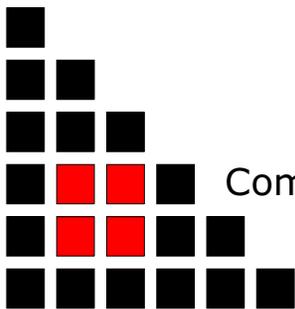


# **Carver County AFFORDABLE HOUSING UPDATE**

July 2017

**City of Mayer**



Community Partners Research, Inc.

Lake Elmo, MN

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

- ▶ Mayer has been one of the most rapidly growing cities in Carver County in recent decades, as development pressure from the westward expansion of the Twin Cities Metro Area moved into the community. Between 2000 and 2016 the City more than tripled in size, going from 199 households in 2000 to 662 households in 2016, according to the most recent estimate from the Metropolitan Council.
- ▶ In the early 2000s, housing development was very active in Mayer and multiple new subdivisions were created. When the housing boom ended, Mayer was left with a large inventory of unsold lots. By 2010, only one new house was built in the City.
- ▶ Most of the unsold lots went into default and were later sold at discounted prices. In some cases, home builders or investors were able to make bulk lot purchases. This generated some renewed interest in home building, as the discounted lots yielded a competitive advantage for the end sale prices. In 2015 and 2016, the City averaged nearly 30 single family housing starts per year.
- ▶ Given the wide swings in recent home construction and household growth, it is more difficult to project future changes in Mayer. A realistic expectation of annual growth through the year 2021 is approximately 20 to 30 households per year. If housing construction momentum continues to build, then this projection could be very conservative. However, it can also be argued that the recent home building surge was directly linked to the supply of distressed lots, and that this competitive advantage will no longer exist once that supply is depleted.
- ▶ While Mayer added hundreds of single family houses since the year 2000, there has been no rental development in decades. The City has only one traditional apartment building, which was constructed in the late 1980s as subsidized housing for seniors. Any other renter-occupancy housing in the City probably exists in single family homes that were converted to rental use.
- ▶ The Metropolitan Council analyzes the supply of housing that is affordable within each city. This placed approximately 85% of the existing stock in Mayer below the applicable price thresholds in 2015. Most of this was in single family houses. However, this may represent some degree of “data lag” and as development pressure has returned, it is probable that existing home values are rising.

- ▶ The Metropolitan Council also calculates a Housing Performance Score for each city, based on the maintenance or expansion of affordable housing. Mayer received 45 out of 100 possible points, tied for fifth highest of the 11 cities in the County.
- ▶ In each of the past two years, the median home sale price in Mayer has been greater than \$220,000. Home ownership is relatively affordable, when compared to the larger cities farther east in the County, but home values may be rising rapidly as development pressure returns.
- ▶ The 2015 American Community Survey did not include a median income estimate for home owners in Mayer. But the median owner household needed to apply 22.7% of income for housing costs, one of the highest percentages in the County. This was based on a lower estimated home value, and it is possible that a recent escalation has been occurring, making ownership less affordable since that time.
- ▶ The American Community Survey also suppressed an estimate of the median renter household income in 2015, but a median income renter needed to apply only 20% of income for housing, making Mayer the most affordable rental market in the County. However, as a community with few rental options, the calculation was based on limited sampling.
- ▶ 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 20 to 30 households in an average year. The estimated tenure distribution is based on 80% owner-occupancy and 20% rental demand.
- ▶ To meet rental demand, a project creating 20 to 30 new units would greatly expand the City's housing options.

**Minimum 5-year Rental Housing Recommendations for Mayer**

- ▶ Very affordable/subsidized 5 units
- ▶ Moderate rent 15 to 25 units

- ▶ To meet expected home ownership demand, between 80 and 120 new units may be needed over the five-year projection period.

**Minimum 5-year Ownership Recommendations for Mayer**

- ▶ Entry-level/affordable 20 to 30 units
- ▶ Moderate/trade-up 40 to 60 units
- ▶ Higher-priced 20 to 30 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. The most recent revision for Mayer has increased the future growth forecast from the level originally set 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 construction 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 Mayer, 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 2020 forecasts have been revised as recently as 2016.

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

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

<b>Table 1 Projected and Actual Growth - City of Mayer</b>	
<b>Data Source</b>	<b>Average Annual Growth</b>
<b>Projected</b>	
Met Council Thrive MSP 2040	16 households/year projected
2014 Carver County Housing Study	44 households/year projected
Esri	11 households/year projected
<b>Actual</b>	
Average annual growth 2010-2016 estimate	12 households/year actual
Average annual housing unit construction 2010-2016	15 units/year actual
Housing units constructed in 2016	32 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 Mayer.

The highest projection was contained in the 2014 Carver County Housing Study, which expected Mayer to add an average of 44 households per year between the base year of 2014 and 2020, the end of the projection period. That annual growth forecast was nearly four times greater than any of the other sources reviewed, as Esri and the Metropolitan Council expected an annual average of approximately 11 to 16 households in a typical year.

Although the Maxfield forecast still appears to be high based on evidence in early 2017, Mayer has started to grow at a more rapid rate in the past few years, with building permits issued for 32 new houses in 2016. In the next few years, it is possible that Maxfield's annual growth level could be reached in Mayer, if local single family construction activity continues to recover.

However, it should be noted that some of the recent increase in home building in Mayer can be directly linked to discounted lot prices in the City. When market conditions deteriorated in the late 2000s, some of the active subdivisions in Mayer went into financial distress. In certain cases, bulk lot sales occurred at discounted prices. This allowed home builders access to multiple lots at below-market prices, which has generated the above-average level of home building in recent years.

As the supply of formerly distressed lots is used, there is less evidence that the higher level of home building can be sustained. Instead, future subdivision development in Mayer will be at market prices, and any competitive advantage in lot prices will no longer exist.

For use in this Update, average annual growth in a range between 20 and 30 households has been used. If 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 Mayer would expect average incremental growth of approximately 23 households per year between 2020 and 2030, and 22 households per year between 2030 and 2040. These are probably conservative, based on recent patterns.

## Building Permit Trends

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

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

<b>Table 2 Mayer Housing Construction Activity: 2010 to 2016</b>				
Year	Single Family Detached	Attached Single Family	Multifamily	Total Units
2016	32	0	0	32
2015	24	2	0	26
2014	14	4	0	18
2013	12	0	0	12
2012	15	0	0	15
2011	1	0	0	1
2010	1	0	0	1
2010-2016 Total	99	6	0	105

Source: Metropolitan Council

Like many communities in Minnesota, Mayer had a reduced level of new housing construction activity for several years. Prior to the national housing market crash and economic recession of the late 2000s, there had been a much higher level of home building, but after 2007, construction slowed significantly.

During the construction boom years in the early 2000s, the City had achieved very high levels of home building, with more than 70 owner-occupancy houses permitted annually between 2002 and 2005. But in 2010 and 2011, only one single family house was constructed each year in the City.

After 2011, some recovery began in the owner-occupancy housing segment, and 12 or more single family units have been constructed in Mayer annually over the last five years.

The large majority of these units are in the form of detached single family houses, but a small number of attached units have also been built.

Like many communities in the region, Mayer had a relatively large supply of improved residential lots in the late 2000s when construction activity slowed. Some lots reverted back to bank ownership, while others were sold at deeply discounted prices.

According to City staff, lots were being liquidated as low as \$10,000 to \$12,000. This lower-priced lot supply was sometimes acquired by builders, and the improved home construction over the past five years may be directly linked to the availability sale of distressed lots at low prices. Some of the current builders are offering houses in the price range between \$217,000 and \$279,000 for a standard design.

There has been no multifamily rental construction in Mayer in many years. The only traditional rental project identified in Mayer dates back to the late 1980s.

### **Pending Housing Projects**

There are no pending projects for housing development, other than continued construction of single family homes.

### **Residential Lots**

New phases of lot development are anticipated to advance in 2017, with 38 new lots in Hidden Creek and 28 new lots in Coldwater Crossing.

Although newly developed lots will now be at current market prices, the recovery that has happened in Mayer has helped to raise the prices for existing lots. Paxmar, one of the companies that acquired some of the distressed lots in Hidden Creek, is now offering lots for sale at \$49,900, well above the prices during the early years of this decade.

## Met Council Affordable Standard - Recent Construction

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

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

<b>Table 3 Affordable Housing Construction Activity: 2010 to 2016</b>					
Year	Single Family Total	Single Family Affordable	Multifamily Total	Multifamily Affordable	Total Affordable Units
2015	26	0	0	0	0
2014	18	0	0	0	0
2013	12	0	0	0	0
2012	15	13	0	0	13
2011	1	0	0	0	0
2010	1	1	0	0	14
2010-2016 Total	73	14	0	0	14

Source: Metropolitan Council

As tracked by the Metropolitan Council, 14 of the 73 houses constructed within the City of Mayer between 2010 and 2015 would meet the basic definition of affordable housing, based on a standard set at 80% of median income. Nearly all of the affordable units were constructed in 2013, which may coincide with the availability of discounted lots, and the entry of new home builders into the City.

Since 2014, there have been no affordable houses built in Mayer, according to the Metropolitan Council. As market conditions have improved, it would appear that less emphasis has been placed on building affordable homes by the builders/developers that made bulk lot sales.

## **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 Mayer 45 out of 100 possible points. Mayer was tied for the fifth highest score of the 11 cities in Carver County. The production of affordable houses in 2012 would probably have contributed to this 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/02395049\\_Mayer\\_ExistingHsg.aspx](https://metrocouncil.org/Handbook/Files/Existing-Housing-Assessment/02395049_Mayer_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 Mayer, this assessment used a total housing unit inventory count of 666 units in 2015.

<b>Table 4 Affordable Existing Housing Allocation - 2015</b>		
Affordable Level	Total Units	% of All Units
30% or less of median	13	2.0%
31% to 50% of median	118	17.7%
51% to 80% of median	437	65.6%
Above 80% of median	98	14.7%
<b>Total</b>	<b>666</b>	<b>100%</b>

Source: Metropolitan Council

According to the analysis by the Metropolitan Council, most of the existing housing stock in Mayer was affordable. Overall, more than 85% of all units were below the price thresholds viewed as affordable for households earning 80% or less of the Twin Cities median income level.

While the affordable housing breakdown does not identify occupancy tenure, the overall affordable unit total implies that most of the affordable housing was in single family houses, presumably intended for owner-occupancy. In the analysis, there were only 67 total rental units citywide. With 568 units in Mayer that were considered to be affordable, this would indicate that nearly all of the single family houses were also viewed as affordable in 2015.

## Affordable Housing Allocation Needs

As part of the Metropolitan Council’s assistance role in helping communities to plan for future development, a city-by-city allocation has been made which distributes the region-wide affordable housing needs. The Region’s total need for affordable housing during the time period from 2021 to 2030 is 37,900 units. Mayer’s allocation of this need is 48 units.

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

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

<b>Table 5 Ten-year Affordable Housing Allocation Goals</b>					
	30% or less of median	31% to 50% of median	51% to 80% of median	Total Affordable	% of Expected Units
Unit Allocation	28	14	6	48	21%

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 Mayer, based on these standards. To achieve 48 units over the ten-year allocation period would require an average of four to five units per year moving forward.

## **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, the estimates do include 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 Mayer are for 2015. In that year, they estimated that there were 42 renter-occupancy households living in the City, with a margin of error +/-18 households. Based on all other information, this estimate was probably accurate. While lower than the 2010 Census count, there is some evidence that the rental stock in Mayer has grown smaller over time. In 2010, there were probably more vacant houses in the City that were being offered as rentals. As housing market conditions have improved, these have been sold back into owner-occupancy.

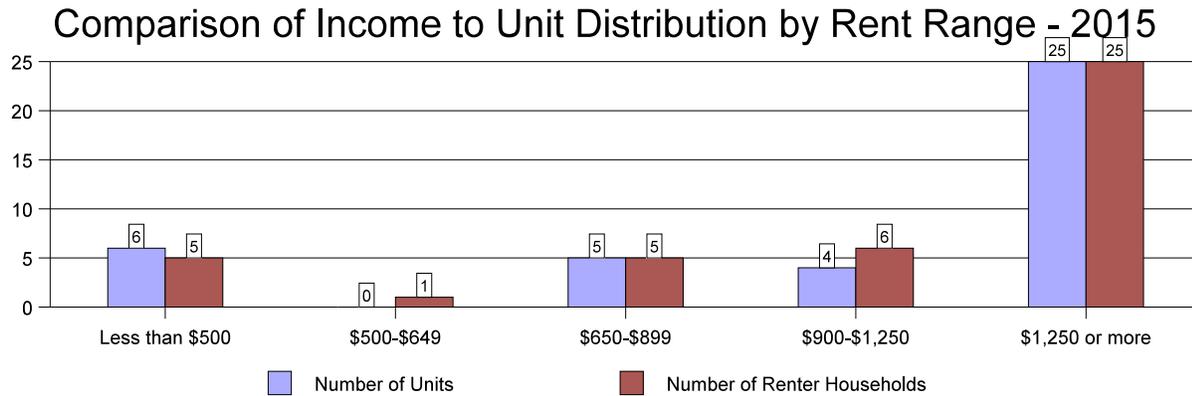
### **Median Gross Rent**

Due to the small number of rental housing units in Mayer, the only median gross rent estimates contained in the American Community Survey showed two-bedroom options at \$775 per month and four-bedroom rentals at \$1,455. For all units, regardless of the number of bedrooms, the median gross rent was \$1,339.

The overall median gross rent estimate appears to reflect the impact of single family homes that are used as rentals. When tenant-paid utilities are included, the rental houses could be above the median for other rental options in the City.

### **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.



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

- ▶ Overall, the City’s supply of rental units by price was very well-matched to the income distribution of renter households. Assuming that households were able to access a unit that is within the price range they need, supply and demand were balanced in 2015.
- ▶ Most renter households in Mayer had higher income levels, \$50,000 or above, and were renting more expensive units, presumably single family houses.
- ▶ It is important to note that due to the small number of renter households in the City, sampling errors may exist. In most of the other small cities in the County, the number of higher income renter households would be more limited.

## 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.

<b>Table 6 Gross Rent as a Percentage of Income by Age</b>			
Percent of Income for Housing	Renter Households Age 64 and under	Renter Households Age 65+	All Renter Households
Less than 30%	30	3	33
30% or more	7	0	7
Not Computed	0	2	2
Total	37	5	42

Source: American Community Survey

Federal standards for rent subsidy programs generally identify 30% of household income as the maximum 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 17% of all renters in the City were paying 30% or more of their income for rent. When compared to other cities in the County, the percentage with a rent burden in Mayer was relatively low.

The rental cost burden statistics showed that non-senior households were impacted. Few senior renter households were reported, but none of them were paying 30% or more of income for housing.

Although a housing cost burden could be caused by either high housing costs or low household income, in Mayer it was primarily due to the higher rent levels being charged. All of the households reporting a rent burden had an annual income of \$35,000 or more.

The 2015 American Community Survey did not include an actual median household income for all renters in Mayer, due to the limited sampling that was completed. However, based on the overall distribution, the median would have been greater than \$50,000. For all renter households, the median percentage of household income applied to rental costs was only 20.0%. This was a lower percentage than the Countywide median of 27.8% of income.

## **Rental Housing Data**

### **Census Records**

According to the 2010 Census, the City of Mayer had 63 occupied rental housing units, and at least 2 unoccupied rental units, for a total estimated rental inventory of 65 units. The City's rental tenure rate was only 10.7% in 2010, less than half of the Statewide rental rate of 27%.

Based on building permit reports, no multifamily projects have been constructed in Mayer after 2010. It is possible that a shift between vacant and occupied units has occurred. It is also possible that some tenure-conversion has happened, as houses once used by renters have been sold to owner-occupants, or the reverse.

### **City Rental Registration**

The City does not have a rental registration or licensing program. As a result, there is no estimate of the size of the rental stock in 2017.

### **Reconciliation of Data Sources**

When compared to the 2010 Census total of 65 units, there may have been some reduction has occurred in the number of rental units in the City. With the housing market conditions that were present in 2010, it is very possible that unoccupied single family units at that time were being offered as rental housing. The rental use may have been temporary.

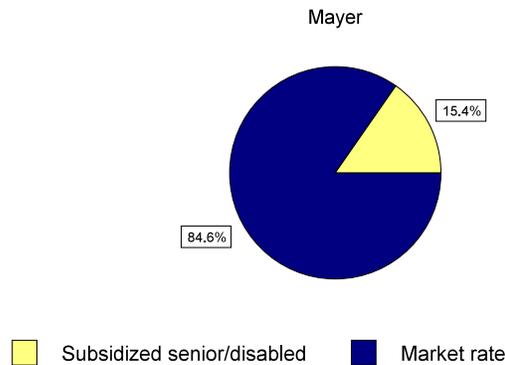
With some growth in the owner-occupancy single family housing stock after 2010, and a possible reduction in available rental units, it is probable that the rental tenure rate has dropped even lower in Mayer and is now below 10%.

## Rental Market Segments

With a small inventory of rental housing, only a few different rental segments are being served. Although precise details do not exist, the following summary generally defines the different subsets of the local market. This estimate is based on the 2010 Census total of 65 rental units.

- ▶ Federally-subsidized units including project-based Vouchers - 10 units
- ▶ Market rate housing - 55 units

### Rental Units by Market Segment



Some of the defined housing types above may apply differing rules and regulations. For example, some of the federally subsidized housing units may 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 would still be well below competitive market rents and would still represent a very affordable housing.

While approximately 85% of all rental units in Mayer serve the traditional market rate segment, the City does have subsidized rental housing in the Mayer Elderly Apartments, the City's only apartment building. In March 2017, there were no tenant-based rent assistance Vouchers in use in Mayer.

## Affordable Housing Gains and Losses

There has been no change in the supply of income-restricted housing or subsidized housing in many years. It is possible that some tenant-based Vouchers have been used in Mayer in the past, but this assistance is portable and moves with the household.

## **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 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 Mayer there was only one multifamily rental project identified. Mayer Elderly Apartments is a 10-unit project offering federally subsidized housing.

All of the City’s market rate stock exists in small rental structures, such as single family homes, duplexes, or smaller structures with three or fewer units. No survey was conducted within the market rate segment.

### **Subsidized Housing**

Mayer Elderly Apartments has 10 units designated for senior/disabled tenant occupancy. The project is subsidized through USDA Rural Development. All 10 have access to project-based rent assistance, allowing tenants to pay 30% of income.

The property manager reported full occupancy at the time of the survey, and a waiting list existed. Although this project can serve both senior renters and younger households with a disability, most of the current tenants are age 62 or older.

### **Market Rate Housing**

A majority of the rental options in Mayer would be defined as purely market rate housing. However, most of the market rate stock is in single family houses. No information was collected within this segment, but based on the American Community Survey, many of these houses would have three or more bedrooms and 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, but no Vouchers were being used in Mayer. 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.

<b>Table 7 Mayer Multifamily Rental Housing Inventory</b>					
<b>Name</b>	<b>Number of Units /Bedroom Mix</b>	<b>Rent</b>	<b>Vacancy/ Wait List</b>	<b>Tenant Mix</b>	<b>Comments</b>
<b>Subsidized</b>					
Mayer Elderly Apartments 419 Bluejay Ave	<u>10 - 1 Bedroom</u> 10 Total Units	\$505-\$630 30% of income	No vacant units, waiting list	Senior/ disabled occupancy	USDA Rural Development subsidized apartments constructed in 1988 and designated for senior (age 62+) or disabled tenant occupancy. All units have rent assistance allowing rent based on 30% of income up to maximum market rent listed. One-level building with community room. Unit amenities include an emergency call system. Manager reported full occupancy and a waiting list. Most tenants are seniors.
<b>Subsidized - Tenant-based Vouchers</b>					
Housing Choice Vouchers	No assisted households in Mayer	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 Mayer 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 Sales

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

<b>Table 8 Mayer Single Family Sales</b>				
Sales Year	Number of Good Sales	Median Sale Price	Highest Sale Price	Lowest Sale Price
2016	58	\$225,000	\$346,200	\$128,000
2015	58	\$221,000	\$299,000	\$59,290

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

Based on the County’s sales sample, the typical single family detached house in Mayer has a value between \$220,000 and \$230,000. For sales recorded in 2016, the median price had reached \$225,000.

All of the recorded sales in Mayer were identified as single family detached homes.

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 is also provided.

<b>Table 9 Mayer Sales for Less than \$238,500</b>		
Sales Year	Detached Houses	
	Number of Sales Under \$238,500	Percent
2016	42	72.4%
2015	43	74.1%

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

In both 2015 and 2016, 72% or more of the detached home sales in Mayer occurred within a price range that could be viewed as affordable.

## Employment and Commuting

Each of the individual cities in Carver County provide 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 Mayer to better understand current and future employment patterns, and the potential demand created by locally based workers.

<b>Table 10 Mayer Employment Projections</b>			
	Employment in 2010	Projected Employment in 2020	Change 2010 to 2020
Mayer	151	180	29 / 19.2%

Source: Metropolitan Council Thrive MSP 2040

Historically, the City of Mayer has primarily served as a residential community, with few locally-based jobs. Although the City is expected to add a substantial number of new residents during the current decade, the Met Council forecasts anticipate only a limited expansion of job opportunities within the community. Between 2010 and 2020, the projections expect an increase in local employment of approximately 19%, with the addition of only 29 jobs.

In the base year of 2010, fewer than 0.5% of all jobs countywide were located in Mayer. 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 141 QCEW jobs in Mayer, down by 10 jobs from the base year in 2010. At the pace of job growth through 2015, Mayer 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 Mayer was \$36,504, 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 Mayer residents commuted out of the City for their job in 2014. The primary work destinations identified for Mayer residents were Waconia, Minneapolis, Chanhassen, Eden Prairie, Minnetonka and Plymouth.

In addition to a few people that both lived and worked in Mayer, the top locations that were supplying in-bound commuters for Mayer-based jobs were Hollywood Township, Waconia and Camden Township.

## **Findings and Recommendations**

### **Overview**

Much of the future demand for housing production in the City of Mayer 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, Mayer is under served within the rental housing segment. At the time of the 2010 Census, fewer than 11% of all households living in Mayer were renters. The City has only one multifamily apartment building and it was constructed nearly 30 years ago.

The different cities in Carver County have varying degrees of potential to serve a larger, regional demand for housing. Mayer has demonstrated the potential to serve some of the regional demand for owner-occupancy housing.

During the “housing boom” years of the early 2000s, Mayer was seeing rapid growth and interest from home builders. But then market conditions changed, and by 2010 and 2011, only one house was built in the City each year. While some rebound has since occurred, the City has only reached a recent high of 32 new houses in 2016. While much improved from previous years, the 2016 production was less than half the level achieved annually in the early 2000s.

The Metropolitan Council has defined Mayer as a “Rural Center” community, in recognition of its development status. The Rural Center cities in Carver County, which are all located in the western half of the County, represent a less likely alternative for large-scale outward migration. There has always been some desire from home owners to live in less developed communities, and a willingness to commute greater distances, but this has been much less evident for renter households. As a result, more locally-generated demand pertains to communities that are located farther west in the County, while more regional demand can apply to cities that are farther east, especially when the city is more fully developed.

For the City of Mayer, the projection review provided earlier pointed to average annual household growth of between 20 and 30 households per year.

## **Projected Tenure Distribution**

In the 2014 Housing Study, an overall tenure distribution of 14% rental and 86% owner-occupied had been used for the City of Mayer 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. However, any rental production is most likely to occur in a single, multifamily development project.

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

Using the projected growth level of approximately 20 to 30 households per year in Mayer results in the need for 100 to 150 housing units over the five-year projection period. The anticipated tenure distribution yields:

- ▶ 20 to 30 total rental units to meet growth and pent-up demand
- ▶ 80 to 120 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 Mayer, the affordable unit goals are to place 21% of future production into units that serve households at or below 80% of the median income level. To actually reach these goals, Mayer would need to achieve the following probable unit distribution:

- ▶ Approximately 4 to 5 rental units per year that are very affordable and serve households below 50% of median income - 20 to 25 units over the five-years
- ▶ Approximately 1 unit per year that is affordable, and serve households between 50% and 80% of median income - 5 units over the five-years

## **Rental Housing Recommendations**

Given the limited potential for rental housing development in the City of Mayer over the next five years, it will be difficult to achieve the level of production within the most affordable price ranges (below 50% of median income). Instead, a larger allocation has been made to the more moderate price ranges, potentially serving households up to 80% of the median income level.

At a minimum, the City of Mayer should attempt to produce at least 20 to 30 total rental housing units over the next five years to keep pace with expected household growth and to increase the housing opportunities for residents. Additional production above this level can be supported, if a larger regional market is targeted for new unit production.

To put the five-year production recommendation into context, there has been no larger-scale rental development in Mayer in more than 25 years. The City's only existing apartment building was constructed using Rural Development subsidies.

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

- |                              |                |
|------------------------------|----------------|
| ▶ Very affordable/subsidized | 5 units        |
| ▶ Moderate rent              | 20 to 25 units |

The target market for the very affordable/subsidized units would be households below 50% of median income. If possible, units targeted to households as low as 30% of median income would expand the options for very low income renters.

The target market for moderate rent units would be a rent structure that is at or below the limits set at 60% of median income. This may be possible to achieve through affordable housing efforts through the Carver County CDA, which would generally also require maximum income limits on tenants. It may also be possible through a market rate project with a moderate rent structure.

Ideally, a moderate rent project would not have income limits capped at 60% of median income, even if the rent structure is at or below this level. In 2015, the estimated median income level for all households in Mayer was approximately \$90,000. No reliable median was available for renter households. While many households would qualify if income limits apply to a new project, a broader income range would be recommended to serve potential renters in the City.

It is important to recognize that the unit recommendation above is presented as a realistic target for what is probable to occur in Mayer, based on normal growth and development patterns. A larger level of production can be supported if lower income groups can be served. But a recognition is made that financial resources for affordable rental creation are limited, and achieving even these targets will present challenges for the community.

## **Home Ownership Recommendations**

The City of Mayer will need to produce at least 80 to 120 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 16 to 24 units per year. Mayer has reached or exceeded the upper end of this annual production in both 2015 and 2016. But over the past ten years, there have only been three, including 2007, when 16 or more single family units were constructed in a single year.

The above-average home construction in 2015 and 2016 may be directly linked to the availability sale of distressed lots at low prices. Lots in subdivisions that went into default were liquidated at deeply discounted prices, attracting outside home builders into the local market. As the distressed lot inventory is utilized, any future subdivision development will not have the competitive cost advantages of the recent past. Going forward, a five-year sustained annual average of up to 24 single family units per year should be achievable for Mayer and it is certainly possible that this annual average could be exceeded.

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

- |                          |                |
|--------------------------|----------------|
| ▶ Entry-level/affordable | 20 to 30 units |
| ▶ Moderate/trade-up      | 40 to 60 units |
| ▶ Higher-priced          | 20 to 30 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 Mayer going forward. In the recent past, when the subdivisions went into default, there was some more affordable construction occurring. As market conditions have improved, prices have been increasing, and no affordable construction has been tracked since 2012.

Based on building permit reports, none of the single family housing starts since 2010 have been attached units.

In the future it is probable that 20% to 25% of the single family units in Mayer 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 10 to 15 units
- ▶ Above affordable price threshold 10 to 15 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.

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

The last reliable measure of households by age is contained in the 2010 Census. At that time, Mayer had 179 households age 55 and older. This represented approximately 30% of all households in the City. Countywide in 2010, approximately 32% of all households were age 55 or older. As a fast growing city in the early 2000s that was offering single family home ownership options, Mayer was primarily attracting younger adult households.

Obtaining reliable age-based estimates and projections can be difficult for a small city. Esri estimated that fewer than 32% of all households in Mayer were age 55 and older in 2016, compared to approximately 38% countywide. Projections to the year 2021 indicate that approximately 35% of Mayer'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 Mayer's small size and limited overall market potential. Since 2014, no senior-designated housing has been created in Mayer and no pending projects were identified.

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