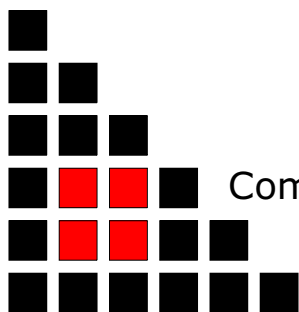


Carver County AFFORDABLE HOUSING UPDATE

July 2017

City of Hamburg



Community Partners Research, Inc.

Lake Elmo, MN

Key Findings - 2017 Affordable Housing Study Update

- ▶ The City of Hamburg is the second smallest city in Carver County, ahead of only New Germany for population and households. According to the most recent estimates produced by the Metropolitan Council, Hamburg is the only city in the County that had a decrease in population between 2010 and 2016.
- ▶ A realistic expectation of annual growth through the year 2021 is approximately 1 to 2 households per year. While a faster rate of future growth is certainly possible, Hamburg has some development limitations that do not exist in other communities, related to sewage treatment capacity. Due to the costs associated with a sewer system upgrade, Hamburg is unlikely to take corrective action unless larger-scale household growth potential exists, as more connections are needed to make the upgrades cost-effective. As a result, the expectation for the next few years would be very limited growth.
- ▶ Hamburg did have a short period of housing unit growth between 2002 and 2004, when 14 single family houses were permitted in the City. However, excluding these few years, only four additional housing units have been built, dating back to the year 2000. Two of the units were permitted in 2016, when a twin home/duplex structure was built on an existing infill lot.
- ▶ Despite its small size, Hamburg does offer some multifamily rental housing options. Three small apartment buildings were constructed in the 1970s through the USDA Rural Development subsidy program. These buildings experienced financial difficulties over time, and eventually left the subsidy program. Now under private ownership, they offer some moderate rent market rate opportunities for area households.
- ▶ The Metropolitan Council analyzes the supply of housing that is affordable within each city. This placed nearly all of the existing stock in Hamburg below the applicable price thresholds in 2015. Based on this analysis, Hamburg is the most affordable community for housing in Carver County.
- ▶ The Metropolitan Council also calculates a Housing Performance Score for each city, based on the maintenance or expansion of affordable housing. Hamburg received 27 out of 100 possible points, the second lowest score in the County. However, it is difficult for Hamburg to receive a higher score in this rating system, since no significant construction of housing at any price has occurred in recent decades.

- ▶ Home ownership is relatively affordable in Hamburg, especially when compared to most other cities in the County, but the median home sale price did increase substantially between 2015 and 2016. For 2016, the median sale price in Hamburg was \$177,000. Only New Germany had a lower sale price for detached single family house sales.
- ▶ According to the 2015 American Community Survey, the median income level for home owners in Hamburg was \$66,500, and the median for renters was just above \$40,500.
- ▶ When compared to the estimated housing costs in 2015, most Hamburg households were able to secure affordable housing, according to the American Community Survey. For a median income home owner, less than 21% of income was required for housing costs. For a median income renter, 25% of income was needed for housing.
- ▶ While most residents had access to housing they could afford, approximately 37% of all renter households did have a housing cost burden, with 30% or more of income required for gross rent.
- ▶ 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 1 to 2 households in an average year. The estimated tenure distribution is based on 80% owner-occupancy and 20% rental demand.
- ▶ To meet expected rental demand, approximately two new units will be needed over the five-year projection period. In 2016, construction of a twin home/duplex was started, that will presumably be intended for renter-occupancy. No further rental construction would be expected, although it is possible that some tenure conversion could occur in existing housing units.
- ▶ To meet expected home ownership demand, between five and ten new units may be needed over the five-year projection period. It is probable that any new home construction in Hamburg will be customized, to meet the specific needs of individual home buyers.

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 Hamburg, no revisions have been made since the forecast was issued in 2014.

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 Hamburg, 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.

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 Hamburg	
Data Source	Average Annual Growth
Projected	
Met Council Thrive MSP 2040	1 household/year projected
2014 Carver County Housing Study	7 households/year projected
Esri	1 household/year projected
Actual	
Average annual growth 2010-2016 estimate	>1 household/year actual
Average annual housing unit construction 2010-2016	>1/ unit/year actual
Housing units constructed in 2016	2 units actual

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

For the City of Hamburg, there is relative consistency between the projection sources. The expected range of average annual growth is from a low of one household per year to a high of seven households per year.

Although the upper end of this range is well above past patterns, it would be possible for the City to see this level of housing starts in the future. However, it is more realistic to assume that between one and two households per year is a more likely expectation.

For use in this Update, average annual growth in a range of 1 to 2 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 Hamburg would expect average incremental growth of approximately 2 households per year between 2020 and 2030, and 2 households per year between 2030 and 2040, very consistent with the near-term expectations.

Building Permit Trends

The following table tracks new housing unit creation in the City of Hamburg, 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.

Table 2 Hamburg Housing Construction Activity: 2010 to 2016				
Year	Single Family Detached	Attached Single Family	Multifamily	Total Units
2016	0	0	2	2
2015	0	0	0	0
2014	0	0	0	0
2013	0	0	0	0
2012	0	0	0	0
2011	0	0	0	0
2010	0	0	0	0
2010-2016 Total	0	0	0	2

Source: Metropolitan Council

Unlike most of the other cities in Carver County, Hamburg has had very little growth in recent decades. Dating back to the year 2000, Hamburg has added an average of approximately one housing unit per year. Most of the housing construction that did occur was in the 3-year period from 2002 to 2004, when 14 units were permitted. Excluding that time period, only four additional units have been permitted, including a duplex in 2016. The duplex units were built on an existing infill lot and are probably intended for renter-occupancy.

Hamburg has had some development limitations. Due to inflow and infiltration issues with the City’s sewer system, there was a development moratorium in place for most of the current decade. This was lifted in 2016, but between 2010 and 2015 no new houses were permitted in the City.

The City also has some future infrastructure limitations. According to City staff, the sewer treatment capacity could only allow for approximately 75 people to be added without additional upgrades. To make upgrades cost-effective, the City would need to project sustained future growth of 20 households per year. The City does not consider this to be a realistic near-term expectation, and is therefore unlikely to proceed with sewer upgrades unless development pressure is evident.

Residential Lots

According to City staff, only two vacant lots exist in 2017 that could be used for new home construction. During the mid-2000s, a private developer had looked at creating a 30-lot subdivision, but this project did not proceed.

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	0	0	0	0	0
2014	0	0	0	0	0
2013	0	0	0	0	0
2012	0	0	0	0	0
2011	0	0	0	0	0
2010	0	0	0	0	0
2010-2016 Total	0	0	0	0	0

Source: Metropolitan Council

Between 2010 and 2015, no new housing was constructed in Hamburg. A duplex did start construction in 2016, but the Metropolitan Council’s review of affordable housing creation has not yet been completed.

Metropolitan Council Housing Performance Scores

The Metropolitan Council, in conjunction with the Minnesota Housing Finance Agency, issues an annual score for each Metro 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 Hamburg 27 out of 100 possible points. Hamburg had the second lowest score of the 11 cities in Carver County. However, with almost no new housing construction in the City in recent years, it would be difficult for Hamburg to achieve a high score.

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/02394274_Hamburg_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 Hamburg, this assessment used a total housing unit inventory count of 219 units in 2015.

Table 4 Affordable Existing Housing Allocation - 2015		
Affordable Level	Total Units	% of All Units
30% or less of median	30	13.7%
31% to 50% of median	166	75.8%
51% to 80% of median	22	10.0%
Above 80% of median	1	0.5%
Total	219	100%

Source: Metropolitan Council

According to the analysis by the Metropolitan Council, nearly all of the existing housing stock in Hamburg is affordable. Overall, more than 99% of all units are below the price thresholds viewed as affordable for households earning 80% or less of the Twin Cities median income level. Nearly 90% of all existing units were viewed as 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 most of the affordable housing is in single family homes, presumably intended for owner-occupancy. In the analysis, there were only 43 total rental units citywide.

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. Hamburg's allocation of this need is 4 units.

It is important to recognize that the allocation of units should be interpreted as a goal for the community, as 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.

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	2	0	2	4	20%

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.

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 Hamburg are for 2015. In that year, they estimated that there were 54 renter-occupancy households living in the City, with a margin of error +/-35 households. Based on all other information, this estimate was probably high, as the 2010 Census recorded only 45 rental units in the City, including vacant units. However, after 2010 it is assumed that some of the vacancies were filled, and the American Community Survey may be high by approximately 10 households. Despite the overestimate, some data on the rental stock is presented below.

Median Gross Rent

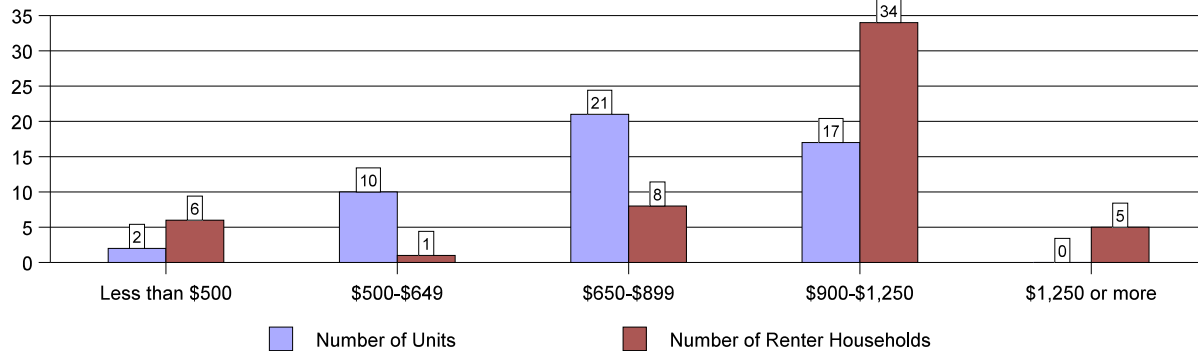
Due to the small number of rental housing units in Hamburg, the only median gross rent estimates contained in the American Community Survey showed two-bedroom options at \$673 per month. For all units, regardless of the number of bedrooms, the median gross rent was \$820.

Although the overall rental median could potentially be a high estimate, it could also be a reflection of the existence of single family rentals. When tenant-paid utilities are included, the rental houses could be above the median for two-bedroom options, which may reflect apartment rentals.

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



When renter household income levels in Hamburg are compared to the rent distribution of available units, the following observations emerge.

- ▶ The City has more households that need a very affordable unit, priced below \$500, than units that exist. However, the City has a relatively small number of renter households in this lowest income range.
- ▶ In the more moderate price range between \$500 and \$650 per month, there are many more units available than households in a comparable income range. Presumably, some of the lower income households need to “rent up” into a more expensive unit, since the very affordable supply is limited. It is also probable that some higher income households elect to “rent down” and apply less than 30% of their income for housing.
- ▶ There were also substantially more rental units than renter households in the income ranges between \$25,000 and \$36,000. Once again, it would appear that some of the moderate to higher income households were renting a less expensive unit, and could apply less than 30% of income toward housing.
- ▶ In the rental price ranges of \$900 or more per month, the number of units was smaller than the number of households with an income above \$36,000. Many of these moderate to higher income households had an annual income of \$50,000 or more, but Hamburg had a relatively small supply of higher-priced rental units. The rental units in this price range are probably in single family houses that are in the rental stock.

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 6 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%	30	0	30
30% or more	16	4	20
Not Computed	2	2	4
Total	48	6	54

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 37% 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. However, very few senior renter households were recorded by the American Community Survey. In numeric terms, most of the households with a cost burden were age 64 or younger.

For all renter households, the median percentage of household income applied to rental costs was 25.0%. This was a lower percentage than the Countywide median of 27.8% of income needed for monthly rent.

According to the 2015 American Community Survey, the median household income for all renters in Hamburg was \$40,568 in 2015, slightly below the Countywide renter median of \$41,599.

Rental Housing Data

Census Records

According to the 2010 Census, the City of Hamburg had 33 occupied rental housing units, and at least 12 unoccupied rental units, for a total estimated rental inventory of 45 units. The City's rental tenure rate was only 16.4% in 2010, well below the Statewide rental rate of 27%. However, this was due in part to a large number of vacant rental units.

Based on building permit reports, a twin home/duplex structure started construction in 2016. While occupancy details were not available, it is possible that one or both units will be offered as rental housing.

It is probable that a shift between vacant and occupied units has occurred, as vacancy rates are low countywide in 2017. There may also have been some tenure-conversion, as houses once used by renters could have been sold to owner-occupants, or the reverse. Despite these minor changes, the rental inventory in 2017 is probably similar to the level reported in the 2010 Census.

City Rental Registration

The City of Hamburg does not have a rental housing registration or licensing requirement.

Rental Market Segments

With a small inventory of rental housing, the only rental segment currently being served in Hamburg is the conventional, market rate segment.

At one time, there were three subsidized apartment projects in Hamburg, but these went through foreclosure, and were sold into private ownership as purely market rate housing. The actual end of the subsidy contract occurred more than 10 years ago.

In March 2017, there were no tenant-based rent assistance Vouchers in use in Hamburg.

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. Information was collected for subsidized, moderate rent/income restricted, and market rate projects. In Hamburg, only traditional market rate projects exist.

For the other cities in the County, the following basic definitions have been applied to define 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, a basic minimum rent is required. But these basic rents are generally 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 Hamburg there were only two rental projects identified, with a combined 28 rental units. Both of these projects offer traditional market rate housing. Both of these projects were successfully contacted.

The City’s remaining rental stock exists in small rental structures, such as single family homes, duplexes, or smaller structures with three or fewer units.

There are no subsidized or income restricted rental options in Hamburg. In March 2017, there were no rent assistance Vouchers being used in Hamburg.

Market Rate Housing

All of the rental options in Hamburg would be defined as purely market rate housing. However, the largest rental complex, now known as Huron Rentals, had originally been constructed as three separate subsidized buildings. It later went through foreclosure and emerged as privately-owned market rate housing.

There are 24 apartment units in Huron Rentals, which probably represents more than half of all rental options in the City. Four additional apartment units in Park Place were also surveyed.

As reported to the survey, occupancy rates within the market rate segment were high. The owners/managers contacted indicated that sufficient demand was present to fill any open units.

Rental rates are moderate, and recognized as being lower than in other nearby cities, such as Norwood Young America. As a very small city, there are few services or amenities offered in Hamburg, and residents must generally leave the City for groceries, gas and other basic services. However, these services are generally available in Norwood Young America, less than five miles from Hamburg.

Many of the market rate tenants in Hamburg were described as working-age households. Most leave Hamburg for their primary employment, with some reportedly driving more than 30 miles for their primary job.

Within the multifamily options, two-bedroom apartments would generally have a gross rent below \$750. It is very possible that single family rentals in Hamburg 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. However, no households in Hamburg were receiving Voucher assistance. 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 7 Hamburg Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Huron Rentals (formerly Eastview, Elmwood, Parkview)	4 - 1 Bedroom <u>20 - 2 Bedroom</u> 24 Total Units	\$540 \$640-\$650 +electric +heat in some units	No vacant units	Mostly working-age tenants	Three apartment buildings originally constructed as USDA Rural Development subsidized apartments between 1970 and 1980. Projects went through foreclosure and were then converted to market rate housing. Units are basic with stove, refrigerator and 1 bathroom. Owner estimates that newer 2-bedrooms have approx. 900 sq ft, but older units are smaller. Full occupancy reported, with most tenants working-age and employed within 15 to 20 miles of Hamburg.
Park Place Apartments	<u>4 - 2 Bedroom</u> 4 Total Units	\$550-\$600 +electric +heat in some units	No vacant units	Mostly-working-age tenants	Former creamery building that was converted into apartments in the early 1970s. Lower units include heat in rent while in upper units the tenant pays electric heat and electricity. Amenities include stove, refrigerator and in-unit laundry in upstairs units. Units are approx. 900 sq ft with 1 bathroom. Full occupancy reported - most tenants are working-age and some commute 30 miles or more for employment.
Subsidized - Tenant-based Vouchers					
Housing Choice Vouchers	No assisted households in Hamburg	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 no Vouchers being used in Hamburg 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 8 Hamburg Single Family Sales				
Sales Year	Number of Sales	Median Sale Price	Highest Sale Price	Lowest Sale Price
2016	8	\$177,000	\$361,000	\$27,500
2015	10	\$135,700	\$213,000	\$99,995

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

All of the recorded sales in Hamburg were identified as single family detached homes. Based on the County’s sales sample, the typical single family detached house in Hamburg has a value below \$180,000. For sales recorded in 2016, the median price had reached \$177,000, up from \$135,700 in 2015.

The large increase in the median sale price between 2015 and 2016 may indicate improved demand for ownership housing. However, in each year, only a few good sales were recorded. It is therefore difficult to conclude that prices are rising rapidly in the City.

The current affordable ownership threshold used by the Metropolitan Council is \$238,500. Of 18 total sales in Hamburg recorded in 2015 and 2016 combined, only one transaction was for \$238,500 or more, so nearly all of the home sales would be viewed as affordable.

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

Table 9 Hamburg Employment Projections			
	Employment in 2010	Projected Employment in 2020	Change 2010 to 2020
Hamburg	109	130	21 / 19.3%

Source: Metropolitan Council Thrive MSP 2040

Historically, Hamburg has primarily served as a residential community, with few locally-based jobs. The Metropolitan Council’s forecasts to the year 2020 show limited growth potential for both population and jobs in Hamburg. Between 2010 and 2020, the projections expect an increase in local employment of approximately 19%, but this only represents the addition of 21 jobs.

In the base year of 2010, fewer than 0.4% of all jobs countywide were located in Hamburg. By 2020, the projections indicate that this percentage will remain largely unchanged.

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 86 QCEW jobs in Hamburg, down by 23 jobs from the base year in 2010. At the pace of job growth through 2015, Hamburg is not on course to reach the projected level for 2020.

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 Hamburg was \$16,900, 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, nearly all of employed Hamburg residents commuted out of the City for their employment in 2014. The primary work destinations identified for Hamburg residents were Waconia, Eden Prairie and Chaska.

In addition to some people that both lived and worked in Hamburg, the top location that was supplying inbound commuters for Hamburg-based jobs was Lester Prairie.

Findings and Recommendations

Overview

Most of the future demand for housing production in the City of Hamburg will be driven by potential household growth. With a limited existing housing stock, any future growth in the community will generally require a commensurate level of new housing unit creation.

Hamburg is under-served within the rental housing segment. At the time of the 2010 Census, fewer than 17% of all households living in Hamburg were renters. However, as a City with few services or retail options, Hamburg has primarily served as a “bedroom” community, for owner-occupants looking to live in a small town that is within commuting distance of larger, more full-service communities. As a result, demand for any new rental housing will largely be locally-generated.

Affordable rental units would generally succeed, by attracting households that would otherwise not live in Hamburg, but these households could also be served by rental options built in the larger communities in the County.

During the “housing boom” years of the early 2000s, Hamburg had a brief period of single family activity. Over a three-year period from 2002 to 2004, there were 14 houses built. But infrastructure issues with the City’s sewer system resulted in a development moratorium. Since 2010, only two units have been built, in a duplex structure permitted in 2016.

The Metropolitan Council has defined Hamburg as a “Rural Center” community, in recognition of its development status. All of the cities in the western portion of the County are also designated as “Rural Centers”. These cities represent a less likely alternative for large-scale outward migration.

For the City of Hamburg, the projection review provided earlier pointed to average annual household growth of only 1 and 2 households per year. Despite this very limited growth potential, the City has not sustained this level of household change for more than a decade. In fact, the most recent official estimates show the City losing households since 2010. But reaching the level of 1 to 2 households per year should be possible in the future.

Projected Tenure Distribution

In the 2014 Housing Study, an overall tenure distribution of 15% rental and 85% owner-occupied had been used for the City of Hamburg to project unit demand to the year 2020.

Looking forward over the next five years, a tenure rate of up to 20% rental would appear to be realistic. This is largely based on the construction of a duplex in 2016, which is assumed to be intended for renter-occupancy. These units should become available in 2017.

Using the projected growth level of approximately 1 to 2 households per year in Hamburg results in the need for 5 to 10 housing units over the five-year projection period. The anticipated tenure distribution yields:

- ▶ 2 rental units to meet growth-generated demand
- ▶ 3 to 8 total owner units to meet growth-generated demand

Additional production to serve other demand-generators growth may also occur, but would be very limited in scale. 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 Hamburg, the affordable unit goals are to place 20% of future production into units that serve households at or below 80% of the median income level. For Hamburg, this would only be two total affordable units over a five-year time period. To actually reach these goals, would need to achieve the following probable unit distribution:

- ▶ Approximately 1 rental unit over the next five years that is very affordable and serves households below 50% of median income
- ▶ Approximately 1 rental unit over the next five years that is affordable and serves households between 50% and 80% of median income

Rental Housing Recommendations

While there is limited potential for larger-scale rental housing development in the City of Hamburg over the next five years, it may be possible to see another duplex constructed. With the recognition that achieving any level of production within the most affordable price ranges (below 50% of median income) is very unlikely, the City should attempt to encourage construction in a moderate price range, serving households up to 80% of the median income level.

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

As a City with few services and amenities, Hamburg is not a preferred location for low income housing. Residents need reliable transportation to travel for even basic services, such as groceries. It would be more appropriate to locate larger-scale rental development within the County's larger communities.

Home Ownership Recommendations

The City of Hamburg should attempt to produce at least one housing unit annually for owner-occupants over the next five years. Additional production above this level can be supported, if a larger share of the regional market can be captured.

The challenge for Hamburg may be the availability of suitable sites for new homes, and adequate capacity in the City's infrastructure systems. There may only be a handful of buildable lots in 2017. The City's sewage treatment system also has limited capacity for new connections. As a result, a goal of between three and eight new homes over the next five years may represent the maximum level that can be achieved, without additional investment in land and public utility improvements.

Summary of Senior-Designated Market Share

The last reliable measure of households by age is contained in the 2010 Census. At that time, Hamburg had 75 households age 55 and older. This represented approximately 37% of all households in the City. Countywide in 2010, approximately 32% of all households were age 55 or older. Hamburg had an above-average 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 41% of all households in Hamburg were age 55 and older in 2016, compared to approximately 38% countywide. Projections to the year 2021 indicate that nearly 46% of Hamburg'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 not recommended any senior-designated housing, given Hamburg's small size and limited overall market potential. Since 2014, no senior-designated housing has been created in Hamburg and no pending projects were identified.

Although seniors and near-seniors will represent a growing share of housing demand in the future, Hamburg is a very small city, and the number of older adult households is also relatively small. Any housing that is developed should be designed to appeal to older adult renters, but in a community as small as Hamburg, general occupancy housing would be encouraged, to serve broad segments of the potential market.