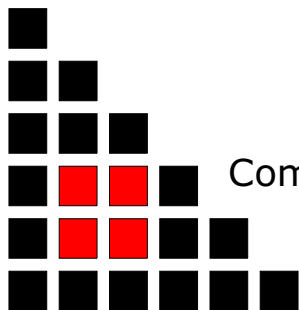


City of Grand Rapids HOUSING STUDY

November 2019

An analysis of the overall housing needs
of the City of Grand Rapids, MN



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City of Grand Rapids Executive Summary

Overview

This Housing Study has examined information on the demographic trends and the housing stock in the City of Grand Rapids and a surrounding Market Area, and made recommendations for housing opportunities and initiatives in the future. As the largest city in Itasca County, Grand Rapids is the preferred location for most of the Market Area's future housing development.

Demographic Highlights

- ▶ Although some differences exist on recent growth patterns for Grand Rapids, the City has probably been adding an average of nearly 50 households per year since 2010. The City's available housing stock has been increasing at this approximate rate, and the occupancy rate of the housing stock is high in 2019.
- ▶ Recent trends continue a long-term pattern of household growth for the City, dating back to at least 1980.
- ▶ The best available evidence would indicate that the City of Grand Rapids has accounted for most of the recent growth within the entire Market Area aggregation. Since 2010, the entire aggregated area has probably been adding an average of 57 to 63 households per year, with nearly 50 of these households being added annually within the City of Grand Rapids.
- ▶ For all of Itasca County, average annual growth of approximately 66 to 69 households each year has been achieved in the 2010s, with most of this in the immediate Grand Rapids area.
- ▶ The Market Area shows a continued pattern of aging. At the time of the 2010 Census, approximately 28% of all households living in the Market Area had a head-of-house that was age 65 or older. By 2019, the estimates show that 31.5% of households were within these senior age ranges. The 2024 projections indicate that nearly 39% of all households will be in the senior citizen age groups.
- ▶ The estimated median household income in Grand Rapids was approximately \$44,500 in 2017, more than \$7,500 below the Countywide median. The estimated median family income was just above \$53,000 in 2017, more than \$8,000 below the median for Itasca County. Lower medians are typical in the largest city in a county, as rental rates tend to be higher and more specialized and senior housing is concentrated in the largest communities.

- ▶ In the City of Grand Rapids, the estimated median renter household income was just below \$24,000 in 2017, with a median of nearly \$60,500 for home owners.
- ▶ A relatively low median income level for renter households resulted in approximately 46% having a housing cost burden, with 30% or more of income needed for rent. Nearly 22% of home owners also reported that 30% or more of income was required for housing costs.

Projection Highlights

- ▶ Based on the research in this 2019 Study, the entire Market Area, including Grand Rapids and Cohasset, should expect annual growth of approximately 65 to 70 households per year over the next five years. Based on past experience, 50 or more of these households annually would be expected to locate in Grand Rapids.
- ▶ The age-based projections for the next five years expect that the Market Area will add approximately 720 households in the age ranges 65 and older. But a net reduction of more than 400 households is then projected within the age ranges 64 and younger. As a result, most of the 10-year age ranges below age 65 are expected to decrease in size.

Housing Highlights

- ▶ City records show that 103 single family units have been constructed in Grand Rapids between 2010 and 2019 (partial-year). While most of these are detached single family homes, some attached units including twin homes have also been built. Over the current decade, the City has been averaging approximately 10 single family housing starts per year.
- ▶ Most of the new construction activity in Grand Rapids has been in multifamily structures for renter occupancy. There have been 243 units of general occupancy rental housing constructed, although some of these units are targeted to specific groups, and 109 units/rooms of specialized senior housing, including assisted living and memory care. Since 2010, The City has been averaging nearly 25 units per year in general purpose rental housing, and 10 to 12 units per year in more targeted housing aimed at specific needs.
- ▶ The City may also have added some mobile homes, although in many cases the newer unit may have replaced an older mobile home, and may not represent a net gain to the housing stock.

- ▶ The City does not have an overly large vacant lot inventory in traditional subdivisions. The active subdivisions generally were developed more than 10 years ago, and the remaining lot supply has gradually been absorbed.
- ▶ A number of housing projects are in the planning/preliminary development phase at the time of the research for this Study:
 - ▶ A 118-unit specialized senior facility that would include assisted living and memory care along with more independent living
 - ▶ A 48-unit general occupancy rental project that may include some TIF-assisted units
 - ▶ An income-restricted moderate rent project that would include 42 general occupancy units and 14 units to replace an existing single room occupancy (SRO) facility
 - ▶ A 15-lot publicly-developed residential subdivision
- ▶ Home values in Grand Raids are relatively high when compared to most of the surrounding communities. An analysis of recent existing home sales has found the median price above \$140,000 in recent years with the possibility that the median will be above \$150,000 in 2019.
- ▶ Grand Rapids' single family housing stock is older than average with the estimated median year of construction for single family houses in 1965. More than 43% of the owner-occupancy stock was constructed before 1960. The estimated year of construction for rental units is 1977.

Rental Housing

- ▶ Grand Rapids is the region's primary rental center and has an above-average distribution of rental housing. At the time of the 2010 Census, approximately 38% of households lived in a rental unit. That percentage has probably moved higher as rental unit construction has significantly exceeded single family production since 2010.
- ▶ Although the supply of rental housing has been expanding during this decade, demand for rental units remains strong in the Grand Rapids area. Nearly all of the rental housing segments that were surveyed had a low rate of vacancy, including an estimated vacancy rate of less than 1% in conventional market rate rental housing.
- ▶ The vacancy rate was also below 1% in the City's supply of income-restricted housing, including federally subsidized projects and moderate rent housing assisted through low income housing tax credits. In most cases, waiting lists for occupancy exist.

- ▶ Grand Rapids has a large inventory of specialized senior housing, especially in the assisted living and memory care segments. The supply of lighter services housing is more limited. In general, there are high occupancy rates in most forms of specialized senior housing, and waiting lists are common. Many of the providers will accept County assistance programs for lower income seniors, although some are private-pay.
- ▶ There are 190 households with a Grand Rapids mailing address utilizing a tenant-based rent assistance Voucher. There are 276 Vouchers available Countywide and the waiting list for this program has more than 350 names.

Employment/Economic Highlights

- ▶ Grand Rapids is the primary employment center for the region. The number of jobs covered by State unemployment insurance has experienced some up and down movement in recent years, but job growth did occur between 2017 and 2018.
- ▶ Between 2010 and 2018, the size of the resident labor force in both Grand Rapids and Itasca County has grown smaller. However, the number of employed residents has increased, and in 2018 the unemployment rates had dropped to their lowest level in the decade.
- ▶ Comparing 2018 to 2010, the County's total resident labor force decreased by 679 people, or 3%. However, the labor force actually reached its recent peak in 2011, and since that time has decreased by nearly 1,700 people.
- ▶ The average annual wage for all employment sectors in Grand Rapids was just below \$41,000 in 2018.
- ▶ Most City residents are employed locally. Commuting statistics from 2017 showed that nearly 68% of residents were traveling fewer than 15 minutes for their primary job, and more than 87% were traveling less than 25 minutes.
- ▶ Most of the employment options in Grand Rapids are filled by people that do not live in City, but more than 78% of the City-based jobs are filled by people with a drive time of less than 25 minutes, including people that both live and work in Grand Rapids.

Findings and Recommendations

Overview

A combination of factors will generate demand for new housing production in Grand Rapids over the next five years. While projected household growth will be the primary factor, pent-up demand and unit replacement needs also exist. This Study has proceeded with the projection that the Grand Rapids Market Area will need approximately 400 or more additional housing units added over the 5-year projection period.

Although Grand Rapids would be expected to capture the large majority of this new production, Cohasset is also a possible location for some of this housing development. The smaller communities and rural jurisdictions that form the Market Area may capture some of the owner-occupancy housing starts, but nearly all of the rental production would be expected within the largest cities. The following recommendations and initiatives are offered for Grand Rapids:

Rental

- 1. Promote Market Rate Rental Projects with 120 to 130 Total Units Over Projection Period** - This Study has proceeded with the expectation that most of the new housing unit construction in the Market Area will be for renter-occupancy, and that conventional market rate housing will be the primary housing segment going forward. Production of 120 to 130 market rate rental units is recommended. A portion of these units are already in the planning phase in Grand Rapids but additional projects should also be advanced by the year 2024.
- 2. Senior-Designated Housing Continues to be Appropriate for Future Development** - With the exception of very specialized senior housing with services, all of the rental production in the Grand Rapids area in recent decades has been designed for general occupancy. The changing age patterns for the Market Area and the County will see continued growth in the number of households age 55 and older, with most of this increase projected among households age 65 and older. Any rental housing development should be cognizant of age-appropriate design features, and senior-designated housing development could be pursued.

- 3. Promote the Development of Additional Tax Credit Moderate Income Rental Housing with 40 to 50 Units over the Projection Period** - Low income housing tax credits are a primary federal incentive for the creation/preservation of affordable rental housing. Unless other subsidy sources are used, tax credit projects generally serve more moderate income renters with a below-market rent structure, but these units are often not affordable to low income households. Developers in Grand Rapids have been successful in securing these highly competitive resources in the past. This Study has allocated approximately 15% to 20% of the future rental production within this segment. In 2019, an application was submitted for tax credits in Grand Rapids. If this is not funded for 2020 it is assumed that it will be resubmitted for 2021. A project-specific market analysis was completed for the application.
- 4. Develop Additional Subsidized Rental Housing as Resources Allow with a Goal to Add 25 to 50 Units** - Subsidized housing can serve very low income renters, with rent often based on a percentage of the tenant household's income. Resources for new construction have been very limited in recent decades, but some incremental gains have been achieved in the form of tenant-based rent assistance, including 28 Mainstream Vouchers awarded to the County in 2019. Renter household income and cost burden statistics continue to show a large number of area renters that would benefit from subsidized housing creation, and efforts to expand supply are encouraged.

Senior Housing with Services

- 5. Promote an Expansion of 55 to 75 Additional Light Services Housing Units by 2024** - Housing with only a light services component is the most under represented type of specialized senior housing in the Market Area. There are only two identified projects in Grand Rapids. The combination of pent-up and growth-generated demand from a projected increase in senior-headed households over the next five years would justify additional unit creation. A proposed project in Grand Rapids would largely address near-term demand by primarily serving more independent seniors in a "continuum of care" facility that would also include assisted living and memory care. A separate project-specific market analysis was completed for the developer.

- 6. Potential Demand for 60 to 70 Additional Assisted Living Units by the Year 2024 Addressing All Income Segments** - Assisted living is a more service-intensive form of senior housing that provides 24-hour staffing, meals and assistance with daily living. Grand Rapids has multiple providers of assisted living and a large inventory exists within the Market Area, including projects in Cohasset, Bovey, Coleraine and Deer River. Although the area has a high concentration of units/rooms within this segment, most providers reported a high rate of occupancy and waiting lists. Expected growth within the target market of older senior citizens along with some evidence of current unmet demand justifies an expansion by 2024. A proposed “continuum of care” project in Grand Rapids would address much of this near-term demand for assisted living, along with memory care and more independent senior apartments.

- 7. Potential Demand 38 to 45 Additional Memory Care Rooms/Beds by 2024 Addressing All Income Segments** - People with memory loss may be housed in a range of options, but in the advanced stages of the disease some will live in specialized care facilities. There are five facilities in Grand Rapids and a relatively large inventory exists within the Market Area, with additional providers in Cohasset and Deer River. Although the area has a high concentration of units/rooms within this segment, most providers reported a high rate of occupancy and waiting lists. Expected growth within the target market of older senior citizens along with some evidence of current unmet demand justifies an expansion by 2024. A proposed “continuum of care” project in Grand Rapids would include memory care and address much of the near-term demand along with assisted living and more independent senior apartments.

Home Ownership

- 8. Demand for 12 to 14 Moderately-Priced Homes Constructed Annually** - Although most of the anticipated demand for housing in the next five years will be for rental units, this Study has applied 40% of the overall housing demand into owner-occupancy units. Most of this Market Area demand would be expected to locate within the Cities of Grand Rapids and Cohasset. High amenity locations such as water front or large rural parcels will compete for the higher-priced homes, and most of the off-lake demand will be for more moderately-priced houses. Grand Rapids has a supply of residential lots with more in the development pipeline and is better positioned to capture most of this new construction going forward.

- 9. Promote the Construction of 4 to 6 Affordable Homes Per Year -**
The construction of affordable, entry-level new houses has become increasingly difficult as construction costs continue to rise. In the Grand Rapids area, available projections point to a decreasing number of non-senior households over the next five years as the aging patterns point to more senior-headed households. However, the number of households age 45 and younger should remain relatively stable and some demand will exist within the more affordable market segments. Production of affordable homes may involve nonprofit groups in addition to the private market and some communities have applied incentives or gap assistance programs to serve entry-level buyers. Most of this production would be expected to occur in Grand Rapids.
- 10. Demand for 4 to 5 Higher-Priced Homes Constructed Annually -**
Much of the new home construction that would be expected would be in the more moderate price ranges, typically below \$350,000, but approximately 20% should be within the higher price ranges. This projection excludes lake home opportunities that may develop, particularly in Cohasset where water front parcels may exist. Higher-priced home construction within the cities will compete with high amenity sites that exist within the Market Area, including large-lot rural parcels or lake home opportunities. This segment of the market will occur naturally and should not require any public involvement or promotion.
- 11. Attached Single Family Housing Should Continue to Gain Market Share -** Attached single family production, primarily in the form of twin homes or town houses, has been limited during the current decade. In Grand Rapids, attached single family construction has primarily been in twin homes. The aging patterns are conducive to this type of housing demand over the next five years, as the number of households age 55 and older should grow significantly. We would expect that approximately 25% or more of the future demand for owner-occupancy housing construction can be met through attached single family housing.
- 12. Promote Residential Lot Development -** There is a relatively small inventory of improved residential lots in Grand Rapids in 2019, and no traditional subdivisions with single family lots exist in Cohasset. After the market crash of the late 2000s and the resulting slow absorption, private developers have been hesitant to advance new subdivisions. The Grand Rapids EDA is proceeding with a 15-lot project, but based on projected absorption of 20 to 25 lots per year in Grand Rapids and Cohasset, additional subdivision phases will be needed over the 5-year period.

- 13. Promote Affordable Home Ownership Programs** - Home values in Grand Rapids tend to be higher than in most of the surrounding communities in the region. However, income levels for most home owners are relatively moderate, and most renter households have lower income levels. To move moderate income households into home ownership, financial assistance may be needed to bridge the gap between what is affordable and the prices being charged for homes in the area. Continued ownership assistance efforts are encouraged.

Housing Rehabilitation

- 14. Promote Owner-occupied Housing Rehabilitation Programs** - Grand Rapids generally has an older housing stock, with an estimated median year of construction in 1965. According to the American Community Survey, more than 43% of the owner-occupied houses were constructed before 1960. In 2019 the City has an active SCDP grant that includes housing rehabilitation. Promotion of owner-occupancy rehab programs is encouraged to help preserve these most affordable ownership options.
- 15. Promote Rental Housing Rehabilitation Programs** - With a large inventory of rental housing, Grand Rapids has both newer and older buildings, but the American Community Survey estimate shows the median year of construction in 1977. With most of the rental stock more than 40 years old, rehabilitation assistance programs should be promoted to maintain and improve any substandard rental units.
- 16. Consider Programs to Improve the Condition and Quality of Mobile Homes** - The most recent estimate from the American Community Survey shows more than 200 mobile homes in the City. These represent a mix of owner-occupied, rental and vacant mobile homes, presumably intended for seasonal/recreational use. According to this same source, nearly all of these units are 20 or more years old. Improving older mobile homes is difficult, but some communities have initiated programs to improve both units and mobile home parks.
- 17. Continue to Demolish Dilapidated Structures** - City records show an average of two houses demolished annually. City staff identified the removal of other types of structures, with four to five demolition sites in a typical year. The City has been able to access funding from IRRRB to assist with removal costs. The City should continue to work with property owners to repair or demolish dilapidated structures. The appearance of the City is enhanced when blighted buildings are removed. It may also be possible to re-use cleared lots for redevelopment.

Introduction

Overview

Community Partners Research, Inc., was hired by the Housing and Redevelopment Authorities of Grand Rapids and Itasca County to complete an analysis of housing market conditions in the Cities of Grand Rapids, Big Fork, Cohasset and Nashwauk. This document specifically focuses on the City of Grand Rapids, with separate documents completed for the other Cities.

Methodology

A variety of resources were utilized to obtain information for the Housing Study. Community Partners Research, Inc., collected and analyzed data from July to October 2019. Data sources included:

- U.S. Census Bureau
- Minnesota State Demographer
- Esri, Inc., a private data reporting service
- 2104 Maxfield Research Inc. Housing Market Analysis
- Records and data from the City
- Records and data maintained by Itasca County
- Data from the MN Dept. of Employment and Economic Development
- Data provided by the Multiple Listing Service
- Interviews with elected officials and staff from the cities
- Interviews with community leaders
- Interviews with people familiar with the area's housing conditions
- Area housing agencies
- Rental property owner surveys

Limitations

This Housing Study represents an analysis performed with the data available at the time of the research. Any findings are based upon current programs and the best available information on future trends and projections. Significant changes in the area's economy, employment growth, Federal or State tax policy or other related factors could change the findings and conclusions contained in this Study.

This Study has not attempted to project future economic conditions, but instead has relied on past patterns and practices, with modifications that are appropriate for the current conditions.

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Demographic and Projection Data

Sources of Data

A variety of data sources have been reviewed for this Study. One of the primary sources is the U.S. Census Bureau which produces annual population estimates and annual detailed reports through the American Community Survey. However, there is a data lag on the release and the most recent estimates from the American Community Survey are for 2017, based on surveys collected over a five-year period from 2013 to 2017.

The annual population and household estimates from the Minnesota State Demographer, effective for 2018, have also been reviewed. While these are available for cities, townships and counties, they are not provided for specific Unorganized Territories (UT). As a result, no specific estimate for the Grand Rapids Market Area can be generated from this source due to the inclusion of Deer Lake UT in the defined geography.

An additional data provider, Esri, Inc., has been used for the current-year, 2019 estimates. Esri is a private company that produces demographic data reports that are often used by financial institutions and the Minnesota Housing Finance Agency. Esri's 5-year projections extend to 2024.

Accuracy of Data

Some of the information that is presented in this section may be somewhat inaccurate. Some of the primary sources, including Esri and the Census Bureau's American Community Survey appear to have underestimated some demographic information for the City of Grand Rapids. Despite possible flaws, these sources still represent the best information available on specific topics. The analysts have made reference to these data flaws, and when possible, attempted to adjust the information to better represent actual conditions.

One of the most frequently mentioned issues in this report is an apparent undercount of households in Esri's 2019 estimate for Grand Rapids. It would appear that Esri has mistakenly placed some of the households outside the city limits. This undercount is largely corrected in their estimate for the entire Grand Rapids Market Area. This report has often used the Market Area information, which is viewed as reasonably accurate.

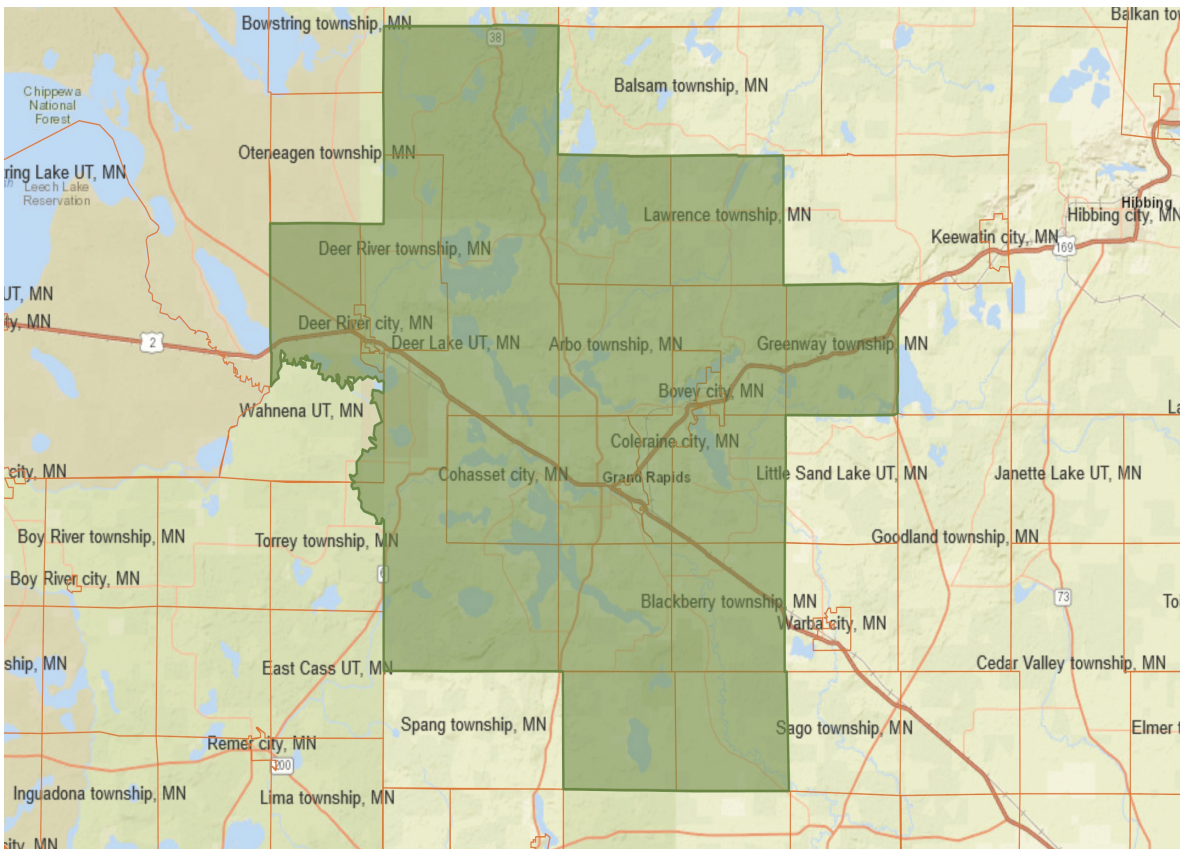
It is also important to note that the size of the identified undercounts is often numerically small. For example, Esri is probably low by less than 4% in their 2019 household estimate for Grand Rapids.

Market Area Designations

Consistent with past studies, in addition to presenting demographic information for the City of Grand Rapids, the analysts have also examined an aggregated area referred to as the Grand Rapids Market Area. The specific boundaries of the Market Area have been taken from the 2014 study completed by Maxfield Research Inc., to provide for direct comparisons over time.

The defined geography has changed in recent years due to annexations. For example, Grand Rapids Township had existed as a separate geography in 2008, but by 2009 it had been annexed into the City of Grand Rapids. As a result, the examination of past demographic data, such as the 2000 Census, requires a knowledge of former County subdivisions.

The Grand Rapids Market Area, as it exists in 2019, includes eight cities: Grand Rapids, Bovey, Cohasset, Coleraine, Deer River, La Prairie, Taconite and Zemple; 11 townships: Arbo, Blackberry, Deer River, Greenway, Harris, Lawrence, Morse, Splithand, Trout Lake, Wabana and Wildwood; and Deer Lake Unorganized Territory. Each of these jurisdictions is in Itasca County and surround the City of Grand Rapids, generally within a 10 to 15-mile radius.



Grand Rapids Market Area

Population Trends Analysis

The following table tracks population change over time, using the decennial censuses data back to the year 1980. The current-year estimate is from Esri, Inc., a private data reporting service. Other recent estimates are provided in the text that follows.

Table 1 Population Trends - 1980 to 2019							
	1980 Census	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2019 Estimate
Grand Rapids	7,934	7,976	7,764	-2.7%	10,869	40.0%	11,448
Market Area	-	-	31,350	-	32,936	4.6%	34,194
Itasca Co.	43,069	40,863	43,992	7.7%	45,058	2.4%	46,530

Source: U.S. Census Bureau; Esri

Esri’s population estimate shows 11,448 people living in the City of Grand Rapids in 2019, up by 579 people from the level recorded in the 2010 Census. This estimate is generally consistent with other available data sources.

The most recent estimate from the Minnesota State Demographer’s Office has an effective date that is one year earlier than Esri. It showed 11,392 people living in Grand Rapids. When compared to the 2010 Census benchmark, the City added 523 residents between 2010 and 2018. A third estimate source, the Census Bureau’s annual population estimates program, placed the City’s population at 11,222 people in 2018, up by 353 people from 2010.

Although some differences do exist between the recent estimates, they form an annual range that is reasonably similar. If reduced to an annual average, these three sources show the City adding 44 to 65 people per year. The lower end of the range is from the Census Bureau, but Esri and the State Demographer have nearly identical estimates for average annual population growth at the higher end of this range.

The Market Area aggregation, which includes the adjoining small cities, townships and unorganized areas, is difficult to track prior to the year 2000 due to the changes that have occurred in jurisdictional boundaries. However, recent estimates from the year 2000 forward are available and provide a better indication of real growth around Grand Rapids. Some of the past growth in Grand Rapids was due to annexation activity, especially between 2000 and 2010 when Grand Rapids Township was added to the City. This impact is removed when the larger area is examined.

The Market Area does include an Unorganized Territory, Deer Lake UT, and some of the demographic sources including the State Demographer and the Census Bureau, do not provide intercensal estimates for UTs.

The only recent estimate that can be obtained for the Market Area is from Esri. In 2019, Esri believes that the entire Grand Rapids Market Area has 34,194 permanent residents. When compared to 2010, the area has added 1,258 people, or an annual average of approximately 140 people per year. Based on the estimates from Esri, population growth has been occurring both inside Grand Rapids, and in the remainder of the Market Area if the City is removed.

Despite the similarity that exists between the available estimates for Grand Rapids, there are significant differences in the recent estimates for all of Itasca County. Esri is showing fairly strong population growth Countywide, while both the State Demographer and the Census Bureau show very little change this decade for Itasca County. Part of the difficulty of making population estimates for the County is the impact of seasonal versus permanent residents.

Esri believes that growth has been occurring within the jurisdictions outside of Grand Rapids. Based on Esri's 2019 estimate, the County has added 1,472 people since 2010, with 893 of these residents living outside of Grand Rapids.

According to the State Demographer, there were 45,191 County residents in 2018, an increase of only 133 people since 2010. The remainder of Itasca County has actually lost population in the current decade if the City of Grand Rapids is removed.

The Census Bureau's County level estimate for 2018 was even lower, showing all of Itasca County adding only added 50 people from 2010. Consistent with the Demographer's estimate, the Census Bureau also shows a population decrease in the County jurisdictions excluding Grand Rapids.

Population by Race/Ethnicity

According to the 2017 estimate from the American Community Survey, more than 96% of the City's residents were White for race, and more than 99% were not of Hispanic/Latino ethnicity. Due to the limited diversity, no further demographic details have been provided by race/ethnicity.

Group Quarters Population

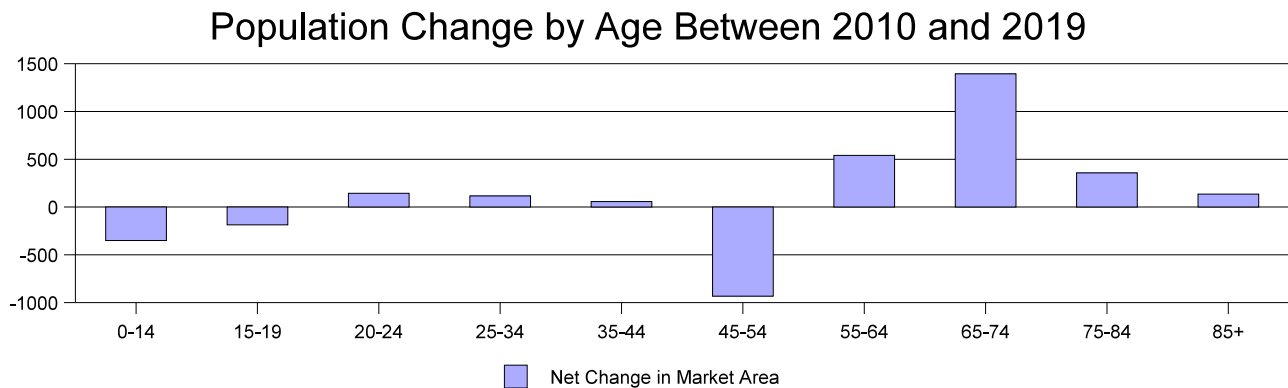
In 2010, there were 718 people living in group quarters housing in Grand Rapids, with nearly 49% living in nursing homes and 14% in student housing.

Population by Age Trends: 2010 to 2019

The following table compares population by age changes in the Grand Rapids Market Area between 2010 and 2019, using the 2010 Census and 2019 estimates from Esri.

Table 2 Population by Age - 2010 to 2019			
Age	Market Area		
	2010	2019	Change
0-14	6,055	5,705	-350
15-19	2,190	2,004	-186
20-24	1,475	1,619	+144
25-34	3,490	3,606	+116
35-44	3,674	3,731	+57
45-54	5,045	4,113	-932
55-64	5,012	5,553	+541
65-74	3,123	4,517	+1,394
75-84	1,943	2,300	+357
85+	929	1,065	+136
Total	32,936	34,213	+1,277

Source: U.S. Census; Esri



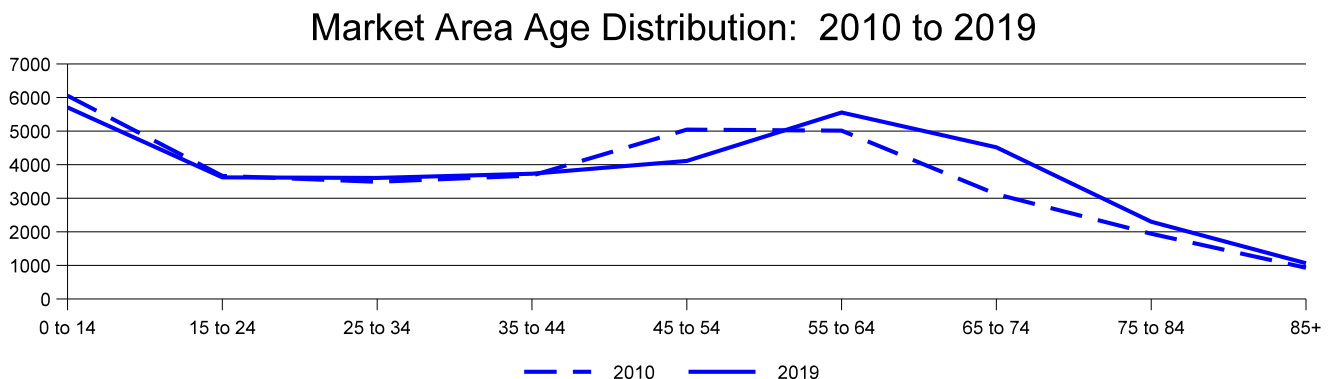
Based on the Esri estimate, the Grand Rapids Market Area has experienced significant population growth between 2010 and 2019, adding 1,277 residents. As a result, most of the defined age ranges increased in size.

The notable exception is in the 45 to 54 year old range, which has decreased substantially during the decade. This largely reflects the impact of the advancing baby boom generation. The group behind the baby boomers is much smaller in size, resulting in a reduction within this 10-year range. There was also some estimated decrease in the number of children and young adults in the age ranges 19 and younger. This would generally be consistent with fewer households in the prime child-rearing age ranges below 55 years old.

Patterns for the Market Area showed substantial growth in most of the groups age 55 and older. For many years, demographic analysts have been talking about the impact that is occurring as the large baby boom generation moves through the aging cycle. Between 2010 and 2019, the entire Market Area had a net gain of 1,935 people in the age ranges between 55 and 74 years old. In 2019, nearly all of the baby boomers were within these age groups.

Although some of the younger age groups decreased in size, as noted above, there was some growth in some of the younger adult age ranges, between 20 and 44 years old. The “millennial” generation would have included people in the basic range between 23 and 38 years old in 2019.

The aging trends can be tracked to see the advancing “wave” created by the movement of the baby boom generation.



Population Projections

The following table presents population projections generated by Esri, and span the five-year period from 2019 to 2024.

Table 3 Population Projections Through 2024			
	2019 Estimate Esri	2024 Projection Esri	Projected Change
Grand Rapids	11,448	11,767	319 / 2.8%
Market Area	34,194	34,961	767 / 2.2%
Itasca County	46,530	47,462	932 / 2.0%

Source: Esri

Esri’s projection for Grand Rapids expects the City to add nearly 320 permanent residents between 2019 and 2024. On an average annual basis, this would equal approximately 64 people per year. This forecast is very consistent with the estimated pace of growth that has been occurring in the City since 2010.

Esri also expects strong population growth to continue for the entire Market Area, with the projected addition of 767 people over the five-year period. On an annual basis, this would average 153 people per year. This numeric gain would be slightly above the level of approximately 142 people per year since 2010.

Esri is also optimistic about the future growth potential Countywide, expecting more than 165 permanent residents to be added in the remainder of the County outside of the Grand Rapids Market Area. As stated previously, this forecast would generally differ from other sources, as both the State Demographer and the Census Bureau have been tracking recent population losses in the areas outside of Grand Rapids. However, Itasca County does have a large volume of seasonal/recreational properties, and it is very possible that more of these housing units will be converted to permanent resident use over time.

Household Trends Analysis

The following table tracks household change over time, using the decennial census data back to the year 1980. The current-year estimate is from Esri, a private data reporting service. Other recent estimates are provided in the text that follows.

Table 4 Household Trends - 1980 to 2019							
	1980 Census	1990 Census	2000 Census	% Change 1990-2000	2010 Census	% Change 2000-2010	2019 Estimate
Grand Rapids	3,046	3,246	3,446	6.2%	4,615	33.9%	4,865
Market Area	-	-	12,667	-	13,562	7.1%	14,076
Itasca County	14,970	15,461	17,789	15.1%	18,773	5.5%	19,371

Source: U.S. Census; Esri

Esri’s 2019 estimate for Grand Rapids shows the City adding 250 households since 2010. Over this 9-year period, the City has averaged nearly 28 households per year. As stated earlier, this estimate is low, in the opinion of the analysts.

According to the State Demographer, there were 5,007 households in the City in 2018. When compared to the 2010 Census, the City had added 392 households so far this decade, a gain that was well above the Esri estimate. If viewed as an annual average, this would equal approximately 49 households in a typical year.

As will be discussed in greater detail later in this document, a tracking of building permit issuance does show that the City has been averaging more than 50 new housing units per year this decade, if all types of housing are included. This would tend to support the higher recent estimate from the State Demographer’s Office.

For the combined jurisdictions that form the Market Area, Esri believes that 14,076 households are present in 2019. Over the course of the current decade, the area has added 514 total households, or an average of 57 per year.

Since the State Demographer does not provide an annual estimate for individual UT portions of the Market Area, it is not possible to make a direct comparison between these sources. But excluding Deer Lake UT, the Demographer shows a net gain of 501 households. Assuming that Deer Lake UT has remained relatively stable, these two estimates would be very similar.

While the two primary estimating sources are generally similar in the numeric growth for the Market Area, the Demographer would attribute most of the recent growth to the City of Grand Rapids, while Esri places much of the growth outside the City. If used to form a range, between 57 and 63 households have been added to the Market Area in an average year.

The primary estimating sources also had similar opinions on the level of growth countywide. According to Esri, there are 19,371 households in 2019. When compared to the 2010 Census, this shows average annual growth of more than 66 households per year.

According to the State Demographer, there were 19,321 households in Itasca County in 2018. When compared to the 2010 Census, this shows average annual growth of nearly 69 households per year.

Once again, these sources differ on the location of this growth, as the State Demographer places most of the net growth within Grand Rapids, while Esri places most of the growth outside the City.

Average Household Size

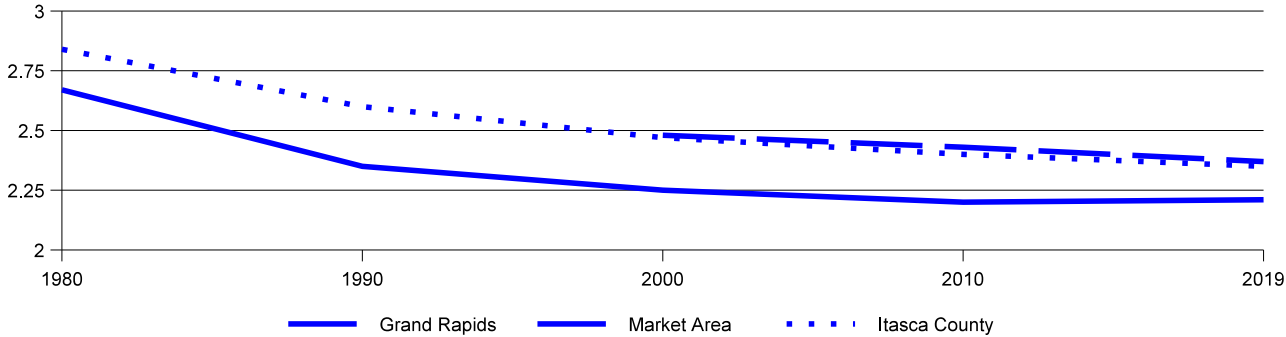
The following table provides decennial Census information on average household size dating back to 1980. The 2019 estimates from Esri are also provided.

Table 5 Average Number of Persons Per Household 1980 to 2019					
	1980 Census	1990 Census	2000 Census	2010 Census	2019 Estimate
Grand Rapids	2.67	2.35	2.25	2.20	2.21
Market Area	-	-	2.48	2.43	2.37
Itasca County	2.84	2.60	2.47	2.40	2.35

Source: U.S. Census; Esri

Household formation has been occurring at a different rate than population change in recent decades due to a steady decrease in average household size. This has been caused by household composition changes, such as more single person and single parent families, fewer children per family, and more senior households due to longer life spans.

Average Household Size: 1980 to 2019



The average household size in Grand Rapids has gradually decreased over time, although Esri’s 2019 estimate shows relative stability after 2010. However, the State Demographer’s 2018 estimate does show that the City’s average household has grown smaller after 2010, and was at 2.14 persons in 2018.

The average household sizes for both the Market Area and all of Itasca County have consistently been larger than in the City of Grand Rapids, but also have been gradually growing smaller in recent decades.

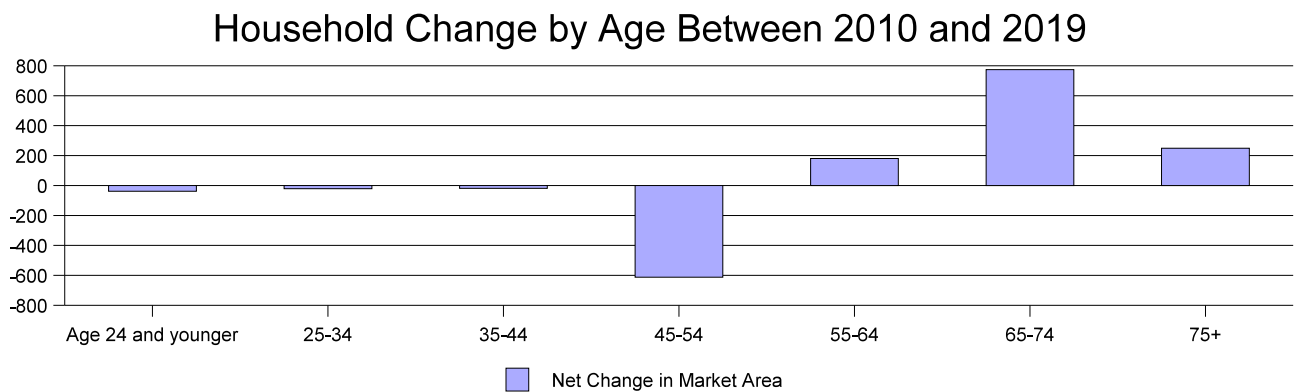
Household Characteristics: Age Trends

The following table examines the area’s changing age patterns. The 2019 age-based estimates from Esri are compared to the 2010 Census to track recent changes. This information has been analyzed is for the entire Grand Rapids Market Area.

Table 6 Market Area Households by Age - 2010 to 2019			
Age	Market Area		
	2010	2019	Change
15-24	421	383	-38
25-34	1,640	1,619	-21
35-44	1,927	1,908	-19
45-54	2,795	2,183	-612
55-64	2,951	3,132	+181
65-74	1,981	2,755	+774
75+	1,847	2,096	+249
Total	13,562	14,076	+514

Source: U.S. Census; Esri

So far this decade, the Market Area has added 514 households, according to Esri. However, this growth is not distributed within all of the defined 10-year age ranges. Between 2010 and 2019, there has been solid growth in the number of households age 55 and older, but reductions within all of the younger age groups.



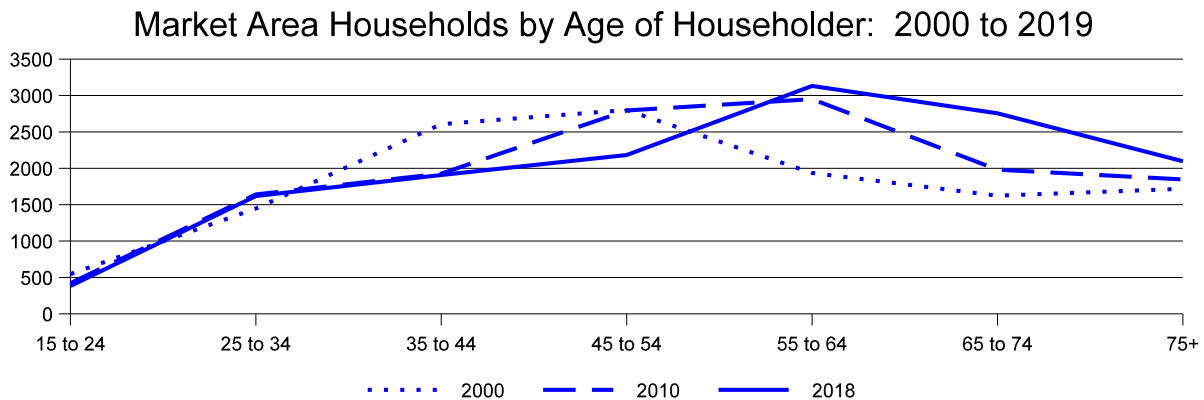
Much of the change occurred in the prime “baby boomer” age groups, between 55 and 74 years old, with especially strong growth among households age 65 to 74 years old.

With the exception of the 45 to 54 year old group, the other younger adult ranges remained relatively stable, with only very minor reductions since 2010. The large decrease in the 45 to 54 year old group reflected the void that developed as the baby boomers advanced in age. The “baby bust” generation that followed is smaller in size and could not replace the previous age cohort.

Overall, Esri estimates that there was a net loss of 690 households age 54 and younger, but a net increase of more than 1,200 households age 55 and older so far this decade.

It should also be noted that solid growth has occurred within the oldest senior citizen age ranges, age 75 and older. There continues to be a significant amount of specialized senior housing in Grand Rapids, providing attractive living options for older seniors.

It is possible to track the “wave” progression of the baby boomer households in the Market Area dating back to the year 2000, using information for households by the age of householder. Over time, the crest of this wave has been growing larger, as more households in these baby boom age ranges are living in the Grand Rapids area.



Household Projections

The following table presents household projections from Esri, for the period between 2019 and 2024. It is important for readers to note that the information for the City of Grand Rapids is probably too conservative, as Esri has placed much of the past and future growth outside of the City limits. As a result Esri’s estimates and projections for the Market Area and all of Itasca County are viewed as more reliable, and have been used in the recommendations that follow later in this document.

Table 7 Household Projections Through 2024			
	2019 Estimate Esri	2024 Projection Esri	Projected Change
Grand Rapids	4,865	5,001	136 / 2.8%
Market Area	14,076	14,388	312 / 2.2%
Itasca County	19,371	19,758	387 / 2.0%

Source: Esri

Esri’s projection for the Grand Rapids expects the addition of only 136 households over the next five years, or an annual average of 27 households per year. This future pace of growth would be well below the level achieved in the current decade, as estimated by other sources. As stated previously, Esri has placed most of the expected growth outside the city limits in the remainder of the Market Area.

Esri’s Market Area projection shows the addition of 312 households over the 5-year period, or approximately 62 households per year. This level of numeric growth would be very consistent with the estimates of the recent past, which show the entire Market Area averaging between 57 and 63 households per year since 2010.

Esri’s projection for all of Itasca County expects that nearly 390 households will be added over a five-year period. To reach this projection, the County would need to average approximately 77 households per year. This projection is generally consistent with past patterns, as the County has probably been averaging annual growth of 66 to 69 households per year since 2010.

Projected Households by Age

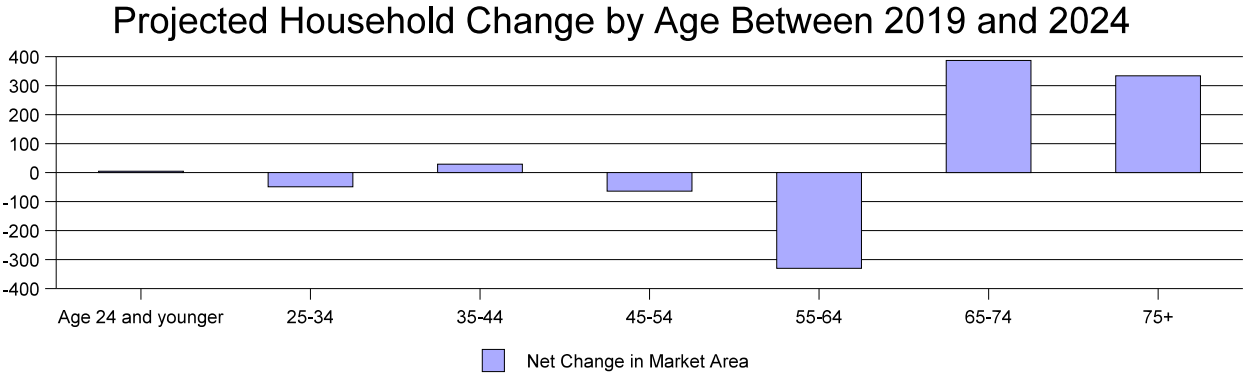
Esri provides projection data within defined 10-year age groups, which can be used to anticipate future changes in the demographic composition. The following table is for the entire Grand Rapids Market Area.

Table 8 Market Area Projected Households by Age: 2019 to 2024			
Age Range	2019 Estimate	2024 Projection	Change
15-24	383	388	+5
25-34	1,619	1,570	-49
35-44	1,908	1,937	+29
45-54	2,183	2,119	-64
55-64	3,132	2,802	-330
65-74	2,755	3,142	+387
75+	2,096	2,430	+334
Total	14,076	14,388	+312

Source: Esri

The age-based projections to 2024 expect most of the net increase in households to occur from households age 65 and older in the Grand Rapids Market Area. The number of younger senior households, age 65 to 74, is expected to grow by 387 households. The older senior range, age 75 and above, is projected to grow by 334 households.

Although some of the younger adult households may increase in number, overall there is a substantial decrease projected within the combined ranges below age 65.



2017 Median Income Data

Annual median income estimates are available at the city, township and county level through the American Community Survey. Since the Market Area represents an aggregation of individual jurisdictions, including an Unorganized Territory, no median levels are available. Information from 2010 is compared to 2017 to track recent income trends.

Household income represents all independent households, including people living alone and unrelated individuals together in a housing unit. Families are two or more related individuals living in a household. Family incomes tend to be higher than the overall household median, as families have at least two household members, and potentially more income-earners, while many non-family households have only one household member.

Table 9 Median Household Income - 2010 to 2017			
	2010 Median	2017 Median	% Change
Households			
Grand Rapids	\$41,776	\$44,514	0.7%
Itasca County	\$45,621	\$52,050	14.1%
Minnesota	\$57,243	\$65,699	14.8%
Families			
Grand Rapids	\$59,830	\$53,038	-11.4%
Itasca County	\$56,890	\$61,216	7.6%
Minnesota	\$71,307	\$82,785	16.1%

Source: ACS

Information contained in the 2017 American Community Survey showed that the City’s median household income has been flat, while the median family income has been decreasing so far this decade. It is possible that the 2017 estimates are flawed, based on the limited sampling that is done. However, the estimates could also be a reflection of an aging population in the community, with more households and families moving to fixed retirement income from earned income such as employment.

There was some growth between 2010 and 2017 for the County’s median income levels, especially for households. However, the medians for Itasca County were well below the comparable Statewide medians in 2017.

A general standard is that 30% of income can be applied to housing costs. At this level, a median income household in Grand Rapids could apply approximately \$1,115 per month and a median income family could apply approximately \$1,325 per month. However, as will be detailed later, there is often a significant difference between renter and owner household income levels, with many renter households in the lower income ranges, with significantly less income that can be applied to housing costs.

Household Income Distribution by Tenure: 2017

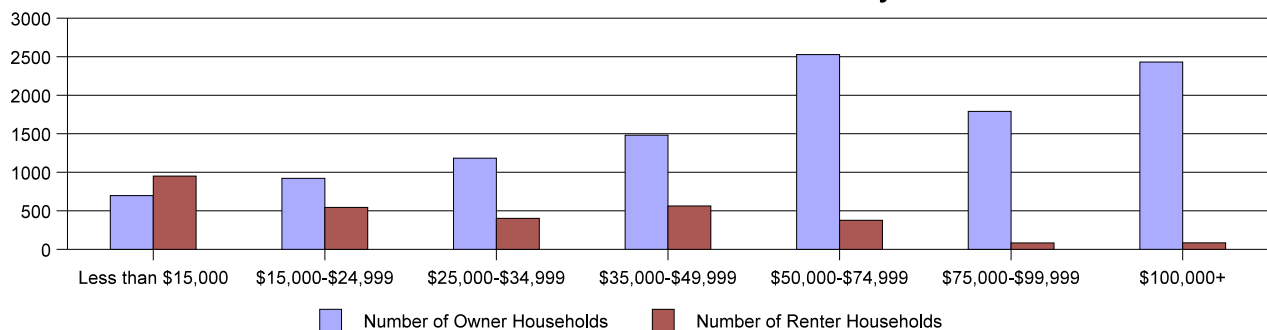
Although median income information is not available for the aggregated Market Area, the American Community Survey does contain household income distribution estimates. This information is available by ownership or renter status.

Table 10 Market Area Income Distribution by Tenure: 2017			
Household Income	Number of Owner Households	Number of Renter Households	Total Households
\$0 - \$14,999	698	951	1,649
\$15,000 - \$24,999	922	544	1,466
\$25,000 - \$34,999	1,184	402	1,586
\$35,000 - \$49,999	1,481	563	2,044
\$50,000 - \$74,999	2,527	378	2,905
\$75,000 - \$99,999	1,790	84	1,874
\$100,000+	2,431	85	2,516
Total	11,033	3,007	14,040

Source: American Community Survey

Within the moderate to higher income ranges, there was a strong preference for home ownership. For households with an annual income of \$50,000 or more, the rate of home ownership was above 92%, with fewer than 8% of these households renting their unit.

Market Area Household Income Distribution by Tenure: 2017



This pattern changed somewhat in the lower and moderate income ranges. For all households with an annual income below \$35,000, the rental rate was above 40%. For low income households below \$25,000 for annual income the rental rate was nearly 48%.

Since the Grand Rapids Market Area is an assembled geography, the American Community Survey does not provide an estimated median income by housing tenure. However, an approximate median can be extrapolated from the distribution data.

For all renter households in the Market Area the estimated median income level in 2017 was approximately \$25,210. For all home owners, the estimated median income was approximately \$62,182.

As the largest single jurisdiction within the Market Area, the income levels in Grand Rapids have the greatest impact. For just the City, the estimated median renter household income was \$23,911 in 2017, compared to a median of \$60,489 for home owners.

Renter Housing Cost Burden

The 2017 American Community Survey includes information on housing costs for renter households. Generally, it is the goal of housing assistance programs to limit housing costs to no more than 30% of household income. This is especially true for lower income households, with limited amounts of income available for discretionary spending.

The following table examines the percentage of income required by renter households for monthly housing costs. Information is provided for renter households age 64 and younger, and households age 65 and older.

This information is only for the City of Grand Rapids. In 2017, more than 60% of all Market Area renter households were living in Grand Rapids.

Table 11 Grand Rapids Renter Household Cost Burden - 2017				
Percent of Income for Housing	Age 24 and Younger	Age 35 to 64	Age 65 and Older	Total
Less than 20%	89	309	130	528
20% to 29.9%	20	278	119	417
30% to 34.9%	0	81	77	158
35% or more	61	311	308	680
Not Computed	0	16	14	30
Total	170	995	648	1,813

Source: American Community Survey

Using a standard that 30% of income for housing defines a cost burden, many renter households in Grand Rapids did have a cost burden for rental housing in 2017. Overall, more than 46% of all renters were paying 30% or more of their income for housing.

Rental cost burden percentages did vary by age. For senior citizen renters, nearly 48% reported a cost burden. Among non-senior renters, nearly 39% were paying 30% or more of their income.

Cost burden was generally the result of a lower household income. Nearly all of the households that were paying 30% or more of their income for housing had a household income that was below \$35,000 per year.

Owner Housing Cost Burden

The American Community Survey also includes information on housing costs for home owners. The following table examines the percentage of income required by Grand Rapids owner households for monthly housing costs. Information is provided for owner households with and without a mortgage on their home.

Table 12 Grand Rapids Owner Household Cost Burden - 2017			
Percent of Income for Housing	Households with a Mortgage	Households without a Mortgage	Total
Less than 20%	842	835	1,677
20% to 29.9%	469	70	539
30% to 34.9%	222	33	255
35% or more	297	87	384
Not Computed	0	51	51
Total	1,830	1,076	2,906

Source: American Community Survey

Most owner-occupants, which would include both households with or without a mortgage, reported paying less than 30% of their income for housing. Mortgage lending practices generally attempt to keep monthly payments below this level of household income. However, nearly 22% of all home owners reported that they paid more than 30% of their income for housing. Most of these households were actually paying more than 35% of income for housing costs.

As would be expected, the large majority of cost-burden home owners had a mortgage on their home. However, approximately 19% of owners reporting a cost burden had no mortgage. In these cases, it was generally a low annual income that has caused the cost burden, such as a retiree that owned their home but lived on a fixed income.

Building Permit Trends

The following table identifies new housing units that have been issued a building permit since the year 2010.

Year	Single Family	Single Family Attached	Mobile Homes	Multifamily Rental	Specialized/ Senior Housing	TOTAL
2019*	6	0	2	0	0	8
2018	6	2	3	0	0	11
2017	8	2	0	0	16	26
2016	9	2	1	0	0	12
2015	11	0	2	83	10	106
2014	17	0	0	35	0	52
2013	11	0	1	65	83	160
2012	8	0	1	29	0	38
2011	7	0	0	29	0	36
2010	8	6	1	2	0	17
TOTAL	91	12	11	243	109	466

Source: City of Grand Rapids

* 2019 is partial year

While there has been ongoing construction of new housing units in Grand Rapids since 2010, the number of units has been limited in some years. Between 2011 and 2015, a number of multifamily projects were permitted, which significantly increased the annual total for those years. Since 2016, fewer rental projects have proceeded, although there are proposed projects that still may be permitted in 2019 or 2020.

As tracked by building permit reports, as many as 466 housing units may have been constructed, including partial year activity for 2019. This total includes 91 single family detached houses and 12 units in attached single family twin homes. Although more units may still be permitted in 2019, the 10-year production yields an annual average of approximately 10 units each year that appear to be oriented to owner-occupants.

City records show 11 mobile/manufactured homes being placed since 2010. It appears that some of these may not have been new homes, based on their values. It is also possible that some of these units replaced older homes that were removed, and may not represent a net gain to the overall housing stock.

Most of the new unit production has occurred in multifamily structures. This includes traditional rental housing along with some specialized senior housing construction. The more traditional rental segment represents 243 total units so far this decade. Specialized housing for seniors represents 109 units.

The recent traditional rental projects include:

- ▶ Beacon Hill - 48 units (20 units are designated as supportive housing)
- ▶ River Hills Apartments - 70 units
- ▶ 1st Avenue Condominiums - 36 units
- ▶ Lakewood Heights - 87 units

The recent specialized senior projects include:

- ▶ Majestic Pines - 73 units in 2013 with 16 added in 2018
- ▶ Oak Hills Assisted Living - 20 units constructed in two phases

Lots and Land

No definitive residential lot inventory was obtained. Information was assembled from MLS listings, City records and other sources. According to the research completed as part of the 2014 housing study by Maxfield Research, Inc., there have not been any new residential subdivisions platted in Grand Rapids since 2005.

MLS

The website Realtor.com only listed six residential lots that appeared to be within the City limits. Four of these lots were priced at \$25,000 or less. Two lots were priced between \$25,000 and \$50,000. All of these lots appeared to be “remnant” lots rather than listings in newer subdivisions.

City Estimate

City staff identified an approximate vacant inventory of 29 lots for detached houses, with 15 of these in the Forest Hills subdivision. Seven lots were believed to exist in a subdivision near Pokegama Lake, although these lots are not served by City sewer and water. There are also seven infill lots that remain around the community. Some of the infill lots may be reflected in the MLS listings.

City staff also estimated that approximately six lots remain available in 2019 for twin homes. Presumably these would be in Pine Ridge Estates.

In addition to the sites for single family construction, the City has identified eight or nine parcels that may be suitable for multifamily housing development.

Previous Housing Study

The study completed in 2014 had identified the following subdivisions with active marketing underway:

Forest Hills - there were 33 vacant lots identified in 2014. According to City staff, there are 15 vacant lots remaining in 2019.

Pine Ridge Estates Second Addition - There were 18 vacant lots identified in 2014. Based on building permit issuance, 10 or more of these lots may have been used for new unit construction. This is an association-managed project with one-level detached units

Lakewood Heights - There were 16 vacant lots identified in 2014. Most of these lots are assumed to be vacant in 2019, although this could not be verified. Building permit records show only a few potential units constructed in this area since 2014.

Pending Projects

The research identified one future subdivision project. The City EDA has acquired a parcel that is planned for 15 single family lots.

Existing Home Sales

This section examines houses that have been sold within recent years in the City of Grand Rapids. Information was obtained from the Itasca County Assessor's Office.

Itasca County collects and utilizes information from residential sales for the County's sales ratio study. The County compares the fair market sale price to the estimated taxable value for each home. As a result, the County information for sales primarily reflects existing homes that have an established tax value. New construction sales activity would generally not be recorded in the data that was used for this analysis, unless the house had been constructed some time ago and did have an established tax value.

The County also sorts the sales data into "qualified" and "unqualified" groupings. Qualified sales are also referred to as good sales, because they are fair market transactions. Unqualified sales are rejected because they are not considered to be fair market transactions. There are multiple reasons for rejecting a sale, including sales of "bank-owned" properties and foreclosures/short sales. Additional reasons for rejection would include transfers between related parties, or sales that were not conducted in the open market.

It is important to note that the sales records that are available do not contain detailed information on each recorded transaction. The sales were identified as "improved residential" parcels, but this does not guarantee that an actual house was sold. Sales that appeared to be property other than a house have been excluded.

In Grand Rapids, some of the sales are identified as lake shore properties, but this represents a relatively small share of the annual activity. Lake shore sales have been included in the tables that follow.

Information was available for each calendar year, from 2010 through 2018. Partial-year information was also available for 2019, and has been presented, although this will change as additional sales are recorded.

Table 14 Grand Rapids Residential Sales Activity - 2010 to 2019*

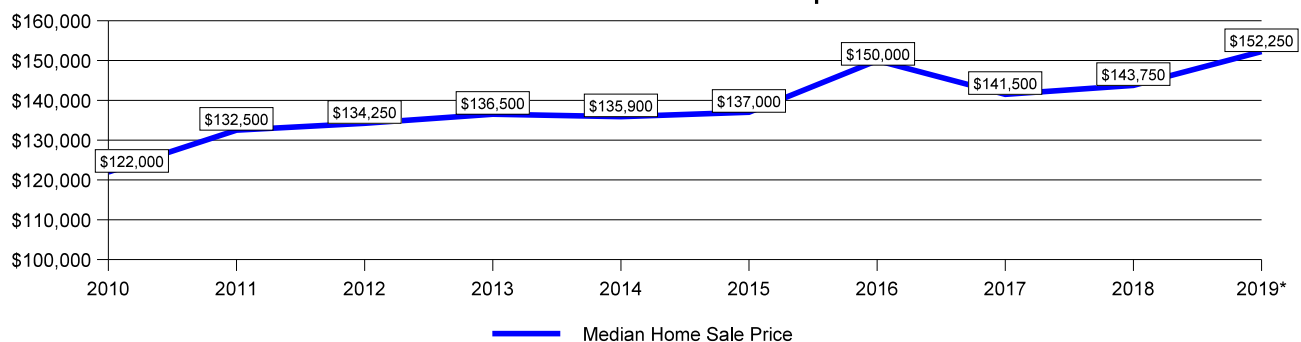
Year	Number of Good Sales	Median Sale Price	Highest Sale	Lowest Sale
2019*	84	\$152,250	\$310,000	\$21,000
2018	149	\$143,750	\$375,000	\$45,000
2017	150	\$141,500	\$385,000	\$27,000
2016	138	\$150,000	\$328,000	\$21,000
2015	142	\$137,000	\$475,000	\$40,000
2014	127	\$135,900	\$420,000	\$45,800
2013	94	\$136,500	\$357,000	\$38,500
2012	106	\$134,250	\$292,000	\$21,500
2011	67	\$132,500	\$300,000	\$44,000
2010	78	\$122,000	\$260,000	\$41,500

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

* 2019 is through August

With some variation in the number of good sales occurring within each year, there can be some variation in the annual median price. However, since 2014 the number of good sales has been 127 or more each year in Grand Rapids.

In 2018, the last full year, there were 149 good sales that were recorded. The median price was \$143,750. A similar median was reached in 2017. Year-to-date in 2019, a higher median price has been reached, although this may change when a full year of activity is recorded. In general, there has been an upward trend in the annual median sale price.

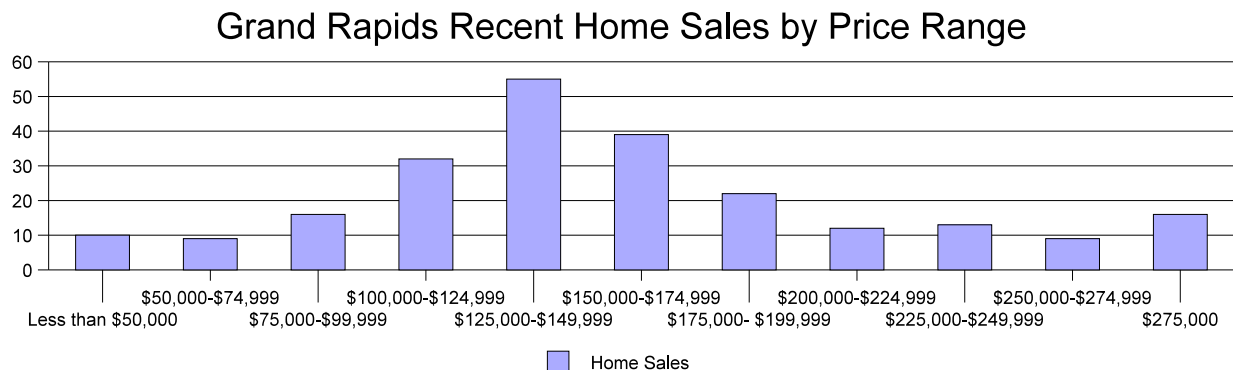
Median Home Sale Prices in Grand Rapids: 2010 to 2019

Home Sales by Price Range

The following table looks at the price distribution of 233 single family houses that sold in Grand Rapids in 2018 and 2019 (partial). This information is once again from County's sales records.

Table 15 Home Sales by Price Range: 2018-2019*		
Sale Price	Number of Sales	Percent of Sales
Less than \$50,000	10	4.3%
\$50,000 - \$74,999	9	3.9%
\$75,000 - \$99,999	16	6.9%
\$100,000 - \$124,999	32	13.7%
\$125,000 - \$149,999	55	23.6%
\$150,000 - \$174,999	39	16.7%
\$175,000 - \$199,999	22	9.4%
\$200,000 - \$224,999	12	5.2%
\$225,000 - \$249,999	13	5.6%
\$250,000 - \$274,999	9	3.9%
\$275,000+	16	6.9%
Total	233	100%

Source: Itasca County Assessor; Community Partners Research, Inc. * Partial-year



Most of the recent sales activity in occurred within the moderate price ranges, as more than 54% of the sales were in the ranges between \$100,000 and \$174,999. Approximately 31% of the recent sales were for \$175,000 or more.

Active Residential Listings

The website Realtor.com, maintained by the National Association of Realtors, was used to collect information on active residential real estate listings in Grand Rapids. On September 30, 2019, there were 82 single family homes that were listed for sale that appeared to be located in the city limits of Grand Rapids. A number of additional homes were listed that appeared to be outside the City in the surrounding rural areas. The following table examines the MLS listings by listing price, as posted on Realtor.com.

It is important to note that the active properties are those included in the Multiple Listing Service (MLS) and would generally be offered through a real estate agent. There are other properties that are posted for sale that would not be part of the MLS, including most homes being offered “for sale by owner”.

Asking Price	Number of Listings	Percent of Listings
Less than \$75,000	3	3.7%
\$75,000 - \$99,999	5	6.1%
\$100,000 - \$149,999	29	35.4%
\$150,000 - \$199,999	25	30.5%
\$200,000 - \$249,999	12	14.6%
\$250,000+	8	9.8%
Total	82	100%

Source: Realtor.com; Community Partners Research, Inc.

Overall, nearly 66% of the active listings were priced between \$100,000 and \$199,999. Fewer than 10% of the listings were for less than \$100,000. Nearly 25% were for \$200,000 or more.

It is important to note that a number of the MLS listings were identified as “pending” sales, and may no longer be available. But this review does provide some insight into for-sale market activity in 2019.

Age of Housing

The American Community Survey includes an estimate of the age of the housing stock.

For owner-occupancy units in Grand Rapids, the estimated median year of construction is 1965. More than 43% of the owner-occupancy stock was constructed before 1960.

For rental housing, the estimated median year of construction was listed as 1977. Approximately 20% of the rental inventory was constructed prior to 1960.

Mobile Home Data

The American Community Survey also provides some details on the mobile homes in the City. According to this source, there were 115 owner-occupied mobile homes in Grand Rapids in 2017, and 15 renter-occupied units, for a total inventory of 130 occupied mobile homes. All of the mobile homes in Grand Rapids were manufactured before the year 2000, although recent building permit records do show the possibility that some newer units have been moved into the community.

The American Community Survey shows additional mobile homes in Grand Rapids that are not occupied. While details are not provided, this could include units available as seasonal/recreational housing.

No median value estimate was provided, based on the small sampling that was done.

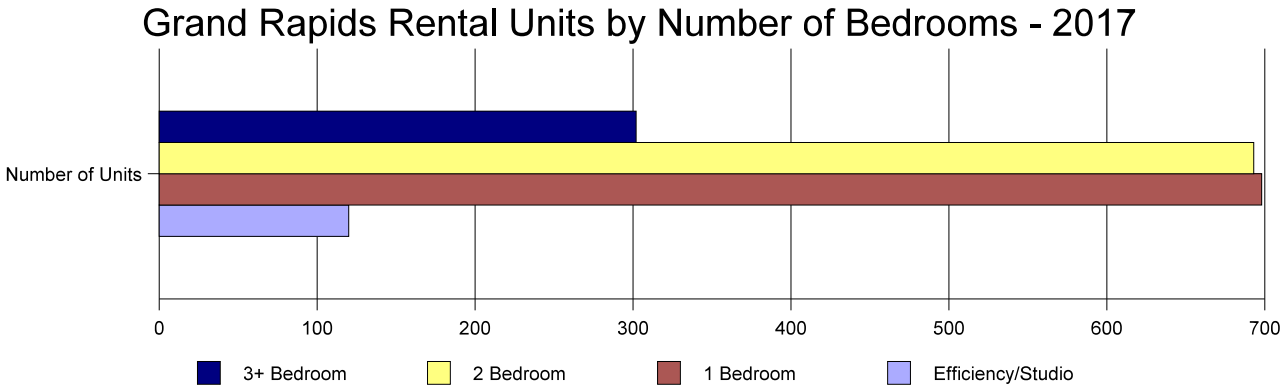
American Community Survey Rental Data

The 2017 American Community Survey provides information on rental units in Grand Rapids. A later section of this document provides information collected in a rental survey of larger multifamily properties. The American Community survey estimates would represent all rental housing in the City.

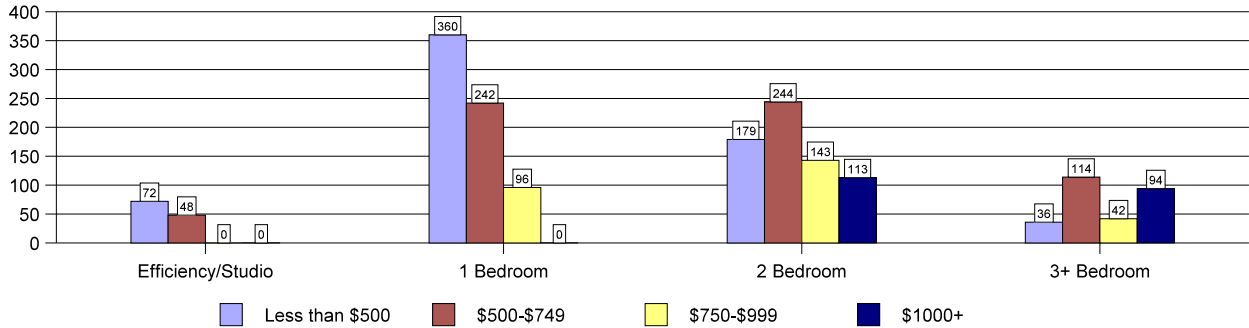
Table 17 Grand Rapids Rental Distribution by Bedrooms and Rent - 2017						
Unit Size	Rent less than \$500	Rent \$500 to \$749	Rent \$750 to \$999	Rent \$1,000+	No cash rent	Total Units
Efficiency/Studio	72	48	0	0	0	120
1 Bedroom	360	242	96	0	0	698
2 Bedroom	179	244	143	113	14	693
3+ Bedroom	36	114	42	94	16	302
Total	647	648	281	207	30	1,813

Source: American Community Survey

According to the 2017 ACS, the large majority of the rental options in Grand Rapids were in one-bedroom or two-bedroom units. Approximately 17% of the City’s rental stock had three or more bedrooms, and nearly 7% were in the form of efficiency/studio units. Overall, more than 75% of all rental housing had one or two bedrooms.



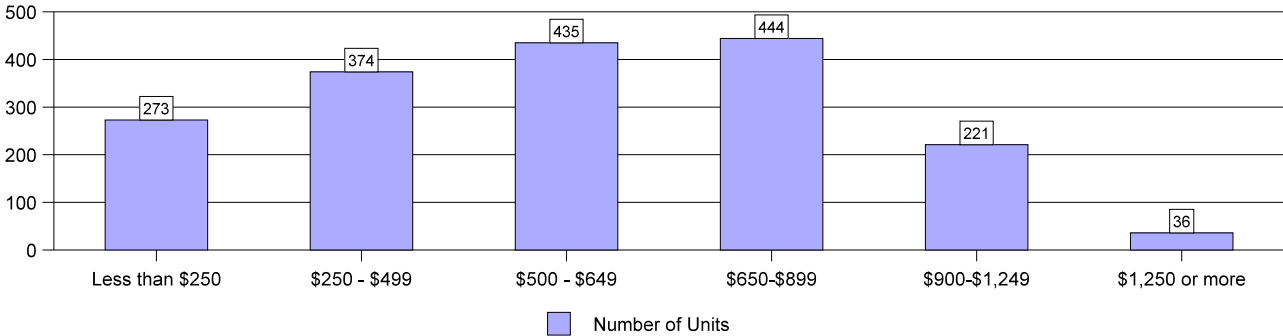
Grand Rapids Gross Rent Distribution by Bedroom Size - 2017



The American Community Survey includes an estimate of the median gross rent, for all units and by bedroom size. Overall, the median gross rent level was \$619 in 2017. Gross rent would include tenant-paid utilities.

No median estimate was provided for efficiency/studio units. For one-bedrooms, the median was \$489. The median increased to \$699 for two-bedroom options, and was at \$879 for three-bedroom rentals.

Grand Rapids Rental Unit Distribution by Rent Range - 2017



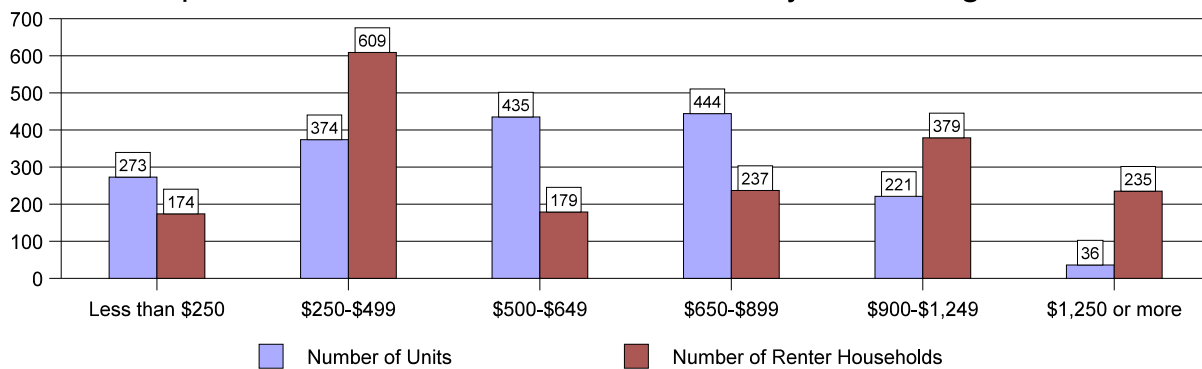
The information on gross monthly rent by the number of bedrooms in the rental unit used fairly broad ranges for reporting rents. The American Community Survey also presents information on gross rents within more defined ranges, but this information is not distributed by bedroom mix.

The rent distribution tables from the 2017 American Community Survey also do not differentiate between different segments of the market. Since all types of renter households could be surveyed, the rent distribution should include subsidized units, tax credit units, student units, and probably some specialized senior housing. However, the vast majority of units in Grand Rapids would represent conventional, market rate housing.

Using the overall distribution of gross monthly rents and renter households by income, presented earlier in this Study, 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.

Rental rate information can then be 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 - 2017



Comparing supply and demand, based on the price needed versus unit rent distribution, shows some distinct trends. First, there were more low rent housing units than lower income households in the lowest range, for a unit priced at \$250 or less. However, within the next low income range, there were significantly more households than units. If all of the renter income groups below \$20,000 are combined, there 783 households but only 677 rental units priced a \$500 or less.

The mismatch between very affordable units and renter households with an income below \$20,000 would be mitigated somewhat by rent assistance Vouchers or other public assistance programs. However, even with some assistance available, there were many lower income households with a housing cost burden, as detailed earlier in this section.

Within the more moderate income ranges between \$20,000 and \$36,000, the supply of rental units greatly exceeded the number of households. Presumably, some of the lower income households that could not find a unit that was more affordable instead moved into units in this basic price range, even though it may have caused a significant rent burden.

The supply of units in the \$650 to \$899 price range also exceeded the number of renter households with an annual income between \$26,000 and \$36,000.

Rental housing constructed in the 1990s and 2000s may have been priced below \$900 per month. Lower income households that rented a more expensive unit, as well as higher income households that rented a less expensive unit would potentially have been within this moderate range.

In the higher rent ranges of \$900 or more, the overall supply of units was much smaller than the number of renter households with moderate to higher incomes. Overall, the American Community Survey estimates showed that approximately 34% of all renter households in Grand Rapids in 2017 had an annual income of \$36,000 or more, but fewer than 15% of all rental units were priced at \$900 or more for gross rent. Since 2017 there may have been some additions to this higher price range in newly constructed projects.

Rental Housing Data

At the time of the 2010 Census, there were 1,751 occupied rental units, and at least 76 unoccupied rental units identified in Grand Rapids, for a total estimated rental inventory of 1,827 units. The City's rental tenure rate, was 37.9%, based on renter-occupancy households, well above the Statewide rate in 2010 of 27% rental.

There is no accurate tenure count available since 2010, but the American Community Survey for 2017 did contain an estimate. According to that source, there were 1,813 occupied rental units in the City. There were also 71 unoccupied rental units, for a total estimated inventory of 1,884 total units. If accurate, this source showed a net gain of 57 rental housing units in the City between 2010 and 2017. The rental tenure rate reported in 2017 was 38.4%, up slightly from 2010.

Based on the construction activity that can be identified after 2010, the American Community Survey has probably underestimated the City's rental inventory, potentially by 300 or more units. However, there is no good information on rental unit losses or possible tenure conversion. While known additions to the rental stock can be identified through building permits, possible losses cannot be so easily defined.

Rental Construction After 2010

Grand Rapids has had ongoing construction of multifamily rental housing. Based on building permit reports, the following projects have added to the City's rental housing inventory since the 2010 Census was conducted:

- ▶ Lakewood Heights - 87 total units constructed in three phases
- ▶ 1st Avenue Condominiums - 36 rental units
- ▶ River Hills Apartments - 70 total units constructed in two phases
- ▶ Beacon Hill - 48 units including 20 supportive housing

There have also been two specialized care senior projects that have added units this decade:

- ▶ Majestic Pines - 89 total units constructed in two phases
- ▶ Oak Hills Assisted Living - 20 total units in two phases

In total, these projects have added as many as 350 rental units to the City's housing inventory. However, some of these units are very targeted, including supportive housing/housing with supports units in Beacon Hill that may be filled through a referral system, and sleeping rooms for memory care needs that provide 24-hour staffing assistance. After adjusting for new units that are not typically available to the general rental market, it is probable that the City has added between 300 and 310 general use rental housing units after the 2010 Census was completed.

Using the 2010 Census data, along with new construction after 2010 it is possible that the City's total rental stock in 2019 may contain between 2,150 and 2,250 total units in 2019. This estimate does not include an allowance for older unit losses, or for possible upward or downward changes due to tenure conversion.

The volume of rental unit construction since 2010 has exceeded the production of single family homes and it is probable that the City's rental tenure rate in 2019 is higher than the level of 37.9% recorded by the 2010 Census.

City Rental Housing Estimates

In May 2018, the City of Grand Rapids issued a report that included an estimate of the total rental housing inventory. This included the newest rental projects, which had been issued a building permit in 2016 or 2017. Since that time, no w multifamily rental projects have proceeded to construction. Any changes after the date of the estimate would be due to tenure conversion.

If all potential rental housing is counted, including specialized senior/assisted living facilities, the City's estimated showed 2,218 rental units. If the specialized senior facilities are excluded, the estimate was 1,788 units.

The upper end estimate of 2,218 units, which includes senior housing, is very similar to the estimate of 2,150 to 2,250 units derived by Community Partners Research from Census data and building permit records.

Pending/Proposed Rental Projects

There is also the possibility that some additional construction may begin in 2019, as at least three proposed multifamily projects can be identified. If they proceed, the units would not become available for occupancy until 2020 or later.

In 2019, an application was submitted for a 2020 federal low income housing tax credit award. If successful, a 56-unit affordable project, known as Aurora Heights, could start construction later in 2020 and open in 2021. This project would include 42 general occupancy moderate rent units, targeted to households below 60% of the median income level, along with 14 units to replace an existing single room occupancy (SRO) facility for targeted populations.

A 48-unit general occupancy market rate rental project has been proposed. While all units would offer market rate housing, 20% of the units would have moderate income limits due to the planned involvement of City tax increment financing assistance.

A senior housing complex with up to 118 units has been proposed. This would provide a range of care, from independent living apartments to memory care.

Rental Housing Survey

As part of this Study, a telephone survey was conducted of larger rental projects in Grand Rapids. Emphasis was placed on contacting multifamily properties with eight or more units. For the purposes of future construction, we believe that the larger rental properties provide the best comparative information.

The survey was primarily conducted in July 2018 but some followup information was obtained in August. Multiple attempts were made to contact each property. Information was tallied separately for different types of rental housing, including market rate units, tax credit units, and subsidized housing.

Grand Rapids also has a relatively large inventory of senior housing with services. A separate section analyzes this segment of the market and has been provided later in this document.

The breakdown of surveyed units is as follows:

- ▶ 362 market rate units (possibly some with TIF income limits)
- ▶ 24 student-oriented units
- ▶ 176 moderate rent tax credit units
- ▶ 20 tax credit supportive housing units
- ▶ 162 general occupancy subsidized units
- ▶ 242 subsidized units oriented to senior/disabled occupancy

All of the specialized senior housing offering some level of services has been included in a later section of this document.

Some of the rental housing that was surveyed, including supportive housing in Beacon Hill or student-oriented units in Living West End Apartments have been addressed separately.

The findings of the survey by market segment are provided below.

Market Rate Summary

Usable information was obtained on 362 market rate rental units in eight rental projects. All of the projects that were contacted had more than 20 units and tend to represent the larger rental properties in the community. Some of the properties may have provided limited information, and in the specific analyses that follow, a smaller subset of units may have been used.

One property, Living West End, had 24 four-bedroom apartments that are primarily marketed to students, and this portion of that project has been excluded in the market rate analysis.

Unit Mix

The following information is for the bedroom mix for units that were surveyed:

- ▶ 137 one-bedroom (37.8%)
- ▶ 24 one-bedroom + den (6.6%)
- ▶ 187 two-bedroom (51.7%)
- ▶ 14 three-bedroom (3.9%)

Occupancy / Vacancy

Vacancy calculations are based on 362 market rate units. This total may include some TIF-assisted units that are set-aside within specific developments. The TIF units may have income limits for tenants, but generally operate as market rate housing.

There were no units that were recorded as vacant on the date of the survey. The estimated vacancy rate would be below 1%. There may have been some unoccupied units, but in all cases these were in process of being filled, as a new applicant was being screened.

A previous housing study completed by Maxfield Research in 2014 had found a vacancy rate of 2.6% in market rate units.

Rental Rates

There can be a wide variation in rental rates in Grand Rapids. The City has a number of newer projects constructed within the last 10 years, including some oriented to the “luxury” segment. However, there is also an inventory of market rate apartments in buildings that are more than 25 years’ old, and have a much more moderate rent structure.

Some of the units include the primary utility payments with the rent, while in other cases, the tenant pays the major utilities in addition to rent. We have attempted to include tenant-paid utilities into a gross rent estimate.

The Identified Range column defines the highest and lowest gross rents identified by the 2019 survey, while the Prevailing Range column defines a more narrow band of gross rents being charged by a majority of the units contacted. It is important for readers to note that the survey was largely unsuccessful in contacting some of the City’s older rental developments that date to the 1970s or earlier. Presumably these have a more moderate rent structure, but this could not be verified.

<u>Unit Type</u>	<u>Identified Range</u>	<u>Prevailing Range</u>
1-bedroom	\$635 - \$970	\$660 - \$950
1-bedroom+den	\$1000 - \$1080	\$1000 - \$1080
2-bedroom	\$625 - \$1450	\$775 - \$1100
3-bedroom	\$1185 - \$1700	\$1185 - \$1700

Most of the complexes that could be contacted represent newer housing, and have a higher rent range.

American Community Survey Rental Rates

In a separate section of this document, summary information has been provided from the American Community Survey on the City’s rental housing inventory. Although this information is from 2017, it does provide another source for examining rental rates. According to these estimates, the following median gross rents existed in Grand Rapids in 2017:

<u>Unit Type</u>	<u>Median Gross Rent</u>
1-bedroom	\$489
2-bedroom	\$699
3-bedroom	\$879

Student-Oriented Housing

Grand Rapids does have a student population, primarily attending Itasca Community College. Part of the City's rental demand is generated by student renters. However, there are few rental properties that cater primarily to students. Instead, student renters tend to live in general occupancy rental housing in the community.

The only complex that was surveyed that was oriented specifically to students was Living West End Apartments. That project has 24 four-bedroom units. Rent is based on a per-person rate of \$485/month. The units are furnished and rent includes basic utilities.

The manager expected the occupancy rate to be between 85% and 90% at the start of the fall academic term. Some attrition during the school year can then open up some additional bedrooms.

Tax Credit/Moderate Rent Summary

Grand Rapids has six moderate rent projects that have received federal low income housing tax credits and operate under the program regulations. These projects have a combined total of 196 units that are subject to the tax credit income and occupancy restrictions. However, 10 of these units are specifically targeted to homeless tenants and 10 additional units are designated as “housing with supports”. These 20 units are not available for general rental. The remaining 176 units serve households at or below 60% of median income, generally the maximum income limit under the tax credit program (unless income averaging is used).

- ▶ Oakwood Terrace I was placed in service in 1997 and has 24 units
- ▶ Oakwood Terrace II was placed in service in 2000 and has 24 units
- ▶ Oakwood Terrace III was placed in service in 2005 and has 24 units
- ▶ Grand Plaza was placed in service in 2010 and has 36 units
- ▶ Pine Ridge received a preservation award in 2015 including 40 units
- ▶ Beacon Hill was placed in service in 2016 and includes 28 units

Pine Ridge also includes 60 HUD subsidized units in addition to the 40 moderate rent units listed in the tax credit segment. Beacon Hill also has 20 supportive housing/housing with supports units for targeted populations.

In addition to the moderate rent units listed above, some other tax credit awards have been made over time in Grand Rapids. But these other projects also utilized federal programs and offer subsidized housing, which has been analyzed separately. The subsidized/tax credit projects include:

- ▶ Grand Manor I
- ▶ Grand Manor II
- ▶ Grand Manor III
- ▶ Pokegama Square
- ▶ Woodland Manor

Compliance Requirements

Of the moderate rent inventory listed above, Oakwood Terrace I and II have both completed their initial 15-year compliance requirement and are in the extended compliance phase. Oakwood III will enter extended compliance in 2020. During extended compliance, new applicants must be income-certified, but existing tenants do not have to be certified annually. At the end of the extended compliance period, all income and rent restrictions are removed.

Within the subsidized/tax credit projects listed above, Grand Manor I and Pokegama Square have completed their tax credit compliance periods but do continue to operate as subsidized housing.

Unit Mix

The bedroom mix for the 176 units in the moderate rent tax credit segment is as follows:

- ▶ one-bedroom - 8 units
- ▶ two-bedroom - 108 units
- ▶ three-bedroom - 60 units

The emphasis of the tax credit program in Minnesota is to provide affordable, work force housing, and units with two or more bedrooms receive application priority.

Occupancy/Vacancy

At the time of the 2019 rental survey, there were no vacant units reported. All of the projects maintained a waiting list, which was being used to market units when turnover occurs.

The 2014 rental survey completed by Maxfield Research also recorded no vacant units recorded within the moderate rent tax credit projects.

Rental Rates

The federal tax credit program places maximum rent limitations on assisted units. For 2019, maximum gross rents for units at 60% of median income were as follows:

<u>Bedroom Size</u>	<u>Maximum Allowable Rent</u>
One-Bedroom	\$815
Two-Bedroom	\$978
Three-Bedroom	\$1,129

The gross unit rents being charged by tax credit projects in Grand Rapids are well below the maximum tax credit limits. Even the highest rent structure is closer to the limits set at 50% of median income.

The maximum rents allowable under the tax program are generally at the upper end of the prevailing rates for some of the market rate units in Grand Rapids. It is probable that in order to stay competitive with other rental projects in the City, the tax credit developments charge rents that are well below the maximum federal limits.

Pending Projects

An application was submitted for the 2019 tax credit cycle for a new project in Grand Rapids. Aurora Heights would create 56 income-restricted units, including 14 units to replace an existing single room occupancy (SRO) facility and 42 for general occupancy. If awarded funding, this project would not start construction until sometime in 2020.

Subsidized Summary

The inventory of federally subsidized rental housing in Grand Rapids has remained unchanged in recent decades. There are 14 subsidized projects providing rental opportunities for lower income households. These projects have a combined 404 units. Most of the City's current inventory of subsidized units can serve very low income people by charging rent based on 30% of the tenant's household income.

A majority of the units, 242, are designated for or have a preference for senior and/or disabled occupancy. In some cases, a waiver may have been granted to allow for younger or non-disabled tenants, but in large part these units serve the senior and disabled populations. There are 162 units that provide general occupancy subsidized housing.

In 2019, there are no subsidized projects that can be identified as "at risk" of leaving their subsidy program. The Minnesota Housing Finance Agency maintains a federal "opt-out" log and no Itasca County projects were listed.

Unit Mix - General Occupancy

The subsidized rental projects available for general occupancy contain 162 total units, distributed as follows:

- ▶ 26 one-bedroom (16.0%)
- ▶ 80 two-bedroom (49.4%)
- ▶ 56 three-bedroom (34.6%)

Unit Mix - Senior/Disabled Occupancy

The subsidized rental projects that are designated for, or oriented to, senior/disabled tenants contain 242 total units, distributed as follows:

- ▶ 237 one-bedroom (97.9%)
- ▶ 5 two-bedroom (2.1%)

Occupancy/Vacancy - General Occupancy

There were only two vacant general occupancy units reported in the 2019 survey, and both of these had three bedrooms. All of the one and two-bedroom units were occupied. The estimated vacancy rate in this housing segment was below 1%.

The 2014 survey completed by Maxfield Research had identified only one vacant subsidized unit for general occupancy.

Most of the projects reported the existence of waiting lists, but Crystal Lake Townhomes did not have a three-bedroom waiting list for its open units.

Occupancy/Vacancy - Senior/Disabled Occupancy

There were some available units in two of the HUD Public Housing projects, but in all cases, applications were being processed to fill the units. The income certification requirements can result in short-term openings, but there was sufficient demand to fill all units.

Most of the projects reported the existence of waiting lists, although some of these lists were described as short.

The 2014 rental survey completed by Maxfield Research found no vacancies in the senior/disabled subsidized projects.

Tenant-Based Rent Assistance

In addition to the subsidized properties with project-based rent assistance, Itasca County also has tenant-based rent assistance programs. In 2019 there were approximately 248 HUD Housing Choice Vouchers available (formerly Section 8 Existing Program) and 28 Mainstream Vouchers.

Voucher assistance is issued to income-eligible households for use in suitable, private market rental housing. 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 Itasca County HRA.

Since this rent assistance is tenant-based, and moves with the household, the actual number of participating households within the City can vary from month to month. It is also possible that some of the households may be using their rent assistance in one of the subsidized projects, if that project does not have rent assistance available for all tenants. Vouchers may also be used in the income-restricted tax credit projects.

In September 2019 there were 190 Vouchers in use by households with a Grand Rapids mailing address. Nearly 69% of all of the tenant-based rent assistance in the County is in use in the Grand Rapids mailing address.

The waiting list for the Voucher program had 355 names at the time of the research for this Study.

The Itasca County HRA has had some recent success in securing additional rent assistance funding, with the award of 28 Mainstream Vouchers in 2019. Mainstream Vouchers assist non-elderly households that include a person with disabilities. HUD had not made new funding awards under this program since 2005. Although this assistance is targeted to specific qualifying households, it does expand the overall pool of rent assistance resources available to County residents.

Table 18 Grand Rapids Market Rate Multifamily Rental Housing Inventory					
Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
1 st Avenue Condominiums 613 NW 1 st Ave	4 - 1 bedroom 22 - 2 bedroom <u>10 - 3 bedroom</u> 36 total units	\$900 \$1000-\$1350 \$1525-\$1575 +heat, electric	No vacant units, waiting list	Mix of tenants but primarily retirees	Luxury apartment project constructed in 2014. Two 4-level elevator buildings with 18 units each. Rent includes water, sewer and garbage, with tenant paying heat (electric) and electricity. Unit features include granite countertops, stainless steel appliances, dishwasher, in-unit laundry, balcony/patio and master bedroom. Detached garage parking for extra \$80/month. One-bedrooms have 661 sq ft and 1 bathroom, 2-bedrooms have 808-1214 sq ft and 1 or 2 bathrooms, 3-bedrooms have 1389-1490 sq ft and 2 bathrooms. Manager report full occupancy, good demand and low turnover - waiting list is maintained for 1 and 2-bedrooms. Most tenants are retirees but also working-age residents. 12-month lease requirement discourages students.
Forest Park West 650-710 20 th Ave NW	8 - 1 bedroom 8 - 1 bdrm+den 16 - 2 bedroom <u>4 - 3 bedroom</u> 36 total units	\$795 \$970 \$1050 \$1135 +electric	Any open units are in process of being filled from waiting list	Mix of tenants	Market rate town house-style units constructed by Grand Rapids HRA in 1994. Rent includes heat, hot water, water, sewer and garbage, tenant pays electric. Unit amenities include dishwasher, disposal, microwave, central AC, balcony, in-unit laundry and heated tuck-under garage parking. One-bedrooms have 575 sq ft and 1 bathroom, 1-bedroom+dens have 750 sq ft and 1 bathroom, 2-bedrooms have 850 sq ft and 1 bathroom, 3-bedrooms have 1200 sq ft and 2 bathrooms. Manager reported 2 open units on date of survey but applications were being processed - a short waiting list exists.
Grand Terrace Apartments 401 SE 10 th St	12 - 1 bedroom <u>11 - 2 bedroom</u> 23 total units	\$635 \$585 +electric +\$30 garage	No vacant units	N/A	Apartments constructed in the 1960s. Tenant pays electric in addition to rent and detached garage available for \$30/month. Owner reported full occupancy.

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Lake Shore Place 2300 McKinley Lake Rd	12 - 1 bdrm small 24 - 1 bdrm large 16 - 1 bdrm+den <u>8 - 2 bedroom</u> 60 total units	\$805 \$925 \$1050 \$1160 +electric	Any open units are in process of being filled from waiting list	Senior- designated occupancy	Market rate 3-story building with elevator constructed by Grand Rapids HRA in 1994 and designated for senior occupancy, age 55 and older. Rent includes heat, hot water, water, sewer and garbage, with tenant paying electric. Unit amenities include dishwasher, microwave, disposal, AC, balcony and in-unit laundry. Project amenities include community rooms, guest suite, call entry system and heated underground parking. Manager reported 2 open units on date of survey but applications were being processed - a waiting list exists.
Lakewood Heights 1240 Golf Course Rd	30 - 1 bedroom <u>57 - 2 bedroom</u> 87 total units	\$710 \$810 +electric	No vacant units	Mix of tenants	Project constructed in phases between 2012 and 2014. Three buildings with 29 units each - 2-level walkups. Rent includes heat, water, sewer and garbage, with tenant paying electric. Unit amenities include dishwasher and AC. Detached garage parking for additional \$40. One-bedrooms have 600 sq ft and 1 bathroom, 2-bedrooms have 820 sq ft and 1 bathroom. Manager reported full occupancy and good demand. Mix of tenants including some students - 12-month lease but shorter lease is possible with higher monthly rent.

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Living West End Apartments (formerly Wannigan) 1609 E Hwy 169	6 - 2 bedroom <u>24 - 4 bedroom</u> 30 total units	\$700-\$800 \$485/person +heat, electric for 2-bedrooms	2 bdrm full, student units 85%- 90% occupancy	Primarily student housing with some general rental	Three-level walkup apartment buildings constructed in 1972. One building, with the 4 bedroom units, is for student housing with rent charged per person. The other building, with 2 bedroom units, is general occupancy rental. Student units are furnished and include all utilities, cable and internet. General occupancy units include water, sewer and garbage in rent with tenant paying gas and electric. Amenities include dishwasher, wall AC and some detached garages for \$50. Student units have locking bedroom and 1 shared bathroom per unit. Two-bedrooms have 1 bathroom. Manager reported full occupancy in 2-bedroom units with 12-month lease requirement. Approx. 85%-90% occupancy expected in student units expected at start of fall term - supply of student options results in some unused capacity each year.
River Hills 2095 SE 7 th Ave	24 - 1 bedroom 30 - 2bdrm/1bath <u>16 - 2bdrm/2bath</u> 70 total units	\$795 \$915 \$965 +electric	No vacant units	Mix of tenants	Rental project with 2 buildings constructed in 2015 and 2016. Buildings are 3-level with elevator. Rent includes heat, water, sewer and garbage, with tenant paying electric. Detached garage parking for additional \$40. Amenities include dishwasher and AC. Project amenities include fitness center and library. One-bedrooms have 725 sq ft and 1 bathroom, 2-bedrooms have 1000 sq ft and 1 bathroom or 1025 sq ft and 2 bathrooms. Manager reported full occupancy and good demand. Mix of tenants including some students - 12-month lease required but shorter lease is possible with higher monthly rent.

Name	Number of Units/ Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
River South Apartments 501 River Rd SE	23 - 1 bdrm apt. <u>21 - 2 bdrm TH</u> 44 market rate units + 10 subsidized	\$635-\$745 \$854-\$955	No vacant units	Mixed income project with market rate, moderate rent and subsidized units	Mixed income rental project constructed in 1972 with 42 market rate units and 10 units with HUD Section 8 project-based subsidy. An MHFA program in 2012 was used and 29 of the 42 market rate units now have lower rent and moderate income limits set at 80% of median. Lower end of rent range is for MHFA units and upper end is unrestricted rents. One-bedrooms are in 3-level walkup apartment building and 2-bedrooms are in town homes. Rent includes all utilities. Unit amenities include dishwasher and microwave. Manager reported full occupancy in all income types with waiting list for Section 8 units. Typically 15 to 20 tenant-based Vouchers are used in market rate units.
Birchwood Apartments 2101 Pokegama Ave SW	3 - efficiency 16 - 1 bedroom <u>48 - 2 bedroom</u> 67 total units	N/A	N/A	N/A	Unable to contact for 2019 survey - information presented is from secondary sources. Apartments built in mid-1970s.
Country Terrace Apartments 501 10 th St SE	2 - 1 bedroom <u>22 - 2 bedroom</u> 24 total units	N/A	N/A	N/A	Unable to contact for 2019 survey - information presented is from secondary sources. Two story walkup apartment building constructed in 1977.
Hillside Apartments 414-420 1 st Ave SW	<u>8 - 1 bedroom</u> 8 total units	N/A	N/A	N/A	Unable to contact for 2019 survey - information presented is from secondary sources. Apartments constructed in the 1960s or 1970s.
Lane Apartments 513 NE 2 nd Ave	6 - 1 bedroom <u>2 - 2 bedroom</u> 8 total units	N/A	N/A	N/A	Unable to contact for 2019 survey - information presented is from secondary sources. Constructed in the 1970s. Some garages available.
Southside Terrace 613 1 st Ave SE	8 - 1 bedroom <u>7 - 2 bedroom</u> 15 total units	N/A	N/A	N/A	Unable to contact for 2019 survey - information presented is from secondary sources. Apartments constructed in the 1950s.

Source: Community Partners Research, Inc.

Table 19 Grand Rapids Tax Credit/Moderate Rent Housing Inventory

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Beacon Hill 415 SE 21 st St	20 - 1 bdrm apt. 12 - 2 bdrm TH <u>16 - 3 bdrm TH</u> 48 total units	\$600 \$670 \$740 +heat, hot water, electric	No vacant units, waiting list	20 units of supportive housing, all units at 60% of median	Tax credit project that opened for occupancy in 2016. Ten 1-bedroom units are supportive housing for homeless and 10 1-bedroom units are housing with supports and may be filled through a referral system with services providers; remaining 28 units are in town homes and available for general occupancy. All units serve households at or below 60% of median - 12 Project Based Vouchers (PBV) allowing rent based on 30% of income. Town house unit amenities include dishwasher, AC, in-unit laundry hookup and attached garage. Manager reported full occupancy and 191 name waiting list. Supportive housing was also fully occupied but service provider works with finding eligible tenants. Contract rents will increase by \$20 in January 2020.
Grand Plaza 104 SE 1 st Ave	6 - 1 bdrm apt. 18 - 2 bdrm apt. <u>12 - 3 bdrm TH</u> 36 total units	\$560-\$580 \$635 \$735 +heat, hot water, electric	No vacant units, waiting list	All units at 60% of median	Tax credit project that was awarded credits in 2008 and opened for occupancy in 2010. Mix of apartments and town homes. All units serve households at or below 60% of median. Town house tenants pay heat, hot water and electric in addition to rent while apartment tenants pay only electric. Unit amenities include dishwasher and attached garage. One-bedrooms have 580-750 sq ft, 2-bedrooms have 1156-1489 sq ft and 3-bedrooms have 1399 sq ft. Manager reported full occupancy and a waiting list with 143 names.
Oakwood Terrace 800 11 th Ave NE	12 - 2 bedroom <u>12 - 3 bedroom</u> 24 total units	\$710 \$775 +heat, hot water, electric	No vacant units, waiting list	All units at 60% of median	Tax credit town house project built in 1997 and entered extended compliance in 2012. All units serve households at or below 60% of median income. Rent includes water, sewer and garbage, with tenant paying heat, hot water and electric. Unit amenities include dishwasher, central AC, in-unit laundry hookup and attached garage. Two-bedrooms have 1008 sq ft and 3-bedrooms have 1343 sq ft. Manager reported full occupancy and a shared waiting list with 130 names.

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Oakwood Terrace II 904 11 th Ave NE	16 - 2 bedroom <u>8 - 3 bedroom</u> 24 total units	\$710 \$775 +heat, hot water, electric	No vacant units, waiting list	All units at 60% of median	Tax credit town house project built in 1999 and entered extended compliance in 2015. All units serve households at or below 60% of median income. Rent includes water, sewer and garbage, with tenant paying heat, hot water and electric. Unit amenities include dishwasher, central AC, in-unit laundry hookup and attached garage. Two-bedrooms have 1008-1020 sq ft and 3-bedrooms have 1343 sq ft. Manager reported full occupancy and a shared waiting list with 130 names.
Oakwood Terrace III 920-932 13 th Ave NE	12 - 2 bedroom <u>12 - 3 bedroom</u> 24 total units	\$710 \$775 +heat, hot water, electric	No vacant units, waiting list	All units at 60% of median	Tax credit town house project built in 2004 and will enter extended compliance in Jan. 2020. All units serve households at or below 60% of median income. Rent includes water, sewer and garbage, with tenant paying heat, hot water and electric. Unit amenities include dishwasher, central AC, in-unit laundry hookup and attached garage. Two-bedrooms have 1156-1164 sq ft and 3-bedrooms have 1399 sq ft. Manager reported full occupancy and a shared waiting list with 130 names.
Pine Ridge Apartments 624 River Rd	2 - 1 bedroom <u>38 - 2 bedroom</u> 40 TC units +60 Section 8	\$566-\$600 \$700 +heat, electric	No vacant units, waiting list	All units at 60% of less of median income	Mixed-income project that originally included 60 HUD Section 8 units and 40 market rate units - but tax credits awarded for preservation in 2015 and now all tenants are capped at 60% of less of median income. Rent includes water, sewer and garbage, with tenant paying electric heat and electricity. Project amenities include dishwasher in most units, AC sleeve and garage for additional \$50. Project amenities include community and fitness rooms, whirlpool, gardens and playground. Manager reported full occupancy in all units with long waiting list for Section 8 and short waiting list for tax credit units.

Source: Community Partners Research, Inc.

Table 20 Grand Rapids Subsidized Rental Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Waiting List	Tenant Type	Comments
General Occupancy					
Crystal Lake Town Homes 203 NW 14 th St	24 - 2 bedroom <u>24 - 3 bedroom</u> 48 total units	\$713 \$778 30% of income	2 vacant units 2 - 3 bdrm waiting list	General occupancy	HUD 221 (d)(3)/Section 8 subsidized general occupancy building constructed in 1981. Six buildings with 8 units each. All tenants have access to project-based rent assistance allowing rent based on 30% of income up to market rents listed. Amenities include wall AC, in-unit laundry hookup, detached garage and playground. Project has new manager and past vacancy issues are being resolved - 2 3-bedroom units still open on date of survey but waiting list now exists for 2-bedrooms.
Pine Ridge Apartments General Occupancy 620-628 River Rd	8 - 2 bedroom <u>12 - 3 bedroom</u> 20 Section 8 general occupancy +40 Section 8 senior/disabled +40 ax credit units	\$700 \$988 30% of income	No vacant units, waiting list	General occupancy	Mixed-income project that originally included 60 HUD Section 8 units and 40 market rate units - but tax credits awarded for preservation in 2015 and now all tenants are capped at 60% of less of median income. Twenty of the Section 8 units are for general occupancy and one wing of the building is designated for senior/disabled occupancy and includes 40 Section 8. Project-based rent assistance allows Section 8 tenants to pay rent based on 30% of income up to maximum rents listed. Project amenities include dishwasher in most units, AC sleeve and garage for additional \$50. Project amenities include community and fitness rooms, whirlpool, gardens and playground. Manager reported full occupancy in all units with long waiting list for Section 8 and short waiting list for tax credit units. Listed as a housing with services provider of Dept. of Health website.

Name	Number of Units /Bedroom Mix	Rent	Vacancy/Waiting List	Tenant Type	Comments
General Occupancy					
Pokegama Square 401 SE 7 th St	16 - 2 bedroom <u>8 - 3 bedroom</u> 24 total units	\$510-\$540 \$540-\$575 30% of income	No vacant units, waiting list	General occupancy	USDA Rural Development subsidized project built in 1983 and designated for general occupancy. Tax credits also used but compliance has been met. Two-level walkup building. 15 tenants have access to rent assistance that allows rent based on 30% of income; remaining tenants pay no less than basic or more than market rents listed. . Some garages available for \$30/month. Two units open on date of survey but new applications had already been processed - project has shared waiting list with Pokegama I-III.
Pokegama Square II 403 SE 7 th St	1 - 1 bedroom <u>15 - 2 bedroom</u> 16 total units	\$410-\$430 \$450-\$475 30% of income	No vacant units, waiting list	General occupancy	USDA Rural Development subsidized project built in 1985 and designated for general occupancy. Two-level walkup building. 12 tenants have access to rent assistance that allows rent based on 30% of income; remaining tenants pay no less than basic or more than market rents listed. Some garages available for \$30/month. Manager reported full occupancy and project has shared waiting list with Pokegama I-III
Pokegama Square III 407 SE 7 th St	11 - 1 bedroom <u>9 - 2 bedroom</u> 20 total units	\$435-\$605 \$475-\$650 30% of income	No vacant units, waiting list	General occupancy	USDA Rural Development subsidized project built in 1988 and designated for general occupancy. Two-level walkup building. 15 tenants have access to rent assistance that allows rent based on 30% of income; remaining tenants pay no less than basic or more than market rents listed. Some garages available for \$30/month. Manager reported full occupancy and project has shared waiting list with Pokegama I-III

Name	Number of Units /Bedroom Mix	Rent	Vacancy/Waiting List	Tenant Type	Comments
General Occupancy					
River South Apartments 501 River Rd SE	4 - 1 bdrm apt. <u>6 - 2 bdrm TH</u> 10 subsidized + 44 market rate units	30% of income	No vacant units, waiting list	Mixed income project with market rate, moderate rent and subsidized units	Mixed income rental project constructed in 1972 with 10 units with HUD Section 8 project-based subsidy and 42 market rate units. An MHFA program in 2012 was used and 29 of the 42 market rate units now have lower rent and moderate income limits set at 80% of median. One-bedrooms are in 3-level walkup apartment building and 2-bedrooms are in town homes. Rent includes all utilities. Unit amenities include dishwasher and microwave. Manager reported full occupancy in all income types with waiting list for Section 8 units. Typically 15 to 20 tenant-based Vouchers are used in market rate units.
Woodland Manor 1444 SE 2 nd Ave	10 - 1 bedroom 2 - 2 bedroom <u>12 - 3 bedroom</u> 24 total units	\$540-\$633 \$623-\$713 \$720-\$748 30% of income	No vacant units, waiting list	General occupancy	USDA Rural Development subsidized project built in 1992 and designated for general occupancy. Tax credits also awarded and entered extended compliance in 2007 - all new tenants must be at or below 60% of median. Two-level walkup building. 16 tenants have access to rent assistance that allows rent based on 30% of income; remaining tenants pay no less than basic or more than market rents listed. One-bedrooms have 644 sq ft, 2-bedrooms have 768 sq ft and 3-bedrooms have 1020 sq ft. Manager reported full occupancy and waiting list with 195 names, with people waiting for all bedroom sizes.

Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Waiting List	Tenant Type	Comments
Senior/Disabled Occupancy or Preference					
401 River Road Apartments 401 River Rd	41 - 1 bedroom <u>1 - 2 bedroom</u> 42 total units	\$620 N/A 30% of income	4 vacant units with applications in process	General occupancy with preference for elderly, disabled and near-elderly	HUD Public Housing in 3-story building with elevator constructed in 1980 with later modernization. Originally constructed for senior/disabled occupancy but later changed to general occupancy - preference given to elderly, near-elderly and disabled applicants and a majority of tenants have preference. Tenants pay 30% of income up to maximum rents listed. Amenities include community room and call entry system. One to 2 units typically open due to turnover and processing time but a short waiting list exists.
411 NW 7 th Street Apartments 411 NW 7 th St	49 - 1 bedroom <u>1 - 2 bedroom</u> 50 total units	\$620 N/A 30% of income	2 vacant units with applications in process	General occupancy with preference for elderly, disabled and near-elderly	HUD Public Housing in 3-story building with elevator constructed in 1970 with modernization in past few years. Originally constructed for senior/disabled occupancy but later changed to general occupancy - preference given to elderly, near-elderly and disabled applicants and a majority of tenants have preference. Tenants pay 30% of income up to maximum rents listed. Amenities include community room and call entry system. Two units open at time of survey but applications in process from short waiting list.
Grand Manor I 215 SW 13 th St	39 - 1 bedroom <u>1 - 2 bedroom</u> 40 total units	\$645-\$788 \$690-\$828 30% of income	No vacant units, waiting list	Senior/ disabled occupancy	USDA Rural Development subsidized project built in 1988 and designated for senior/disabled tenant occupancy. Tax credits also used but compliance has been met. One-level building. 34 tenants have access to rent assistance that allows rent based on 30% of income; remaining tenants pay no less than basic or more than market rents listed. Congregate services offered including daily meal and on-site medical assistance. Project amenities include community room, dining room and beauty salon. Manager reported full occupancy and a shared waiting list with 87 names for Grand Manor I-III.

Name	Number of Units /Bedroom Mix	Rent	Vacancy/Waiting List	Tenant Type	Comments
Senior/Disabled Occupancy or Preference					
Grand Manor II 227 SW 13 th St	31 - 1 bedroom <u>1 - 2 bedroom</u> 32 total units	\$590-\$660 \$710-\$780 30% of income	No vacant units, waiting list	Senior/ disabled occupancy	USDA Rural Development subsidized project built in 1991 and designated for senior/disabled occupancy. Tax credits awarded in 2009 for rehab/preservation and all units serve households at or below 60% of median. Three-level building with elevator. 46 tenants in Grand Manor II and III have access to rent assistance that allows rent based on 30% of income; remaining tenants pay no less than basic or more than market rents listed. Congregate services offered including daily meal and on-site medical assistance. Project amenities include community room, dining room and beauty salon. Manager reported full occupancy and a shared waiting list with 87 names for Grand Manor I-III.
Grand Manor III 227 SW 13 th St	23 - 1 bedroom <u>1 - 2 bedroom</u> 24 total units	\$590-\$660 \$710-\$780 30% of income	No vacant units, waiting list	Senior/ disabled occupancy	USDA Rural Development subsidized project built in 1994 and designated for senior/disabled occupancy. Tax credits awarded in 2009 for rehab/preservation and all units serve households at or below 60% of median. Three-level building with elevator. 46 tenants in Grand Manor II and III have access to rent assistance that allows rent based on 30% of income; remaining tenants pay no less than basic or more than market rents listed. Congregate services offered including daily meal and on-site medical assistance. Project amenities include community room, dining room and beauty salon. Manager reported full occupancy and a shared waiting list with 87 names for Grand Manor I-III.

Name	Number of Units /Bedroom Mix	Rent	Vacancy/Waiting List	Tenant Type	Comments
Senior/Disabled Occupancy or Preference					
Pine Ridge Apartments Senior/Disabled 620-628 River Rd	<u>40 - 1 bedroom</u> 40 senior/disabled +20 Section 8 general occupancy +40 tax credit units	\$606 30% of income	No vacant units, waiting list	Senior/ disabled occupancy	Mixed-income project that originally included 60 HUD Section 8 units and 40 market rate units - but tax credits awarded for preservation in 2015 and now all tenants are capped at 60% of less of median income. One wing of the building is designated for senior/disabled occupancy and includes 40 Section 8. Project-based rent assistance allows Section 8 tenants to pay rent based on 30% of income up to maximum rents listed. Project amenities include dishwasher in most units, AC sleeve and garage for additional \$50. Project amenities include community and fitness rooms, whirlpool, gardens and playground. Manager reported full occupancy in all units with long waiting list for Section 8 and short waiting list for tax credit units. Listed as a housing with services provider of Dept. of Health website.
Pokegama Hotel (aka PHB Apartments) 2 NE 3 rd St	<u>14 - 1 bedroom</u> 14 total units	N/A 30% of income	No vacant units, waiting list	Senior/ disabled occupancy	HUD Section 8/MHFA subsidized project that converted turn-of-the-century hotel into rental housing in 1979. All tenants have access to project-based rent assistance allowing rent based on 30% of income. Amenities include elevator, emergency pull-cords and security entrance. Manager reported full occupancy and waiting list - good demand with little unit turnover.

Source: Community Partners Research, Inc.

Senior Housing with Services Summary

Senior housing with services is a broad classification that encompasses a wide range of housing options, from nearly independent housing to advanced assisted living and memory care. The following definitions of units by type have been made by Community Partners Research based on our understanding of the assistance being offered at each facility. These definitions may not always match with the technicalities of licensing through the State of Minnesota.

Units by Type

The Minnesota Department of Health identifies a number of licensed providers of senior housing with services in Grand Rapids. This list was used to contact housing providers. The projects have been summarized below.

Subsidized Housing with Services Available

In 2019 there are four senior-oriented subsidized housing projects that are listed as “Housing with Services” providers on the State website. These projects are Grand Manor I, Grand Manor II, Grand Manor III and Pine Ridge Apartments. There are 136 units oriented to senior/disabled tenant occupancy in these three projects. Pine Ridge also has 60 general occupancy units, so the potential exists that the subsidized housing with services inventory is larger than 136 units.

Services may be available to tenants in each of these buildings, but this would be through a contract arrangement between the tenant and the home health care provider. In most cases, services are more limited, and are not available through an on-site staff person on a 24-hour basis. The Grand Manor complex does have a noon meal through the senior nutrition program.

Since the individual tenant must contract directly with the service provider, the number of units in these buildings that have services will vary, depending on the needs of the specific tenants in occupancy. These buildings do represent an important resource for lower income seniors, but are not directly comparable to the senior projects that are built specifically to provide housing with services.

Light Services/Congregate Senior Housing

There are currently two housing projects in Grand Rapids that serve the lighter services segment of the senior market. Both of these projects are part of larger complexes that can offer more intensive services, and they have the ability to deliver a higher level of care as needed by the resident.

The projects that are viewed by the analysts as addressing this housing segment are:

- ▶ Majestic Pines Independent Living
- ▶ The Emeralds at Grand Rapids

Majestic Pines has 39 apartment-style units aimed at the light services market. Separate parts of the facility also address the assisted living and memory care segments. The Majestic Pines complex was built in phases in 2014 and 2018.

The Emeralds can be described as a “flexible” care facility, offering independent living to higher levels of care, including assisted living. The lower services option includes meals, all utilities, light housekeeping and laundry assistance, emergency response system and activities. Additional levels of care can then be purchased as needed. The Emeralds has 50 apartment-style units. It is affiliated with The Emeralds at Grand Rapids skilled nursing facility. The manager estimated that approximately 30% of the tenants acquire only light services.

These two providers have up to 89 rental units that could be accessed by seniors wishing to acquire some level of lighter services with their housing. However, the actual inventory within the light services segment would probably be closer to 55 units, as most of the units in The Emeralds would be occupied by people needing assisted living.

Occupancy rates in this segment of the senior market appear to be high. Majestic Pines reported full occupancy and a waiting list. The Emeralds did have two unoccupied units when surveyed, but this was attributed to recent turnover, rather than lack of demand. These units could be available to people needing only lighter services housing, but could also serve people needing assisted living.

Rental rates in senior housing with services projects can vary significantly, depending on what services are actually included in the basic package. The lowest entry price at Majestic Pines starts at \$1,800 but does not include housekeeping or laundry assistance. A noon meal is not included but a continental breakfast is provided.

The lowest entry point at The Emeralds is \$3,000, but this does include all meals, as well as laundry and housekeeping assistance.

Pending Projects

The research for this Study identified a proposed senior project for Grand Rapids. Preliminary information would indicate that 118 units could be developed, offering a range of care, including independent or lighter services housing. Although specific details of this project were not confirmed, City staff indicated that the project could include 68 units targeted to more independent seniors.

Market Area Light Services

Although some of the other cities within the Grand Rapids Market Area boundaries have specialized senior housing, none of these projects are oriented to more independent seniors needing only light services.

Assisted Living

There are various forms of assisted living being offered in Grand Rapids. In the following summary, units have been divided into two subsets of this market:

- ▶ Larger facility assisted living
- ▶ Residential setting assisted living

Assisted living options also exist elsewhere in the Market Area, including projects in Cohasset, Bovey, Coleraine and Deer River. Following the summary of assisted living options in Grand Rapids, these other communities are summarized.

Larger Facility Assisted Living

There are six rental projects that provide assisted living services in larger buildings, often offering apartment-style units. In these buildings, residents may not have a completely independent living unit, including features like a kitchen, but the buildings are larger complexes and differ from the residential setting typically found in a board and lodging facility.

The larger assisted living projects in Grand Rapids are:

- ▶ Brookstone Manor
- ▶ Garden Court
- ▶ Majestic Pines
- ▶ Oak Hill
- ▶ River Grand
- ▶ The Emeralds at Grand Rapids

Brookstone Manor has 72 suites in use. These have private bathrooms but do not have kitchen facilities. There are 20 additional rooms that are not in use, due to bathroom accessibility issues. The building was originally constructed in the 1950s but then has been converted and remodeled over time.

Garden Court has 24 sleeping rooms with private bathrooms but no kitchens. Six of the rooms could be occupied by couples. Garden Court was constructed in 2007.

Majestic Pines has 26 apartment-style units in studio and one-bedroom options. The units have kitchenettes. Majestic Pines was constructed in phases in 2014 and 2018.

Oak Hill has 20 sleeping rooms with private bathrooms but no kitchen facilities. Two of the rooms could be occupied by couples. Oak Hill was constructed in 2014.

River Grand has 50 apartment-style units in one and two-bedroom options with kitchens. River Grand was constructed in 2007.

As stated previously, **The Emeralds** offers flexible care units that can provide lighter services housing or more service-intensive assisted living. There are 50 apartment units in this project and the manager estimated that 70% are typically used for assisted living, but this percentage could vary. The Emeralds was originally constructed in 1984.

Accurately tracking the exact size of the assisted living inventory is difficult, given the flexible types of care that can be offered in some projects. However, assuming that approximately 70% of the flexible units provide higher care, these assisted living providers offer approximately 205 to 210 rooms/units in 2019.

Within this inventory there was some unused capacity present, most notably in Brookstone Manor with as many as 20 open rooms. Brookstone had 20 additional rooms that were intentionally vacant due to bathroom accessibility. Most of the remaining providers reported high occupancy rates, with waiting lists present. While a few unoccupied rooms existed, these were attributed to turnover in the frail elderly populations being served.

It is important to note that most of the assisted living projects will accept County assistance programs, such as Elderly Waiver. Brookstone, Garden Court, Oak Hill and The Emeralds all reported that 50% or more of their residents were receiving assistance. Majestic Pines and River Grand are mostly private-pay, with assistance accepted if an existing resident depletes their assets.

Residential Assisted Living

Grand Rapids has two assisted living options in smaller, residential-style settings.

Riverview Villa has capacity for nine residents. It has a license for Board and Lodging Providing Special Services. There were eight occupied rooms at the time of the rental survey. The open room was attributed to recent turnover, but good demand was reported.

Northwoods Villa has capacity for six residents. It is licensed as an assisted living provider. All rooms were occupied when contacted with a waiting list.

Combined, this type of housing has capacity for 15 residents, with private sleeping rooms and shared bathrooms and living facilities.

Similar to the larger-scale assisted living facilities, the board and lodging-style providers will work with residents using County assistance programs.

Pending Projects

There is a pending project that may advance in Grand Rapids that would provide a range of care. While specific details were not obtained from the developer, City staff indicated that this project would include 30 new assisted living units as part of a total project that would construct 118 units/rooms.

Market Area Assisted Living

The geographic boundary used for the Grand Rapids Market Area includes a number of nearby communities. Many of these cities also have specialized care housing for seniors, summarized as follows:

Cohasset - There are three assisted living options with a combined inventory of approximately 35 rooms/units. Some of these are available for shared occupancy so the resident count could be slightly higher. A high rate of occupancy was generally reported, with any open units attributed to turnover.

Bovey - There is one residential option with four rooms, only two of which were occupied.

Coleraine - There is one residential option with 14 rooms. Some of these are available for shared occupancy so the resident count could be slightly higher. A high rate of occupancy was reported.

Deer River - There is one assisted living facility with 14 rooms. A high rate of occupancy was reported.

Memory Care Housing

There are five facilities in Grand Rapids that specifically serve residents with memory care housing needs. As with other types of specialized housing, there can be some degree of overlap in the target markets. For example, Diamond Willow is an assisted living provider, but primarily serves people with memory care needs.

The projects identified as offering housing for memory loss residents are:

- ▶ Brookstone Manor
- ▶ Diamond Willow
- ▶ Grand Village
- ▶ Majestic Pines
- ▶ River Grand

It is also important to note that people with memory loss may also be able to living in skilled nursing homes, assisted living or senior housing. But for some people, a specialized, secured facility may be required.

Specialized memory care options also exist elsewhere in the Market Area, including projects in Cohasset and Deer River. Following the summary of assisted living options in Grand Rapids, these other communities are summarized.

Combined, the Grand Rapids facilities listed above have capacity for up to 97 people. To reach full capacity, some rooms would need to be shared occupancy.

Brookstone Manor has 18 sleeping rooms for memory care needs. The building was originally constructed in the 1950s but then has been converted and remodeled over time.

Diamond Willow has 20 rooms with capacity for 26 residents. Sleeping rooms have private bathrooms. Although listed as an assisted living provider, most residents have memory care needs. Diamond Willow was constructed in 2007

Majestic Pines has rooms with capacity for 26 residents. Majestic Pines was constructed in phases in 2014 and 2018.

River Grand has 11 rooms for memory care residents. River Grand was constructed in 2007.

The utilization rates in this specialized segment appear to be high. Although some vacant rooms/beds were reported, this was attributed to recent turnover. Like other forms of housing for frail senior populations, there can be times when above-average turnover may occur, resulting in some unused capacity. Most of the facilities maintain waiting lists.

As with assisted living there is variation in the acceptance of County assistance programs. River Grand is private-pay but will allow assistance to be used if a resident depletes their assets. Diamond Willow and Majestic Pines cap the use of Elderly Waiver. In Brookstone Manor, most residents receive assistance.

Pending Projects

There is a pending project that may advance in Grand Rapids that would provide a range of care. While specific details were not obtained from the developer, City staff indicated that this project would include 20 new memory care units/rooms as part of a total project that would construct 118 units/rooms.

Market Area Memory Care

The geographic boundary used for the Grand Rapids Market Area includes a number of nearby communities. Some of these cities also have specialized care housing for seniors, summarized as follows:

Cohasset - There is one memory care option with 14 rooms. A high rate of occupancy was generally reported, with any open units attributed to turnover.

Deer River - There is one assisted living facility with 14 rooms. A high rate of occupancy was generally reported, with any open units attributed to turnover.

Skilled Nursing Homes

There are two licensed skilled nursing homes in Grand Rapids.

Grand Village is licensed for 113 beds in 2019. These are targeted to three different segments, including the 18 beds for memory care use identified on the previous page. There are 68 beds for traditional long-term care and 35 beds dedicated to shorter-term, transitional care stays.

The Emeralds at Grand Rapids is licensed for 93 beds in 2019. Approximately 81 beds are made available for long-term care, with 12 beds in a transitional care wing. No specific occupancy information was obtained.

Although longer-term records were not available for the facilities in Grand Rapids, in most communities there has been some reduction in capacity over time. As de-licensing has occurred, more rooms are available for private occupancy compared to shared occupancy in the past. It has also become more common to see beds dedicated to specific uses, such as transitional care intended for shorter-term rehab/recovery stays.

Excluding the beds that are dedicated to other uses, it is possible that as many as 150 beds are available for long-term care. Grand Village reported an occupancy rate of 90% or higher in its long-term care beds. No occupancy information was obtained from The Emeralds.

Market Area Nursing Homes

There is one additional skilled nursing home in the remainder of the Market Area, in Deer River. This facility has 32 beds, most available to long-term residents. However, there were eight unoccupied beds when surveyed, but this was attributed to a shortage of staff, rather than lack of demand.

Senior Demographics and Market Share

Housing with services projects can attract seniors of any age, but typically have the greatest utilization by older seniors. To better analyze the market share for the various forms of housing in Grand Rapids, Community Partners Research has compared the supply of various types of units to Market Area demographic data for older seniors, age 75 and above.

Senior Population

The 2010 Census provides the most accurate information on the area's senior population. In April 2010, there were 5,066 senior citizens (age 65+) living in the Market Area, including 1,943 people age 75 or older.

The population of senior citizens has continued to grow. The 2019 estimates from Esri show 6,817 total seniors living in the Market Area, including 2,300 age 75 and older.

When compared to the 2010 Census, the entire Market Area has added more than 1,750 people age 65 and older so far in the current decade. Most of this net growth has been in the younger senior age ranges, but more than 350 people have been added in the age group 75 years old and older.

Esri's age-based projections to the year 2024 expect further growth. Between 2019 and 2024, the Market Area is expected to approximately 700 people in the 65 to 74 year old age range, and approximately 580 people age 75 and older.

Senior Households

For senior-headed households, there were 3,828 households in the Market Area that had a householder age 65 or older at the time of the 2010 Census. Of these households, 1,847 had a householder age 75 or older.

By 2019, Esri believes that there were nearly 4,850 total households age 65 and older, a net increase of more than 1,000 households from 2010. Once again, most of these were in the younger senior ranges. In 2019 there were 2,096 households age 75 and older, an increase of approximately 250 households since 2010.

Projecting forward to 2024, Esri is forecasting net growth of approximately 390 households in the younger senior ranges, and approximately 335 households age 75 and older.

It is important to note that the senior demographic statistics from 2010 would include seniors already residing in senior housing, including nursing homes, assisted living and memory care facilities. Adjustments to the senior population and the number of senior-headed households will be made for each of the different housing types reviewed.

Skilled Nursing Homes

Since utilization of nursing home beds varies by short-term versus longer-term stays, some assumptions need to be applied to this segment of the market. For the nursing homes in Grand Rapids, it is estimated approximately 150 skilled nursing beds are generally available to longer-term residents. With the inclusion of Deer River, as many as 180 beds would typically be available for long-term care.

When compared to the older senior population of approximately 2,300 people in the Market Area in 2019, the available supply of longer-term nursing home beds would need a capture rate of approximately 7.4% of the total population of older seniors (age 75+) in order to maintain a bed utilization rate of 95%.

It is important to note that the supply of licensed nursing home beds has not been increasing in many years even though the population of seniors has continued to grow. The required capture rate in 2019 is lower than it would have been in the past.

While calculations have been performed on the market share for nursing homes, there has been a long-standing moratorium on adding beds, and any new nursing home facilities are typically limited to replacing existing beds. As a result, no additional capture by nursing homes would be expected in the future. Instead, it is possible that the supply of longer-term occupancy beds could potentially decrease, as more beds are devoted to rehab/recovery stays, memory care or similar uses in the future.

Memory Care Housing

Grand Rapids has the potential capacity for approximately 97 people in specialized memory care units. When other Market Area options are added, as many as 125 beds exist for memory care needs. This segment of the market has expanded in the recent past, as beds have been added.

After adjusting for approximately 170 people that would typically be long-term residents of nursing homes, the current supply of memory care beds would need to capture approximately 5.9% of the County's older senior population to achieve full occupancy.

As reported to the rental survey, utilization rates in the existing supply of memory care beds/units tend to be high despite a relatively large distribution of units. There was some unused capacity, but this may have been the result of expected unit turnover.

Looking forward to the year 2024, to maintain a similar capture rate would yield the potential need for as many as 30 to 35 additional memory care beds. This is growth-generated demand only, and does not include the potential for pent-up demand, as will be discussed later in this document.

Assisted Living

When examining market demand for assisted living, the supply of units has been compared to the number of older senior households. People living in some other intensive form of senior housing, such as nursing homes or memory care, would often be classified as "group quarters" residents and not counted as an independent household, so no downward adjustments are needed.

In the Market Area there are approximately 2,100 older senior households, age 75 and above, that are estimated to be present in 2019. This group has been growing annually since 2010, based on aging patterns for the area, and should continue to grow through the year 2024.

Calculating the actual supply of assisted living units is somewhat difficult, due to the flexible approach used by some of the City's housing with services providers. However, the analysts have estimated that approximately 220 to 225 units/rooms are available in Grand Rapids. If the remainder of the Market Area is added, there are approximately 285 units/rooms. There was some unused capacity in the assisted living inventory, primarily in Brookstone Manor, but most providers reported high rates of occupancy. Brookstone Manor had some additional rooms that are intentionally off-line due to bathroom accessibility.

The Market Area's assisted living inventory would require a capture rate of approximately 13% to 14% of all older senior citizen households. This calculation groups all types of assisted living options together, but there are variations in the type of unit/room, including some in board and lodging-style facilities.

Looking forward to the year 2024, there will be continued growth within the primary target group of seniors age 75 and older. Using Esri's age-based growth projections, and applying the same basic capture rate as exists in 2018, the Market Area would need approximately 43 to 47 additional assisted living units/rooms by that time. This is growth-generated demand only, and does not include the potential for pent-up demand, as will be discussed later in this document.

Housing with Light Services

Housing with only light services options, serving more independent senior households, exist in Grand Rapids. As noted above, some of these projects are flexible in their services arrangement and tenants can purchase more intensive services, effectively allowing residents to age in place. But these flexible units may also be occupied by people needing limited services, such as a daily meal or weekly laundry and cleaning assistance. When all of the options within this segment are combined, as many as 55 apartment-style units may exist. This inventory could approach 90 units if the flexible units orient to more independent tenants in the future.

Light services units are typically compared to the distribution of all older senior households, rather than population. Housing with light services can serve a more active and independent senior, and it is more common to see couples reside in this housing, as well as single person households.

After adjusting for households that already live in more service-intensive assisted living, we would estimate the target market at approximately 1,850 total older senior households in the Market Area in 2019. Given the flexible approach offered by some providers, the actual use of assisted living versus light services housing can change somewhat with actual demand.

The estimated supply of light services units in 2018 would require a market capture rate of approximately 3% of the County's target market of older senior households (after adjustments for more service-intensive forms of housing). If all of the flexible units were serving more independent seniors, this capture rate would need to increase to 4.9%. Occupancy rates appear to be high within this market segment.

Based on the projected growth among older senior households over the next five years, even more units within this segment can be justified. At the higher end of the potential existing capture rate, as many as 16 light services units may be needed. However, in the opinion of the analysts, the current unit supply is too low within this segment, and a higher capture rate can be achieved. This will be addressed in greater detail later in this document.

Table 21 Senior Housing with Services

Name	Number of Units /Bedroom Mix	Rent	Vacancy/Waiting List	Housing Type	Comments
Housing with Services					
Majestic Pines Independent Living 1614 Golf Course Rd	1 bedroom <u>2 bedroom</u> 39 total units	\$1800 \$2000	No vacant units, waiting list	Housing with services	Part of a senior campus constructed in 2014 and 2018 that also includes assisted living and memory care options. Independent living apartments have full kitchens and in-unit laundry. Rent includes all utilities, continental breakfast, emergency call pendant, access to 24-hour staffing and fitness/therapy membership. Additional services including housekeeping and laundry are available for purchase. One-bedrooms have 648 sq ft and 2-bedrooms have 918 sq ft. Full occupancy reported on date of survey and waiting list exists.
The Emeralds at Grand Rapids Assisted Living (formerly Pleasant Seasons) 2815 Hwy 169 S	20 - 1 bedroom 26 - 2 bedroom <u>4 - 2 bdrm deluxe</u> 50 total units including assisted living	Lowest entry point is \$3000	2 vacant units, waiting list	Housing with services, Assisted Living	Senior housing with services project that was constructed in 1984 and providing a range of care from light services to assisted living. Affiliated with the Emeralds skilled nursing home. More independent residents can access the basic package which includes utilities, all meals, laundry and light housekeeping. Higher care levels can then be purchased as needed. Manager estimates that 70% of residents acquire assisted living services. Two units open at time of survey due to turnover but waiting list exists. County assistance is accepted and attempt to cap, but at time of survey nearly 50% of residents were receiving EW, some due to depleted assets.

Senior Housing with Services Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/Waiting List	Housing Type	Comments
Assisted Living					
Brookstone Manor (formerly Manor House I) 722 N Pokegama Ave	<u>72 - suites</u> 72 total units +20 additional rooms that are intentionally offline	N/A	Approx. 20 open units	Assisted Living	Originally constructed in the 1950s as a convent and then later to a board and lodging facility and then assisted living. Operating as Brookstone since 2017 with multiple renovations over time. Affiliated with memory care facility that is at a separate site. Residents receive all meals and assisted living services. Part of facility with 20 rooms is former convent without accessible bathrooms and are intentionally vacant. Of the 72 available suites approx. 20 were vacant when surveyed - high rate of turnover can occur. Most residents are receiving County assistance through EW or CADI .
Garden Court Chateau 2501 Cty Rd 76	24 rooms with 6 having ability for couples	N/A	1 open unit, waiting list	Assisted Living	Assisted living project that opened for occupancy in 2007. Sleeping rooms with private bath but 6 are larger and suitable for couples. Assisted living services provided. One room was open at time of survey due to turnover - waiting list exists but people have often found other options by the time they reach the top of the list. Most residents receive County assistance.
Majestic Pines Assisted Living 1614 Golf Course Rd	<u>studio</u> <u>1 bedroom</u> 26 units	N/A	High annual occupancy rate with waiting list	Assisted Living	Part of a senior campus constructed in 2014 and 2018 that also includes independent living and memory care options. Assisted living is in studio and 1-bedroom units with kitchenette. Full assisted living services provided with 24-hour staffing. High rate of annual occupancy reported, although turnover can result in periodic openings. Waiting list exists. County assistance is accepted when existing residents deplete their assets. TIF assistance requires some affordable which is met through EW residents.

Name	Number of Units /Bedroom Mix	Rent	Vacancy/Waiting List	Housing Type	Comments
Assisted Living					
Northwoods Villa (formerly North Country Care) 1200 Gunn Rd	6 rooms with capacity for 6 residents	N/A	No vacant rooms, waiting list	Assisted Living	Residential-style facility with a home with 6 bedrooms - bathrooms and other spaces are shared. Assisted living care provided with skilled nursing care available and 24-hour staffing. Full occupancy reported and waiting list exists. Most residents at time of survey are receiving County EW assistance.
Oak Hill Assisted Living 1971 1 st Ave NE	20 rooms with capacity for 22 residents	N/A	No vacant rooms, waiting list	Assisted Living	Assisted living facility that opened in March 2014, and replaced Crystal Lake Home. Project has 20 rooms with private bathrooms, with capacity for 22 residents with some couples. Assisted living packages available. Project will accept County assistance programs and up to 50% of residents may be on EW. Full occupancy reported with a waiting list.
River Grand 355 River Rd	1 bedroom <u>2 bedroom</u> 50 total units	N/A	No vacant units, waiting list	Assisted Living	Facility constructed in 2007 with assisted living and memory care. Assisted living is in apartments with kitchens. All meals and assisted living services provided. Facility had once accepted more independent seniors but demand resulted in assisted living only in recent years. Full occupancy reported with waiting list. Adequate demand from private-pay but EW is accepted if existing residents deplete assets.
Riverview Villa 510 Canal St	9 rooms with 9 resident capacity	N/A	1 vacant room	Board and Lodging w/services	Board and lodging facility offering special services for senior and/or disabled residents. Residential setting with 9 sleeping rooms and 3 bathrooms. Most residents live semi-independently but meals are provided and assistance. One vacant room at time of survey due to turnover but typically at full occupancy.

Name	Number of Units /Bedroom Mix	Rent	Vacancy/Waiting List	Housing Type	Comments
Assisted Living					
The Emeralds at Grand Rapids Assisted Living (formerly Pleasant Seasons) 2815 Hwy 169 S	20 - 1 bedroom 26 - 2 bedroom <u>4 - 2 bdrm deluxe</u> 50 total units including assisted living	Lowest entry point is \$3000	2 vacant units, waiting list	Housing with services, Assisted Living	Senior housing with services project that was constructed in 1984 and providing a range of care from light services to assisted living. Affiliated with the Emeralds skilled nursing home. More independent residents can access the basic package which includes utilities, all meals, laundry and light housekeeping. Higher care levels can then be purchased as needed. Manager estimates that 70% of residents acquire assisted living services. Two units open at time of survey due to turnover but waiting list exists. County assistance is accepted and attempt to cap, but at time of survey nearly 50% of residents were receiving EW, some due to depleted assets.

Name	Number of Units /Bedroom Mix	Rent	Vacancy/Waiting List	Housing Type	Comments
Memory Care					
Brookstone Manor (formerly Manor House II) 654 SE 13 th St	18 rooms with capacity for 18 residents	N/A	3 open rooms, waiting list	Memory Care	Memory care facility that is part of Brookstone Manor complex but in separate location from assisted living facility. Memory care has 18 sleeping rooms, with 15 occupied on date of survey. Openings are due to turnover as waiting list exists. Many residents receive County assistance.
Diamond Willow Assisted Living 949 ½ SW 11 th Ave	20 rooms with 26 resident capacity	N/A	1 open unit, waiting list	Assisted Living with Memory Care	Facility that opened in 2007 providing assisted living services primarily to people with memory loss. Some rooms are used for shared occupancy with maximum capacity for 26 residents. Units have 380 sq ft and private bathroom. County Elderly Waiver is accepted but typically limited to 6 residents of shared occupancy rooms. One unit open at time of survey due to turnover, but waiting list exists and good demand for this specialized type of housing.
Majestic Pines Memory Care 1614 Golf Course Rd	24 suites with capacity for 26 residents	N/A	High annual occupancy rate with waiting list	Memory Care	Part of a senior campus constructed in 2014 and 2018 that also includes independent living and assisted living options. Memory care is in 365 sq ft studio units with refrigerator and sink. Full assisted living services provided with 24-hour staffing. High rate of annual occupancy reported, although turnover can result in periodic openings. Waiting list exists. County assistance is accepted when existing residents deplete their assets. TIF assistance requires some affordable which is met through EW residents.
River Grand 355 River Rd	11 studio units with capacity for 11 residents	N/A	No vacant rooms, waiting list	Memory Care	Facility constructed in 2007 with memory care and assisted living. Memory care is in studio units with private bathroom. Full occupancy reported with waiting list. Adequate demand from private-pay but EW is accepted if existing residents deplete assets.

Name	Number of Units /Bedroom Mix	Rent	Vacancy/Waiting List	Housing Type	Comments
Skilled Nursing Home					
Grand Village 923 Hale Lake Pt	35 - TCU 68 - LTC <u>16 - Memory care</u> 119 licensed beds	N/A	90%+ use for LTC, high use rate in memory care	Skilled nursing home	Skilled nursing home that started in the late 1800s with most of the current facilities dating to 1972 and 2001 additions. Licensed for 119 beds in 2019 - while de-licensing has occurred in the past, this level has been stable in recent years. 68 beds are traditional long-term care and known as The Woods. 16 beds are in memory care wing known as The Waters. 35 beds are in short-term transitional care unit. Memory care is typically at or near full utilization, with long-term care at 90%+ utilization.
The Emeralds at Grand Rapids (formerly Evergreen Terrace) 2815 Hwy 169 S	12 - TCU <u>81 - LTC</u> 93 licensed beds	N/A	N/A	Skilled Nursing Home	Skilled nursing home that is licensed for 93 beds in 2019. Twelve beds are dedicated to shorter-term transitional care stays with 81 beds available for long-term care. No additional details obtained.

Source: Community Partners Research, Inc.

Employment and Economy

While many factors influence the need for housing, employment opportunities represent a predominant demand-generator. Without jobs and corresponding wages, the means to afford housing is limited. Employment opportunities are provided by a broad range of private and public business sectors. The type of employment, wage level, and working conditions will each influence the kind of housing that is needed and at what level of affordability.

Labor Force, Work Force and Unemployment

The Minnesota Department of Employment and Economic Development provides employment information at the City level for Grand Rapids. The following table looks at statistics since 2010 for the City. A later table provides information for all of Itasca County.

Table 22 Grand Rapids Labor Force and Employment: 2010 to 2018						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - City	Unemployment Rate - MN	Unemployment Rate - US
2010	5,370	4,626	744	13.9%	7.4%	9.6%
2011	5,349	4,688	661	12.4%	6.5%	8.9%
2012	5,232	4,691	541	10.3%	5.6%	8.1%
2013	5,155	4,629	526	10.2%	5.0%	7.4%
2014	5,179	4,732	447	8.6%	4.2%	6.2%
2015	5,110	4,842	268	5.2%	3.7%	5.3%
2016	5,114	4,747	367	7.2%	3.9%	4.9%
2017	5,085	4,780	305	6.0%	3.4%	4.4%
2018	5,121	4,876	245	4.8%	2.9%	3.9%

Source: MN Department of Employment and Economic Development

The Local Area Unemployment Statistics (LAUS) tracks employment by place of residence. It shows how many City residents are actively in the labor force, and their employment status, regardless of where they actually work.

When viewed over the current decade, there has been some decrease in the size of the City’s available labor force. When comparing 2018 to 2010, the total resident labor force decreased by 249 people, or 4.6%.

Although the labor force has been decreasing, the number of employed City residents has increased since 2010. As a result, the City’s unemployment rate has dropped from 13.9% in 2010 to 4.8% in 2018. The unemployment rate in 2018 was the lowest so far in the current decade.

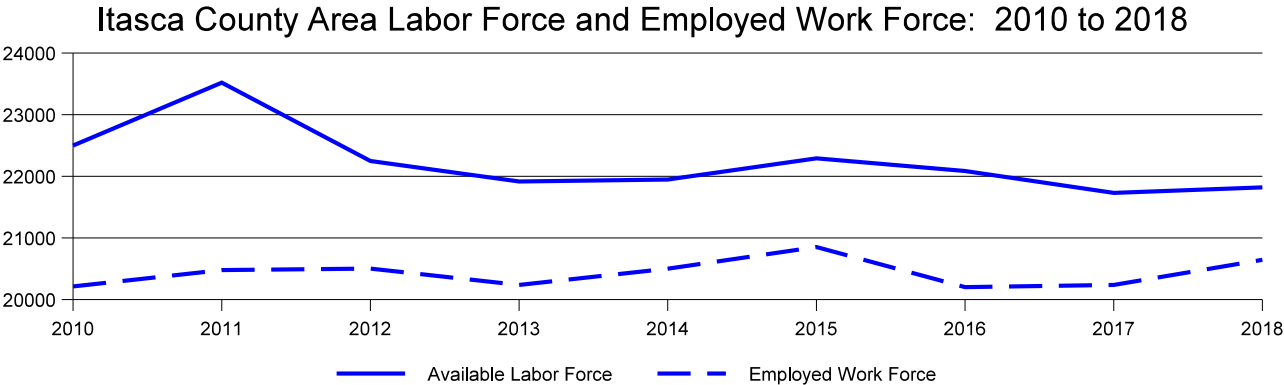
The same information is available for all of Itasca County.

Table 23 County Labor Force and Employment: 2010 to 2018						
Year	Labor Force	Employed	Unemployed	Unemployment Rate - County	Unemployment Rate - MN	Unemployment Rate - US
2010	22,499	20,214	2,285	10.2%	7.4%	9.6%
2011	23,519	20,478	2,041	9.1%	6.5%	8.9%
2012	22,248	20,502	1,746	7.8%	5.6%	8.1%
2013	21,916	20,238	1,678	7.7%	5.0%	7.4%
2014	21,948	20,500	1,448	6.6%	4.2%	6.2%
2015	22,291	20,852	1,439	6.5%	3.7%	5.3%
2016	22,086	20,201	1,885	8.5%	3.9%	4.9%
2017	21,731	20,238	1,493	6.9%	3.4%	4.4%
2018	21,820	20,645	1,175	5.4%	2.9%	3.9%

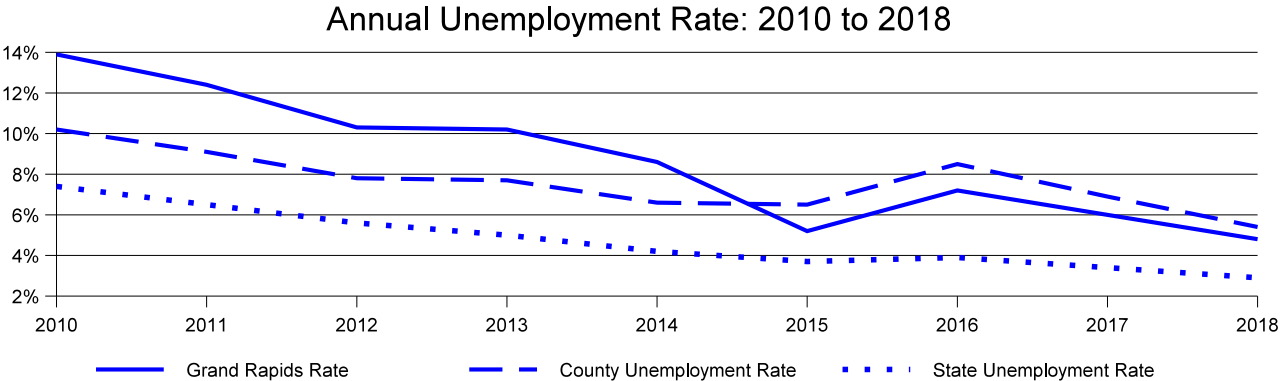
Source: MN Department of Employment and Economic Development

When viewed over the current decade, there has also been some decrease in the size of Itasca County’s available labor force. When comparing 2018 to 2010, the total resident labor force decreased by 679 people, or 3%. However, the County’s labor force actually reached its recent peak in 2011, and since that time has decreased by nearly 1,700 people.

Although the County’s labor force has gradually been growing smaller, the employed work force has remained more stable. If 2018 is compared to 2010, there were 431 more County residents that were employed, or an increase of 2.1%. However, the recent peak for employment was reached in 2015, and has since declined slightly since that time.



The County’s unemployment rate has fluctuated from year to year, but has generally been on a downward trend. The lowest unemployment rate was reached in the year 2018 at 5.4%. The highest rate was reached in 2010 at 10.2%. During the entire time period reviewed, Itasca County’s unemployment rate has remained higher than the Statewide average, and since 2013 has been higher than the national rate.



Employment and Wages by Industry

The following table shows the annual employment and average annual wages by major employment sector for 2018, the last full year of data.

The table only provides information for the City of Grand Rapids. The previous table, which provided information on the County’s labor force, represents the location of the worker by their home residence. The following table, represents the location of the job.

Table 24 Grand Rapids Average Annual Wages by Industry - 2018		
Industry	Employment	Average Annual Wage
Total All Industry	9,647	\$40,924
Natural Resources and Mining	28	\$119,964
Construction	266	\$75,556
Manufacturing	506	\$84,552
Trade, Transportation, Utilities	1,871	\$36,036
Information	125	\$38,168
Financial Activities	311	\$53,664
Professional and Business Services	835	\$27,768
Education and Health Services	3,451	\$39,572
Leisure and Hospitality	908	\$15,704
Other Services	460	\$27,144
Public Administration	883	\$59,592

Source: MN Department of Employment and Economic Development

For all industry, the average annual wage was \$40,924 in 2018. For comparative purposes, the average annual wage for all employment Countywide was approximately \$41,600 in 2018.

In Grand Rapids, the two dominant industry sectors for total employment were Education and Health Services, and Trade/Transportation/Utilities. More than 55% of all reported jobs in Grand Rapids were in one of these industry sectors. The average annual pay in both sectors was below the overall average.

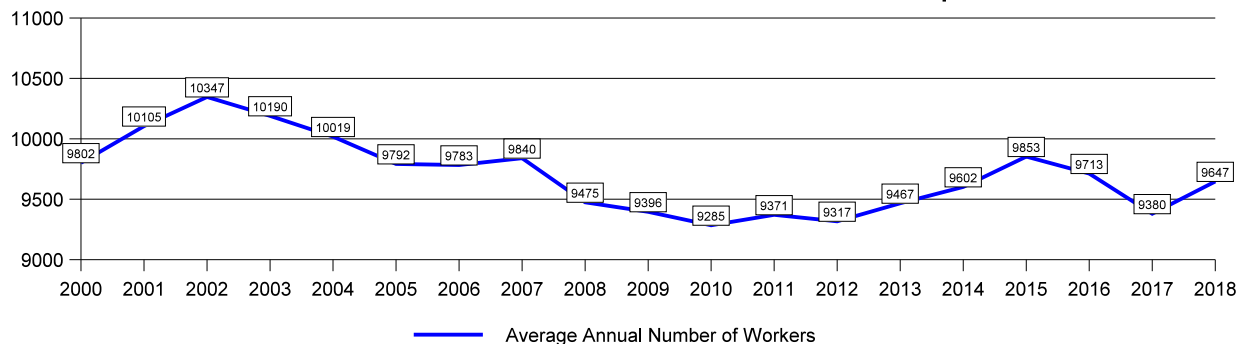
Grand Rapids Annual Covered Employment

Since the Quarterly Census of Covered Workers (QCEW) tracks employees covered by unemployment insurance by location of the worker, it is possible to examine longer-term patterns in the employment level. The following table displays the total number of workers reported in Grand Rapids back to the year 2000.

Table 25 Grand Rapids Average Annual Employment			
Year	Total Covered Employment	Year	Total Covered Employment
-	-	2009	9,396
2000	9,802	2010	9,285
2001	10,105	2011	9,371
2002	10,347	2012	9,317
2003	10,190	2013	9,467
2004	10,019	2014	9,602
2005	9,792	2015	9,853
2006	9,783	2016	9,713
2007	9,840	2017	9,380
2008	9,475	2018	9,647

Source: QCEW - MN Department of Employment and Economic Development

Number of Covered Workers in Grand Rapids



When viewed over a longer time period, back to the year 2000, there has been a decrease in the number of jobs in Grand Rapids. However, employment was increasing in 2018, the last full year of data.

Commuting Patterns of Area Workers

Information on commuting patterns is from the 2017 American Community Survey, and has been examined for the City. The first table looks at travel time for City residents, excluding people that work at home.

Table 26 Commuting Times for Grand Rapids Residents - 2017		
Travel Time	Number	Percent
Less than 15 minute	3,426	67.7%
15 to 24 minutes	1,000	19.8%
25 minutes +	636	12.6%
Total	5,062	100%

Source: American Community Survey

Most City residents were traveling less than 15 minutes for their primary job in 2017. Overall, nearly 68% of the City’s residents had a commute time of 14 minutes or less. Fewer than 13% were traveling 25 minutes or more in 2017.

Travel times are also listed by location of employment. For people that worked in Grand Rapids, the following travel times were identified.

Table 27 Commuting Times for Grand Rapids Employees - 2017		
Travel Time	Number	Percent
Less than 15 minutes	4,579	43.7%
15 to 24 minutes	3,422	32.7%
25 to 39 minutes	1,534	14.6%
40 minutes+	941	9.0%
Total	10,476	100%

Source: American Community Survey

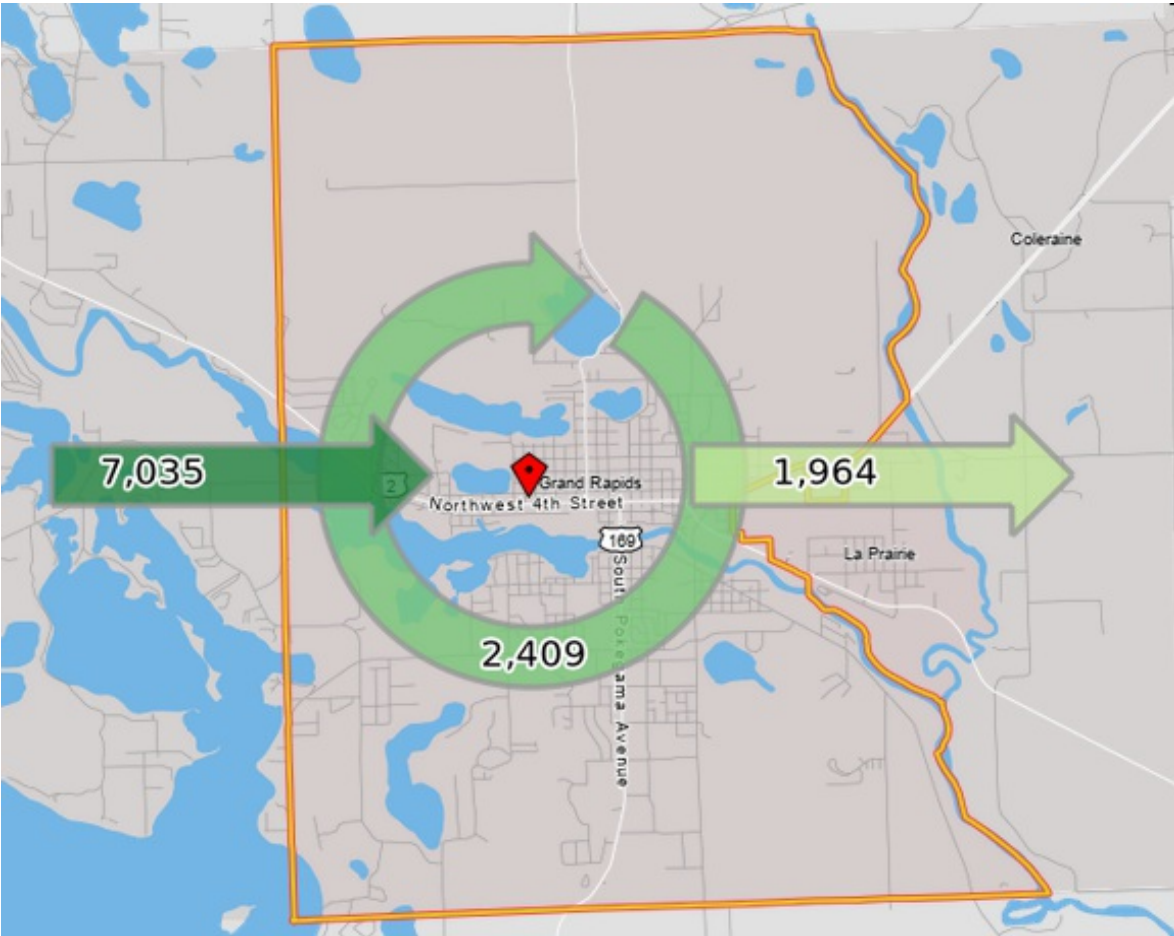
Most people that work in Grand Rapids were traveling less than 25 minutes. Overall, more than 76% of the jobs were filled by people traveling 24 minutes or less, including the people that both live and work within Grand Rapids. Only 9% of the jobs in the City were filled by people traveling 40 minutes or more.

Census On the Map

The Census Bureau also produces commuter reports through its Center for Economic Studies division. This information is also based on reports for the year 2017, and provides a further breakdown of worker movement patterns.

According to the report for Grand Rapids, there were 9,444 people that were employed within the city limits in 2017. Approximately 26% of these Grand Rapids-based employees also lived within the City, with more than 7,000 employees commuting into the City. The primary identified jurisdictions supplying workers to the City were Harris Township, Deer Lake UT, Cohasset, Coleraine, Greenway Township, Blackberry Township, Hibbing and Trout Lake Township.

Many Grand Rapids residents left their home community to work elsewhere. In 2017, nearly 45% of the City’s employed residents actually worked outside the city limits. The primary locations listed for outbound commuters were Cohasset, Harris Township and Duluth.



Findings and Recommendations

Overview

Community Partners Research, Inc., has utilized a wide range of sources in compiling information for this 2019 Housing Study. The following summary is provided of the specific recommendations being made. Later in this section, the specific findings that lead to these recommendations have been presented in detail.

Findings and Recommendations	
Rental Housing Recommendations	
1.	Promote Market Rate Rental Projects with 120 to 130 Total Units Over Projection Period
2.	Senior-Designated Housing Continues to be Appropriate for Future Development
3.	Promote the Development of Additional Tax Credit Moderate Income Rental Housing with 40 to 50 Units over the Projection Period
4.	Develop Additional Subsidized Rental Housing as Resources Allow with a Goal to Add 25 to 50 Units
Senior Housing with Services Recommendations	
5.	Promote an Expansion of 55 to 75 Additional Light Services Housing Units by 2024
6.	Potential Demand for 63 to 72 Additional Assisted Living Units by te Year 2024 Addressing All Income Segments
7.	Potential Demand for 38 to 45 Additional Memory Care Rooms/Beds by 2024 Addressing All Income Segments
Home Ownership Recommendations	
8.	Demand for 12 to 14 Moderately-Priced Homes Constructed Annually
9.	Promote the Construction of 4 to 6 Affordable Homes Per Year
10.	Demand for 4 to 5 Higher-Priced Homes Constructed Annually
11.	Attached Single Family Housing Should Continue to Gain Market Share
12.	Promote Residential Lot Development
13.	Promote Affordable Home Ownership Programs

Findings and Recommendations	
Housing Rehabilitation and Preservation	
14.	Promote Owner-occupied Housing Rehabilitation Programs
15.	Promote Rental Housing Rehabilitation Programs
16.	Consider Programs to Improve the Condition and Quality of Mobile Homes
17.	Continue to Demolish Dilapidated Structures

Prior to the detailed discussion of the specific recommendations, a summary of some of the key growth-related findings and projections has been presented.

Household Growth Summary

In the demographic section of this report, some conflicting information was presented about recent growth trends in the City of Grand Rapids. One of the primary sources used in this document, Esri, has been tracking some growth in Grand Rapids, but believes that much of the household growth is actually occurring outside to city limits, in some of the more rural jurisdictions in the Market Area or the County.

In contrast, sources such as the Minnesota State Demographer and the U.S. Census Bureau, have also been tracking solid growth. But the recent estimates from these sources show that Grand Rapids has been the primary location for growth in the region.

After reviewing other available data, including housing construction activity, it is the opinion of Community Partners Research that the City of Grand Rapids is the primary location for recent growth in the Market Area and in all of Itasca County. It is probable that other jurisdictions have also grown somewhat, but most of the net increase Countywide can be attributed to gains in Grand Rapids.

The best available estimates would indicate that the entire County has been experiencing average annual growth of approximately 66 to 69 households each year in the 2010s. Approximate growth within the combined jurisdictions that form the Grand Rapids Market Area would be an average of 57 to 63 households per year, with nearly 50 of these households being added annually within the City of Grand Rapids.

In 2014, a previous housing project had been completed for Grand Rapids by Maxfield Research, Inc. That document had projected that the City would have 4,830 households in 2019. The 2018 estimate from the State Demographer, which is viewed as the most accurate, already showed 5,007 households living in the City. Projecting forward to 2019, Grand Rapids will probably be above 5,050 households when the next estimate is released, well exceeding the past growth expectations for the City.

The 2014 Study had also projected that the entire Market Area would have 14,010 households by 2019. This has proved to be more accurate. While slightly low compared to the recent estimates, it differed by less than 70 households from other available sources. This once again confirms that Grand Rapids has generally been the primary location for Market Area household growth.

Projected Household Growth

The demographic section of this report has also examined projection information, as a primary indicator of future housing needs. Once again, there is some consistency in the forecasts for net growth countywide, but some differences on the expected location of these future households.

Esri's projection between 2019 and 2024 would expect all of Itasca County to add 387 total households, or an annual average of 77 households per year. This projection appears to be very reasonable for all of Itasca County, and is only slightly higher than the annual average achieved in the recent past.

However, Esri is also projecting most of the future growth will be outside of Grand Rapids. In the opinion of Community Partners Research, most of this countywide growth will occur within the immediate Grand Rapids area. The City of Grand Rapids, and to a lesser extent the City of Cohasset, should be the primary locations that should see growth over the next few years. Much of this is due to new housing unit availability. Grand Rapids has continued to see new construction activity, and the expansion of the housing stock has allowed the community to grow.

Once again, the newest projections are higher than previously issued forecasts, highlighting the strong growth potential that is present. The 2014 Maxfield study had projected that the City of Grand Rapids would add approximately 28 households in an average year, and that the Market Area would add approximately 48 households per year to the year 2025.

Based on the research in this 2019 Study, we would expect annual growth within the City of Grand Rapids to exceed 50 households per year going forward, nearly double the previously issued forecast. For the entire Market Area, including Grand Rapids, annual growth of 65 to 70 households per year would be a realistic expectation.

Countywide growth, of approximately 77 per year as projected by Esri, appears very realistic. It should be noted that the more rural portions of Itasca County may add households going forward even if actual housing construction activity is limited. In many parts of the County there is a supply of housing that has typically been used by seasonal/recreational residents. If some of this inventory is converted to year-round use by permanent residents, there will be growth, and new unit construction is not necessary required.

Projected Growth by Age

This Study has included an analysis of expected changes in households by age of householder. A forecast of the age-based movement of households between 2019 and 2024 has been provided.

The age progression patterns that are evident are generally consistent with past expectations, largely due to the movement of the “baby boom” generation through the aging cycle. The projections indicate that between 2019 and 2024, most of the net household change in the Grand Rapids Market Area will be due to an increased number of households in the ranges age 65 and older.

Overall, Esri is projecting that the Market Area will add approximately 720 households in the age ranges 65 and older. But a net reduction of more than 400 households is then projected within the age ranges 64 and younger. As a result, most of the 10-year age ranges below age 65 are expected to decrease in size.

At the time of the 2010 Census, approximately 28% of all households living in the Grand Rapids Market Area had a head-of-house that was age 65 or older. By 2019, the estimates show that 31.5% of households were within these senior age ranges. The 2024 projections indicate that nearly 39% of all households will be in the senior citizen age groups. By the year 2024, the leading edge of the baby boom generation will begin entering the age ranges 75 years old and older.

This continuing movement to an older population is generally consistent with broader regional and statewide trends. However, the area’s appeal as a retirement location has also helped to attract seniors to this part of the State. The range of attractive housing options for seniors in Grand Rapids has helped to retain people as they advance in age.

Housing Unit Demand Generated by Household Growth

There are various methods that can be used to forecast future housing demand, based on owner or rental tenure. Historical patterns, age progressions and income levels will all have some impact on tenure distribution.

For the City of Grand Rapids, approximately 38% of all households were renters at the time of the 2010 Census. Based on known construction of rental housing since that time, it is possible that the City's rental tenure rate is approaching 40% in 2019.

The increase in the rental rate is due to substantially greater construction of rental units in the City in recent years. A tracking of probable tenure based on building permit issuance would indicate that between 65% and 70% of the new units created since 2010 would be intended for renter-occupancy, with the remaining 30% to 35% for home ownership.

The aging of the area's population will also have some impact on tenure patterns. Although home ownership rates tend to be high in most 10-year age ranges, some increase in rental tenure occurs as people move into retirement. The older age distribution patterns in the Grand Rapids area should result in some increase in rental demand.

Based on the assumption that Grand Rapids will be the primary location for most of the area's future household construction and resident household growth, the most realistic projection would be based on the patterns demonstrated in the City in recent years. As a result, this Study has proceeded with the expectation that the tenure distribution for anticipated growth over the five-year projection period will be approximately 60% renters and 40% owner-occupants for housing demand.

When this tenure distribution is applied to the projected growth of 65 to 70 households per year in the Market Area, the five-year demand created by expected growth would be:

- ▶ 195 to 210 total rental units
- ▶ 130 to 140 total owner-occupancy units

This represents a five-year projection period, just to keep pace with anticipated growth. As will be explained later, some additional pent-up demand will be added to address under-served market segments.

Although single family housing production should tend to be relatively stable from year-to-year, multifamily rental production will probably show greater annual variation, as larger multifamily projects are built.

It is certainly possible that actual production will exceed these levels, as housing developers respond to demand from certain market segments. The projections listed above are growth-generated demand calculations and represent the production that will be needed just to allow for expected household growth.

It should be noted that the recommended unit totals are for the entire Market Area. However, nearly all of the multifamily rental production is likely to occur within the Cities of Grand Rapids or Cohasset. Past history would indicate that the owner-occupancy demand will be spread more widely, including the adjoining townships and rural areas.

Additional Housing Demand Generators

In addition to growth-generated demand, calculations for total future housing needs can also be based on factors such as replacement of lost units, and pent-up, or existing demand for housing that is not being served.

Demand from Unit Replacement

Limited documentation can be obtained on annual housing unit losses. A variety of factors can contribute to unit loss, including demolition, obsolescence, natural disasters, or redevelopment activities. Forecasts of future losses are difficult to accurately predict, but the research in the Grand Rapids area indicates that the City loses an average of approximately two houses per year to demolition.

With strong housing demand and rising property values, there are financial incentives for owners to maintain and improve existing housing units. It is known that some ongoing unit replacement continues to occur on area lakes, as older structures are replaced. But this typically does not result in any net loss of housing, as a new unit is constructed.

Without any evidence of larger-scale unit replacement needs, no larger-scale allowance is made for this demand generator. Since single family houses represent the most typical type of unit lost, a small upward adjustment has been made in the owner-occupancy recommendations later in this section.

If larger-scale unit losses do occur in the future, one-for-one replacement would be recommended. It is important to recognize, however, that unit replacement has been viewed in terms of overall supply and demand. It is unlikely that older housing that is lost can then be replaced by equally affordable new units.

Pent-Up Demand

Another demand generator can be based on the potential need to add units within specific market segments that are currently under served. For example, there is an under-supply of very affordable, subsidized housing, but resources to expand the inventory have not been available in recent decades. Low income households that are attempting to move into the community may not be able to find suitable housing, and may be forced to live elsewhere.

Pent-up demand varies by market segment. Discussion of unmet demand will be incorporated into the specific unit recommendations that follow later in this section.

Rental Housing Recommendations

Overview: The City of Grand Rapids has historically had a large supply of rental housing. At the time of the 2010 Census, there were more than 1,800 rental units in the City. The rental tenure rate, based on renter-occupancy households, was nearly 38%, well above the Statewide average of 27% rental in 2010.

The rental tenure rate is lower when Grand Rapids is grouped with the surrounding small cities and townships that form the Market Area, as high rates of home ownership have tended to exist outside the Grand Rapids city limits. The rental tenure rate in 2010 was approximately 22% for all of Market Area. Typically, most of the rental housing options are located in the regional centers.

With a substantial amount of new rental housing constructed in Grand Rapids after the 2010 Census, it is likely that the rate of renter-occupancy has been increasing in the current decade. Building permit records show that as many as 350 rental units have been added to the City's housing inventory since 2010.

However, within the unit total added through new construction there are some very targeted units that would not be available to most residents of the City. While these may technically be called rental housing, the conditions on occupancy are restrictive. For example, there are 20 supportive housing/ housing with supports units in Beacon Hill that are available for targeted populations including homeless. These Beacon Hill units may be filled through a service provider referral system. There are also 24 suites in the Majestic Pines projects that provide memory care housing. These are sleeping rooms without kitchen facilities. After adjusting for these "special use" units, it is probable that the City has added between 300 and 310 general use rental housing units after the 2010 Census was completed.

Before any allowance for older unit losses, it is possible that the City's total rental stock may contain between 2,150 and 2,250 total units in 2019. A rental tenure rate between 38% and 39% is probable in Grand Rapids in 2019, although it is possibly as high as 40%.

The rental telephone survey completed in July 2019 found relatively low vacancy rates in most market segments. Despite ongoing growth in the conventional market rate inventory, the estimated vacancy rate was below 1%.

The more affordable rental segments also maintain high occupancy patterns in 2019. The estimated vacancy rate in moderate rent tax credit housing was also below 1% in the 2019 survey. This was also the case in the rental projects that can offer “deep subsidy” rental options. Waiting lists tend to exist for any form of income-restricted housing, as pent-up demand is evident.

Going forward, the demand projections to the year 2024 expect that approximately 39 to 42 rental units will need to be added each year to address anticipated household growth. This represents total need, and would be distributed across various rental market segments, as will be detailed later in this section.

Given the relatively low vacancy rates present in 2019, some additional production could also be justified to provide for greater unit choices and availability. An additional 50 to 80 units could be added to the growth calculation to address pent-up demand across all market segments.

One final demand generator that yields an additional need for units is the growth expected among older senior households looking for some level of services with their housing. Specific recommendations for specialized care housing are provided in a later section, and are viewed as separate from the independent housing options addressed here.

Combined, the rental production recommendation for the five-year period from 2019 to 2024 would be at least 245 to 290 total rental units for the Grand Rapids Market Area. Grand Rapids would represent the best location for most of this recommended production, although the adjoining cities, including Cohasset are also possible locations for higher-density rental projects.

There are various ways that these units may be created, but in the specific recommendations that follow, these units have been distributed into specific subsets of the local rental market as follows:

- ▶ Conventional Market Rate (including TIF set-asides) 120 to 130 units
- ▶ Tax Credit/Moderate Rent 40 to 50 units
- ▶ Subsidized Housing (goal not need-driven) 25 to 50 units
- ▶ Senior Housing with Services (apartment-style) 55 to 75 units

It is also assumed that specialized rental units will be added, including assisted living, memory care or supportive housing units. These will serve very targeted needs, and would be in addition to the general purpose units identified above that are oriented to largely independent renter households.

1. Promote Market Rate Rental Projects with 120 to 130 Total Units Over Projection Period

Findings: There has been ongoing new construction activity in the general occupancy market rate segment in Grand Rapids. The costs associated with new construction have required that higher rents must be charged, placing the majority of the newer units into the higher-rent segment of the local market.

Since the 2010, three new market rate rental projects have been built in Grand Rapids. Some of these were built in multiple construction phases. Lakewood Heights, 1st Avenue Condominiums and River Hills Apartments have all been added since 2011. Combined, these projects created 193 units that largely serve the conventional market rate segment.

It should be noted that some of these units may be TIF-assisted and do apply household income requirements. But TIF units are generally more similar to market rate housing than subsidized housing, based on their rent structure, and have been included with the conventional rental total.

In addition to the units listed above that have already been constructed, there is one project that is in the planning phase. If it proceeds, 48 additional market rate units would be constructed, with 20% that are TIF-assisted.

While the rent structure in any newly-built project tends to be higher than existing rentals, the new developments in recent years do offer a range of rates. The units in 1st Avenue Condominiums represent the upper end of the range, with two-bedroom options starting with a gross rent above \$1,100 per month. However, in River Hills most two-bedroom units would have a gross rent below \$975, and in Lakewood Heights two-bedroom gross rents would be below \$900, including tenant-paid utilities.

Occupancy patterns within the newest projects were very high when surveyed in 2019, consistent with the larger market. No vacancies were reported and all of the managers stated that good demand was present.

It is important to note that the rental range that applies to the newest projects is a reflection of features, amenities, square footage and other factors. Some of the newer projects have targeted the more moderate segment of market rate renters while others serve the luxury segment. However, the square footage of the unit becomes a primary factor in the rents being charged.

If gross rents are viewed on a square foot basis, including an estimate for tenant-paid utilities, the projects constructed since 2011 would generally be within the following ranges:

<u>Unit Type</u>	<u>Gross Rent*</u> <u>Per Sq. Ft.</u>
1-Bedroom	\$1.13 to \$1.44/sq ft
2-Bedroom	\$0.95 to \$1.33/sq ft
3-Bedroom	\$1.12 to \$1.16/sq ft

*Excludes garage parking fees

Although Lakewood Heights has a lower rent structure than River Hills, the units in Lakewood are generally smaller. As a result, the lowest end of the price range for square feet of living space is being charged at River Hills for one and two-bedroom apartments. The upper ends of these ranges reflect 1st Avenue Condominiums.

Recommendation: As the Grand Rapids area continues to grow, there will be a continued need to add more rental housing units. While it would be desirable to add units in a wide range of prices, realistically, most of the new units will be market rate housing. To achieve the total recommended goal of at least 245 to 290 rental units by the year 2024, it is probable that at least 45% to 50% of this total will be needed within the general occupancy market rate segment. This would yield a five-year production goal of approximately 120 to 130 conventional rental units.

It is important to note that 48 units within this market segment are already in the planning phase. However, up to 80 additional units should also be advanced later in the 5-year projection period.

With continued increases in construction costs, it is probable that new units in 2020 and beyond will have a rent structure that is similar to or greater than the most recently built projects. However, local renters have absorbed the newest units, demonstrating success in these higher price ranges. Approximately 20% of the recent production has been within the higher-priced, luxury market and these units have also been well-received.

The recommendations contained in this report could prove to be conservative. If the recommended units are constructed and fully absorbed, then additional production could be considered later in the projection period. That would indicate that the growth projections and/or rental tenure distribution estimates used for this report have been exceeded, and the new construction goals could be raised.

2. Senior-Designated Housing Continues to be Appropriate for Future Development

Findings: The research in 2019 has tracked the advancing “baby boom” generation as it moves through the aging cycle. Households age 65 and older will represent the largest net growth of any age cohort over the next few years in the Grand Rapids area.

Itasca County has traditionally had an above-average percentage of seniors, due in large part to the area’s popularity as a retirement destination. Senior-designated housing is generally defined as households age 55 and older. The age-based projections from Esri indicate that approximately 58% of all households in the Grand Rapids Market Area in 2024 will be age 55 and older.

Over time, there have been some new construction projects specifically targeting the senior markets, but these projects offer some level of supportive services to residents. The analysts are not aware of any recently constructed rental projects that are senior-designated, but oriented to completely independent senior households. The last independent senior project specifically designated for senior occupancy was Lake Shore Place in 1994.

Recommendation: Rental housing developers in Grand Rapids have focused on general occupancy housing, capable of serving broad segments of the local market, including seniors, students and working-age households. Any senior-designated housing has been oriented to seniors looking for some level of service availability. Going forward, it would be appropriate to designate 20% or more of the conventional rental development in projects that are age-designated.

It is important to note that the analysts do expect additional senior oriented production within other market segments, including housing with light services, assisted living and memory care. A later section of this document specifically addresses recommendations for senior housing with services, including assisted living.

3. Promote the Development of Additional Tax Credit Moderate Income Rental Housing with 40 to 50 Units over the Projection Period

Findings: The low income housing tax credit program is the primary federal financial incentive available for the production of more affordable rental housing. A typical tax credit project will offer a moderate rent structure and serve households at or below 60% of the median income level. Some more affordable units will often be included, serving households at or below 40% or 50% of median income, but that is often dependent on other resources that may be available for the project.

Developers in Grand Rapids have been successful in securing tax credits for the construction/preservation of moderate rent housing. There are six tax credit projects with a combined 196 units that are subject to the tax credit income and occupancy restrictions. However, 20 of these units are specifically targeted as supportive housing/housing with supports, and are not available for general rental. The remaining 176 units serve households at or below 60% of median income, generally the maximum income limit under the tax credit program.

The last new construction tax credit project was Beacon Hill, which was placed in service in 2016. A project similar to Beacon Hill has been submitted for the 2020 funding awards. If successful, a 56-unit affordable project, known as Aurora Heights, could start construction later in 2020 and open in 2021. This project would include 42 general occupancy moderate rent units, serving households at or below 60% of the median income level, along with 14 units to replace an existing single room occupancy (SRO) facility for targeted populations.

The statewide competition for tax credits is very strong. However, given the growth that continues to occur in the Grand Rapids area, it is probable that the community will be successful in the future in securing tax credit awards, but this is not guaranteed. If the application for 2020 tax credits is not funded, it will probably be resubmitted in the next round.

Occupancy rates are high in moderate rent tax credit housing. The 2019 survey found a vacancy rate below 1% within this segment and waiting lists tended to exist. When vacancies do occur in tax credit housing it is often the result of paperwork requirements, as new applicants must go through an income certification process which can delay the occupancy of an open unit.

The actual unit rents for tax credit housing in Grand Rapids continue to be well below the maximum allowable federal limits. Even though the projects can charge rents up to 60% of median income, the gross rents in place are typically below the limits set for households at 50% of the median income level. The lower rents help to maintain a high rate of occupancy by keeping the tax credit projects competitive with older, market rate rental housing in the area.

Recommendation: Project-specific studies are required as part of the tax credit application process and the market analysis completed for Aurora Heights found adequate demand for the proposed project. Community Partners Research has proceeded with the assumption that this application will be funded in the 2020 or 2021 tax credit program, and that the 42 general occupancy units will be added to the local inventory within the next few years.

With the anticipated growth in rental demand presented previously, with 245 to 290 total rental units recommended in through the year 2024, the addition of 42 moderate rent tax credit units would represent approximately 14% to 17% of the rental production goal.

The lease-up experience of the next project should be monitored to assess market acceptance, but a new construction tax credit project every four to five years would be recommended in Grand Rapids to keep pace with expected renter household growth in the area.

4. Develop Additional Subsidized Rental Housing as Resources Allow with a Goal to Add 25 to 50 Units

Findings: The term subsidized housing, as used in this Study, refers to rental units that have been constructed to serve low and very low income people. In nearly all cases, subsidized housing has accessed federal resources that provide a “deep subsidy” for very low income people. Most subsidized housing has project-based rent assistance, or a similar subsidy available, that allows tenant rent to be based on 30% of the household’s monthly income.

Much of the subsidized housing in Minnesota was constructed from the 1960s to the 1980s. Since that time, funding for new projects has generally been rare in the federal budget.

Due to the age of projects, it is more likely for communities to lose subsidized housing to contract fulfillment rather than add it through new construction. However, there is no record of any lost subsidized housing in Grand Rapids, and no projects are identified as “at risk” of leaving their subsidy program based on the research for this Study.

The rental survey found strong demand for subsidized housing. The estimated vacancy rate in both general occupancy projects and senior/disabled projects was less than 1%, and waiting lists were common. When open units do exist in subsidized housing it is often due to the processing and income certification requirements for new tenants, which can result in short delays in filling vacancies.

In addition to the subsidized projects, there are 190 households with a Grand Rapids mailing address being assisted with HUD Housing Choice Vouchers, or other types of tenant-based rent assistance. Vouchers are issued to income-eligible households for use in suitable, private market rental housing. With the assistance, a household pays approximately 30% of their income for their rent, with the program subsidy paying any additional amounts.

Over time, this form of subsidized housing may have diminished in the County, as budget limitations and rising costs per household have decreased the number of Vouchers that can be issued. With limited turnover and funding, a long waiting list has tended to exist. In September 2019 there were 355 names on the County’s waiting list.

The housing cost burden information presented from the American Community Survey remains very consistent with the high occupancy and waiting list patterns for very affordable housing. Based on the 2017 data, more than 46% of all renter households in Grand Rapids were paying 30% or more of their income for housing. This cost burden was shared among all age ranges, with approximately 59% of senior households and 39% of non-senior households reporting a disproportionate share of income was needed for rent.

The mismatch between affordable units and lower income households was most evident in the lowest ranges, as the number of renter households with an annual income below \$20,000 was substantially greater than the actual supply of rental units priced below \$500.

Recommendation: Consistent with the previous studies for Grand Rapids, additional subsidized rental units are recommended. However, with almost no funding at the federal level, it has been difficult to add to the inventory of project-based subsidized housing over the past 20 years. The last new construction project in the City was Grand Manor III in 1994. No project-based subsidized housing has been added in the past 25 years.

The 2014 study had recommended the development of more than 170 subsidized units. This 2019 Study has taken a more practical approach and would encourage the City and its private development partners to look for opportunities to secure subsidized housing resources, with a goal to add 25 to 50 units. This could be in the form of project-based subsidized housing, or tenant-based rent assistance Vouchers.

It is important to acknowledge that this is a goal, rather than an estimate of need. Based on waiting lists, income estimates and cost burden data, a large number of units could be successfully absorbed. But with very few resources available to develop “deep subsidy” housing, any expansion of supply is encouraged.

If resources for a new subsidized project can be secured, we would recommend constructing new units. The most practical way to add units may be through mixed-income projects, where rent skewing is used to create some very affordable units into projects that also include moderate rent and higher rent options.

The most realistic way to expand the supply of deep subsidy housing is through HUD’s Voucher programs. The Itasca County HRA has had some recent success in securing additional rent assistance funding, with the award of 28 Mainstream Vouchers in 2019. Mainstream Vouchers assist non-elderly households that include a person with disabilities. HUD had not made new funding awards under this program since 2005. Although this assistance is targeted to specific qualifying households, it does expand the overall pool of rent assistance resources available to County residents.

Preservation of existing subsidized housing also remains as an important community strategy. Preventing the future loss of any of the existing project-based subsidized housing, or a decrease in Voucher assistance, will help to maintain the current supply. If units are at risk in the future, it may be appropriate for public or nonprofit housing agencies to become involved in attempts to preserve the existing subsidized housing resources.

Senior Housing with Services

Overview: Senior housing with services can cover a wide range of housing types. Skilled nursing homes, assisted living and memory care housing are generally the most service-intensive. These housing options provide 24-hour staffing and extensive assistance with daily living needs of residents.

Housing with light services, sometimes referred to as congregate senior housing, generally offers a lower level of services, such as a daily meal and weekly light housekeeping. However, many light services senior projects do have additional services that can be purchased as needed, and with contracted home health care services, even skilled medical care can often be available to residents on a part-time basis.

A separate section of this Study specifically addresses the existing inventory of specialized senior housing. It also compares the distribution of units by type to the target populations of senior citizens in the Grand Rapids Market Area.

The following recommendations attempt to define the primary forms of senior housing with services in the Grand Rapids area, and provide a summary of the findings in 2019.

5. Promote an Expansion of 55 to 75 Additional Light Services Housing Units by 2024

Findings: The light services segment of the housing market is the most under represented of the different forms of specialized senior housing in Grand Rapids. Only two projects could be identified in the City that serve more independent seniors needing limited services. There are no similar projects elsewhere in the Market Area jurisdictions.

The two primary providers in this segment are Majestic Pines Independent Living and The Emeralds at Grand Rapids. The Emeralds can offer flexible care levels, and only 30% of tenants typically are at the lighter services end of the spectrum.

Combined, these two projects have approximately 55 units serving more independent seniors. This inventory could potentially grow to as many as 89 units if all of the apartments in The Emeralds were shifted into this lighter care segment.

Occupancy rates in 2019 were generally high. Majestic Pines Independent Living, which only serves this segment, reported full occupancy with a waiting list. The high rate of occupancy that tends to exist within most of the specialized care facilities indicates that pent-up demand tends to exist.

The Grand Rapids Market Area continues to show strong growth in the population of seniors. Specific details on current and projected demographic patterns have been presented in the Senior Housing with Services section of this report. In general, ongoing growth is projected within all of the senior age ranges, but much of the near-term increase will occur within the age group between 65 and 74 years old. The number of households age 75 and older will also continue to grow over the next five years.

Recommendation: The Grand Rapids Market Area is expected to see strong near-term growth in the target populations served by specialized senior housing. Specialized housing with services typically serves older seniors, age 75 and older, a group that will increase in size over the next five years. By the year 2024, projections indicate that more than 39% of all Market Area households will be age 65 and older. By the year 2024, the leading edge of the baby boom generation will begin entering the age ranges 75 years old and older. This indicates both near-term and longer-term demand for senior housing offering some level of supportive services.

With a relatively small unit inventory in the lighter services segment, this is the most under-served senior specialized care option in Grand Rapids. Based on a penetration rate of approximately 6% within the primary target market, an expansion of up to 55 lighter services units can be justified in 2019. Based on projected growth, an additional 20 units could then be added to the Market Area by the year 2024.

In total, a near-term expansion of 55 to 75 units would be recommended within this light services housing segment. In the opinion of the analysts, the City of Grand Rapids would be the best location for the large majority of any new units. The lower end of this range represents near-term demand, while the higher end is closer to the end of the projection period.

There is a pending senior complex that will include a range of care, including more independent housing. Although specific details of this project were not confirmed, City staff indicated that the project could include 68 units targeted to more independent seniors. If this project proceeds at this level, it should address the near-term demand for this form of housing. Readers should note that the developers of this proposed project secured a separate, project-specific market analysis that has been used in their project planning.

The response to newly-built units should be monitored. In general, Grand Rapids has experienced relatively high capture rates within the various specialized senior housing segments. This is probably a reflection of the strong regional draw of the community, resulting in an above-average distribution of units within the specialized care segments. Therefore, the assumptions used in this analysis may prove to be conservative. If the proposed project is built as planned and unmet demand is still evident in the light services market segment, then additional production may be needed later in the projection period.

It is important to state that the supply and demand summary provided in this Study is primarily based on unmet demand and anticipated growth, and not on competitive positioning between projects. Senior housing with services can be a very competitive business, and it is possible that even more units may be proposed as providers attempt to capture a large share of the local market. However, if supply significantly exceeds demand, this would probably reduce the occupancy rates in less competitive projects.

6. Potential Demand for 60 to 70 Additional Assisted Living Units by the Year 2024 Addressing All Income Segments

Findings: Grand Rapids and the surrounding Market Area have a large supply of options for seniors that need assisted living. Most of the area's choices are provided in larger complexes, often with apartment-style units, but some also exist in smaller residential settings. In addition to numerous facilities in Grand Rapids, assisted living options are offered in other Market Area jurisdictions including Cohasset, Bovey, Coleraine and Deer River.

Based on the identified providers, it is probable that approximately 285 total units/rooms exist within the Market Area, with 255 to 260 of these located in Grand Rapids or Cohasset.

Although most facilities reported a high rate of occupancy, and waiting lists were common, there was some unused capacity within this specialized care segment. Most notably there were 20 open rooms in Brookstone Manor, one of the largest, yet oldest buildings within the assisted living inventory. The primary Brookstone buildings were originally constructed in the 1950s, but have been modernized and remodeled over time to reflect the change in use. In addition to the 20 vacant rooms, Brookstone also has the potential to use 20 more rooms for senior housing, but these lack access to private bathrooms and are intentionally vacant in 2019.

Recommendation: In the opinion of Community Partners Research the current distribution of units providing assisted living in the Grand Rapids area is very large by comparative standards. To achieve full occupancy in the existing inventory requires a penetration rate above 13% among Market Area households age 75 and older. Despite the vacancies that are primarily present in Brookstone Manor, it can be argued that pent-up demand exists in 2019, as most of the other providers are full with waiting lists.

It is important to note that many of the existing assisted living options in the Market Area do accept public assistance programs, such as Elderly Waiver, which help lower income seniors acquire needed services. Due to low reimbursement rates, some facilities are private-pay only and will not accept new residents with public assistance. Others will cap the percentage of residents on public programs. This is not typically the case in the Grand Rapids area, as many seniors in assisted living appear to be using County assistance. This ability to serve a wide range of income levels has probably contributed to the high rate of utilization, and the percentage capture rate being achieved.

There is one pending project that may advance in Grand Rapids that would provide a range of care. While specific details were not obtained from the developer, City staff indicated that this project would include 30 new assisted living units as part of a total project that would construct 118 units/rooms. Readers should note that the developers of this proposed project secured a separate, project-specific market analysis that has been used in their project planning. Although it could not be confirmed, it is very probable that the new proposed project will largely operate within the private-pay segment.

Available projection data shows that the population of older senior citizens in the Market Area will continue to grow between 2019 and 2024. Longer-term, even greater percentage growth will occur as the large baby boom generation moves through the aging cycle. The leading edge of the baby boomers will begin turning age 75 early in the next decade.

If the current assisted living distribution percentage is maintained, there would be a need for as many as 43 to 47 more units/rooms in this segment. An upward adjustment of 17 to 23 units to address current unmet need would yield the total unit potential of 60 to 70 units/rooms to provide assisted living. This would include units for all income segments, including seniors accessing County assistance.

The 30 new units proposed in Grand Rapids this would address much of the anticipated near-term need for this form of housing, especially within the private-pay segment. Some additional expansion may be needed by 2024, including units available to seniors using public assistance programs.

The absorption of the new units, and the impact on existing providers should be monitored. If stable occupancy is achieved without negatively impacting overall occupancy in this segment, then another project could be advanced later in the projection period.

As with other specialized care recommendations, the supply and demand summary provided in this Study is based in part on anticipated growth, and not on competitive positioning between projects. Senior housing with services can be a very competitive business, and it is possible that even more units may be proposed as providers attempt to capture a large share of the local market. However, if supply significantly exceeds demand, this would probably reduce the occupancy rates in less competitive projects.

7. Potential Demand for 38 to 45 Additional Memory Care Rooms/Beds by 2024 Addressing All Income Segments

Findings: Memory care housing represents a very specialized segment of the senior market. People in the earlier phases of memory loss due to dementia, Alzheimer’s Disease, or other causes may often be housed in assisted living, nursing homes, or less service-intensive forms of senior housing. However, as the disease progresses, it is often necessary to provide housing in special facilities that offer a secure environment and care targeted to residents with memory loss.

Grand Rapids has the potential capacity for approximately 97 people in specialized memory care units/rooms. When other Market Area options are added, as many as 125 beds exist for memory care needs. This segment of the market has expanded in the recent past, most recently in Majestic Pines.

The utilization rate in this specialized segment continues to be high, although some vacant rooms/beds were reported. Like other forms of housing for frail senior populations, there can be times when above-average turnover may occur, resulting in some unused capacity. Despite open rooms that may occur from turnover, the analysts have assumed that some pent-up demand exists in 2019.

Recommendation: When compared to the primary target population in 2019, the current supply of memory care beds in the Market Area requires a penetration rate of approximately 5.9% of the County's adjusted population of seniors age 75 and older. In the opinion of the analysts, this represents a large concentration of beds by comparative standards. However, Grand Rapids continues to achieve above-average market penetration rates for most forms of specialized senior housing, indicating the community's regional draw that appears to bring seniors from outside the immediately surrounding area.

Many of the memory care providers do accept lower income seniors receiving County assistance. Due to the high levels of care required for memory loss, the reimbursement rates are often better matched to the costs of care. However, some providers are private-pay only, and others cap the number of residents receiving assistance. The extensive use of County assistance programs may help to explain the above-average number of rooms/beds that already exist.

There is a pending project that may advance in Grand Rapids that would provide a range of care. While specific details were not obtained from the developer, City staff indicated that this project would include 20 new memory care units/rooms as part of a total project that would construct 118 units/rooms. Readers should note that the developers of this proposed project secured a separate, project-specific market analysis that has been used in their project planning. Although it could not be confirmed, it is very probable that the new proposed project will largely operate within the private-pay segment.

Available projection data shows that the population of older senior citizens in the Market Area will continue to grow between 2019 and 2024. Longer-term, even greater percentage growth will occur as the large baby boom generation moves through the aging cycle. The leading edge of the baby boomers will begin turning age 75 early in the next decade.

If the existing memory care distribution percentage is maintained, there would be a need for as many as 30 to 35 more beds in this segment by the year 2024. With some upward adjustment to address current unmet need, between 38 and 45 beds/rooms could potentially be added over the next five years, including units available to seniors using public assistance programs.

If 20 new rooms/units are constructed in Grand Rapids this would address much of the anticipated near-term need for this form of housing, but some additional expansion may be needed by 2024. However, as stated above the current distribution is already higher than would typically exist in most communities.

The absorption of any new units, and the impact on existing providers, should be monitored. If stable occupancy is achieved without negatively impacting the existing providers within this segment, then another project could be advanced later in the projection period.

Consistent with the other specialized care recommendations, the supply and demand summary provided in this Study is largely based on anticipated growth, and not on competitive positioning between projects. Senior housing with services can be a very competitive business, and it is possible that even more units may be proposed as providers attempt to capture a large share of the local market. However, if supply significantly exceeds demand, this would probably reduce the occupancy rates in less competitive projects.

Home Ownership Recommendations

Overview: This Study has produced demand projections for the period extending forward five years, from 2019 to 2024. The projection for owner-occupancy units assumes that at least 130 to 140 houses will be needed in the Market Area to address growth from resident households. On an average annual basis, this would be 26 to 28 units per year to meet growth-generated demand.

Allowing for some level of unit replacement, and increased demand for specific unit styles, a minor allowance of 4 to 7 additional units can be justified, bringing the total projected new home construction to 30 to 35 units annually.

The demand projection of 30 to 35 owner-occupancy units annually is based on calculations for the entire Grand Rapids Market Area, but we would expect to see 20 to 25 of these households to locate in the Cities of Grand Rapids or Cohasset. There will be some owner-occupancy households will elect to build in the small cities or rural areas, especially on lake shore options, but most of the past construction has been around Grand Rapids.

Production at the projected level would be higher than in the recent past. In the current decade, the City of Grand Rapids has been averaging approximately 10 single family housing starts per year. Within the single family segment, 80% or more has been in the form of traditional single family detached houses.

The neighboring City of Cohasset has been averaging approximately seven single family starts per year. However, some of this may reflect the tear-down and replacement of existing lake shore homes. As a result, not all of the new construction units represent a net gain to the overall housing supply. No information exists on the remaining jurisdictions that form the Market Area.

It is important to note that our demand projection for owner-occupancy housing to the year 2024 is based on growth from permanent resident households. There has historically been some new construction for seasonal-use housing. People building/rebuilding seasonal units will generate business for local construction companies but generally will not utilize lots in traditional subdivisions or neighborhoods.

The specific recommendations that follow are oriented to the expected construction activity in Grand Rapids, and to a lesser extent in Cohasset.

8. Demand for 12 to 14 Moderately-Priced Homes Constructed Annually

Findings: Most of the home building that has been occurring in Grand Rapids in recent years would generally be defined within the moderate price ranges, with an approximate purchase price of \$225,000 to \$325,000. This has been accomplished by private-sector home builders and for-profit subdivisions. Some of this production has been in the form of attached housing, including twin home intended for owner-occupants.

Although income levels for home owners have continued to improve over time, many potential home buyers are still within a moderate income range. According to the American Community Survey, the median household income for all home owners in the Market Area was approximately \$62,200 in 2017. For just Grand Rapids, the median was slightly lower at approximately \$60,500. Approximately 22% of all home owners had an annual income above \$100,000, but nearly 40% were in the more moderate income ranges between \$50,000 and \$100,000.

Going forward, most of the demand for newly constructed houses will be within the more moderate price ranges, reflecting households that are “move-up”, as they sell an existing home and opt for new construction.

Anticipated demand should also exist from the large “baby boom” generation as it advanced through the aging cycle. Older adult households have created ongoing demand for age-appropriate housing, which offers low maintenance living opportunities. While some higher-priced attached housing will be developed, much of this demand should also be within the more moderate price ranges. This will include attached housing options. In Grand Rapids, this has primarily been in the form of twin homes or in “detached town homes” that are association managed.

Due to rising costs for materials and labor, the average new construction price continues to grow. In 2019 and beyond, it will be difficult to produce new construction units that are below \$225,000 without the use of development subsidies.

Recommendation: Approximately 55% to 60% of the future demand in Grand Rapids and Cohasset has been allocated to the more moderate home price ranges, with expected annual demand for approximately 12 to 14 units annually. Demand for housing in the moderate price ranges can generally be met by the private development community, and would not typically require any level of public involvement or assistance, except at the lower end of the range. It may be possible to use Tax Increment Financing assistance or IRRRB funds to offset infrastructure costs, depending on the structure of a project.

Moderately-priced houses should represent a mix of single family detached homes, as well as attached housing which can appeal to mature households as they age. While attached housing units, such as twin homes or town houses, would be well-matched to life-cycle needs, it is likely that this segment of the market will gradually grow in market share over time.

The calculations are based on average annual demand, and in any given year there is potential for actual production to be above or below the five-year average.

9. Promote the Construction of 4 to 6 Affordable Homes Per Year

Findings: The demographic forecasts used for this Study are anticipating the possibility that the Grand Rapids Market Area will experience a minor decrease in the number of households age 64 and younger over the next five years. However, in the age groups below 45 years old, there should be relative stability. These younger adult households form a primary target market for entry-level new construction.

While affordable new construction would be beneficial, most of the demand for affordable, entry-level ownership housing will continue to be met by the sale of existing houses. Prices for existing homes in Grand Rapids are relatively high when compared to the surrounding region, but existing homes still tend to be more affordable when compared to prices for comparable new construction.

The sales analysis completed as part of this Study shows that the midpoint sales price for an existing home in the City is above \$152,000 so far in 2019. Although there is evidence of recent increases for existing home values, to the extent that good quality, existing homes are available for sale each year, these will represent an attractive option for more moderate income home buyers. It should be recognized that existing housing may have repair needs or upgrades when compared to newly constructed units.

Recommendation: Based on the research completed for this Study, we believe that a goal of constructing 4 to 6 new entry-level homes in Grand Rapids each year through the year 2024 is realistic. This would represent 20% to 25% of the annual projected demand for single family units. In current prices, entry-level homes are generally defined as \$200,000 or less. However, an even lower target price would be better suited to current incomes and home buying power of low to moderate income households.

To reach the higher end of this annual range, it is assumed that some of these units would be addressed through nonprofit housing agencies or through organizations such as Habitat for Humanity. Private developers would also be expected to produce some more affordable homes, but possibly with some degree of public involvement.

To achieve an ownership purchase price of \$200,000 or less, significant cost saving measures will be needed, along with probable development or financing subsidies. This will somewhat limit the area's ability to generate this type of housing, as recent subsidies in other communities have been as high as \$30,000 or more.

The Grand Rapids area will need to continue attracting younger families and working age residents to maintain an adequate work force for area employers. This recommendation could be part of a strategy of proactive efforts to attract and retain younger households.

While some affordable new construction will be needed, we do recognize that the existing housing market will continue to be the primary source of affordable home ownership options. Past research in other communities would indicate that the large majority of first-time buyers will purchase an affordable, existing home, and only a small percentage will purchase a newly constructed home.

With stronger projected growth from households age 65 and older, the community has the ability to generate roll-over opportunities within the older, existing stock. Younger senior buyers that move into age-appropriate new construction or rental units will help to make older single family houses available for sale. The more the life-cycle concept is successfully implemented over the next few years, the more opportunities that will be created for younger buyers in the existing single family stock.

10. Demand for 4 to 5 Higher-Priced Homes Constructed Annually

Findings: A share of the home building that is likely to occur in Grand Rapids and in off-lake locations in Cohasset would generally be defined within the higher price ranges, with a total purchase price of \$350,000 or more. This will often reflect households that already own their housing, and a decision to opt for new construction will be based on the availability of trade-up housing options.

The research in 2019 has continued to track the household growth in the age groups 55 and older. Over the next five years, growth should be especially strong in the 10-year age range between 65 and 74 years old. The ownership tenure preferences for older adult households remain very high.

At the time of the 2010 Census, the home ownership rate for Market Area households in the 65 to 74 year old ranges was approximately 88%. Although we would expect this percentage to decrease as other housing options become available, including high quality rentals, a high percentage of these households will opt for home ownership. Demand from middle-aged and young senior households will primarily exist from people looking to upgrade their housing.

Recommendation: Approximately 20% of the future demand has been allocated to the higher home price ranges, with expected annual demand for approximately 4 to 5 units annually in Grand Rapids and Cohasset. Additional demand will exist for higher-priced homes on lake shore parcels and rural locations. The competition with high-amenity sites makes higher-priced homes less likely in the two primary Market Area communities, unless lake parcels exist.

Demand for housing in the higher price ranges can generally be met by the private development community, and would not typically require any level of public involvement or assistance, although Tax Increment Financing may be provided to some of the new subdivisions helping to lower the costs of infrastructure.

In 2019, there are no specific subdivisions in Grand Rapids or Cohasset that specifically target higher-priced new construction. There are attractive lot options, but these can serve a variety of home styles and prices.

In Grand Rapids and Cohasset, higher-priced houses will primarily be in detached single family structures. Some attached single family units may also be built within the higher price ranges, but in general, a more moderate price structure should exist for twin homes and town houses.

11. Attached Single Family Housing Should Continue to Gain Market Share

Findings: Prior to the housing market retreat of the late 2000s, attached single family housing, primarily in the form of twin homes, had been adding market share in most communities. Although specific construction reports for Grand Rapids from the previous decade were not reviewed, in most similar-sized communities up to 25% of the single family housing starts were in attached structures.

However, as the national housing markets retreated after 2007, alternative housing products, such as attached single family, often suffered the greatest hit. When people became concerned about owning or investing in new construction, they became even more concerned about less traditional products.

It has been difficult to track the actual level of attached housing construction in Grand Rapids, but both twin homes and “detached town house” construction have occurred. It is probable that attached single family-style units have accounted for less than 12% of the single family activity since 2010.

The age-based projections show strong overall household growth between 2019 and 2024, primarily within the 65 and older age ranges. The 2024 projections indicate that more than 39% of all households living in the Grand Rapids Market Area in 2024 will be age 65 and older. The near-senior and senior citizen age groups have historically had very high rates of owner-occupancy and represent a primary target market for attached single family housing that offers no maintenance or low maintenance living.

Recommendation: The demand calculations used for this Study expect that approximately 25% or more of the future demand for owner-occupancy housing construction can be met through attached single family housing, such as twin homes. With overall ownership demand at 20 to 25 units per year in Grand Rapids and Cohasset, attached single family construction should reach four to six units per year. Since Cohasset does not have lots for this type of housing, this construction is most likely to occur in Grand Rapids.

Although we have identified this demand as an annual average, attached housing construction could occur in clusters. Over the 5-year projection period the total production could be as high as 30 units, and this may occur in two or three development phases.

There is one identified proposed development project that would create a Planned Unit Development (PUD) with five to seven patio homes.

Attached housing provides desirable alternatives for empty nesters and seniors to move out of their single family homes. These existing homes then become available for younger families. It is important for the community to offer a range of life-cycle housing options.

Depending on the project location, we would expect most of the attached unit construction to occur in a more moderate price range between \$225,000 and \$350,000. However, high-amenity units could also be developed, especially those that can offer lake access or similar desirable sites.

12. Promote Residential Lot Development

Findings: While there is an inventory of vacant single family lots in Grand Rapids, the supply is not overly large. Estimates by City staff indicate that approximately 35 vacant lots existed in 2019, including some that are infill or remnant lots that remain in otherwise developed areas.

There has not been any new subdivision development in Grand Rapids in many years. The best available information is that the last subdivision development probably occurred in the early to mid-2000s, before the national housing market crash that occurred later in that decade.

Like many other communities, there was a significant slowdown in home building in Grand Rapids. Between 2004 and 2007, Grand Rapids was averaging approximately 29 single family housing starts per year. By 2010, fewer than 10 single family permits were issued. The construction slowdown after 2007 left developers with inventories of unsold lots, and discouraged additional subdivision development.

In response to the limited interest from private developers, the Grand Rapids EDA is in the process of developing a 15-lot subdivision on property obtained from the School District. While some basic covenants will apply, these lots will be targeted to typical single family home construction.

Recommendation: The research completed for this Study would indicate that additional subdivision development will be needed in Grand Rapids in the near-future. Although our single family projections of 20 to 25 houses per year cover both Grand Rapids and Cohasset, we would expect most of the demand in Grand Rapids. The absorption of 15 or more lots per year going forward is very possible. At this rate, the available lot supply could be depleted within two to three years.

The planned EDA project would help to address this lot supply issue, and should provide for at least one additional year of new home construction. The EDA is prepared to initiate other lot development projects in the future. If lot absorption proceeds as projected, a 15 to 20 lot subdivision will be needed every one to two years going forward.

We will generally apply a standard that a 2 ½ year supply of lots should exist. At 15 to 20 single family housing starts per year, this would result in an ongoing inventory of 35 to 45 lots in Grand Rapids at any time that are improved or in the development pipeline.

The City's market strength has been in the more moderate price ranges. While some higher-priced home construction may also occur, there is strong competition for these types of home on lake shore properties or high amenity rural locations. Moderately-priced lots would be well-matched to anticipated demand.

A portion of the future lots should be suitable for attached single family construction, such as twin homes or town houses. As discussed elsewhere in this section, we would anticipate that 20% to 25% of the owner-occupancy demand will exist for attached housing products. This could result in four to six units constructed in attached single family styles. The current inventory is probably insufficient to address two years of construction at this projected level.

There has also been past success in Grand Rapids of association-managed developments, including "detached town house" projects, that create freestanding units but have shared maintenance arrangements similar to town house projects. Given the demographic patterns that show an aging area population, lots for a mix of housing styles are appropriate to meet future demand.

13. Promote Affordable Home Ownership Programs

Findings: As construction costs rise, there continues to be a need for affordable new home construction and ownership assistance programs to assist low and moderate income households. This can help to address an “affordability gap” that exists between median income households and typical prices for both new and existing homes in the area.

Home values in Grand Rapids tend to be higher than in most of the surrounding communities. However, income levels for most home owners in the City are relatively moderate. According to the American Community Survey for 2017, the estimated median income for existing home owners was approximately \$60,500, and below \$24,000 for renter households.

Recommendation: Continued efforts to provide home ownership assistance are appropriate in Grand Rapids. Existing home values in the City are relatively high, and have been increasing in recent years. To move moderate income households into home ownership, financial assistance may be required to bridge the gap between what is affordable and the prices being charged for homes in the area.

Housing Rehabilitation and Preservation

Overview: Grand Rapids has a significant asset in its existing housing stock. Older units, both now and into the future, will represent the majority of the most affordable housing opportunities. Existing units generally sell at a discount to their replacement value. Units that are not maintained and improved may slip into disrepair and be lost from the housing stock.

Efforts and investment in housing rehabilitation activities will continue to be important for offering affordable housing options and in preventing the deterioration of neighborhoods. As this existing stock ages, more maintenance and repair are required. Without rehabilitation assistance, the affordable stock will shrink, creating an even more difficult affordability situation.

The following specific recommendations are made to address the housing rehabilitation needs.

14. Promote Owner-occupied Housing Rehabilitation Programs

Findings: The older housing stock generally represents the most affordable home ownership option in the community. Investment in owner-occupied housing rehabilitation activities will be important to ongoing efforts to provide affordable housing opportunities.

According to the American Community Survey, the median year of construction for owner-occupied houses in Grand Rapids is 1965, so the community primarily contains a stock of older single family houses. More than 43% of the owner-occupied stock was constructed before 1960.

Strong values for existing homes should also help to encourage continued reinvestment into maintenance and repairs. Based on recent sales, most existing houses will have a value above \$140,000. To preserve this investment, home owners will have a financial incentive to maintain their property.

Recommendation: The primary funding source for concentrated neighborhood rehabilitation programs is the Small Cities Development Program (SCDP), administered by the MN Department of Employment and Economic Development (DEED). The Itasca County HRA is currently administering an SCDP grant in Grand Rapids that includes an owner-occupied housing activity.

Given the age of the City's single family housing stock, ongoing rehabilitation efforts should be pursued. In addition to SCDP, there are rehabilitation assistance programs available through the Minnesota Housing Finance Agency and other organizations.

15. Promote Rental Housing Rehabilitation Programs

Findings: Grand Rapids serves as the primary rental center for the surrounding region. In 2019, there are probably more than 2,100 total rental housing units in the City, with a rental tenure rate above 38%.

The estimated median year of construction for rental housing is 1977, with approximately 20% of the City's rental housing units constructed prior to 1960.

Over time, it is possible that some single family houses have converted to rental use. This type of tenure change typically happens in older homes that can be purchased by investors at a lower price.

The rehabilitation of older rental units can help to produce or maintain a supply of affordable housing. However, it is often difficult for rental property owners to rehabilitate and maintain their rental properties while keeping the rents affordable for the tenants.

Recommendation: The City of Grand Rapids should continue to promote the rehabilitation of older rental housing. Working with regional housing agencies such as the Itasca County HRA, Kootasca Community Action and AEOA, the City should seek funds to rehabilitate rental units. The Small Cities Development Program remains as a primary funding source for rental rehabilitation programs, but other resources also exist through the Minnesota Housing Finance Agency.

16. Consider Programs to Improve the Condition and Quality of Mobile Homes

Findings: Grand Rapids has a fairly large number of mobile homes. The most recent estimates from the American Community Survey show more than 200 mobile homes in the City. These represent a mix of owner-occupied, rental and vacant mobile homes. Presumably, some of the unoccupied units are intended for seasonal/recreational use.

Although the American Community Survey does not include an estimate of the median value for mobile homes, estimates exist on age of the structures. According to this source, all of the mobile homes in Grand Rapids were manufactured prior to the year 2000 and are 20 or more years old.

City records do show 11 mobile/manufactured homes being placed in the City since 2010. It appears that some of these may not have been new homes, based on their values, but it is also probable that at least some post-2000 units are now present in the community. Still, this does indicate that most mobile homes are older construction, and may have condition and quality issues.

This Housing Study did not include an analysis of the physical condition of mobile homes in the City, but discussions with City staff indicate that some of the City's mobile homes are in poor condition.

Recommendation: Addressing the issues created by substandard mobile homes are not easily solved. Some communities have rehabilitated older units, but this is difficult to accomplish because of the type of construction of mobile homes, and it is rarely cost effective.

The following initiatives have been used in other Minnesota communities in an attempt to improve the condition and quality of mobile home units and parks:

- ▶ **Operation Safe Mobile Home Park** - Owners of substandard mobile homes are given the option of voluntarily selling their substandard mobile home to the City or an area housing agency for a fixed minimum price. The mobile homes are then removed from the park and demolished or salvaged. The owner could then use the funds from the sale to help purchase a new home. In some cases, housing agencies have provided funding for down payment assistance or gap financing programs to purchase new mobile homes. Also, mobile home dealerships have participated with buying the salvaged homes.

- ▶ ***Time of Sale Inspection Program*** - This inspection program is designed to provide safe living conditions to community residents through the identification and elimination of basic life/safety hazards in older mobile homes. Mobile homes are subject to inspection prior to their sale. All identified safety hazards must be corrected before the unit is sold and/or occupied.
- ▶ ***Cooperative/Land Trust*** - Some mobile home parks have created a cooperative or a land trust which enables the home owners to own the mobile home park land and facilities. This ownership often creates pride which results in a clean, safe park atmosphere.

17. Continue to Demolish Dilapidated Structures

Findings: The City recognizes that some substandard housing and other structures exist in the community. Building permit issuance shows an average of approximately two houses each year that are demolished in the community. In addition to houses, City staff identified the removal of other types of structures, with four to five demolition sites in a typical year. The City has been able to access funding from IRRRB to assist with removal costs.

Recommendation: The City should continue to work with property owners to demolish or repair dilapidated structures. The appearance of the City is enhanced when blighted buildings are removed. It may also be possible to re-use cleared lots for redevelopment.