Scott County Housing Needs Update Findings

Presented to: Scott County SCALE

Presented by: | Maxfield Research & Consulting LLC

June 10, 2022

Maxfield Research & Consulting, LLC

Overview

- 38 years experience
- Diverse client base
- Multi-Sector Capable
  - residential
  - commercial
  - public + private entities
- Market driven strategies
- Recommending highest & best uses
- Provide actionable plans

Maxfield Research & Consulting, LLC is a full-service real estate advisory company providing strategic value to our private and public sector clients' real estate activities.








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Project Scope

OBJECTIVE	Update previous housing needs study from 2016/17
APPROACH	Identify current & future housing needs for cities and townships in Scott County – Individual cities, combined townships
PROJECT DELIVERABLES	• Short and long-term housing needs to 2040 • Recommendations guiding future housing development
KEY DATES	• Data collection: 4th Quarter 2021 • Draft: March 2022 • Final: June 2022

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Housing Study Objective

- Update demographic projections and housing market conditions and provide housing demand projections for cities and townships in Scott County to assist with guiding and attracting new housing development.

- Continue to support updated data collection to assist community leaders, stakeholders, and decision-makers to guide future housing needs initiatives throughout Scott County.

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End User Benefits

- Guide policy making decisions
- Assist the Comprehensive Planning process
- Assist area banks and lending-institutions to streamline the financial component
- Solicit interest from builders/developers for various housing product in the County
- Help raise funding for housing and community development programs
- Identify key factors affecting housing market conditions and housing challenges
- Create a framework for accommodating future growth
- Provides current data to assist in delivering strategic housing priorities

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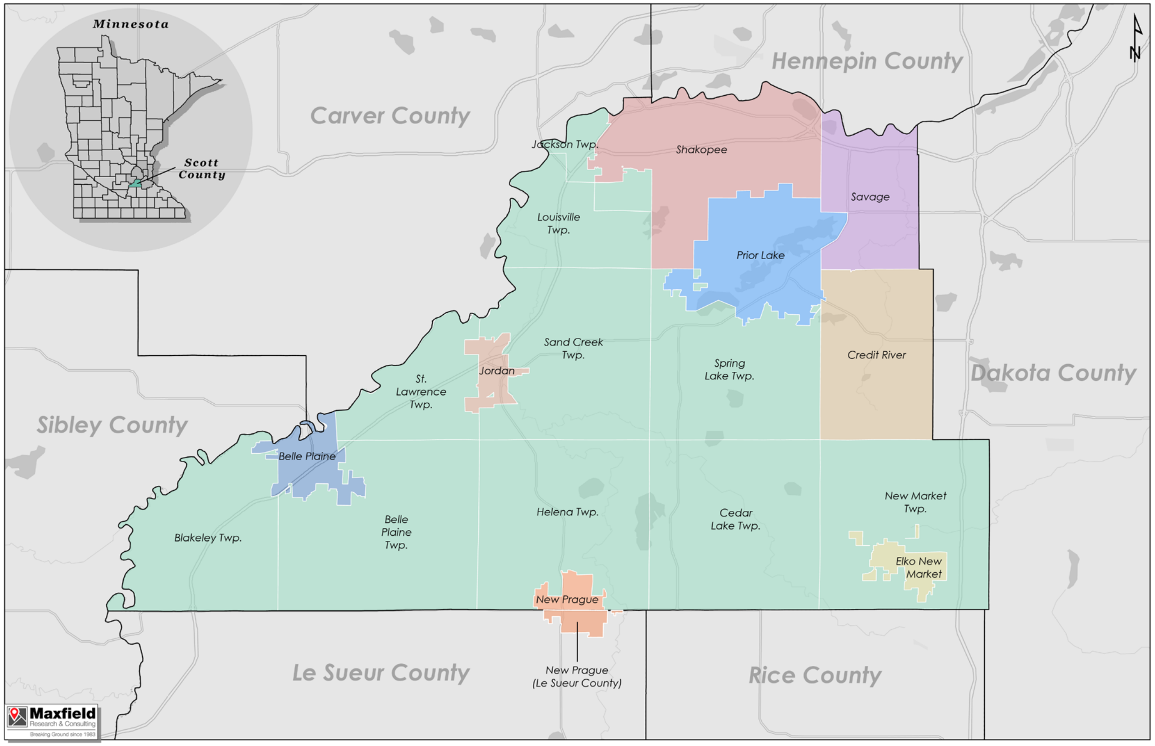
Analysis compiled for cities & townships

Scott County Cities and Townships



- 2022-Analysis compiled for:
  - Individual cities
  - Townships combined
- Scott County's location in the Metro Area supports internal as well as external growth. Mobility of Metro Area households will continue to support household growth in the County.

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Growth was mixed geographically focused in the north

Most Recent Decade

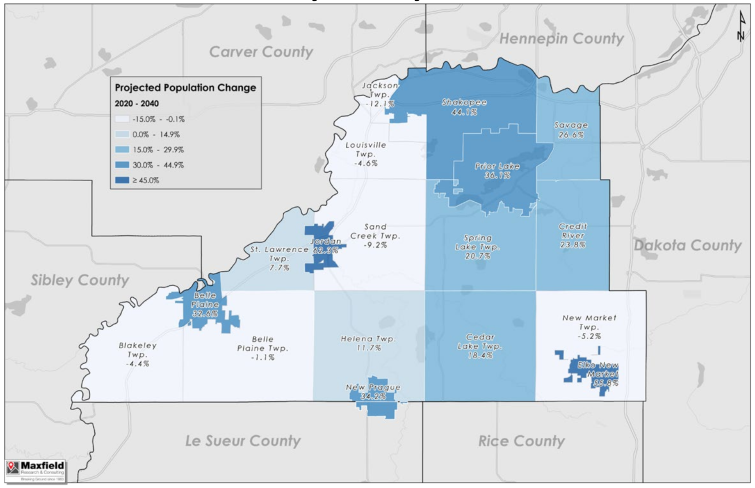
- Scott County – 2010-2020
  - Population = 21,000 (16.2%)
  - Households = 14,975 (16.7%)

Projections

- Population and Households gains projected to 2040

- 2020-2030
  - Population 24,717 (16.4%)
  - Households 11,258 (21.4%)
- 2030-2040
  - Population 26,780 (15.2%)
  - Households 10,730 (16.8%)
- Highlights
  - Highest Population Growth:
    - Number = Shakopee (6,353)
    - Percent = Jordan (17.9%)

Scott County Projected Population Change 2020-2040 by County Subdivision



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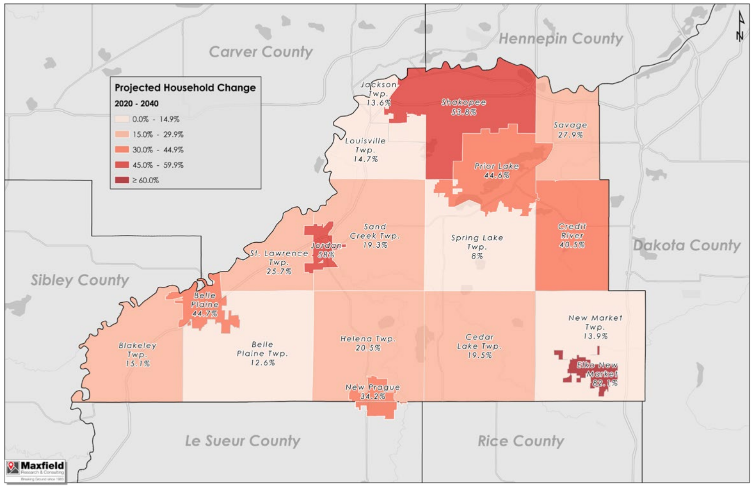

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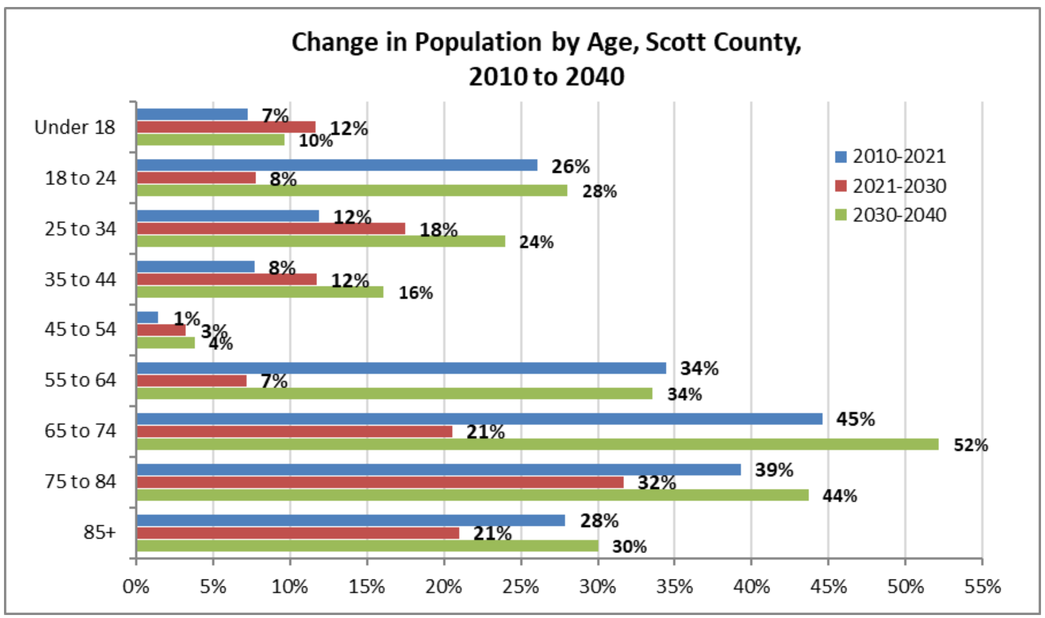
Growth focused on mid-age and older cohorts

- Scott County had the most population growth among people 55 to 64 (6,284), followed by people 65 to 74 (4,935), 46% of total ('10-'21)
  - To 2030, filling in with younger families (7,751 adults), w/head of households 25 to 44
  - Anticipated transition from the oldest to mid-age households as the housing stock turns over



- Household types:
  - Shifts in HH Types (+ and -)
  - 29% of households are Married w/Children in Scott Co. (2021) followed by Married w/o Children (33%)
- Household size to gradually decrease from 2.87 (2020) to 2.72 (2040)
- Home ownership rate (2021)
  - 83% Scott County
  - 68% Twin Cities Metro

Rental rate (2021)
- 17% Scott County
- 32% Twin Cities Metro

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Household Incomes remain above the Metro

- Median Income (2021):
  - $104,888 – Scott County
  - $84,106 – Twin Cities Metro
- Projected increase by 2030:
  - 13.2% to $118,780 (Scott Co.)
  - 21.0% to $101,810 (Twin Cities Metro)
- Metro Area incomes projected to increase more rapidly over the next nine years to 2030

- Highest earners (2021)
  - $124,768 – Scott County 45-54 age cohort
  - $108,470 – Twin Cities 45-54 age cohort
- 2021 Income disparity by tenure (Scott Co)
  - $114,756 (owner) vs. $42,859 (renter)
  - Income disparity has widened since previous update

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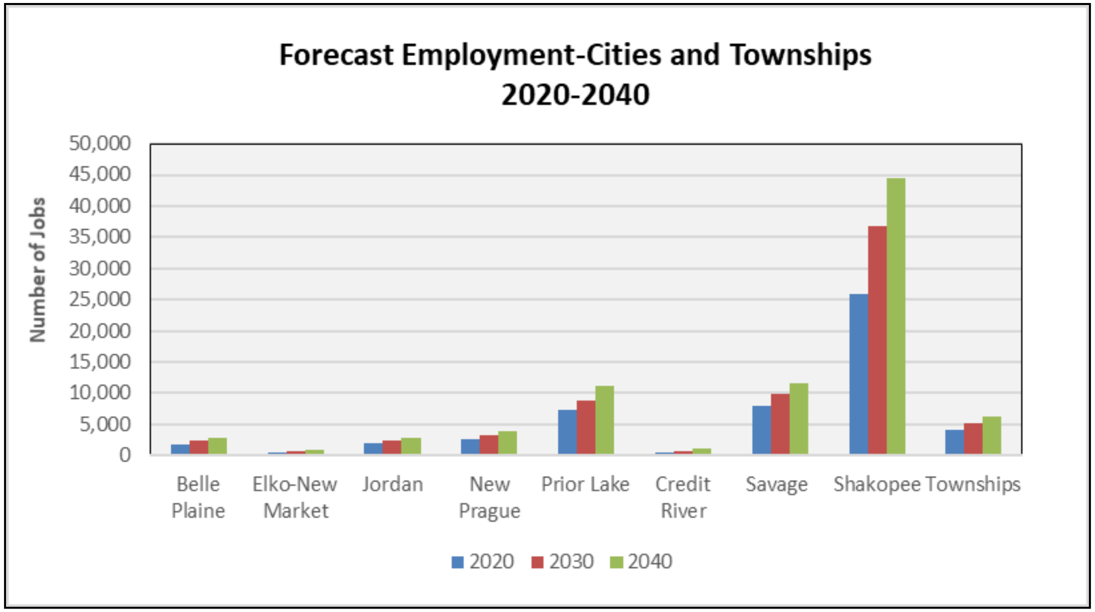
Employment

Employment

- Scott County unemployment rate: 2.1% vs Metro Area 2.3% (Dec 2021)
- Labor force decreased in 2020 and through mid-2021 causing the unemployment rate to decrease as employment rose modestly
- Emp in Scott Cty is gradually increasing



- According to 2019 LEHD data, Scott County remains an exporter of workers
  - 60,312 workers commuted out of the Co. while 32,275 workers came into the Co.

- Avg. weekly wages (2021)
  - \$1,096 in Scott Co. vs. \$1,272 in Twin Cities Metro
  - Highest avg. weekly wage in Scott Co. in the Construction sector: \$1,613; Mfg: \$1,576

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Teleworking rose in 2020, but is dropping back

As of December 2021, the highest % of teleworkers were:

- Between ages 25 and 54
- Married w/children
- More likely to be female
- Have a Bachelor's degree or higher

As a % of total employed, teleworkers due to the pandemic decreased from 21.1% in January 2021 to 12.2% by Sept 2021

Prior to the pandemic, 5.9% of MN workers were working from home

Those in the computer and mathematical fields have the highest proportional rates of work from home, above 40%

Typically essential workers and those working in in-person industries are unable to telework

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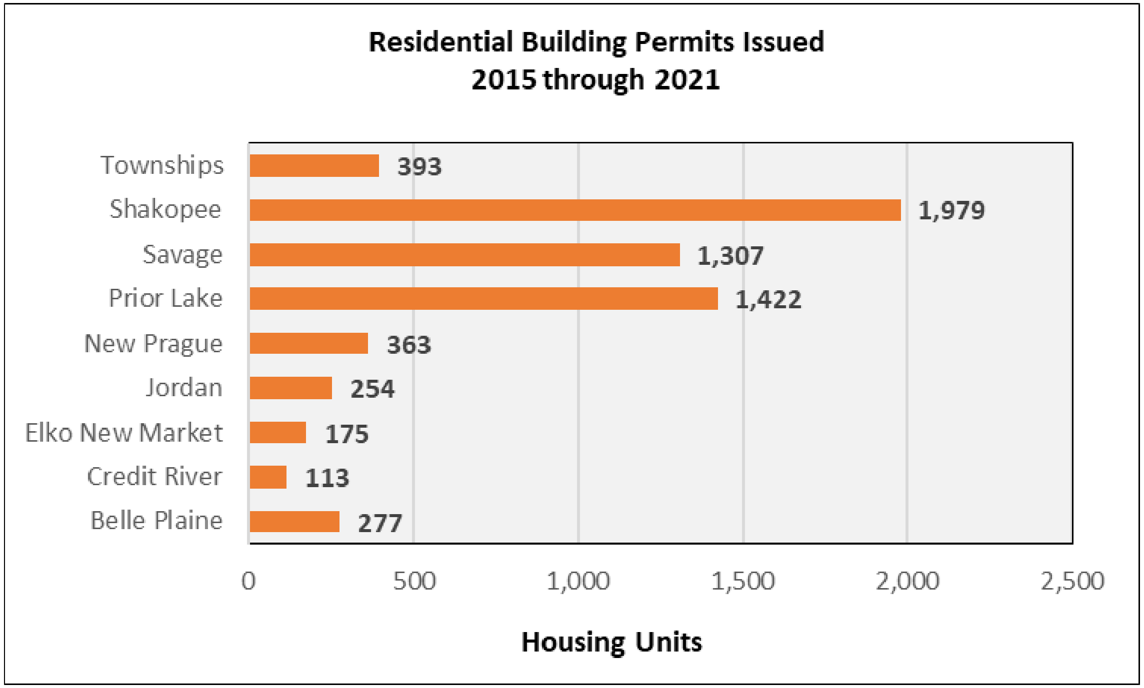
Housing starts beginning to increase

New Construction Activity

- 6,283 housing units constructed in Scott Co. (2015 through 2021)
  - Avg. 898 units/year, SF & MF
  - Single-Family remained the majority of all units; Shakopee had a significant increase in MF units over the past three years



American Community Survey (2021)

- Housing stock:
  - 56% built prior to 2000s
  - 44% built after 2000
- Single Family Detached still accounts for the majority of all owned housing structures

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Rental Housing vacancy rates remain very low

Overall-November/December 2021

- 4,236 units
- 3.2% vacancy rate

Market Rate

- 3,268 units
- 3.9% vacancy rate
- Average Rent range:
  - 1BR: $1,086
  - 2BR: $1,342
  - 3BR: $1,793

Shallow and Deep-Subsidy

- 703 SS units | 1.3% vacancy
- 267 DS units | 0% vacancy

Most vacancies were in new properties recently developed in Shakopee

5% Vacancy = Market Equilibrium

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Senior housing vacancy rates low

Market Area Overall

- 2,419 units
- 2.0% vacancy rate overall

Market Rate

- 834 units active adult rental | 0.4% vacancy
- 167 units active adult for-sale | 0.6% vacancy
- 440 units independent living | 1.6% vacancy
- 382 units assisted living | 7.1% vacancy
- 158 units memory care | 4.4% vacancy

Deep-Subsidy

- 370 units active adult
- 2.7% vacancy rate

Shallow-Subsidy

- 168 units active adult rental
- 1.8% vacancy rate

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Homeless Population

TABLE HM-3
NUMBER OF HOMELESS PEOPLE AND UNACCOMPANIED MINORS
SCOTT/CARVER COUNTIES AND TWIN CITIES METRO AREA
2012, 2015, 2018

	Total number of people in temporary housing programs, informal housing or unsheltered		Total number of people in temporary housing programs, informal housing or unsheltered		Total number of people in temporary housing programs, informal housing or unsheltered	
	2012		2015		2018	
Housing Situation	Scott/Carver Cos	Twin Cities	Scott/Carver Cos	Twin Cities	Scott/Carver Cos	Twin Cities
Emergency shelter	---	2,538	20	2,240	25	3,019
Domestic violence shelters	---	452	0	491	0	395
Transitional housing	26	2,927	59	2,206	13	1,518
Rapid ReHousing	---	---	5	503	4	359
Unsheltered	75	794	55	762	92	1,472
TOTAL	**101**	**6,711**	**139**	**6,202**	**134**	**6,763**

Most Rapid Re-Housing (RRH) programs in MN were not included in earlier studies.
Some programs were included that had maintained the same model of services and supports. These figures are included in transitional housing.

Sources: Wilder Research, "2012-2018 Minnesota Homeless Study"; Maxfield Research & Consulting, LLC

Between 2012 and 2015, More people were housed in emergency shelter and Transitional housing;

In 2018, fewer people were sheltered in temporary housing and there was a significant increase in the number of people unsheltered.

Unsheltered totals increased substantially in the Twin Cities Metro and throughout Minnesota

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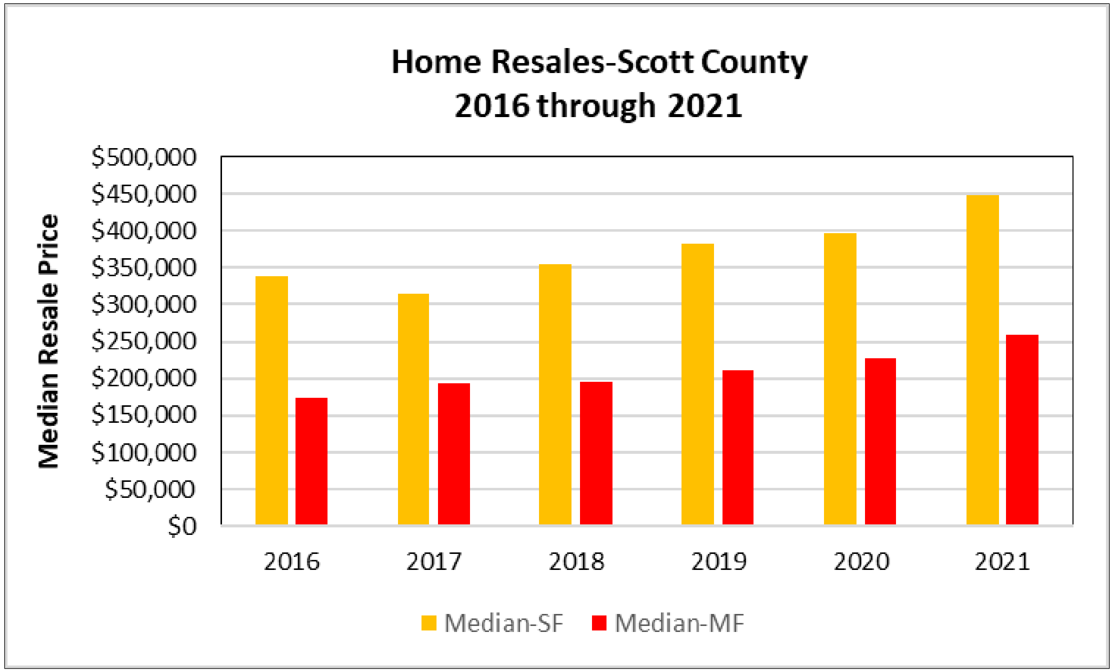
Home sales prices escalating rapidly

Overall

- ➢ Market activity steady, but expected to fall due to rising prices, interest rates and pandemic supply chain shortages
- ➢ New construction improved after the Great Recession, but rising prices and mortgage rates are dampening demand

Resales

- ➢ Median resale price (SF):
  - Year-end 2021: $449,120
- ➢ Median resale price (MF):
  - Year-end 2021: $259,868
- ➢ Resales highest:
  - 1,903 SF in 2020
  - 836 for MF in 2019



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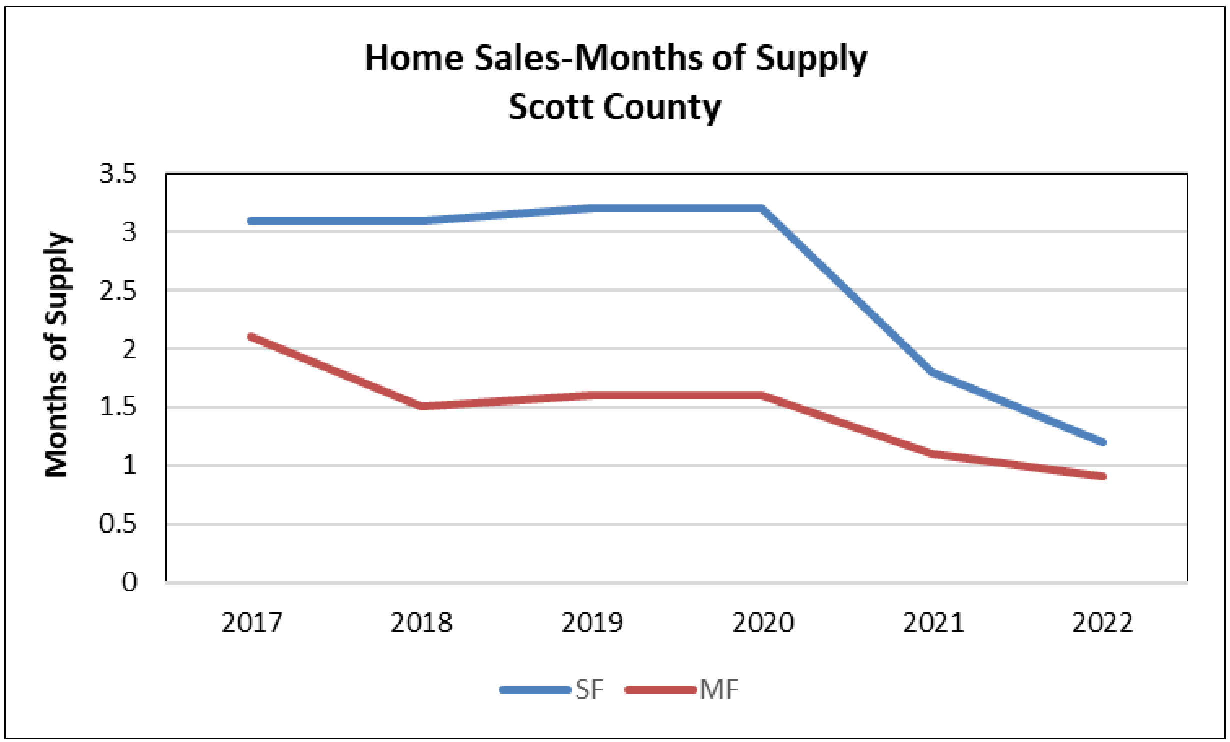
Supply Side-Scott County

Active Listings (May 2022)

- 234 SF listings | 48 MF listings
- Median/Average Price (Resales)
  - SF: $574,495 | $747,044
  - MF: $369,950 | $399,848

Avg. Price Per Sq. Ft.-Resales

- Scott Co.
  - SF: $246/PSF
  - MF: $221/PSF



Months of Supply remains very low

Home prices continuing to increase, especially single-family

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New Construction-Scott County

Lot Inventory/Supply

- 955 vacant SF lots | 156 vacant Att lots
- Home starts increased against the lot supply in 2021
- Newer subdivisions
  - Avg. home value w/lot: $495+ (SF)
  - Avg. lot widths 65 to 80 ft wide (SF)
  - Avg. home value w/lot: $400+ (MF)
  - Avg. lot widths 25 to 65 ft. wide (MF)

New Construction Market

- Housing Starts - 2021
  - 381 SF | 67 MF (owned)
- Avg. Pricing (w/o upgrades)
  - SF - $495K | $209/SF
  - MF - $401K | $205/SF

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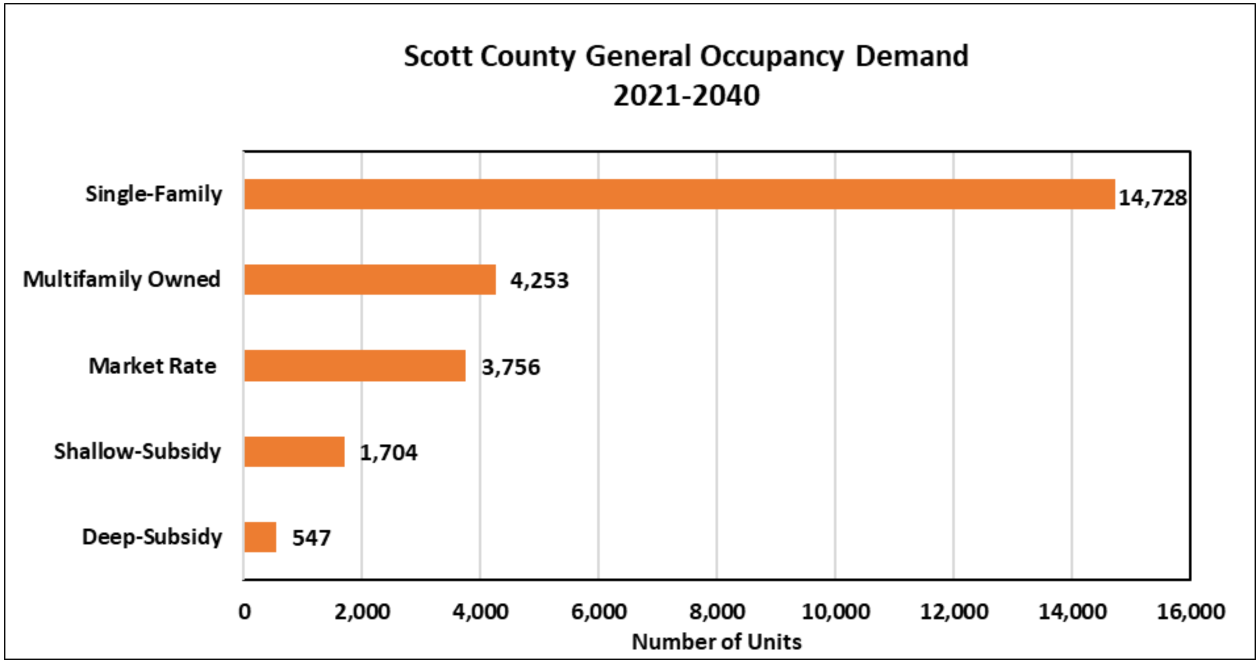
General Occupancy Housing Demand

Continued strong demand for single-family product if move-up purchasing continues;

Increasing mortgage interest rates likely to dampen demand in the medium term with some households unable to qualify at the higher rates

Pricing pressures continue against current demand and supply chain shortages

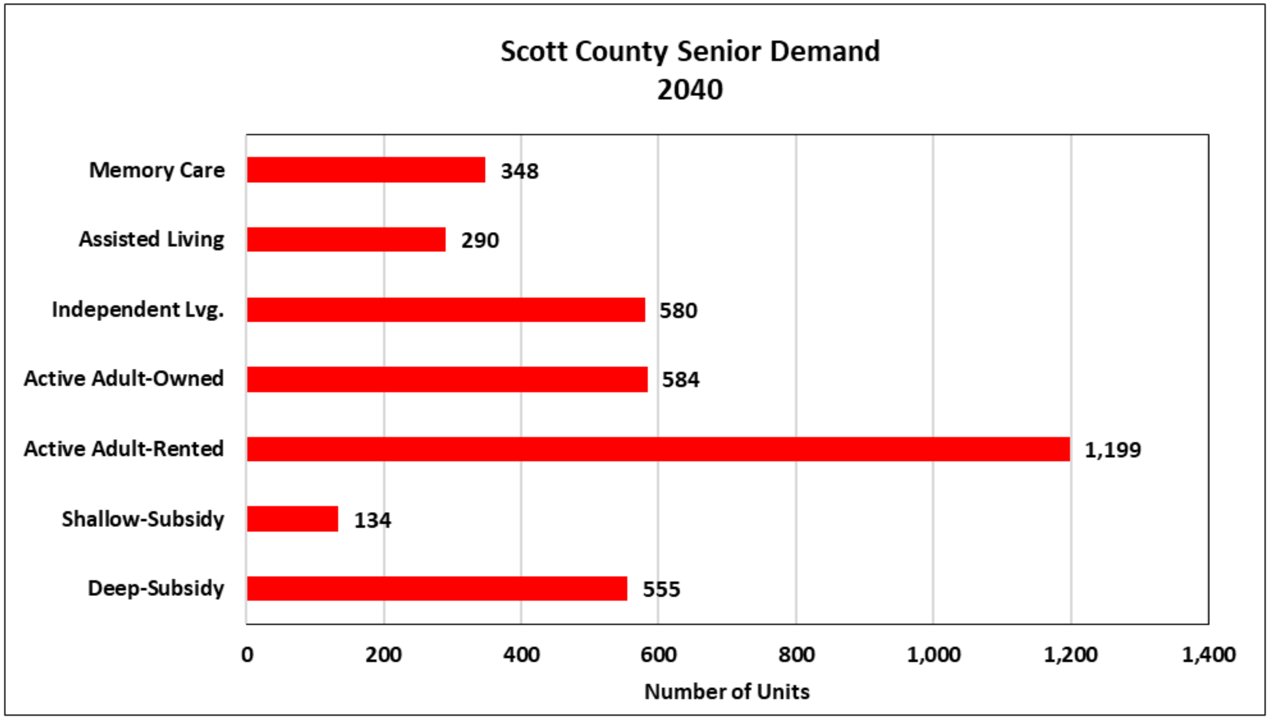


Senior Housing Demand

Senior Demand is cumulative based on projected growth in older adult households and the development of senior housing.

Increasing demand for moderate or no services and being able to add services as needed

Care worker labor shortages are having a significant impact on assisted living and memory care service levels



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Single-Family Demand

- 955 vacant developed SF lots throughout Scott Co. with an average supply of VDLs at 29 mos (SF) and 21 mos (MF) for new construction. This is higher than the months of supply for existing resales, which are the lowest seen in more than a decade.

- Entry-level SF construction is non existent given development costs and supply chain challenges

- Months of supply for existing resales are exceptionally low even moving into the peak sales season

- Future lot supply is estimated at more than 3,000 undeveloped lots in future subdivisions.

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Owned Multifamily

- Detached Villas are the most popular product
- Targeted to HH's 50+
- Prices for this type of product are escalating rapidly with avg prices $450K to $600K plus
- New development of rowhomes and townhomes has increased to mitigate the rise in SF pricing
- 156 VDLs for single-family attached; future lot supply is 582 VDLs.

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Rental Summary

- Need to encourage new rental development in the smaller cities
- Continued demand for affordable and deeply affordable rentals
- Rents at older properties have increased at a faster rate of growth than for newer properties
- MN Housing criteria requirements have become increasingly complicated

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Senior Housing

- Vacancies are highest for assisted living and memory care due to the pandemic.
- Memory care is recovering more rapidly than assisted living.
- Active adult and independent living are the most popular products at this time.
- More developer interest in active adult product (rental and owned)

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Housing Demand Summary by Community

SUMMARY OF HOUSING DEMAND BY COMMUNITY
2021 - 2040

	General Occupancy Demand				
Community	**SF Detached**	**SF Attached**	**Market Rental**	**Shallow Subsidy**	**Deep Subsidy**
Belle Plaine	662	242	170	150	43
Elko New Market	921	311	144	101	43
Jordan	869	393	279	177	51
New Prague	879	236	169	108	31
Prior Lake	2,841	968	824	317	127
Savage	2,758	704	827	323	129
Shakopee	3,920	1,204	1,138	498	111
Credit River	782	139	78	30	12
Townships	1,096	56	127	0	0

	Senior Demand						
Community	**Active Adult Rental**	**Active Adult Owned**	**Indep. Living**	**Assisted Living**	**Memory Care**	**Shallow Subsidy**	**Deep Subsidy**
Belle Plaine	57	35	11	26	31	20	63
Elko New Market	3	24	28	26	29	0	21
Jordan	0	22	0	38	18	10	96
New Prague	141	59	48	20	38	16	84
Prior Lake	439	126	167	61	96	0	73
Savage	175	131	118	16	52	14	91
Shakopee	271	73	147	80	60	68	101
Credit River	113	6	61	23	24	6	26
Townships	0	68	0	0	0	0	0

Housing Demand – Community Findings

Belle Plaine, Jordan, New Prague

- Continued demand for additional rental housing
- Belle Plaine/ Jordan have new rental developments pending
- Need additional rentals in New Prague
- Preservation of affordable rental in Downtown Belle Plaine
- Jordan is moving forward with a large new subdivision will require annexation

Elko New Market

- Has a proposal for a new market rate rental housing
- Experiencing increased activity in platting of new subdivisions

Shakopee, Savage, Prior Lake

- Single-family expanding in Shakopee, new market/affordable rentals
- Similar in Savage and Prior Lake

Credit River

- Requires time to incorporate infrastructure to prepare for higher density development; not anticipated to occur until after 2030

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Key Takeaways…

- Population and Household growth was not as robust from 2010 to 2020 as the previous decade.
- Older adult growth was strongest in the previous analysis, but there is a transition occurring among the later mid-age households (35 to 50); still strong family market with an increase in demand from older adults 55+
- The larger cities accounted for most new rental construction 2019 through 2021. Local job growth may have less direct impact on rental demand if people can work remotely some or all of the time. This does not however, mean less rental demand.
- Funding of affordable housing has become increasingly complicated and difficult; need more options for closing the funding gaps for subsidized and workforce housing.
- Senior properties are challenged with labor shortages; increased assisted living and memory care vacancies; developers turning to active adult as service-based product recovers from the pandemic.
- Home resale prices increased dramatically and resale supply very tight. New construction hit with supply change challenges and labor shortages
- A need for emergency shelter beds and permanent supportive housing, families and youth.

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Key Takeaways… (continued)

- Critical shortage of entry level for-sale housing
- Consider development of smaller size rental buildings
- Preservation of existing affordable housing (NOAH), rental and owned, is important but is increasingly challenging given significant housing demand.
- Consider options for affordable owned housing, which could include smaller size homes on smaller lots, modular units, programs for rent to own, land trust.
- Increased mortgage interest rates are dampening demand for owned housing and especially for new construction.
- Rental demand continues at all pricing levels as a portion of households are remaining in the rental market longer than planned.
- Teleworking can attract new households that may not have considered Scott County communities in the past because of lengthy commute times. This may be shifting.
- Vacant lot supply is increasing to meet demand, but absorption may be lower in the short-term due to inflation pressures.

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Questions & Comments

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