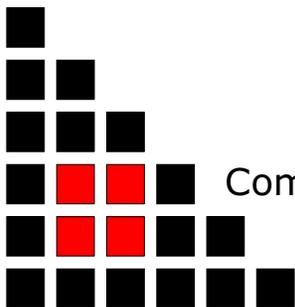


Carver County AFFORDABLE HOUSING UPDATE

July 2017

City of Waconia



Community Partners Research, Inc.

Lake Elmo, MN

Key Findings - 2017 Affordable Housing Study Update

- ▶ Waconia is the third largest city in Carver County, behind Chaska and Chanhassen. The four largest cities, including Victoria, have the greatest future growth potential over the next five years.
- ▶ A realistic expectation of annual growth through the year 2021 is approximately 125 to 150 households per year. To achieve the higher end of this range will probably require multifamily rental development.
- ▶ While an even faster rate of future growth is certainly possible, given Waconia's desirability as a residential community, the City has not been able to sustain annual average growth at this projected level for most of the past 10 years.
- ▶ Waconia has historically been a community that offers both ownership and rental housing options. Although the City's rental tenure rate has been lower than the statewide average in recent decades, Waconia's rental stock is very diverse, serving a wide range of market segments. However, since 2010, the only new multifamily rental projects have been oriented to seniors needing services with their housing.
- ▶ It has been many years since truly market rate rental housing was constructed in Waconia. However, in 2010, two former tax credit projects completed their compliance requirements, and 90 units were converted to market rate housing without any income or maximum rent restrictions. There have also been at least two rental projects proposed for 2017. One would create additional moderate rent/income restricted housing. The other possible project would create market rate rental housing, although aiming for a more moderate rent structure.
- ▶ After some years of suppressed single family housing construction, Waconia has had 110 or more single family units permitted in three of the past four years. Some of this activity was probably due to a supply of distressed lots that had been sold at discounted prices. Within the next two years, the existing vacant lot supply will be depleted, and future lots will be developed and sold at current market prices.
- ▶ The Metropolitan Council analyzes the supply of housing that is affordable. This placed more than 57% of the existing stock in Waconia below the applicable price thresholds in 2015, including both ownership and rental options. But recent construction patterns place less than 2.5% of all units constructed between 2010 and 2015 as affordable. Nearly all of the newly constructed affordable housing is in ownership town houses.

- ▶ The Metropolitan Council calculates a Housing Performance Score for each city, based on the maintenance or expansion of affordable housing. Waconia received 63 out of 100 possible points, the third highest of any city in Carver County.
- ▶ 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 above \$287,000. The median price for existing attached single family units was lower, with the median value for recent town house sales below \$160,000.
- ▶ According to the 2015 American Community Survey, the median income level for home owners in Waconia was just under \$90,000, and the median for renters was just below \$36,000.
- ▶ When compared to the estimated housing costs in 2015, most households were able to secure housing they can afford, according to the American Community Survey. For a median income home owner, 21.3% of income was required for housing costs. For a median income renter, 27.5% of income was needed for housing. While most residents had access to housing at less than 30% of income, approximately 37% of all renters did have a cost burden, with 30% or more of income required for 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 125 to 150 households in an average year. The estimated tenure distribution is based on 75% owner-occupancy and 25% rental demand.
- ▶ To meet expected rental demand, at least 155 to 190 new units will be needed over the five-year projection period.

Minimum 5-year Rental Housing Recommendations

- | | |
|-----------------------------------|----------------|
| ▶ Very affordable/subsidized | 20 to 25 units |
| ▶ Moderate rent/income restricted | 60 to 70 units |
| ▶ Market rate - all types | 75 to 95 units |
- ▶ To meet expected home ownership demand, at least 470 to 560 new units will be needed over the five-year projection period.

Minimum 5-year Ownership Housing Recommendations

- | | |
|--------------------------|------------------|
| ▶ Entry-level/affordable | 90 to 110 units |
| ▶ Moderate/trade-up | 260 to 310 units |
| ▶ Higher-priced | 120 to 140 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 Waconia, the most recent revisions substantially increased the growth expectations for the City.

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 Goals** - 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 Waconia, 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 Waconia, this was recently revised upward.

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 Waconia	
Data Source	Average Annual Growth
Projected	
Met Council Thrive MSP 2040	149 households/year projected
2014 Carver County Housing Study	226 households/year projected
Esri	51 households/year projected
Actual	
Average annual growth 2010-2016 estimate	94 households/year projected
Average annual housing unit construction 2010-2016	95 units/year actual
Housing units constructed in 2016	116 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 Waconia.

The highest projection was contained in the 2014 Carver County Housing Study, which expected Waconia to add an average of 226 households per year between the base year of 2014, and the end of the projection period, 2020. That annual growth forecast was much higher than the other sources reviewed, including the Metropolitan Council forecast which was recently revised upward and now expects annual average growth of approximately 149 households in a typical year during this entire decade.

Based on the available information, the Maxfield forecast appears to be too high. To reach the annual incremental growth that was projected, the annual housing unit construction totals would need to nearly double going forward.

Although the Metropolitan Council forecast is somewhat lower, it also has the potential to be too high. So far in the current decade, Waconia has been averaging fewer than 100 new housing units per year. To reach the Met Council annual growth forecast, a substantial increase in unit construction would be needed over the next few years.

However, it should be noted that in most recent years, no multifamily rental construction has been permitted. Waconia has traditionally served as one of the County's primary rental centers. If some larger-scale rental projects advance in the future, the City can potentially reach the Met Council's annual average growth forecast in the future.

As a result, this Update has proceeded with a projection that the City will add between 125 and 150 households per year through the year 2021. To reach the upper end of this range will probably require additional multifamily construction.

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 Waconia would expect average incremental growth of 260 households per year between 2020 and 2030, but then back to 150 households per year between 2030 and 2040. It is not clear why the incremental annual growth is larger between 2020 and 2030 than in the other decades included in the projections.

Building Permit Trends

The following table tracks new housing unit creation in the City of Waconia, 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 Waconia Housing Construction Activity: 2010 to 2016				
Year	Single Family Detached	Attached Single Family	Multifamily	Total Units
2016	107	9	0	116
2015	96	4	0	100
2014	83	0	0	83
2013	103	4	0	107
2012	86	2	0	88
2011	28	0	97	125
2010	45	0	0	45
2010-2016 Total	548	19	97	664

Source: Metropolitan Council; City of Waconia

Like many communities in Minnesota, Waconia 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 home building, with as many as 200 owner-occupancy houses permitted in 2000. But in 2011, only 28 single family houses were constructed in the City.

After 2011, recovery began in the owner-occupancy housing segment, and more than 80 single family units have been constructed in Waconia annually from 2012 to 2016. The large majority of the new single family units are identified as detached house, but some limited attached single family construction has also occurred.

There has been some multifamily creation since 2010, but all of this is believed to be specialized senior housing. In 2011, Auburn Meadows and Auburn Reflections were permitted, offering assisted living and memory care housing, respectively. In 2015, the former location for Auburn's facilities was acquired and work started on creating additional assisted living units within this existing structure. The conversion units at the former Auburn site are not reflected in the table above, but will expand housing options in Waconia for older seniors.

Pending Projects

According to City staff, the most likely pending project is a Carver County CDA affordable rental development, known as Trail's Edge South. This 76-unit project has been under discussion for the past few years but has not proceeded to construction.

A private developer has also explored the creation of moderate rent market rate housing, but this is still in a preliminary phase and no details were available.

It is probable that two residential subdivisions may advance in 2017, but they had not yet received final approvals at the time that research was being conducted.

Residential Lots

Like many other communities, Waconia had an excess supply of single family lots when market conditions changed in the late 2000s. Some of the subdivisions went into default and eventual tax forfeiture. As many as 100 lots were re-sold from public ownership in the past few years. This land was sold at a discount to its original development cost. Much of the new home construction over the past few years has occurred on these discounted lots/land.

In 2017, the City has a relatively small improved lot supply. City staff estimates that approximately 110 to 120 lots remain. Based on recent construction patterns, this represents an approximate one-year supply. The City does expect to see some new subdivisions advance in 2017.

The past defaults of subdivisions, and resulting resale at discounted prices, may have resulted in less interest from for-profit developers in creating new residential lots.

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	100	4	44*	0	4
2014	83	0	0	0	0
2013	107	0	0	0	0
2012	88	0	0	0	0
2011	28	0	97	0	0
2010	45	10	0	0	10
2010-2016 Total	451	14	141	0	14

Source: Metropolitan Council

* Units created through conversion of existing structure

As tracked by the Metropolitan Council, approximately 2.4% of all housing units constructed within the City of Waconia 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 units. In 2010, there were 10 affordable detached single family houses, and in 2015 there were four attached single family units recorded as affordable. None of the multifamily housing was counted as affordable, but all of these units provide senior housing with care services, and presumably have a higher cost structure.

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 Waconia 63 out of 100 possible points, the third highest for any city in Carver County. Only Chaska and Carver received higher scores through this rating system.

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/02397159_Waconia_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 Waconia, this assessment used a total housing unit inventory count of 4,550 units in 2015.

Table 4 Affordable Existing Housing Allocation - 2015		
Affordable Level	Total Units	% of All Units
30% or less of median	101	2.2%
31% to 50% of median	885	19.5%
51% to 80% of median	1,624	35.7%
Above 80% of median	1,940	42.6%
Total	4,550	100%

Source: Metropolitan Council

According to the analysis by the Metropolitan Council, the existing housing stock in Waconia was relatively affordable. Overall, nearly 57% of all units were viewed as affordable to households earning 80% or less of the Twin Cities median income level in 2015. Nearly 28% of all existing units were viewed as affordable for households at or below 50% of the median income level.

While the affordable housing breakdown does not identify occupancy tenure, the overall affordable unit total implies that many single family ownership options exist. In the analysis, there were only 902 total rental units citywide. With more than 2,600 units in Waconia that were considered to be affordable, this would indicate that a large number of single family houses were also viewed as affordable by this standard.

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. Waconia's allocation of this need is 863 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	481	183	199	863	33%

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 14 affordable units were created in Waconia, based on these standards. This represented approximately 2.4% of all construction, while this allocation sets a goal that approximately 33% 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. Waconia has the third largest number of rental units and renter-occupancy households in the County. At the time of the 2010 Census, approximately 15% of all renter households in Carver County were living in the City of Waconia.

Due to the larger number of renter households in Waconia, 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.

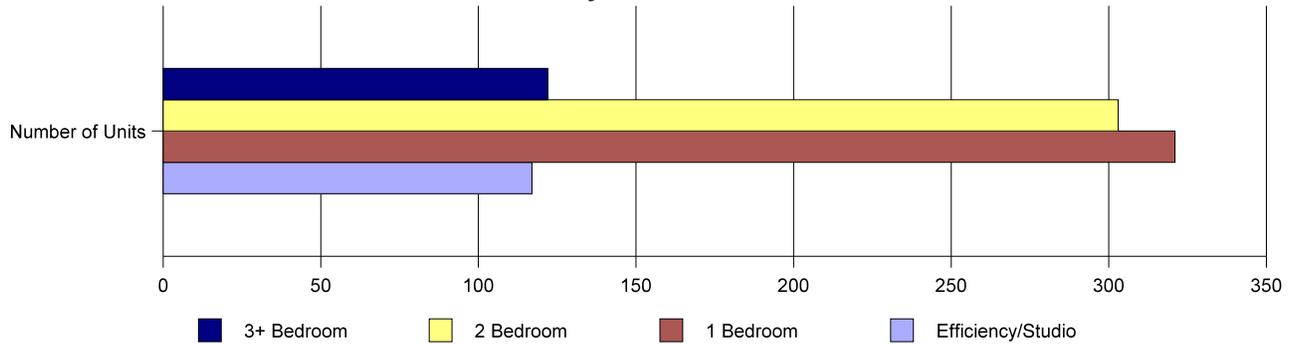
The most recent estimates available for Waconia are for 2015. In that year, the ACS estimated that there were 863 renter-occupancy households living in the City, with a margin of error +/-153 households. Based on all other information, this estimate may be slightly low for occupied rental units. There may be as many as 1,000 available rental units in the City, and with high occupancy rates, it is probable that 900 or more renter households are present in 2017. However, the 2015 American Community Survey estimate would appear to be relatively accurate.

Table 6 Waconia 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	19	51	47	0	0	117
1 Bedroom	66	129	95	31	0	321
2 Bedroom	10	18	115	160	0	303
3+ Bedroom	0	0	0	122	0	122
Total	95	198	257	313	0	863

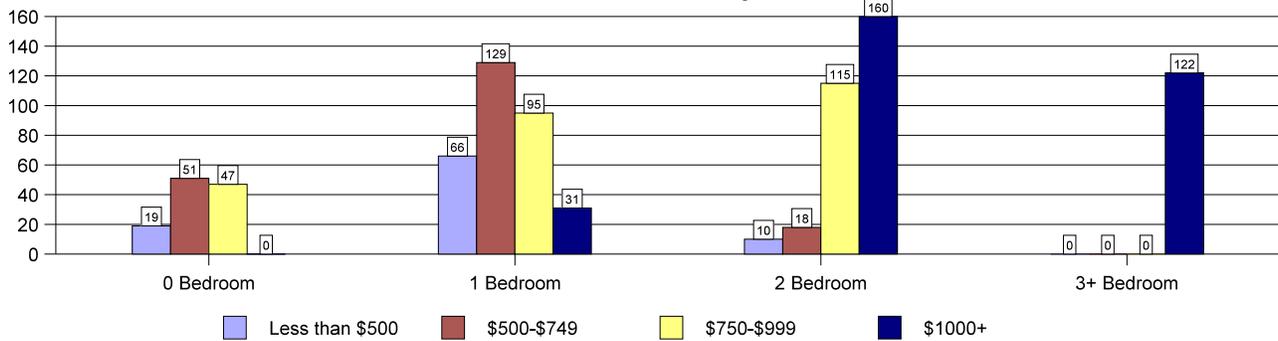
Source: American Community Survey

According to the American Community Survey, nearly 51% of all rental units in Waconia had one or fewer bedrooms, and served only small renter households. Approximately 35% had two bedrooms and 14% had three or more bedrooms.

Waconia Rental Units by Number of Bedrooms - 2015



Waconia Gross Rent Distribution by Bedroom Size - 2015



Median Gross Rent

While information on rental rates from 2015 is already somewhat dated, the following median gross rent levels were defined.

Table 7 Median Gross Rental Rates in 2015

	0 Bedroom	1 Bedroom	2 Bedroom	3 Bedroom	All Units
Median Gross Rent	\$639	\$672	\$1,030	\$1,395	\$861

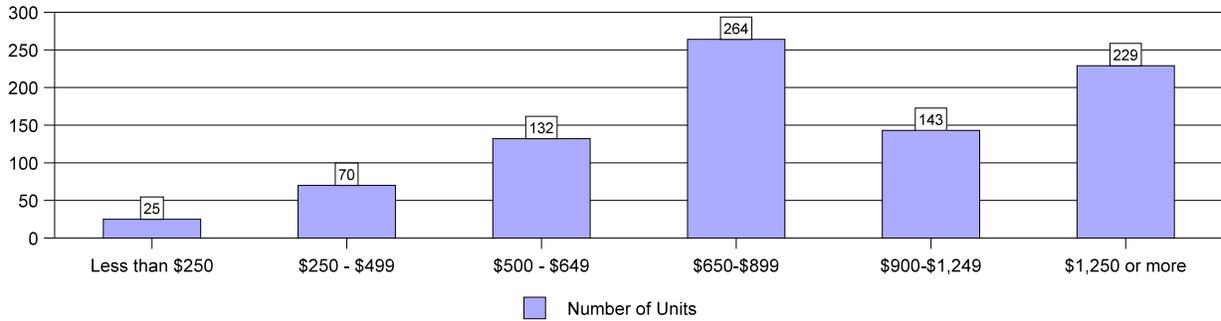
Source: American Community Survey

The median gross rent in 2015 for all rental housing units in Waconia was \$861 per month, including tenant-paid utilities. The median for 0-bedroom units was \$639. For 1-bedroom units, the median gross rent was \$672 per month. For 2-bedroom units, median gross rent was \$1,030, and for three-bedroom options, the median gross rent was \$1,395. Three-bedroom units may often exist in single family-style rentals, where tenants pay most 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.

Waconia Rental Unit Distribution by Rent Range - 2015

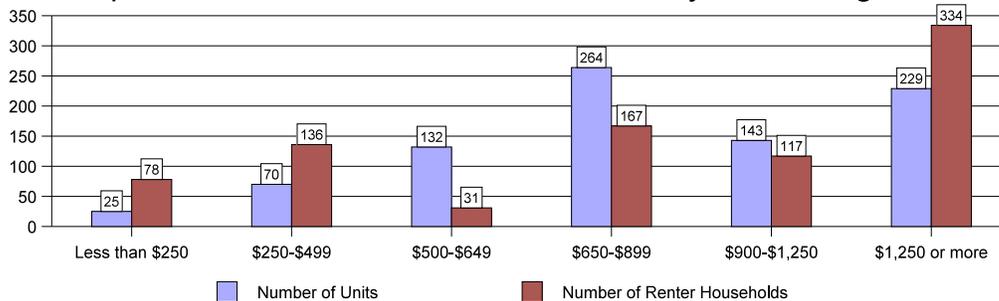


The rent distribution tables from the American Community Survey also do not differentiate between different market segments. Since all types of renter households should be surveyed, the rent distribution should include subsidized units, tax credit units, and probably some specialized senior housing, 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 City. 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 - 201



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 200 households with an annual income below \$20,000, compared to fewer than 100 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 Waconia in the price ranges between \$500 and \$899 was relatively large, and there were substantially 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 \$500 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 smaller than the number of renter households with moderate to higher incomes. Overall, the American Community Survey estimates showed that more than 52% of all renter households in Waconia in 2015 had an annual income of \$36,000 or more, but only 43% of the rental stock had a gross rent of \$900 or more.

It is important to recognize additional factors that may have further 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 8 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%	340	195	535
30% or more	118	210	328
Not Computed	0	0	0
Total	522	405	863

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 38% 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 and percentage, most cost-burdened households were age 65 or older. There were 210 senior-headed households, or nearly 52% of all senior renters, that were applying 30% or more of their income to rent. For non-senior renters, approximately 23% were paying 30% or more of their income for housing.

Although a cost burden could be caused by either high housing costs or low household income, in Waconia it was primarily due to the income levels for renters. Nearly 90% of the renter households with a cost burden had an annual household income below \$35,000 in 2015. To avoid a cost burden, these households would have needed a unit with a gross rent of \$875 or less.

According to the 2015 American Community Survey, the median income for all renters in Waconia was \$35,991 in 2015, below the Countywide renter median of \$41,599. For all renter households, the median percentage of household income applied to rental costs was 27.5%. This was very similar to 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 Waconia had 907 occupied rental housing units, and at least 80 unoccupied units, for a total estimated rental inventory of 987 units. The City's rental tenure rate was 23.2% in 2010, below the Statewide rental rate of 27%.

Based on building permit reports, as many as 141 multifamily units have been permitted in Waconia after the 2010 Census. However, all of these are targeted to seniors needing some level of services with their housing, including units oriented to memory care. As a result, it is very possible that some or all of these units may not be housing units suitable for households, but instead may be closer to "group quarters" housing.

Excluding the specialized senior housing, the total rental inventory in 2017 may be very similar to the level of nearly 1,000 rental units as reported by the last Census, before allowing for any additional shifts due to changes in tenure-conversion.

Rental Registration Records

Waconia does have a rental housing licensing requirement. However, a specific unit total could not be obtained. City staff did estimate that between 900 and 925 units were licensed in 2017, but this would exclude some of the specialized senior housing, such as assisted living or memory care units that are licensed separately by the State.

While the total inventory estimated through City would appear to be slightly smaller than the adjusted 2010 Census count, this is probably due to the exclusion of some types of housing, and in general, the two sources are reasonably consistent.

Metropolitan Council Estimates

The *Local Planning Handbook* prepared by the Metropolitan Council includes an "Existing Housing Assessment" for the City of Waconia. That research document estimates that Waconia had 902 rental housing units in 2015, which would include both occupied and vacant housing. Based on the overall distribution of units, regardless of occupancy, the estimated rental tenure rate was 19.8%, down from the level reported in the 2010 Census.

The Met Council’s estimate implies a slight loss of rental housing in Waconia after 2010. While unexpected, given the fact that some specialized senior units were built, it is certainly possible that fewer rental options exist. There may have been vacant or unsold single family units in 2010 that were being offered as rentals. As market conditions have improved, these houses may have once again reverted to owner-occupancy.

Reconciliation of Data Sources

Although no precise number exists on the size of the overall rental stock, a working estimate of 900 to 1,000 total units in 2017 represents a reasonable number for Waconia’s rental housing. While some of these units would be unoccupied, the best available information would indicate that a low rental vacancy rate tends to exist in the community, so only a small percentage would be unoccupied at any point in time.

Rental Market Segments

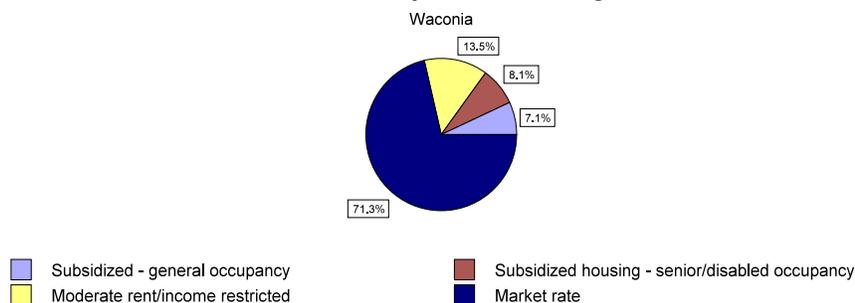
Waconia has the third largest supply of rental housing in Carver County, trailing only Chaska and Chanhassen. Although precise details do not exist, the following summary generally defines the different subsets of the local market. This summary does not include the various providers of specialized senior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

- ▶ **Federally-subsidized units** - 128 units
 - ▶ General occupancy - 60 units
 - ▶ Senior/disabled occupancy - 68 units

- ▶ **Moderate rent with income and occupancy restrictions** - 113 units
 - ▶ Moderate rent tax credit - 48 units
 - ▶ Moderate rent Carver County CDA - 66 units

- ▶ **Market rate housing** - 550 to 650 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 very low income renters.

Excluding the specialized senior segment that includes services, approximately 71% of all rental units in Waconia serve the traditional market rate segment. Approximately 29% of the identified rental options are in some form of affordable housing, in projects that have rent subsidies, income restrictions and/or a maximum rent structure.

There are also some tenant-based rent assistance Vouchers in use. However, the exact locations within the City for these Vouchers cannot be determined. 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 Waconia 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 Waconia after the 2010 Census. The last net addition was the 48-unit InterLaken Place Apartments project in 2008.

There have been some identified losses of affordable, income-restricted housing. Two early tax credit projects, Timberlea Terrace (originally known as Southview) and Prairie Village Apartments, completed their compliance requirements and converted to market rate housing in 2010. While no longer subject to the tax credit affordable housing requirements, both projects still offer a relatively moderate rent structure in 2017.

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 Waconia, there were 12 different rental projects, with a combined 368 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 Waconia, the telephone survey collected usable information from approximately 37% to 41% of the local rental stock.

The following rental segments were represented in the survey results:

- ▶ 128 units of subsidized housing in six separate projects
- ▶ 46 units of moderate rent/income restricted tax credit housing
- ▶ 68 units of moderate rent/income restricted senior-designated housing
- ▶ 126 units of market rate housing in five projects

General summaries of the survey findings are presented by market segment.

Subsidized Housing Summary

There are six different rental projects in Waconia that can offer federally subsidized rental housing. Combined, these projects have 128 very affordable units. However, only 111 of the 128 units actually have access to project-based rent assistance. In the remaining units a basic rent applies, although it is still relatively affordable.

Three of the subsidized projects, with a combined total of 60 units, provide general occupancy housing. The other three projects, with 68 combined units, are designated for senior and/or disabled tenant occupancy.

The general occupancy options are:

- ▶ Spruce Apartments with 31 units
- ▶ Fox Run Apartments with 24 units
- ▶ Carver County Public Housing with 5 scattered site units

The subsidized senior/disabled projects include:

- ▶ Evergreen Apartments with 46 units
- ▶ Maplecrest Commons with 20 units
- ▶ Crossings at Town Centre has two project-based rent assistance Vouchers

All of the subsidized projects reported full occupancy at the time of the rental survey, and most reported the existence of a waiting list. The Public Housing waiting list is maintained for all units countywide, and is not specific to the Waconia location.

Moderate Rent/Income Restricted Housing Summary

There are two projects in Waconia that meet the definition within this segment, although they do serve different moderate income levels. InterLaken Place is a tax credit new construction project that was placed in service in 2008, and serves households at or below 60% of median income. InterLaken has 48 total units, offering two and three-bedroom rental options.

The other moderate rent/income restricted project was developed by the Carver County CDA in 2006. Crossings at Town Centre is designated for senior occupancy, defined as age 55 or older. It has 68 total units, but two have project-based Vouchers available, and have been included in the subsidized segment. The remaining 66 units serve households at or below 100% of the median income level.

Both of the moderate rent/income restricted projects reported full occupancy at the time of the telephone survey. Crossings at Town Centre maintains a waiting list. InterLaken maintains an "interested" list, and will contact people when a unit becomes available.

Under the tax credit regulations, maximum rent levels in InterLaken would be capped at 60% of the median income level, but the actual rent levels are at or below the 50% of median limits.

There are no specific rent limits that apply to Crossings at Town Centre, but the rent levels in 2017 were below the 60% of median income rent thresholds used by the tax credit program. As a publicly-owned rental project, Crossings attempts to meet an affordable housing standard.

Market Rate Housing Summary

A majority of the rental options in Waconia would be defined as purely market rate housing. However, much of the multifamily stock is more than 20 years old. Two of the largest market rate rental complexes were originally constructed as affordable tax credit housing, but after completing initial compliance contracts, these projects were able to convert to market rate housing.

Due to the age and amenities in the larger multifamily projects, there is a relatively moderate rent structure in Waconia. Although both Timberlea Terrace and Prairie Village are no longer subject to any tax credit regulations, the rents being charged in both properties would be below the 50% of median rent limits for 2017.

The other market rate properties that were surveyed in Waconia, Elm, Park and Fair Hills Apartments, each has a rent structure that is also at or below the tax credit limits at 50% of median income. Each of these apartment buildings is more than 40 years old.

Occupancy rates were high in the market rate projects surveyed. There were no vacancies reported in the 126 units that were successfully contacted.

Some of the market rate rental stock in Waconia exists in smaller properties that were not included in the survey. This would include single family-style housing that is offered as rental. It is very probable that these single family rentals have a higher rent structure, especially when tenant-paid utilities are added.

Tenant-based Rent Assistance Vouchers

In addition to the subsidized projects with project-based rent subsidies, Carver County renter households have access to HUD Housing Choice Vouchers. In March 2017 there were 249 Vouchers in use in the County, including 29 households in Waconia. 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 9 Waconia Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Elm, Park, Fair Hills Apartments 140 E Main	18 - 1 Bedroom 18 - 2 Bedroom 36 Total Units	\$675-\$700 \$775-\$800 +electric	No vacant units	Mix of tenants	Three 3-level walkup apartment buildings constructed from the late 1960 to early 1970s. Rent includes heat with tenant paying electric. Unit amenities include stove, refrigerator, disposal, AC and some garages available for extra fee. One-bedrooms have 645 sq ft and 2-bedrooms have 780 sq ft; all units have 1 bathroom. Manager reported full occupancy and good demand.
Prairie Village 800 Meadow Lake Pl	18 - 1 Bedroom 18 - 2 Brm/1 bath 6 - 2 Brm/2 bath 18 - 3 Bedroom 60 Total Units	\$725 \$780 \$850 \$915 +electric	No vacant units	Mix of tenants	Originally constructed as tax credit housing in 1993, this project converted to market rate in about 2010, and is no longer subject to program requirements. Three-level walkup building. Rent includes heat with tenant paying electric. Unit amenities include stove, refrigerator, dishwasher, AC, patio/balcony, and garage available for \$50/month. Two-bedrooms have 770 to 947 sq ft and 1 or 2 bathrooms; 3-bedrooms have 984 sq ft and 2 bathrooms. Manager reported full occupancy.
Timberlea Terrace (formerly Southview Apartments) 930 Farm Line Rd	3 - 1 Bedroom 18 - 2 Bedroom 9 - 3 bedroom 30 Total Units	\$730 \$790 \$950 +electric	No vacant units	Mix of tenants	Originally constructed as tax credit housing in 1993, this project converted to market rate in about 2010, and is no longer subject to program requirements. Three-level walkup building. Rent includes heat with tenant paying electric. Unit amenities include stove, refrigerator, dishwasher, AC, patio/balcony, and garage available for \$50/month. One-bedrooms have 670 sq ft and 1 bathroom; 2-bedrooms have 850 sq ft and 1 bathroom; 3-bedrooms have 1060 sq ft and 2 bathrooms. Manager reported full occupancy.
Lake Apartments 25-33 Lake St	24 Total Units	N/A	N/A	N/A	Unable to contact in 2017 survey - information provided is from secondary sources. Two-level apartment buildings constructed in 1980.

Table 9 Waconia Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Old City Hall Apartments 9 W 1 st St	11 - 1 Bedroom <u>2 - 2 Bedroom</u> 13 Total Units	N/A	N/A	N/A	Unable to contact in 2017 survey - information provided is from secondary sources. Older downtown building that was converted into rental housing in 1984.
Waconia Parkway 501 Waconia Pkwy	22 Total Units	N/A	N/A	N/A	Unable to contact in 2017 survey - information provided is from secondary sources. Apartment complex with 22 units.

Table 9 Waconia Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Moderate Rent/Income Restricted					
Crossings at Town Centre 200 S Olive St	3 - Efficiency 21 - 1 Bedroom 22 - 1 Bdrm+den 15 - 2 Bedroom <u>7 - 2 Bdrm+den</u> 68 Total Units	\$702 \$874 \$1004 \$1080-\$1099 \$1217-\$1360 +electric	No vacant units, waiting list	Senior-designated 100% of median	Senior-designated (age 55+) apartment project constructed in 2006 by the Carver County CDA. Income limits apply at 100% of area median. Two project-based Vouchers at 50% of median with 1 for homeless. Rent includes heat but tenant pays electric in addition to rent. Amenities include stove, refrigerator, dishwasher, AC, in-unit laundry and heated underground parking for additional fee. Building amenities include community room, fitness room, guest suite, and building adjoins city hall and library. Studios have 553 sq ft and 1 bathroom; 1-bedrooms have 714 sq ft and 1 bathroom; 1-bedroom+dens have 922 sq ft and 1 bathroom; 2-bedrooms have 1067 to 1072 sq ft and 2 bathrooms; 2-bedroom+dens have 1086 to 1433 sq ft and 2 bathrooms. Manager reported full occupancy and waiting list of 20-30 names.
InterLaken Place 925 Airport Rd	26 - 2 Bedroom <u>22 - 3 Bedroom</u> 48 Total Units	\$916 \$1068 +electric	No vacant units	All units at 60% of median income	Tax credit apartment building with 3 levels that was placed in service 2008. All units serve households at or below 60% of median income. Rent includes heat with tenant paying electric. Unit amenities include stove, refrigerator, dishwasher, microwave, disposal, AC and in-unit laundry. Project amenities include fitness room and playground. Two-bedrooms have 924 sq ft and 3-bedrooms have 1204 sq ft; all units have 2 bathrooms. Manager reported full occupancy and a calling list is maintained, but limited unit turnover.

Table 9 Waconia Multifamily Rental Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized					
Evergreen Apartments 100 W 3 rd St	45 - 1 Bedroom <u>1 -2 Bedroom</u> 46 Total Units	30% of income	No vacant units, short waiting list	Senior/ disabled occupancy	HUD Section 8 subsidized apartment building constructed in the late 1970s and designated for senior (62+) or disabled tenant occupancy. Five-level building with elevator. All tenants pay rent based on 30% of income. Unit amenities include stove, refrigerator and wall AC. One-bedrooms have 618 sq ft and 1 bathroom. Manager reported full occupancy and a short waiting list. Most tenants are seniors but growing demand from younger disabled applicants.
Fox Run Apartments 28-32 W 13 th St	12 - 1 Bedroom 8 - 2 Bedroom <u>4 - 3 Bedroom</u> 24 Total Units	\$525-\$730 \$545-\$750 \$565-\$770 30% of income	No vacant units	General occupancy	USDA Rural Development apartment project constructed in 1986. Two-level walkup buildings that are designated for general occupancy. Sixteen units have access to project-based rent assistance allowing rent based on 30% of income; remaining tenants pay 30% of income but not less than basic or more than market rents listed. Unit amenities include stove, refrigerator and wall AC sleeve. Project amenities include car plug-ins, storage units and playground. One-bedrooms have 598 sq ft and 1 bathroom. Manager reported full occupancy with limited turnover and good demand.
Maplecrest Commons Apartments 330 W 1 st St	<u>20 - 1 Bedroom</u> 20 Total Units	\$535-\$735 30% of income	No vacant units, waiting list	Senior/ disabled occupancy	USDA Rural Development subsidized apartment building constructed in 1984 and designated for senior (62+) or disabled tenant occupancy. Three-level building with elevator. Eleven units have access to project-based rent assistance allowing rent based on 30% of income; remaining tenants pay 30% of income but not less than basic or more than market rents listed. Unit amenities include stove, refrigerator, and wall AC sleeve. Units have approx. 680 sq ft and 1 bathroom. Manager reported full occupancy and good demand - a waiting list is maintained.

Table 9 Waconia Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Subsidized					
Public Housing Scattered Site Waconia	2 Bedroom 3 Bedroom 4 Bedroom 5 Total Units	30% of income	No vacant units, waiting list	General occupancy	Scattered site HUD Public Housing units - CDA acquired single family houses. 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.
Spruce Apartments 325 S Spruce St	21 - 1 Bedroom 2 Bedroom 3 Bedroom 4 Bedroom 31 Total Units	30% of income	No vacant units, waiting list	General occupancy	HUD Public Housing project constructed in 1972. One-bedroom units were originally intended for senior/disabled occupancy but a later HUD rule change made all units available for general occupancy. All tenants pay rent based on 30% of income. One-bedrooms have approximately 500 sq ft and can have some vacancies due to small size of units. Manager reported full occupancy and a countywide waiting list for Public Housing.
Subsidized - Tenant-based Vouchers					
Housing Choice Vouchers	29 assisted households in Waconia	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 29 Vouchers being used in Waconia and 249 Countywide. The program maintains a waiting list for participation.

Source: Community Partners Research, Inc.

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 10 Waconia 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	198	\$287,500	58	\$157,295	0	-
2015	193	\$267,000	49	\$149,900	1	\$90,000

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

Based on the County’s sales sample, the typical single family detached house in Waconia has a value approaching \$290,000. For sales recorded in 2016, the median price had reached \$287,500.

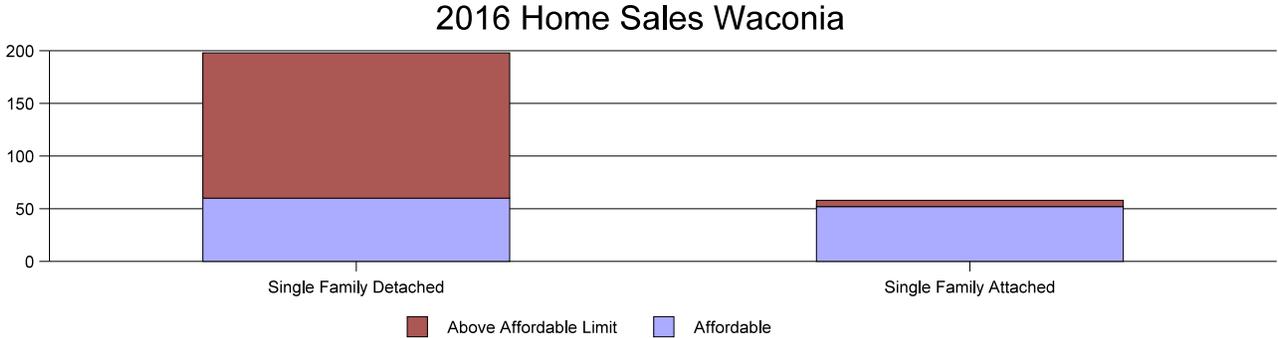
Most townhouse sales were in a more affordable price range, below \$160,000, and in recent years, approximately 50 or more townhouse sales were recorded. Only one condominium unit had been sold in the past two years.

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 11 Waconia 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	60	30.3%	52	89.7%	-	-
2015	64	33.2%	45	91.8%	1	100%

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

More than 30% of the detached home sales in Waconia in the prior two years occurred within a price range that could be viewed as affordable. Nearly 90% or more of the townhouse sales each years were priced below \$238,500.



According to the 2015 American Community Survey, the median household income level for owner-occupancy households was approximately \$89,900. This compared to a median estimated value of \$238,800 for all types of owner-occupancy units in 2015. As a result, the median income household only needed to apply 21.3% of income for home ownership at that time.

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

Table 12 Waconia Employment Projections			
	Employment in 2010	Projected Employment 2020	Change 2010 to 2020
Waconia	5,578	7,600	2,022 / 36.2%

Source: Metropolitan Council Thrive MSP 2040

The City of Waconia is the third largest employment center in Carver County. In the base year of 2010, approximately 17.5% of all jobs countywide were located in Waconia.

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 36%, with the addition of more than 2,000 jobs. By 2020, more than 18% of all jobs in the County will be based in Waconia.

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 6,834 QCEW jobs in Waconia, up by 1,256 jobs from the base year in 2010. At the pace of job growth through 2015, Waconia is on course to exceed 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 Waconia was \$46,020, assuming full-time employment. For all of Carver County, the average annual wage was \$52,208.

The top three employment sectors in Waconia were Education and Health Services, Manufacturing, and Trade/Transportation/Utilities.

Commuting

Despite the large number of local jobs, according to the Census Bureau's Center for Economic Studies, approximately 77% of employed Waconia residents commuted out of the City for their job in 2014. The primary work destinations identified for Waconia residents were Eden Prairie, Minneapolis, Chaska, Minnetonka, Chanhassen and Bloomington.

In addition to the people that both lived and worked in Waconia, the top locations that were supplying inbound commuters for Waconia-based jobs were Norwood Young America, Chaska, Glencoe, Victoria, Watertown, Waconia Township, Minnetrista, Chanhassen and Cologne.

Findings and Recommendations

Overview

Much of the future demand for housing production in the City of Waconia 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, Waconia is under served within the certain housing segments, including both newer market rate rental housing and more affordable rental housing. In the past, Waconia had a larger supply of income-restricted units, but contract compliance requirements were met and 90 units converted from the tax credit program to market rate housing. Additional affordable rental construction would help to replace these lost units.

The different cities in Carver County have varying degrees of potential to serve a larger, regional demand for housing. Although Waconia is not located on the eastern edge of the County, it has been a city with a strong growth history. Waconia is defined as an “Emerging Suburban Edge” community, in recognition of its development status. In the seven-county Metro Area, Waconia is the most westerly community to have an Emerging Suburban Edge designation.

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 Waconia, the projection review provided earlier pointed to average annual growth of between 125 and 150 households per year. Achieving the higher end of the projected range would seem to be a reliable predictor of growth potential if some new multifamily housing development is advanced.

In the opinion of Community Partners Research, Chaska, Chanhassen, Victoria and Waconia have the greatest near-term growth potential of the 11 cities in Carver County. It is important to note that the latest projections from the Metropolitan Council expect numeric household growth in Waconia between 2020 and 2030 to be the highest of all cities in the County.

Projected Tenure Distribution

In the 2014 Housing Study, an overall tenure distribution of 13% rental and 87% owner-occupied had been used for the City of Waconia 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 0% rental and 100% owner since that time, excluding some specialized care senior options created through the conversion of a former nursing home.

However, some larger-scale multifamily rental development projects have been proposed, although neither had advanced in the planning process in early 2017. Looking forward over the next five years, a rental tenure rate of up to 25% rental would appear to be very realistic. While a higher percentage than the recent past, multifamily rental projects tend to be constructed in larger phases. Since no traditional rental construction has occurred in Waconia in many 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 therefore be justified.

Using the projected growth level of approximately 125 to 150 households per year in Waconia results in the need for 625 to 750 housing units over the five-year projection period. The anticipated tenure distribution yields:

- ▶ 155 to 190 total rental units to meet growth-generated demand
- ▶ 470 to 560 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 Waconia, the affordable unit goals are to place 33% of future production into units that serve households at or below 80% of the median income level. To actually reach these goals, Waconia would need to achieve the following distribution:

- ▶ Approximately 38 rental units per year that are very affordable and serve households below 50% of median income - 190 units over the five-years
- ▶ Approximately 11 rental units per year that are affordable, and serve households between 50% and 80% of median income - 57 units over the five-years

Rental Housing Recommendations

At a minimum, Waconia should attempt to produce at least 155 to 190 total rental housing units over the next five years to keep pace with expected demand generated by 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 at the upper end of the range would be approximately equal to the rental construction total that was achieved in Waconia over the 10-year period from 2007 through the end of 2016. Most of the past production was in the form of specialized care housing for seniors.

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

Minimum 5-year Rental Housing Recommendations for Waconia

▶ Very affordable/subsidized	20 to 25 units
▶ Moderate rent/income restricted	60 to 70 units
▶ Market rate - all types	75 to 95 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 federal tax credit program, or through affordable housing efforts through the Carver County CDA, between 50% and 80% of median income. Although CDA units may have the ability to serve households up to 80% or more of the median income level, rents are typically targeted to the limits for households at or below 60% of median.

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 Waconia, 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:

- ▶ Waconia once supported a much larger supply of moderate rent, income restricted rental housing. In the early 1990s, there were 30 moderate rent tax credit units constructed in a project that is now known as Timberlea Terrace, and 60 tax credit units in Prairie Village. By 2010, these two projects had completed their contractual obligations and converted to market rate housing. While these projects still have a relatively moderate rent structure, they are no longer regulated to provide affordable housing, as income limits and maximum rent caps no longer apply. The recommendation contained above does not even replace the units that were removed from the tax credit inventory.
- ▶ A very low vacancy rate exists in the current inventory of income-restricted subsidized and moderate rent housing and waiting lists exist.
- ▶ According to the 2015 American Community Survey, more than 325 households were experiencing a “housing cost burden” with 30% or more of their income needed for month housing costs. Citywide, approximately 38% of all renter households in Waconia had a housing cost burden.
- ▶ The cost-burdened rental households include both senior citizens and younger renters, but more than 64% were age 65 or older.
- ▶ The median renter household income in Waconia was nearly \$36,000 in 2015, and approximately 50% of all renters had 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.

Home Ownership Recommendations

At a minimum, the City of Waconia will need to produce at least 470 to 560 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 approximately 94 to 112 units per year. Waconia has been at or above this level of annual production for three of the last four years. However, much of the recent construction occurred on formerly distressed residential lots that had later been re-sold at reduced prices. As the discounted lot supply is fully utilized, future home construction will not have some of the same price advantages.

In 2017, the City's remaining lot supply was adequate for only one or two years of additional single family home construction. 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. However, going forward lots will be at current market pricing.

Minimum 5-year Ownership Housing Recommendations for Waconia

- | | |
|--------------------------|------------------|
| ▶ Entry-level/affordable | 90 to 110 units |
| ▶ Moderate/trade-up | 260 to 310 units |
| ▶ Higher-priced | 120 to 140 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 \$425,000. Higher-priced homes would be above \$425,000.

Attached Housing Construction

Achieving the production in the lower price ranges may be very difficult in Waconia, 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, less than 4% of single family housing starts since 2010 have been attached units. In the future it is probable that up to 20% of the single family units in Waconia 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 70 to 80 units
- ▶ Above affordable price threshold 20 to 30 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, only a small percentage of single family starts in Waconia have been in attached units, although more than 70% 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 31% 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 37% of all households in Waconia were age 55 and older in 2016, compared to approximately 38% countywide. Projections to the year 2021 indicate that approximately 39% of Waconia'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 continue to grow in Waconia over the next five years. The City has historically been a preferred location for senior-oriented housing, and there are diverse options including housing with services. As a larger community, Waconia also has features and amenities that appeal to older adult households.

The 2014 Housing Study had recommended that up to 44% 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 generally consistent with the overall percentage expected in these older adult age groups.

Since 2014, there have been some additional specialized care units for seniors created through the conversion of a former nursing home building. No other senior-designated projects were identified in the planning stage.

Housing developers are cognizant of the growing demand from households age 55 and older, and have designed projects that appeal to older adults. In addition to specialized senior units, the Carver County CDA constructed Crossings at Town Centre in 2006, which provides affordable senior-designated housing.

Housing that is developed in the future, including general occupancy units, should be designed to appeal to older adult renters, as households 55 and older will continue to represent a larger share of the potential market.