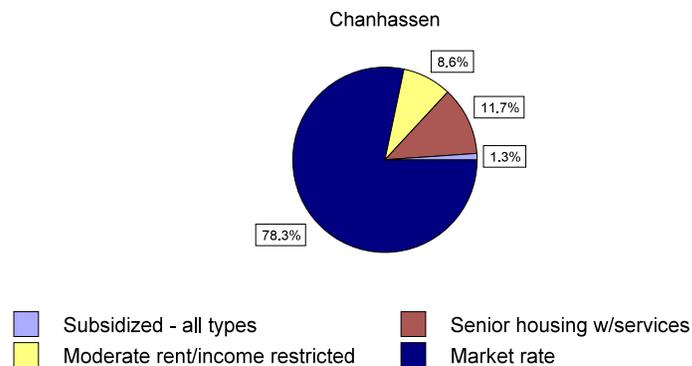
The actual timing for the removal of these projects from the rental inventory is not known. The analysts have assumed that the projects converted prior to the 2010 Census. If the conversions occurred after the Census, then Chanhassen's overall rental inventory would be smaller than estimated on the previous page.

Rental Market Segments

Chanhasen has the second largest supply of rental housing in Carver County, trailing only Chaska. Although precise details do not exist, the following summary generally defines the different subsets of the local market. This summary does not include the various providers of specialized senior housing, such as nursing home rooms, assisted living or memory care units.

- ▶ **Federally-subsidized units** - 17 units
- ▶ **Moderate rent with income and occupancy restrictions** - 110 units
 - ▶ Moderate rent tax credit - 48 units
 - ▶ Moderate rent Carver County CDA - 62 units
- ▶ **Specialized senior housing with services** - 150 units
- ▶ **Market rate housing** - 975 to 1,025 units

Rental Units by Market Segment



Some of the defined housing segments listed above may apply differing rules and regulations. For example, some of the federally subsidized housing units have project-based rent assistance, allowing tenants to pay rent on 30% of income, while other units may charge a basic rent amount, even if it exceeds 30% of income. However, the basic rent structure in a subsidized unit without project-based assistance would still be well below comparable market rents and would represent a very affordable housing option.

Within the moderate rent/income restricted properties, the maximum allowable income or rent limits could be set at differing levels, from potentially 50% to 100% 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.

Excluding the specialized senior segment that includes services, approximately 89% of all rental units in Chanhassen serve the traditional market rate segment. Approximately 11% 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 property locations within the City for these Vouchers cannot be determined. 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 likely that some Vouchers are being used in market rate housing, increasing the percentage of units in Chanhassen that could be considered as subsidized housing.

Affordable Housing Gains and Losses

There has been no identified growth in the supply of income-restricted housing affordable housing in Chanhassen in the past 10 years. The last net addition was the 48-unit Gateway Place Apartments project in 2006.

There have no recent identified losses of affordable, income-restricted housing. One original tax credit project, Heritage Park Apartments, had been placed in service in 1989. It completed its tax credit compliance requirements after 15 years and converted to market rate housing in the mid-2000s.

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 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 Chanhassen, there were eight rental projects, with a combined 384 rental units that were successfully contacted by the telephone survey. Attempts were made to contact additional multifamily properties, but these were not successful.

When compared to the probable rental inventory in Chanhassen, the telephone survey collected usable information from approximately 31% of the rental stock.

The following rental segments were represented in the survey results:

- ▶ 17 units of subsidized housing in 2 projects
- ▶ 110 units of moderate rent/income restricted housing in 2 projects
- ▶ 257 units of market rate housing in 5 projects

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

Subsidized Housing Summary

There are only two rental projects in Chanhassen that can offer federally subsidized rental housing.

- ▶ ***Carver County Public Housing*** - 14 units in scattered sites
- ▶ ***Centennial Hill*** - 3 units in a mixed-income project

The Carver County CDA has 14 scattered site Public Housing units in the community, in single family houses and town homes. The units range from two to four bedrooms, and are available for general occupancy.

The CDA also has three units in Centennial Hill that have project-based rent assistance. These units are senior-designated, with one unit reserved for a homeless household.

All tenants pay rent based on 30% of income. The CDA reported full occupancy at the time of the rental survey, and a waiting list is maintained for all units countywide, and is not specific to the Chanhassen locations.

Moderate Rent/Income Restricted Housing Summary

There are two projects in Chanhassen that meet the definition within this segment. The primary assistance programs used are federal low income housing tax credits and Carver County CDA project financing. Tax credit projects serve households up to 60% of the median income level, while the CDA project is senior-designated and can serve households as high as 100% of the median income level.

The rental projects included within this housing segment are as follows:

- ▶ **Gateway Place** - 48 moderate rent tax credit units
- ▶ **Centennial Hill** - 62 moderate rent CDA units in a mixed-income project

Occupancy/Vacancy

As reported to the telephone survey, a high rate of occupancy exists within this moderate rent income-restricted segment. No vacancies were reported when each project was contacted. Both reported the existence of a waiting list.

In Gateway Place, a low turnover rate was reported. As a result, waiting lists can be out-of-date, as many moderate income households cannot wait for an extended period of time when looking for a housing option.

In Centennial Hill, the waiting list had approximately 100 names. Nearly half of the waiting list households are local, while the other half do not currently live in Chanhassen but are interested in moving to the community.

Rental Rates

Moderate rent income-restricted units assisted through the low income housing tax credit program have a maximum rent structure that is capped at 60% of the median income level. In some cases, a portion of the units may be set-aside at even lower income levels, with rents at 50% or less of median income.

In 2017, the following rent limits were applicable to most of the projects in Carver County:

<u>Bedrooms</u>	<u>50% of Median</u>	<u>60% of Median</u>
0-Bedroom	\$758	\$910
1-Bedroom	\$812	\$975
2-Bedroom	\$975	\$1170
3-Bedroom	\$1126	\$1351
4-Bedroom	\$1256	\$1507

The current rent structure in Gateway Place is close to the maximum allowable limits, when a utility allowance for tenant-paid electricity is added to the monthly contract rent.

Although the CDA is not required to be below any regulatory rent limits in their projects, the goal is to provide an affordable rental option. The rent structure for most units in Centennial Hill is also generally similar to the tax credit limits for units at 60% of median income.

Market Rate Housing Summary

A majority of the rental options in Chanhassen would be defined as purely market rate housing. In the market segments estimate provided earlier, as many as 1,000 market rate rental units are believed to exist in Chanhassen. The telephone survey was successful in collecting information from more than 250 units within this housing segment.

In market rate housing there can be wide variation in unit types. Some of the older market rate units in Chanhassen are in older buildings with few amenities and a relatively affordable rent structure. There are also some newer rental projects, which have a much higher rent structure, and offer many modern amenities for residents.

Some of the market rate rental stock also exists in smaller properties that were not included in the survey. This would include single family houses and town houses that are offered as rental units. In these types of properties, the inclusion of tenant-paid utilities often result in a higher monthly gross rent amount.

Occupancy/Vacancy

There were no vacant units reported to the telephone survey. However, one of the largest multifamily complexes, Lake Susan Apartments, could not be contacted. The website for Lake Susan Apartments did have some available units listed. Based on the information that was available, the estimated vacancy rate at the time of the rental survey was approximately 1% or less within this housing segment.

There is limited current information that would allow for a direct comparison between the vacancy rate in Chanhassen and within the larger Twin Cities regional market. However, vacancy rates have generally remained low in the Twin Cities in recent years, resulting in above average unit construction within the market rate segment.

As tracked elsewhere in this document, very little new construction of market rate rental housing has taken place in Chanhassen in recent years. Unlike other Metro Area communities, the limited expansion in supply has resulted in a low rental vacancy rate. It should be noted that at least two larger-scale projects were advancing through the planning process in 2017 that could add a substantial number of market rate rental units.

Rental Rates

There is a significant variation in the market rate rents being charged in Chanhassen. Many of the older market rate projects, especially those constructed in the 1970s or 1980s, would actually meet the definition of “affordable” rental, as tracked by the Metropolitan Council. Newer projects typically have higher rates, but also offer more amenities.

HousingLink is a nonprofit organization that was created as a clearinghouse for affordable housing resources and information. This organization publishes a quarterly ***Twin Cities Rental Revue*** which tracks changes in rental rates by neighborhood or community. Chanhassen is one of the cities included in the report. The frequent updates available from this source allow for ongoing monitoring of rental rates.

The following median rent estimates have been taken from the first quarter of 2017. This reflects median rents within the apartment segment.

<u>Bedrooms</u>	<u>Estimated Median</u>
0-Bedroom	\$905
1-Bedroom	\$1387
2-Bedroom	\$1516
3-Bedroom	\$1850
4-Bedroom	N/A

The rent structure reported by HousingLink is generally higher than many of the multifamily projects contacted by Community Partners Research in the telephone survey. However, the rents being reported by HousingLink would generally reflect units that have become available for rent during the prior quarter. It is known that turnover rates in more affordable housing tend to be low, and the higher-rent segment may have the greatest likelihood of being advertised as available housing.

As estimate by HousingLink, the rents in Chanhassen for the apartment sector are higher than in neighboring Chaska. In Chanhassen, the median rent for a two-bedroom was \$1,516, compared to \$1,304 in Chaska.

Tenant-based Rent Assistance Vouchers

In addition to the subsidized properties 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 47 in Chanhassen. 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 amount. 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 8 Chanhassen Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Chanhassen Village 7721 MN Hwy 101	69 - 1 Bedroom <u>51 - 2 Bedroom</u> 120 Total Units	\$905-\$1005 \$1005-\$1155 +electric	No vacant units	Mix of tenants	Apartment complex with six 3-level constructed from 1971-1973. Rent includes heat but tenant pays electric. Amenities include stove, refrigerator, dishwasher, patio/balcony and garage parking for an extra \$50. Project amenities include club house, outdoor pool and security entrance. One-bedrooms have approx. 720 sq ft and 2-bedrooms have approx. 970 sq ft; all units have 1 bathroom. Manager reported full occupancy.
Chan View Apartments (formerly Carver Court) 410 Chan View	12 - 1 Bedroom <u>12 - 2 Bedroom</u> 24 Total Units	\$725 \$850 +electric	No vacant units	Mix of tenants	Three-level walkup apartment building constructed in the mid-1960s. Rent includes heat but tenant pays electric. Amenities include stove, refrigerator and AC. One-bedrooms have 650 sq ft and 2-bedrooms have 750 sq ft; all units have 1 bathroom. Manager reported full occupancy on date of survey, with any turn over units easily filled.
Chan View Estates 420, 440, 489 Chan View	2 - Studio 11 - 1 Bedroom <u>22 - 2 Bedroom</u> 35 Total Units	\$715 \$805 \$885 +electric	No vacant units	Mostly working-age tenants	Complex with three 3-level walkup buildings constructed between 1966 and 1968. Rent includes heat but tenant pays electric. Amenities include stove, refrigerator and AC. Studios have 545; 1-bedrooms have 690 sq ft; 3-bedrooms have 900 sq ft; all units have 1 bathroom. Manger reported full occupancy - most tenants are younger, working-age.
Heritage Park Apartments 425 Chan View	18 - 1 Bedroom 6 - 1 Bdrm+den <u>36 - 2 Bedroom</u> 60 Total Units	\$1090-\$1180 \$1145-\$1245 \$1285-\$1405 +heat, electric	No vacant units	Mix of tenants	Rental project that was originally constructed with tax credit assistance and was placed in service in 1989 - program compliance requirements were met and the project now operates as market rate housing. Rent includes water, sewer and garbage with tenant paying gas heat and electricity in addition to rent. Amenities include stove, refrigerator, dishwasher, AC, in-unit laundry and garage parking. One-bedrooms have 763-766 sq ft and 1 bathroom; 1-bedrooms+den have 868-872 sq ft and 1 bathroom; 2-bedrooms have 954- 1100 sq ft and 2 bathrooms. Manager reported full occupancy.

Table 8 Chanhasen Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Lake Susan Apartments 8260 Market Blvd	59 - 1 Bedroom 12 - 1 Bdrm+den 82 - 2 Bedroom <u>9 - 3 Bedroom</u> 162 Total Units	\$1193-\$1450 N/A \$1300-\$1500 \$1801-\$1898 +heat, electric	N/A	N/A	Unable to contact for 2017 survey - information presented is from secondary sources. Rental complex with 3-level elevator buildings constructed in 2001. Tenant pays heat and electric in addition to rent. Amenities include stove, refrigerator, dishwasher, disposal, microwave, granite counter tops, central AC, in-unit laundry, balcony/patio, and underground garage parking. Project amenities include outdoor pool, hot tub, sauna, fitness room, community room, playground and lakeside location. One-bedrooms have 821 sq ft with 1 bathroom; 1-bedrooms+den have 1031 sq ft with 1 bathroom 2-bedrooms have 1125 to 1153 sq ft and 2 bathrooms; 3-bedrooms have 1344 sq ft and 2 bathrooms. Rents listed are taken from project website.
Santa Vera 611-621 Santa Vera Dr	8 - 1 Bedroom <u>10 - 2 Bedroom</u> 18 Total Units	\$700 \$875 +electric	No vacant units	Mix of tenants	Two 2-level walk-up apartment buildings constructed in 1979. Rent includes heat but tenant pays electric. Amenities include stove, refrigerator, AC and garage parking. One-bedrooms have approx. 800 sq ft and 2-bedrooms have approx. 1000 sq ft; all units have 1 bathroom. Manager reported full occupancy and good demand. One building is mostly seniors and the other younger working-age tenants.

Table 8 Chanhassen Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Moderate Rent/ Income Restricted					
Centennial Hill 820 Santa vera Dr	39 - 1 Bedroom 23 - 1 Bdrm+den <u>3 - 2 Bedroom</u> 65 Total Units	\$798-\$919 \$1102 \$1187 +electric	No vacant units, waiting list	Senior- designated 100% of median income	Senior-designated (age 55+) apartment project constructed in 1996 by the Carver County CDA. Income limits apply at 100% of area median - income limits rarely result in rejection of applicant. Rent includes heat but tenant pays electric in addition to rent. Amenities include stove, refrigerator, dishwasher, microwave, AC, in-unit laundry and heated underground parking for additional \$40. Building amenities include community room, library, fitness center, salon and security entrance. One-bedrooms have 700-750 sq ft and 1 bathroom; 1-bedrooms+den have 965-984 sq ft and 1.5 bathrooms; 2-bedrooms have 1060 sq ft and 2 bathrooms. Manager reported full occupancy and waiting list of approximately 100 names - 50% are local and 50% want to move to Chanhassen. Three project-based Vouchers at 50% of median with 1 designated for homeless applicant. Some additional tenant-based rent assistance being used.
Gateway Place 721 Lake Susan Dr	4 - 1 Bedroom 27 - 2 Bedroom <u>17 - 3 Bedroom</u> 48 Total Units	\$931 \$1113 \$1281 +electric	No vacant units	60% of median	Tax credit rental apartment project that was placed in service in 2007. Three-level building with elevators and underground parking. All units serve households at 60% of median income. Rent includes heat and underground parking, with tenant paying electric. Unit amenities include stove, refrigerator, dishwasher, microwave, AC and in-unit laundry. One-bedrooms have 900 sq ft and 1 bathroom; 2-bedrooms have 1041-1216 sq ft and 1 bathroom; 3-bedrooms have 1380-1450 sq ft and 2 bathrooms. Manager reported full occupancy and limited turnover - interest list is maintained.

Table 8 Chanhassen Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized					
Public Housing Scattered Site Chanhassen	2 Bedroom 3 Bedroom <u>4 Bedroom</u> 14 Total Units	30% of income	No vacant units, waiting list	General occupancy	Scattered site HUD Public Housing units - CDA acquired single family houses and town homes. All tenants pay rent based on 30% of income. Age of units and floor plans vary. Manager reported full occupancy and a countywide waiting list for Public Housing.
Subsidized - Tenant-based Vouchers					
Housing Choice Vouchers	47 assisted households in Chanhassen	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 47 Vouchers being used in Chanhassen 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.

Table 9 Chanhassen Single Family Sales						
Sales Year	Detached Houses		Townhouses		Condominiums	
	Number of Good Sales	Median Sale Price	Number of Good Sales	Median Sale Price	Number of Good Sales	Median Sale Price
2016	332	\$420,000	79	\$228,250	79	\$166,500
2015	356	\$370,600	75	\$228,242	76	\$161,000

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

Based on the County’s sales sample over the past two years, the typical single family detached house in Chanhassen has a high value, with a median sale price of \$420,000 in 2016. The median price jumped substantially between 2015 and 2016 for detached home sales.

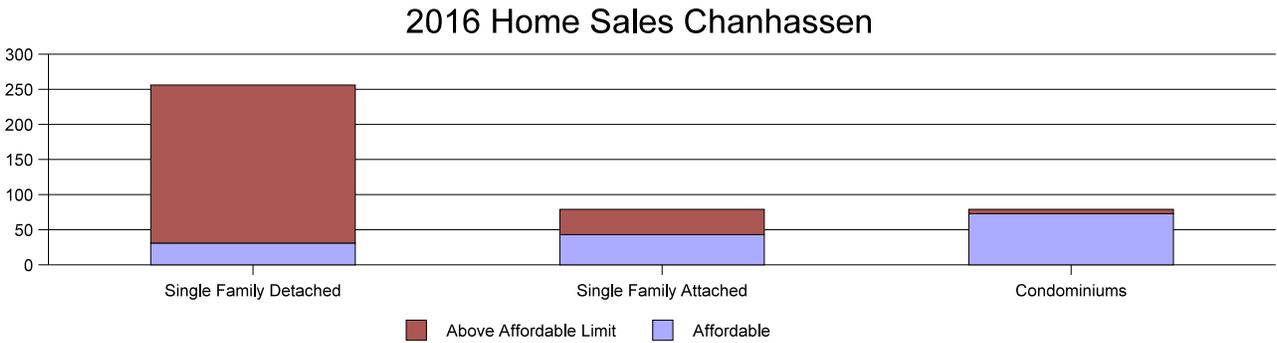
Townhouse sales were in a lower median range, but in both 2015 and 2016, the midpoint was above \$228,000. Condominium units represented the most affordable ownership option in Chanhassen, with a median price below \$170,000 in both of the years reviewed.

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.

Table 10 Chanhassen Sales for Less than \$238,500						
Sales Year	Detached Houses		Townhouses		Condominiums	
	Number of Sales Under \$238,500	Percent	Number of Sales Under \$238,500	Percent	Number of Sales Under \$238,500	Percent
2016	31	9.3%	43	54.4%	73	92.4%
2015	54	15.2%	39	52.0%	69	90.8%

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

A relatively small percentage of the detached home sales in Chanhassen in the prior two years occurred within a price range that could be viewed as more affordable, and this percentage did decrease between 2015 and 2016, probably due to improving values in the City. However, approximately 52% or more of the townhouse sales, and 90% or more of recent condominium sales were priced below \$238,500.



According to the 2015 American Community Survey, the median household income level for owner-occupancy households was \$123,093. This compared to a median estimated value of \$335,200 for all types of owner-occupancy units. As a result, the median income household only needed to apply 18.3% of income for home ownership at that time. This was the lowest percentage among the 11 cities in Carver County.

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 Chanhassen to better understand current and future employment patterns, and the potential demand created by locally based workers.

Table 11 Chanhassen Employment Projections			
	Employment in 2010	Projected Employment 2020	Change 2010 to 2020
Chanhassen	9,746	13,200	3,454 / 35.4%

Source: Metropolitan Council Thrive MSP 2040

The City of Chanhassen is the second largest employment center in Carver County. In the base year of 2010, approximately 31% of all jobs countywide were located in Chanhassen.

According to the latest Metropolitan Council forecasts, the City is expected to add a substantial number of jobs in the future. Between 2010 and 2020, the projections expect an increase in local employment of approximately 35%, with the addition of nearly 3,500 jobs. By 2020, more than 31% of all jobs in the County will be based in Chanhassen.

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 14,674 QCEW jobs in Chanhassen, already exceeding the projected level for 2020. It is probable that the Thrive MSP 2040 employment forecast for Chanhassen will be adjusted upward in the near future.

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 Chanhassen was \$60,268, assuming full-time employment. For all of Carver County, the average annual wage was \$52,208.

The top three employment sectors in Chanhassen were Manufacturing, Professional and Business Services, Trade/Transportation/Utilities, Leisure and Hospitality, and Education and Health Services.

Commuting

Despite the large number of local jobs, according to the Census Bureau's Center for Economic Studies, approximately 88% of employed Chanhassen residents commuted out of the City for their job in 2014. The primary work destinations identified for Chanhassen residents were Minneapolis, Eden Prairie, Minnetonka, Bloomington, Edina, Chaska, Plymouth, Golden Valley and Hopkins.

In addition to the people that both lived and worked in Chanhassen, the top locations that were supplying inbound commuters for Chanhassen-based jobs were Chaska, Eden Prairie, Minneapolis, Shakopee, Bloomington, St. Paul, Minnetonka, Brooklyn Park and Plymouth.

Findings and Recommendations

Overview

Much of the future demand for housing production in the City of Chanhassen 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, Chanhassen is under served within the affordable housing segments. This is especially true for affordable rental housing, as only 10% of the City's total rental inventory exists in either subsidized housing or in moderate rent projects that have some form of income or rent restrictions.

The different cities in Carver County have varying degrees of potential to serve a larger, regional demand for housing. As the two communities that are located on the eastern edge of the County, Chaska and Chanhassen are the cities with the greatest regional growth potential. For example, larger-scale rental development in Chaska or Chanhassen would be a reasonable alternative location for households that might otherwise orient to the communities in Hennepin or Scott Counties.

Chanhassen is defined as an "Emerging Suburban Edge" community, 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 Chanhassen, the projection review provided earlier pointed to average annual household growth of up to 200 households per year. This would seem to be a reliable predictor of growth potential, especially if some new multifamily housing development is advanced.

Projected Tenure Distribution

In the 2014 Housing Study, an overall tenure distribution of 25% rental and 75% owner-occupied had been used for the City of Chanhassen 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 6% rental and 94% owner since that time, including for-sale condominium units.

However, some larger scale rental developments were moving through the planning process in early 2017, and may start construction later in the year. Looking forward over the next five years, a rental tenure rate of up to 40% rental would appear to be very realistic.

While much higher than the recent past, multifamily rental projects tend to be constructed in larger phases. Since no traditional rental construction has occurred in recent years, the potential exists for above-average activity over the next few years. As housing market conditions have improved, a slightly higher level of future construction within the rental segment can be justified.

Using the projected growth level of approximately 200 households per year in Chanhassen results in the need for 1,000 or more housing units over the five-year projection period. The anticipated tenure distribution yields:

- ▶ 400 total rental units to meet growth and pent-up demand
- ▶ 600 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 Chanhassen, the affordable unit goals are to place 42% of future production into units that serve households at or below 80% of the median income level. To actually reach these goals, Chanhassen would need to achieve the following probable unit distribution:

- ▶ Approximately 66 rental units per year that are very affordable and serve households below 50% of median income - 330 units over the five-years
- ▶ Approximately 15 rental units per year that are affordable, and serve households between 50% and 80% of median income - 73 units over the five-years

Rental Housing Recommendations

At a minimum, the City of Chanhassen should attempt to produce at least 400 total rental housing units 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 regional market is targeted for new unit production.

To put the five-year unit production recommendation into context, the total number of units would be greater than the total construction that was achieved in Chanhassen over the 10-year period from 2007 through the end of 2016.

With the recognition that achieving the high level of production within the most affordable price ranges 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 Chanhassen

▶ Very affordable/subsidized	50 to 60 units
▶ Moderate rent/income restricted	100 to 110 units
▶ Market rate - all types	230 to 250 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 Chanhassen, based on normal growth and development patterns. A larger level of production can be supported, especially with 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.

Additional Evidence of Unmet Need for Affordable Housing

Information that was identified during the research process for this Update that could be used to support additional affordable rental production above the targets identified above include:

- ▶ Chanhassen has a very small supply of subsidized housing to serve very low income renters. There are only 17 rental units citywide that can offer project-based rent subsidy.
- ▶ There are some additional households with tenant-based rent Vouchers. However, there were more than three times as many Vouchers in use in Chaska in 2017. While there could be multiple reasons for the lower utilization in Chanhassen, it is very possible that the supply of Voucher-eligible units is smaller, resulting in less use.
- ▶ Chanhassen also has a relatively small supply of moderate rent/income restricted affordable housing, with only 110 total units placed in this market segment. Most of this supply is in a single project, Centennial Hill Apartments, which is senior-designated and can actually serve households up to 100% of the median income level. There is a very small inventory of general occupancy units that are income-restricted to moderate income households.
- ▶ Including both subsidized and moderate rent/income restricted units, only 10% of all rental housing in Chanhassen has some type of restriction that is designed to assure that units are affordable.
- ▶ A very low vacancy rate exists in the current inventory of income-restricted subsidized and moderate rent housing. Turnover rates are also low, and waiting lists exist.
- ▶ According to the 2015 American Community Survey, more than 700 households were experiencing a “housing cost burden” with 30% or more of their income needed for month housing costs. Citywide, approximately 59% of all renter households in Chanhassen had a housing cost burden.
- ▶ For all renter households, the median percentage of household income applied to rental costs was 33.0%. This was a much higher percentage than the Countywide median of 27.8% of income needed for monthly rent.

- ▶ The cost-burdened rental households include both senior citizens and younger renters, but more than 60% were age 64 or younger.
- ▶ While the median renter household income in Chanhassen was higher than in most of the other cities in the County, approximately 40% of all renters had an annual income below \$36,000 in 2015, and a limited amount that could be applied to housing. At \$36,000, an affordable rent threshold would be \$900 or less per month for gross rent.
- ▶ At the time of the 2010 Census, approximately 32% of all County households were age 55 or older. Projections to the year 2021 indicate that approximately 42% of all households will be within these senior-designated age ranges. By the year 2030, long-range projections show even greater growth in the number of older adult households. Increasingly, demand from households age 55 and older will grow over the next several years.
- ▶ The review of affordable housing options completed by the Metropolitan Council found that only 32% of all housing options in the City in 2015 were viewed as affordable to households at 80% or less of the median income level.

Home Ownership Recommendations

At a minimum, the City of Chanhassen will need to produce at least 600 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 120 units per year. Chanhassen has been at or above this level of annual production for five of the last six years. However, much of this was due to the construction of attached single family units, such as town houses and twin homes. In 2015 and 2016, the number of attached single family units dropped significantly, possibly due to a lack of attached single family lot options.

The analysts have assumed that the for-profit development community will respond to the diminished lot supply, and that adequate subdivision creation will proceed in the future to accommodate new construction demand. Going forward, an annual average of 120 or more single family units per year should be very achievable for Chanhassen, if both detached and attached single family houses are combined.

Minimum 5-year Ownership Housing Recommendations for Chanhassen

- | | |
|--------------------------|------------------|
| ▶ Entry-level/affordable | 100 to 120 units |
| ▶ Moderate/trade-up | 220 to 240 units |
| ▶ Higher-priced | 260 to 280 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 Chanhassen, 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 40% of single family housing starts since 2010 have been attached units. If condominiums are added, then 45% of all owner-occupancy units have been in structures that are other than detached houses.

In the future it is probable that 40% or more of the single family units in Chanhassen 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 100 to 120 units
- ▶ Above affordable price threshold 100 to 120 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, less than 6% of the attached housing construction has been rated as affordable by the Metropolitan Council.

Summary of Senior-Designated Housing Market Share

The last reliable measure of households by age is contained in the 2010 Census. At that time, approximately 33% of all households in the City were age 55 and older. Countywide in 2010, approximately 32% of all households were age 55 or older.

Obtaining reliable age-based estimates and projections can be difficult between the decennial Census. Esri estimated that approximately 42% of all households in Chanhassen were age 55 and older in 2016, compared to approximately 38% countywide. Projections to the year 2021 indicate that approximately 47% of Chanhassen's households will be age 55 and older, compared to 42% of all households in Carver County within these senior-designated age ranges.

According to Esri, the number of older adult households will grow rapidly in Chanhassen over the next five years. The City is a preferred location for senior-oriented housing. It has services and amenities that appeal to older adult households, and offers a diverse range of housing choices.

The 2014 Housing Study had recommended that up to 42% 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, some specialized senior housing has been created in The BeeHive Memory Care, and a larger-scale senior housing with services project is proposed for 2017, which would include assisted living. The Powers Lake condominiums, which started construction in 2016, are probably not senior-designated but would appeal to older adult households. Other proposed housing projects would also potentially appeal to older adult households, including the Avienda development and a downtown redevelopment mixed-use rental project.

Housing developers in Chanhassen are cognizant of the growing demand from households age 55 and older, and are actively designing projects that appeal to older adults.