

Comprehensive Housing Needs Assessment

City of Winona, Minnesota



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November 15, 2016

Ms. Lucy McMartin
Director of Economic Development
City of Winona
207 Lafayette Street
Winona, MN 55987

Dear Ms. McMartin:

Attached is the *Comprehensive Housing Needs Assessment for Winona, Minnesota* conducted by Maxfield Research and Consulting, LLC. The study projects housing demand from 2016 through 2031, and provided recommendations on the amount and type of housing that could be built in Winona to satisfy demand from current and future residents through 2031.

The study identifies a potential demand for approximately 1,473 new housing units through 2031. About 70% of the total demand was for general occupancy rental and for-sale housing; while senior housing accounted for 30% of the demand. Demand was highest for market rate rental (333 units) followed by for-sale single-family (261 units). At current construction levels, the existing lot supply is sufficient to meet the demand for move-up and executive single-family for the next several years; however, there is limited supply of for-sale homes available to first-time homebuyers.

Based on our findings, demand was identified for most major housing product types with the greatest demand identified for general occupancy rental housing (all income levels) and for-sale units targeted to empty-nesters and independent seniors (single-level townhomes), and entry-level single-family homes. Detailed information regarding recommended housing concepts and pricing can be found in the *Recommendations* section at the end of the report.

If you have any questions or need additional information, please contact us. We have enjoyed conducting this study for you.

Sincerely,

MAXFIELD RESEARCH AND CONSULTING, LLC

A handwritten signature in black ink that reads "Mary C. Bujold".

Mary C. Bujold
President

A handwritten signature in black ink that reads "Mace Wescott".

Mace Wescott
Associate

Attachment

EXECUTIVE SUMMARY

Purpose and Scope of Study

Maxfield Research and Consulting LLC (i.e. "Maxfield Research") was engaged by the City of Winona to conduct a *Comprehensive Housing Needs Analysis* for the City of Winona. The Housing Market Study provides recommendations on the amount and types of housing that should be developed in order to meet the needs of current and future households who choose to reside in the City.

The scope of this study includes: an analysis of the demographic and economic characteristics of the City; a review of the characteristics of the existing housing stock, building permit trends, and residential land supply; an analysis of the market condition for a variety of rental and for-sale housing products; and an assessment of the need for housing by product type in the City. Recommendations on the number and types of housing products that should be considered in the City are also supplied.

Demographic Analysis

- As of the 2010 Census, the City of Winona had 27,592 people and 10,449 households. The City of Winona is forecast to grow by 2,150 people and 444 households between 2016 and 2031.
- The Winona population of 18 to 34 year olds, which consists primarily of renters and first-time homebuyers, declined (-3.2%) between 2000 and 2010, but is expected to increase by 445 people (+4.5%) between 2016 and 2031.
- The 65 to 84 age cohorts are projected to have the greatest growth (percentage and numerically) increasing by 535 people (+32.3%) in the Market Area between 2016 and 2031. The growth in this age cohort can be primarily attributed to the baby boom generation aging into their senior years.
- Winona has an estimated median household income of \$41,023 in 2016 and is expected to increase over the next five years to \$45,618 in 2021 (+11.2%). The PMA has an estimated median household income of \$46,159 in 2016. It is projected to increase over the next five years to \$52,046 in 2021 (+12.8%).
- In 2016, the Winona Market Area had an average net worth of \$411,001 and a median net worth of \$75,975.
- Between 2000 and 2010, homeownership rates decreased slightly from 67.4% to 65.5% in the Winona Market Area and decreased from 60.9% to 58.7% in the City of Winona.
- Households living alone accounted for the largest percentage of household type in 2010 at 31.4%. These include young singles in addition to older individuals that may be living alone.

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- In 2010, “White Alone” (94.4%) comprised the largest proportion of the population in the Winona Market Area. “White Alone” includes Hispanic and Latino population and as of 2010, 1.6% of the PMA’s population was Hispanic/Latino ethnicity.
- The majority of residents in the PMA (88.7%) did not move within the last year.
- When comparing disabilities by age, 6.0% of the PMA’s age 5 to 17 population had a disability, and roughly 7.6% of the age 18 to 64 population and 33.8% of the age 65 and over population. Cognitive disability is the most prevalent among non-seniors while ambulatory disability is most common among seniors.

Employment Analysis

- Winona had an unemployment rate of 3.3% in October 2016 which is slightly higher than the State of Minnesota (3.2%).
- Trade, Transportation, Utilities have the highest number of establishments (183 businesses) in Winona with a total of 3,494 employees. Leisure and Hospitality has the second largest industry type (97 businesses), and has 1,967 employees.
- Of the roughly 8,217 workers who work in the PMA, 34.7% live in Winona and 6.1% live in Goodview. The remaining workers are commuting from mostly Rochester (2.8%), La Crosse (1.4%), and Lewiston (1.2%). Of commuters, 58% commute from more than 15 miles away to work in Winona.

Housing Characteristics

- From 2000 through 2015, the City of Winona issued 491 permits for the construction of 906 new residential units. This equates to an average of 57 units per year over the 16-year period.
- The majority of the homes in Winona were built prior to 1940 (roughly 40%) while 33% of the remainder of the Market Area’s housing stock was built in the 1970’s.
- Approximately 65% of Winona homeowners have a mortgage compared to 70% of Minnesota homeowners that have a mortgage. About 14% of homeowners with mortgages also have a second mortgage or home equity loan.
- The median owner-occupied home in the City of Winona is \$138,000 in 2014. Approximately 34% of the owner-occupied housing stock in the City of Winona was estimated to be valued between \$100,000 and \$149,999.

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- The median contract rent in Winona was \$572 in 2016. Based on a 30% allocation of income to housing, a household would need an income of \$22,880 to afford the median contract rent in Winona.

For-Sale Housing Market Analysis

- The average and median resale price of homes in Winona Market Area Cities was approximately \$181,456 and \$171,300 respectively as of October 2016.
- Between 2010 and 2015, the number resales of single family homes in Winona averaged 306 transactions per year. Since 2010, resales were lowest in 2010 (225) and highest in 2015 (366).
- The median list price of single-family homes for sale in Winona was roughly \$134,900 as of October 2016. Based on the median list price, a household would need an income of about \$24,100 assuming a 10% down payment, 3.75% 30-year fixed rate mortgage. About 70% of Winona's non-senior households have annual incomes at or above \$25,000.
- There are approximately 179 lots available for new construction, including 123 single-family and 56 single-level twinhome lots. The lot supply benchmark for growing communities is a three- to five-year lot supply. In 2015, there were 6 single-family homes permitted, but single-family construction is again on the rise. In addition, 14 twinhome units are currently under construction in 2016.

Rental Housing Market Analysis

- In total, Maxfield Research inventoried 1,300 general occupancy market rate rental units in the Market Area spread across 23 multifamily developments (16 units and larger). At the time of the survey, there were 13 vacant units resulting in an overall vacancy rate of 1.0%. Typically, a healthy rental market maintains a vacancy rate of roughly 5%, which promotes competitive rates, ensures adequate consumer choice, and allows for unit turnover.
- Market rate properties make-up 1,008 units and a total of 12 unit vacancies were found, resulting in a market rate rental project vacancy rate of 3.8%.
- Shallow subsidy properties make-up 88 units and posted no vacant units.
- Deep subsidy properties make-up 193 units and posted one vacant unit for a vacancy rate of 0.3%.

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Senior Housing Market Analysis

- There are 16 senior housing developments including skilled nursing care located in the Winona Market Area. There is 773 units with 27 vacancies (3.4% vacancy rate) and 305 skilled nursing beds with a vacancy rate over 5.2%.

Special Needs Housing

- As of September 2016, Winona has nine facilities/programs that provide housing services for cognitive, physical limitation, homeless, or transitional housing. Availability is limited at the facilities, but most maintain a wait list and attempt to assist individuals if there is not availability at their facility.

Housing Demand Analysis

- Based on our calculations, demand exists in the Winona Market Area for the following general occupancy product types between 2016 and 2031:

○ Market rate rental	333 units
○ Shallow subsidy rental	134 units
○ Deep subsidy rental	142 units
○ For-sale single-family	261 units
○ For-sale multifamily	131 units
○ Transitional supportive	25 units

- In addition, we find demand for multiple senior housing product types. By 2031, demand in the Winona Market Area for senior housing is forecast for the following:

○ Active adult ownership	44 units
○ Active adult rental	96 units
○ Active adult deep subsidy	79 units
○ Active adult shallow subsidy	18 units
○ Congregate	118 units
○ Assisted Living	10 units
○ Memory care	82 units

Recommendations and Conclusions

- Based on the finding of our analysis and demand calculations, the following chart provides a summary of the recommended development concepts by product type for the City of Winona through 2026. Detailed findings are described in the *Recommendations* section of the report.

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RECOMMENDED HOUSING DEVELOPMENT CITY OF WINONA 2016 TO 2026					
	Purchase Price/ Monthly Rent Range ¹	No. of Units	Pct. of Total	Development Timing	
Owner-Occupied Homes					
<i>Single Family²</i>					
Entry-level	<\$220,000	50 - 80	46%	2017+	
Move-up	\$220,000 - \$280,000	50 - 75	45%	2018+	
Executive	\$280,000+	10 - 15	9%	2017+	
Total		110 - 170	100%		
<i>Townhomes/Detached Townhomes/Twinhomes²</i>					
Entry-level	<\$180,000	20 - 25	33%	2018+	
Move-up	\$200,000+	40 - 50	67%	2017+	
Total		60 - 75	100%		
Total Owner-Occupied		170 - 245			
General Occupancy Rental Housing					
<i>Market Rate Rental Housing</i>					
Apartment-style	\$850-1BR, \$1,050 2BR	60 - 80	64%	2017+	
Townhomes	\$1,150 2BR, \$1,300-3BR	30 - 50	36%	2017+	
Total		90 - 130	100%		
<i>Shallow-Subsidy Rental Housing</i>					
Apartment-style	Moderate Income ³	40 - 50	56%	2017+	
Townhomes	Moderate Income ³	30 - 40	44%	2016+	
Total		70 - 90	100%		
<i>Special Needs/Transitional Housing</i>					
Apartment-style	Income-based	25 - 25	100%	2017+	
Total Renter-Occupied		185 - 245			
Senior Housing (i.e. Age Restricted)					
Active Adult Shallow-Subsidy Rental	Moderate Income ³	25 - 30	18%	2018+	
Active Adult Market Rate Rental ⁴	\$900/1BR - \$1,200/2BR+	50 - 60	36%	2018+	
Independent Living (Congregate)	\$1,750/1BR - \$1,950/2BR	60 - 80	45%	2017+	
Assisted Living	\$2,750/EFF - \$4,000/2BR	0 - 0	0%	2025+	
Memory Care	\$3,500/EFF-\$4,500/1BR	26 - 28	18%	2018+	
Total		144 - 164	100%		
Total - All Units		499 - 654			
¹ Pricing in 2016 dollars. Pricing can be adjusted to account for inflation.					
² Recommendations include the absorption of some existing previously platted lots.					
³ Affordability subject to income guidelines per MHFA. See Table for Winona County Income limits.					
⁴ Alternative development concept is to combine active adult shallow-subsidy and market rate active adult into a mixed-income community					
Note - Recommended development does not coincide with total demand. Winona may not be able to accommodate all recommended housing types based on a variety of factors (i.e. development constraints, land availability, etc.)					
Source: Maxfield Research & Consulting, LLC					