



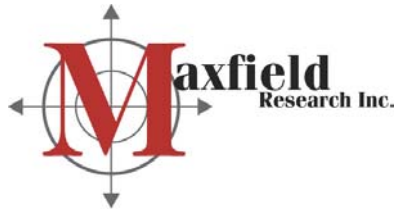
Housing Market Analysis and Demand Estimates for Hutchinson, Minnesota

Prepared for:

Hutchinson Housing and Redevelopment Authority
Hutchinson, Minnesota

September 2004





September 27, 2004

Ms. Jean Ward
Hutchinson Housing and Redevelopment Authority
111 Hassan Street S.E.
Hutchinson, MN 55350

Dear Ms. Ward:

Attached is the *Housing Market Analysis and Demand Estimates for Hutchinson, Minnesota* conducted by Maxfield Research Inc. The study projects housing demand from 2004 through 2010, and gives recommendations on the amount and type of housing that could be built in Hutchinson to satisfy demand from current and future residents over the remainder of the decade.

The study identifies a potential demand for about 500 new housing units in Hutchinson over the remainder of the decade (2004 to 2010, including a variety of housing options). We estimate that 80% to 85% of the demand will be for owned housing (415 to 445 new homes) and 15% to 20% for rental housing (80 to 110 units). Of the general occupancy rental demand, we believe that about 60% to 70% will be for market rate units. The study also identified demand through this decade for subsidized senior housing, active adult senior housing, and memory care/dementia senior housing. Detailed information regarding recommended housing concepts can be found in the *Conclusions and Recommendations* section at the end of the report.

We have enjoyed performing this study for you and are available should you have any questions or need additional information.

Sincerely,

MAXFIELD RESEARCH INC.

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

Mary Bujold
President

A handwritten signature in black ink that reads 'Matt Mullins'.

Matt Mullins
Senior Market Analyst

Attachment

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Purpose and Scope of the Study

- Maxfield Research Inc. was engaged by the Hutchinson Housing and Redevelopment Authority to analyze demographic trends, market factors that affect the demand for housing in Hutchinson, Minnesota and to project the number of units, and types of housing that can be supported in the community. This study estimates overall housing demand through 2010 and identifies the types of housing that should be developed to meet the needs of current and future residents through the remainder of this decade. This study is an update to a comprehensive housing study completed for the City of Hutchinson in July 2001.
- The scope of this study includes an analysis of growth trends and the demographic composition of the population and household base and an analysis of the current housing situation and inventory of pending housing developments. Those interviewed for this study include real estate agents, rental property owners and managers, civic and business leaders, and others familiar with the local housing market. Estimates of the demand for different types of housing and potential target markets are calculated, along with suggested appropriate development concepts.
- This report includes both primary and secondary research. Primary research includes interviews with real estate agents, rental property managers, and other housing professionals. Secondary research is credited to the source when used, and is usually data from the U.S. Census. Secondary research is always used as a basis for analysis, and is carefully reviewed in light of other factors that may impact projections such as residential building permit data or surveys of housing, major employers and local builders. All of the information on existing housing developments was gathered by Maxfield Research Inc. and is accurate to the best of our knowledge.

Demographic Analysis

- The primary draw area (Market Area) for housing in Hutchinson includes 13 townships and five small cities surrounding Hutchinson, an area extending roughly 8 to 18 miles from Hutchinson's border. This Market Area is the same as the previous study, completed in 2001.
- Between 1980 and 1990, Hutchinson's population grew by 2,279 persons (a 25% increase), from 9,244 persons in 1980 to 11,523 persons in 1990. This strong growth was fueled largely by growth at 3M and Hutchinson Technology. Population growth was slower during the 1990s, increasing by 1,557 persons (a 13.5% increase), to 13,080 persons in 2000. This growth, however, still outpaced the State's overall growth (12.4%).
- Household growth trends are typically a more accurate indicator of housing needs than population growth since a household is, by definition, an occupied housing unit. Hutchinson added 850 households during the 1990s (an increase of 19.0%), increasing its household base to 5,333 households as of 2000. The remainder of the Market Area added 363 households during the decade (an 8.7% increase), increasing its base to 4,559 households.

SUMMARY OF FINDINGS

- Population and household growth during the 1990s was fueled by employment growth in the County. McLeod County's labor force steadily increased from 17,876 persons in 1990 to 20,925 persons 1998, before declining to 19,406 persons in 2000. Similarly, the number of employed persons increased through 1998, but declined by over 8% in 2000. Between 2000 and 2003, the labor force has remained fairly steady, with a change of less than one percent in each of the last four years. Based on covered employment data in Table 4 and our employer interviews, this rise and fall in employment has been a reflection of employment level changes at Hutchinson Technology.
- We project that Hutchinson will continue to experience strong growth during the next decade, but at a somewhat slower rate than during the past decade. Our projections are that Hutchinson will grow by 717 households and 1,420 persons between 2000 and 2010. While the projected household growth is projected to be about 5% less than during the 1990s, population growth is projected to be about 3% less. This is due to the fact that household sizes will not decrease as significantly this decade as during the 1990s.
- The aging of the baby boomers will result in the greatest population gain over the next ten years being in the 45 to 54 and 55 to 64 age groups. Combined, these two age groups are projected to grow by 1,569 persons in the Market Area between 2000 and 2010, while the Market Area is projected to grow by only 1,131 persons. The growth of 45 to 64 year olds will be offset by losses among other age groups.
- There was a decline of seniors aged 65 to 74 during the 1990s, but that is projected to cease, with the population stabilizing at about 1,600 in 2000, but is then projected to increase by 107 people (6.7%) by 2010. Seniors ages 75 and over are projected to continue to increase by about 11% over the next six years, after growing by 20% during the 1990s. Seniors over age 75 are the primary market for age-restricted ("senior") housing, including independent and assisted living.
- According to the Census, Hutchinson added about 670 owner households and 180 renter households during the 1990s. Meanwhile, the remainder of the Market Area added 436 owner households, but lost about 73 renter households. This loss of renter households resulted from the combination of 1) no additional rental units were built, and 2) many single-family homes were converted from renter-occupied to owner-occupied.
- In 1990, the largest householder category in the Market Area was married couples with children (2,859 households), or one-third of all households. This group was just slightly ahead of married couples without children (2,720 households). By 2000, there were a greater number of married couples without children (3,161 households) than married couples with children (2,705 households). The increase in married couples without children is due in large part to the large number of baby boomers who have aged into their late-40s to early-50s and become empty nesters, as well as lifestyle changes.
- The City of Hutchinson issued 315 buildings permits for new construction between 2000 and 2003, resulting in 79 units annually. In the 1980's, the City issued 977 permits (98 units annually) and 1,051 permits in the 1990's (105 units annually).

SUMMARY OF FINDINGS

For-Sale Housing Analysis

- Approximately 15% of Hutchinson's housing stock was built prior to 1940, compared to 31% of the Remainder of the Market Area. Almost 40% of Hutchinson's housing stock was constructed since 1980.
- The median resale price of existing homes (including single-family and multifamily homes) in Hutchinson increased from about \$112,950 in 1999 to \$141,000 in 2003, a 6% annual increase. Through the first-half of 2004, the median resale price was \$143,400.
- The average sale price of homes in Hutchinson was \$148,482, or \$7,500 higher than the median. The difference between the average and median sale price indicates there are more higher-end homes skewing the average resale price
- In 2003, there were 259 resales in Hutchinson, down from 302 resales in 2002. However, the median sales prices increased by 13% between 2002 and 2003. Furthermore, the average time on market decreased between the two years, from 78 days in 2002 to 74 days in 2003.
- Based on the median price of \$141,000 in Hutchinson in 2003, a household's monthly payment (assuming zero down and principal/interest, insurance, and taxes) would be about \$1,020. The income required to afford a home at this price would be about \$47,000 to \$56,400, based on purchasing a home at 2.5 to three times income (and assuming they do not have a high level of debt or existing equity). In 2004, 51% (2,279 households) of Hutchinson's non-senior households had incomes greater than \$50,000, meaning that over half of non-senior households in Hutchinson can afford a median-priced home in the Market Area.
- There are a total of 126 homes in Hutchinson listed for-sale in August 2004. The average and median price of the homes listed for sale were \$193,251 and \$169,900, respectively. These are much higher than the average and median resale price of homes in Hutchinson in 2003 – by about 30% and 20% higher, respectively. Higher list prices may indicate current strong demand for homes in Hutchinson.
- The median price of new single-family homes built in Hutchinson was \$149,500 in 2003, an increase of \$39,000 (35.3%) since 2000. Through July 2004, the median price has increased to \$162,500, a 9% increase from 2003.
- Through year-end 2003, Hutchinson had a total of 217 vacant lots within 18 different subdivisions. Almost 200 of these lots are in subdivisions platted since 1999, representing about 90% of the lot supply.
- There are 13 active single-family subdivisions with a total of 273 available lots (excluding planned developments). Based on an average of about 63 homes built per year since 2000, this equates to a lot supply of 4.3 years. Including the 93 planned lots in the Summerset Third Addition results in a total of 366 available lots, or a 5 to 6 year lot supply. Maxfield Research Inc. believes that a three- to five-year supply of lots is an appropriate balance between providing adequate consumer choice and minimizing developers' carrying costs.

SUMMARY OF FINDINGS

- Lot prices at the active subdivision in Hutchinson are typically priced from about \$40,000 to \$60,000. Lot prices typically end up accounting for 25% to 30% of the price of a newly constructed home. However, lot prices have been closer to about 30% of the cost of the home in the past year.
- There are seven subdivisions marketing multifamily developments in Hutchinson. Combined, the subdivisions account for 321 units, 151 of which are available. Based on the average absorption of 16 units per year between 2000 and 2003, these 151 units would be absorbed in nine years. Due to the aging of the baby boom population, we estimate about 25 multifamily units could be absorbed annually, resulting in a six-year unit/lot supply.

Rental Housing Analysis

General-Occupancy Rental Market

- Since the completion of the previous study in 2001, there have been no market rate rental projects added in Hutchinson. Overall, there were 31 projects surveyed, with a total of 913 units. As of August 2004, there were 42 vacancies, translating into a vacancy rate of 4.6%. The majority of the vacancies were in two-bedroom units.
- The monthly rent for market rate units in August 2004 ranged from \$335 to \$375 for efficiency units, with an average of about \$359 per month. One-bedroom units ranged from \$265 to \$665 and averaged \$470 per month. Two-bedrooms ranged from \$375 to \$800 with an average of \$545 per month, while two-bedroom plus den/three-bedroom units ranged from \$475 to \$855, averaging about \$702 per month.
- We identified six general-occupancy subsidized projects in Hutchinson offering a total of 206 units. A total of three vacancies were reported by building managers, translating to a vacancy rate of 1.46%. In comparison, there were four vacancies in 2001, or a vacancy rate of 1.9%.
- Combined, the average rent paid by tenants at apartments financed through Rural Development is about \$315 to \$330 per month. Based on paying 30% of their adjusted gross income for rent, this would equate to an average annual income of about \$12,600 to \$13,200.

Senior Housing Market

- We identified six market rate senior rental housing projects in Hutchinson. These six projects have a total of 249 units with various levels of service – from independent to memory care. We identified another three subsidized senior projects in the City Hutchinson with a total of 178 units.
- Overall, there are 12 vacant units among the six market rate senior rental projects in Hutchinson, representing a vacancy rate of 4.8%. Generally a healthy senior housing market will

SUMMARY OF FINDINGS

have a vacancy rate of around 5.0% (independent projects) to 7.0% (assisted living or memory care projects) in order to allow for sufficient consumer choice and turnover.

- There are two planned senior housing projects in Hutchinson at this time. Welcome to Our Home, in conjunction with the Board of Social Ministry, is planning to construct a 50-unit independent building adjacent to The Oaks. Additionally, a planned senior condominium building to be called Community of Lakeridge will be located at the corner of Dale Street and Century Avenue.
- There are no vacancies among the three subsidized senior projects in Hutchinson, consistent with the 2001 study. Although there are no vacancies, seniors are usually able to move in within a few months on a waiting list.
- Residents at the three subsidized projects pay 30% of their adjusted gross income on rent. At Park Towers, the average rent paid was \$200. This would equate to an income of roughly \$8,000.

Housing Demand Analysis and Recommendations

- Based on demand generated from household growth and replacement need, we project demand for about 520 new housing units in Hutchinson between 2004 and 2010. It is important to note that in order for Hutchinson to realize this growth, a variety of housing options (both rental and ownership) at various price points will need to be developed.
- Based on demographic and market trends, we believe that 15% to 20% of demand over the next six years will be for rental housing (80 to 110 units); while the remaining 80% to 85% of the housing demand (415 to 445 units) will be for for-sale housing.
- Demand for senior housing varied by the level of services. The following summarizes 2004 senior housing demand calculations for the Hutchinson Market Area:

Active Adult	-	69 units
Congregate Independent Living	-	34 units
Assisted Living	-	11 units
Memory Care/Dementia	-	14 units
Subsidized/Affordable Senior Housing	-	22 units

- In the short-term, we believe that the most appropriate project to satisfy market rate senior demand in Hutchinson is an adult/few-services rental apartment. The development of planned congregate housing will absorb the demand for independent housing with services. Furthermore, the planned development of another senior condominium should meet the demand for seniors seeking a for-sale building through the remainder of this decade.

SUMMARY OF FINDINGS

- Although existing subsidized senior housing facilities in Hutchinson maintain high occupancies, we do not recommend the development of additional affordable senior housing in the short-term. However, due to the increasing demand for subsidized senior housing, we recommend the development of 30 to 36 units towards the end of this decade.
- Based on demand for approximately 80 to 110 rental units in Hutchinson through 2010, we recommend a building of 40 to 50 market-rate rental units later this decade; once the rental market demand has increased to a level to sufficient enough to support a new development without adversely affecting the existing market rate rental market. A portion of this rental demand could be for a more “up scale” project as well as some larger townhome units for families.
- Hutchinson currently has a supply of about 270 available lots. Based on the absorption of 50 lots per year, the existing lot supply would be depleted in five years. The general benchmark for a growing community is a lot supply of three-to five years, ensuring adequate consumer choice with excessively prolonging developer-carrying costs. The final phase of the Summerset 3rd Addition will bring another 93 lots on-line, extending the lot-supply for nearly two more years.
- Based on the success of Rolling Meadows and the planned Rolling Meadows East second phase, we believe that an additional subdivision geared toward entry-level homes should be pursued towards the end of this decade. We also recommend the continuation of the Hutchinson Home Purchase Opportunity Program (HHPOP) which has been very beneficial in helping moderate-income households become first-time homebuyers.
- We estimate demand for 275 to 290 single-family homes in Hutchinson between 2004 and 2010 – or about 47 new homes annually. To meet the demand for entry-level single-family homes over the remainder of the decade not satisfied by existing homes on the market, we recommend the development of 90 to 95 homes priced between \$125,000 and \$150,000. The remaining demand will be split between move-up homes (130 to 135 homes) priced between \$150,000 and \$250,000 and executive homes (55 to 60 homes) priced at \$250,000 and above.
- We estimate that Hutchinson can support the development of 130 to 140 multifamily units between 2004 and 2010 – or close to about 23 units per year. Based on home values of the existing housing stock, we believe that about 60% of the for-sale multifamily demand will be for units priced between \$125,000 and \$155,000. The remaining demand for 55 to 60 units will be for units priced between \$175,000 and \$225,000.

Introduction

This section of the report examines factors related to the current and future demand for both owner- and renter-occupied housing in Hutchinson, Minnesota. It includes an analysis of population and household growth trends and projections, projected age distribution, household income, household tenure, and employment data for the Hutchinson Market Area. A review of these characteristics will provide insight into the demand for various types of housing in the Market Area.

Market Area Definition

The primary draw area (Market Area) for housing in Hutchinson was defined based on traffic patterns, community and school district boundaries, and shopping patterns as indicated in our community interviews during the course of this study. The Market Area includes 13 townships and 5 small cities surrounding Hutchinson, an area extending roughly 8 to 18 miles from Hutchinson's border. These communities in the Market Area serve as "bedroom communities" for Hutchinson, although most commuters who work in Hutchinson and live outside of the city do so by choice. Some persons prefer a more rural atmosphere while others have attachments to the communities where they currently live or a spouse working in that community.

This Market Area is the same as the previous study, completed in 2001, and is shown on the map on the following page.

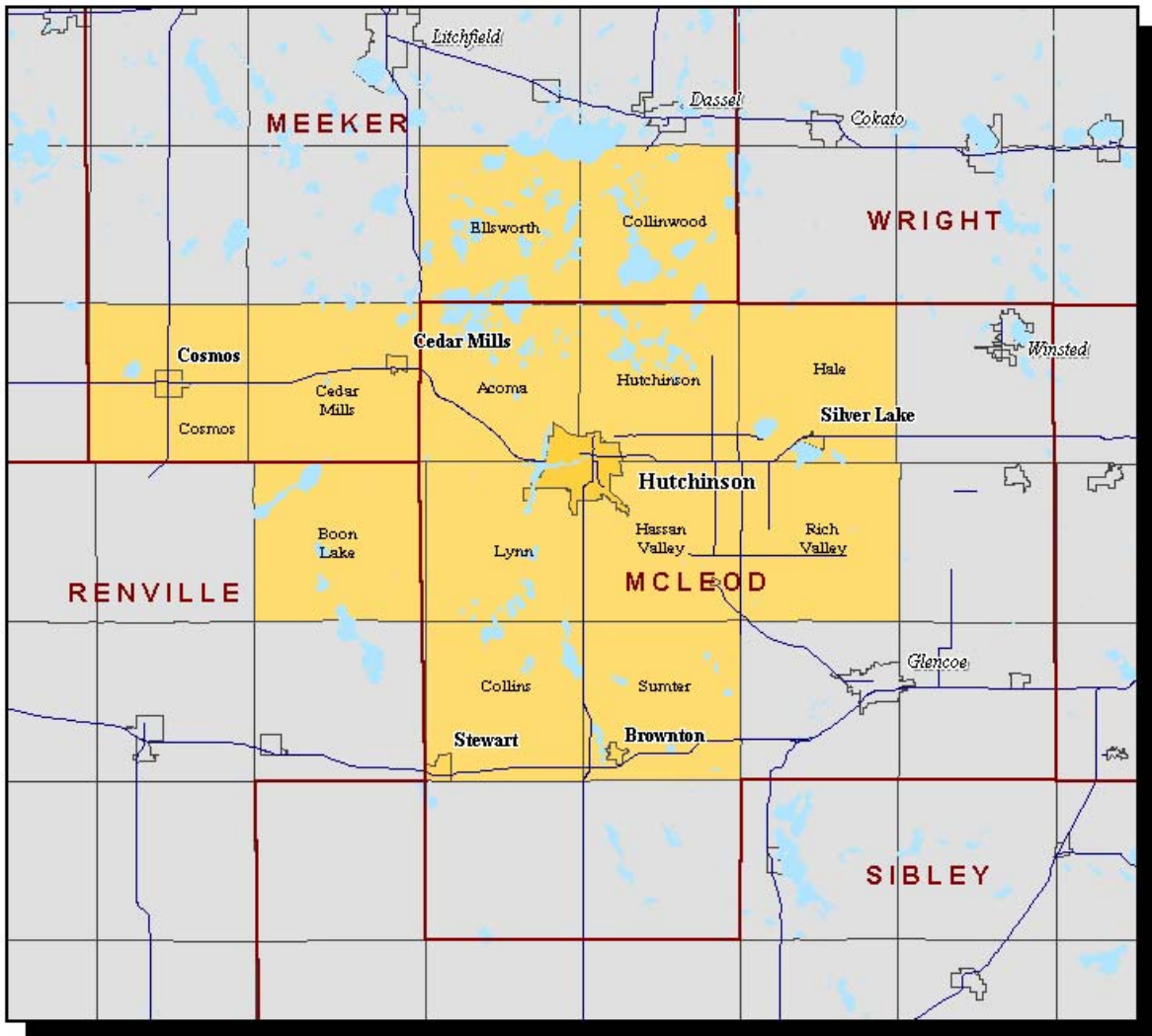
Population and Household Growth From 1980 to 2000

Tables 1 and 2 present the population and household growth, respectively, of each Market Area community for 1980, 1990, and 2000. The data is from the U.S. Census. Key findings from Tables 1 and 2 are:

Population

- Between 1980 and 1990, Hutchinson's population grew by 2,279 persons (a 24.7% increase), from 9,244 persons in 1980 to 11,523 persons in 1990. This strong growth was fueled largely by growth at 3M and Hutchinson Technology. Population growth was slower during the 1990s, increasing by 1,557 persons (a 13.5% increase), to 13,080 persons in 2000. This growth, however, still outpaced the State's overall growth (12.4%).
- While Hutchinson's population grew by almost 25% during the 1980s, the remainder of the Market Area grew by only 79 persons (0.7% increase) – to a total population of 11,949 in 1990. During the 1990s, however, the remainder of the Market Area grew by 410 persons, or by five times the growth seen during the 1980s.

Hutchinson Market Area



Maxfield Research Inc.

DEMOGRAPHIC ANALYSIS

- Overall, the Market Area added 1,967 persons during the 1990s, bringing the Market Area population to 25,439 persons in 2000. This was a growth rate of 8.4%, slightly lower than the State's growth rate (12.4%).

	U.S. Census			Change			
	1980	1990	2000	1980-1990		1990-2000	
	No.	No.	No.	No.	Pct.	No.	Pct.
Hutchinson	9,244	11,523	13,080	2,279	24.7	1,557	13.5
Remainder of Market Area							
Hassan Valley Twp.	926	786	832	-140	-15.1	46	5.9
Biscay	114	113	114	-1	-0.9	1	0.9
Hutchinson Twp.	1,090	1,069	1,120	-21	-1.9	51	4.8
Acoma Twp.	881	1,040	1,185	159	18.0	145	13.9
Lynn Twp.	693	734	604	41	5.9	-130	-17.7
Hale Twp.	1,004	992	957	-12	-1.2	-35	-3.5
Silver Lake	698	764	761	66	9.5	-3	-0.4
Rich Valley Twp.	817	701	727	-116	-14.2	26	3.7
Sumter Twp.	510	515	558	5	1.0	43	8.3
Stewart	616	566	564	-50	-8.1	-2	-0.4
Brownnton	697	781	807	84	12.1	26	3.3
Collins Twp.	518	495	476	-23	-4.4	-19	-3.8
Boon Lake Twp.	452	373	400	-79	-17.5	27	7.2
Cedar Mills	73	80	53	7	9.6	-27	-33.8
Cedar Mills Twp.	569	520	499	-49	-8.6	-21	-4.0
Cosmos	571	610	582	39	6.8	-28	-4.6
Cosmos Twp.	274	269	229	-5	-1.8	-40	-14.9
Ellsworth Twp.	632	697	854	65	10.3	157	22.5
Collinwood Twp.	735	844	1,037	109	14.8	193	22.9
Sub-total	11,870	11,949	12,359	79	0.7	410	3.4
Market Area Total	21,114	23,472	25,439	2,358	11.2	1,967	8.4
Minnesota	4,075,970	4,375,099	4,919,479	299,129	7.3	544,380	12.4
Sources: Census Bureau Maxfield Research Inc.							

DEMOGRAPHIC ANALYSIS

Households

- Household growth trends are typically a more accurate indicator of housing needs than population growth since a household is, by definition, an occupied housing unit.
- Hutchinson added 850 households during the 1990s (an increase of 19.0%), increasing its household base to 5,333 households as of 2000. The remainder of the Market Area added 363 households during the decade (an 8.7% increase), increasing its base to 4,559 households.

	U.S. Census			Change			
	1980	1990	2000	1980-1990		1990-2000	
				No.	Pct.	No.	Pct.
Hutchinson	3,496	4,483	5,333	987	28.2	850	19.0
Remainder of Market Area							
Hassan Valley Twp.	272	260	286	-12	-4.4	26	10.0
Biscay	39	40	45	1	2.6	5	12.5
Hutchinson Twp.	354	356	401	2	0.6	45	12.6
Acoma Twp.	280	330	387	50	17.9	57	17.3
Lynn Twp.	219	248	216	29	13.2	-32	-12.9
Hale Twp.	303	322	335	19	6.3	13	4.0
Silver Lake	287	322	330	35	12.2	8	2.5
Rich Valley Twp.	261	247	263	-14	-5.4	16	6.5
Sumter Twp.	172	166	184	-6	-3.5	18	10.8
Stewart	263	230	241	-33	-12.5	11	4.8
Brownton	277	304	313	27	9.7	9	3.0
Collins Twp.	166	173	179	7	4.2	6	3.5
Boon Lake Twp.	137	130	151	-7	-5.1	21	16.2
Cedar Mills	25	26	26	1	4.0	0	0.0
Cedar Mills Twp.	181	171	177	-10	-5.5	6	3.5
Cosmos	212	234	240	22	10.4	6	2.6
Cosmos Twp.	90	91	93	1	1.1	2	2.2
Ellsworth Twp.	214	248	328	34	15.9	80	32.3
Collinwood Twp.	371	298	364	-73	-19.7	66	22.1
Sub-total	4,123	4,196	4,559	73	1.8	363	8.7
Market Area total	7,619	8,679	9,892	1,060	13.9	1,213	14.0
Minnesota	1,445,222	1,647,853	1,895,127	202,631	14.0	247,274	15.0
Sources: Census Bureau Maxfield Research Inc.							

DEMOGRAPHIC ANALYSIS

- Household growth rates outpaced population growth in the Market Area during both the 1980s and 1990s. In fact, the absolute number of households in the remainder of the Market Area surpassed population growth during the 1980s. This is the result of fewer persons in each household, caused by demographic and social trends such as increasing divorce rates, an increasing senior base, and couples' decisions to have fewer children or no children at all.

Employment Trends

Since employment growth generally fuels household growth, employment trends are a reliable indicator of housing demand. Typically, households prefer to live near work for convenience. However, housing is often less expensive in smaller towns, making commuting from outlying communities to work in larger employment centers attractive for households concerned about housing affordability.

Recent employment growth trends for McLeod County are shown in Tables 3 and 4. Table 3 presents resident employment data for the County from 1990 through 2003. Resident employment data is calculated as an annual average *and reveals the work force and number of employed persons living in the County*. It is important to note that not all of these individuals necessarily work in the County. Table 4 presents covered employment in the County from 2000 through 2003. Covered employment data is calculated as an annual average *and reveals the number of jobs in the County*, which are covered by unemployment insurance. Most farm jobs, self-employed persons, and some other types of jobs are not covered by unemployment insurance and are not included in the covered employment data provided by the Minnesota Department of Economic Security.

The following are key trends derived from the employment data:

Resident Labor Force

- McLeod County's labor force steadily increased from 17,876 persons in 1990 to 20,925 persons in 1998, before declining to 19,406 persons in 2000. Similarly, the number of employed persons increased through 1998, but declined by over 8% in 2000. Between 2000 and 2003, the labor force has remained fairly steady, with a change of less than one percent in each of the last four years. Based on covered employment data in Table 4 and our employer interviews, this rise and fall in employment has been a reflection of employment level changes at Hutchinson Technology.
- Between 1994 and 2001, the unemployment rate in the County has been below 4.0%, with a low of 2.8% in 1998. Between those years, the unemployment rate was lower than the State of Minnesota's. While the unemployment rate was still below 4.0% in 2000 and 2001, it was higher than Minnesota's rate (3.3%). In 2002, the unemployment rate increased to 4.5%, with an 18% increase of unemployed persons from the year before. In 2003, the unemployment rate increased to 5.0%, the highest it has been in the last decade. One of the main reasons for the slowdown in McLeod County, as well as the Nation's economy, is due to the September 11th attacks in 2001.

TABLE 3 RESIDENT EMPLOYMENT MCLEOD COUNTY 1990 through 2003					
Year	Labor Force	Employed	Unemployed	Rate	Minnesota Unemployment Rate
1990	17,876	17,097	779	4.4%	4.9%
1991	18,364	17,533	831	4.5%	5.1%
1992	18,532	17,553	979	5.3%	5.2%
1993	19,230	18,219	1,011	5.3%	5.1%
1994	20,043	19,267	776	3.9%	4.0%
1995	20,020	19,310	710	3.5%	3.7%
1996	20,712	19,911	801	3.9%	4.0%
1997	20,816	20,145	671	3.2%	3.3%
1998	20,925	20,340	585	2.8%	2.5%
1999	20,241	19,578	663	3.3%	2.8%
2000	19,406	18,646	760	3.9%	3.3%
2000	19,599	18,832	767	3.9%	3.3%
2001	19,659	18,906	753	3.8%	3.7%
2002	19,842	18,954	888	4.5%	4.4%
2003	19,744	18,757	987	5.0%	5.0%
Change 1990-2000					
Number	1,530	1,549	-19	--	--
Percent	8.6%	9.1%	-2.4%	--	--
Change 2000-2003					
Number	145	-75	220	--	--
Percent	0.7%	-0.4%	28.7%	--	--
Sources: Minnesota Department of Economic Security Maxfield Research Inc.					

Covered Employment by Industry

- A comparison of Tables 3 and 4 show that in 2003, the number of jobs (18,757) was roughly the same as the number of employed persons (17,153) in McLeod County. This indicates that many County residents are also employed in the County and that there is roughly equal in-migration of non-resident workers into the County for jobs and out-migration of residents to jobs outside of the County.
- The Manufacturing Sector accounted for nearly 36% of the County’s jobs in 2003, which is a far greater percentage than most counties in the State. Statewide, manufacturing jobs account for only 13% of all jobs. The City’s two largest employers, Hutchinson Technology and 3M, contribute to McLeod County’s sizable manufacturing base. The Trade, Transportation, & Utilities (TTU) and Education & Health Service Sectors accounted for 19.2% and 18.4% of the remaining jobs in McLeod County, respectively.

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- Manufacturing Sector jobs increased from 6,643 jobs in 1990 to a peak of 9,399 jobs in 1998. However, manufacturing jobs decreased to 7,484 jobs in 2000 and have been decreasing in each of the last three years. In 2003, there were 6,109 manufacturing jobs, an -18.4% decrease from 2000. This loss mirrors the decrease in employed persons in the County, shown in Table 3.
- Between 2000 and 2003, the number of jobs decreased by -891, a -5.0% decrease. Manufacturing lost, by far, the greatest number of jobs (-1,375 jobs) between 2000 and 2003, while Professional and Business Services lost the second most jobs, with -58 (-9.3%). There were only two other sectors; TTU and Financial Activities, that decreased in jobs, with -20 (-.6%) and -25 (-5.4%) jobs, respectively. The Other Services Sector grew the fastest (17%), while Education and Health Services increased by the most jobs (392), a 14.2% increase between 2000 and 2003.

TABLE 4
COVERED EMPLOYMENT BY INDUSTRY
McLEOD COUNTY
Annual Average 2000-2003

	Employment								Change							
	2000		2001		2002		2003		2000-2001		2001-2002		2002-2003		2000 - 2003	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
<i>McLeod County</i>																
Agriculture ¹	194	1.1	207	1.2	225	1.3	206	1.2	13	6.7	18	8.0	-19	-9.8	12	6.2%
Construction	778	4.3	743	4.3	786	4.6	798	4.7	-35	-4.5	43	5.5	12	1.5	20	2.6%
Manufacturing	7,484	41.5	6,790	38.9	6,236	36.1	6,109	35.6	-694	-9.3	-554	-8.9	-127	-1.7	-1,375	-18.4%
TTU ²	3,313	18.4	3,196	18.3	3,299	19.1	3,293	19.2	-117	-3.5	103	3.1	-6	-0.2	-20	-0.6%
Information	202	1.1	196	1.1	206	1.2	208	1.2	-6	-3.0	10	4.9	2	1.0	6	3.0%
Financial Activities	461	2.6	451	2.6	432	2.5	436	2.5	-10	-2.2	-19	-4.4	4	0.9	-25	-5.4%
Pro. & Bus. Services	622	3.4	531	3.0	515	3.0	564	3.3	-91	-14.6	-16	-3.1	49	7.9	-58	-9.3%
Edu. & Health Services	2,769	15.3	3,059	17.5	3,139	18.2	3,161	18.4	290	10.5	80	2.5	22	0.8	392	14.2%
Leisure & Hospitality Svcs.	1,263	7.0	1,283	7.4	1,341	7.8	1,332	7.8	20	1.6	58	4.3	-9	-0.7	69	5.5%
Other Services	435	2.4	463	2.7	522	3.0	509	3.0	28	6.4	59	11.3	-13	-3.0	74	17.0%
Government	523	2.9	520	3.0	562	3.3	537	3.1	-3	-0.6	42	7.5	-25	-4.8	14	2.7%
Total	18,044	100.0	17,439	100.0	17,263	100.0	17,153	100.0	-605	-3.4	-176	-1.0	-110	-0.6	-891	-4.9%

¹ Agriculture includes Forestry, Fishing, and Mining.
² TTU includes Trade, Transportation, and Utilities.

Sources: MN Workforce Center; Maxfield Research Inc.

Major Employer Interviews

Maxfield Research Inc. interviewed representatives of the larger employers in Hutchinson in August and September 2004. The interviews covered topics such as recent trends in job growth, job types, average hourly wages or annual salaries, annual turnover, and projected job growth. Representatives were also asked to provide information about their individual and company concerns regarding current housing issues in the area, most specifically relating to current availability and pricing. Interviews with the area's largest employers not only provide data regarding commercial job growth, but also reveal employer attitudes and perceptions regarding housing demand in the area.

Table 5 displays major employers in Hutchinson and the number of total persons employed. It should be noted that not all of these employers participated in the interviews. The following are key points from our interviews with the major employers.

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- The 14 employers as illustrated in Table 5, all employ at least 100 people. Combined, the companies have a total of 6,113 employees, or about one-third of the total employment in McLeod County (See Table 3).

Name	Product/Service	Total Employees
Hutchinson Technology Inc (HTI)	Computer & Peripheral Equip. Manufacturing	1,791
3M Corp	Other Misc. Manufacturing	1,781
Hutchinson Area Health Care	General Medical & Hospital	686
Wal-Mart	Department Stores	400
Hutchinson Schools ISD #423	Elementary & Secondary Schools	350
Cash Wise Foods	Grocery Stores	240
Menards	Home Improvement Store	160
Hutchinson Medical Center	Offices of Physicians	140
Goebel Fixture Co.	Other Wood Product Manufacturing	125
Target	Department Stores	120
Hutchinson Mfg. Sales Inc.	Machine Shop	110
Shopko	Department Stores	110
City of Hutchinson	Government	100
Note: Employment figure were obtained from the MN Dept. of Economic Security		
Source: Maxfield Research Inc.		

- Employers were questioned regarding past and expected future growth in their number of employees. Hutchinson Technology Inc. (“HTI”) is Hutchinson’s largest employer with approximately 2,000 employees in September 2004. Although the employment numbers have fluctuated over the years, the company is expected to add about 120 higher paying engineering and technical jobs in the next year. Almost all of these professional employees are recruited to Hutchinson and have starting wages of about \$50,000 annually. It is estimated about one-half of these new employees will seek for-sale housing, with the other half preferring rental. Production jobs at the plant range from \$10.00 to \$13.000 per hour.
- A number of businesses have employees that commute to Hutchinson, usually less than 20 miles to Hutchinson. It is estimated that approximately 30% of the work force in the Hutchinson Public Schools reside outside of Hutchinson. Many first-year teachers choose to live outside of Hutchinson for affordability reasons. Wal-Mart human resources personnel estimates about 50% of the employees in the Hutchinson store do not live in Hutchinson and Goebel Fixtures estimates that 40% of their workers commute. 3M estimates about one-half of their employees commute to Hutchinson, with a draw area of about 60-miles.

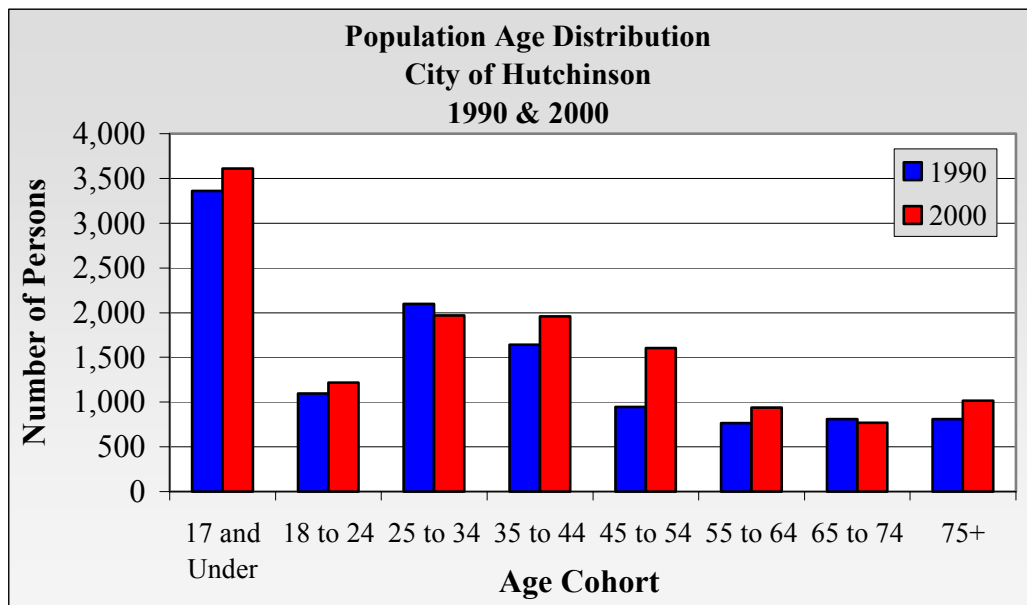
DEMOGRAPHIC ANALYSIS

- The majority of employers estimate their workforce will remain very stable in the next three to five years. Hans, Inc., an assembler of 3M products, projects a decline in employment as more and more assembly work gets shipped overseas. Nearly all of their 54 employees are seniors who live in Hutchinson, most earning minimum wage and relying on subsidized rental housing.
- HTI and 3M remain Hutchinson's largest employers, with 1,791 and 1,781 employees, respectively in August 2004. Combined, HTI and 3M account for one-half of the total employees among the major employers surveyed in Table 5.
- The Hutchinson Area Health Care Facility, which also includes the Burns Manor Nursing Home and Dassel Medical Center, employs approximately 685 persons and is managed by the Allina Health System. The hospital is in the process of a \$14 million expansion and renovation in order to meet growing demand for services. According to the hospital's growth projections, the number of inpatient admissions is expected to rise by 50% between 2001 and 2006. Therefore, additional staff has, and will continue to be added to accommodate this growing need.
- Based on our interviews, we estimate that, overall, production jobs at the primary employers have an average hourly wage of about \$15.00 per hour (or \$31,200 per year). Production jobs tend to range between \$12.00 and \$25.00 per hour, depending on the experience and years of service.
- Wages in the community have a direct bearing on the financial ability of residents to afford different types and price levels of housing. Households with an income of \$31,200 could afford monthly housing costs of \$780, based on spending on 30 percent of their gross income on housing.
- Considering a household with an annual income of \$31,200, and using the industry standard that a household can afford to pay 2.5 to three times their household income for owner-occupied housing (assuming they have limited debt and not including equity), a household with this income could afford a home priced at \$78,000 to \$93,600. Many households in Hutchinson have two incomes, however. Using the same affordability standard, a household with two persons each earning \$31,200 annually could afford a home priced from \$156,000 to \$187,200.
- The majority of persons interviewed felt housing is not a problem for new employees or for employee retention. Although some employers felt housing costs are increasing rapidly in Hutchinson, it has not deterred new employees from relocating to Hutchinson.

Age Distribution in 1990 and 2000

Age distribution affects demand for different types of housing since needs and desires change at different stages of the life cycle. Table 6 shows the distribution of persons within eight age groups for Hutchinson and the remainder of the Market Area in 1990 and 2000. The following are key points from the table.

- With the exception of the 25 to 34 year olds and persons ages 65 to 74, every age group in the Market Area increased in population during the 1990s. These growth rates are typical of many communities nationwide. The youngest of the baby boomers (persons born between 1946 and 1964) were age 26 in 1990. As they aged during the 1990s, they were replaced by baby busters (persons born between 1965 and 1976 – a period of lower birth rates), resulting in declines within the 25 to 34 year age cohort. The 65 to 74 year age group also declined during the decade, primarily because starting in about 1995, it became increasingly comprised of persons born during the depression – also a period of lower birth rates.



- The Market Area’s population of 25 to 34 year olds, which consists primarily of renters and first-time homebuyers, decreased by about 12% between 1990 and 2000.
- During the 1990s, younger baby-boomers (those ages 25 to 34 in 1990) aged into their mid-30s to early-40s, fueling a high level of demand for owner-occupied housing. Persons in this age cohort primarily occupy single-family homes, as many households in this group have children. Meanwhile, older baby-boomers (those ages 35 to 45 in 1990) aged into their mid-40s to early 50s. This trend has fueled demand for alternative housing options, particularly townhomes, because many older adults opt to downsize from single-family homes due to decreasing space needs and other lifestyle changes.

**TABLE 6
AGE DISTRIBUTION
HUTCHINSON MARKET AREA
1990 to 2000**

Persons Age:	Hutchinson			Rem. of Market Area			Market Area Total		
	1990	2000	Change	1990	2000	Change	1990	2000	Change
17 and Under	3,360	3,611	251	3,520	3,346	-174	6,880	6,957	77
18 to 24	1,095	1,217	122	844	771	-73	1,939	1,988	49
25 to 34	2,098	1,969	-129	1,687	1,359	-328	3,785	3,328	-457
35 to 44	1,643	1,957	314	1,776	2,110	334	3,419	4,067	648
45 to 54	946	1,604	658	1,313	1,842	529	2,259	3,446	1,187
55 to 64	765	938	173	1,029	1,270	241	1,794	2,208	414
65 to 74	808	768	-40	1,033	826	-207	1,841	1,594	-247
75+	808	1,016	208	747	835	88	1,555	1,851	296
Total	11,523	13,080	1,557	11,949	12,359	410	23,472	25,439	1,967

Percent Age:	Hutchinson			Rem. of Market Area			Market Area Total		
	% of Pop. 1990	% of Pop. 2000	% Change	% of Pop. 1990	% of Pop. 2000	% Change	% of Pop. 1990	% of Pop. 2000	% Change
17 and Under	29.2	27.6	7.5	29.5	27.1	-4.9	29.3	27.3	1.1
18 to 24	9.5	9.3	11.1	7.1	6.2	-8.6	8.3	7.8	2.5
25 to 34	18.2	15.1	-6.1	14.1	11.0	-19.4	16.1	13.1	-12.1
35 to 44	14.3	15.0	19.1	14.9	17.1	18.8	14.6	16.0	19.0
45 to 54	8.2	12.3	69.6	11.0	14.9	40.3	9.6	13.5	52.5
55 to 64	6.6	7.2	22.6	8.6	10.3	23.4	7.6	8.7	23.1
65 to 74	7.0	5.9	-5.0	8.6	6.7	-20.0	7.8	6.3	-13.4
75+	7.0	7.8	25.7	6.3	6.8	11.8	6.6	7.3	19.0
Total	100.0	100.0	13.5	100.0	100.0	3.4	100.0	100.0	8.4

Sources: US Census Bureau
Maxfield Research Inc.

- The social changes that occurred with the aging of the baby boom generation, such as higher divorce rates, higher levels of education, and lower birth rates has led to a greater variety of lifestyles than existed in the past – not only among the baby boomers, but also among their parents and children. The increased variety of lifestyles has fueled demand for alternative housing products to the single-family homes. Seniors, in particular, and middle-aged persons tend to do more traveling and participate in more activities than previous generations, and they increasingly prefer maintenance-free housing that enables them to spend more time on activities outside the home.
- The leading edge of baby boomers began moving into the 45 to 54 age group in the early-1990s, resulting in this age group’s population increasing by 52.5% between 1990 and 2000 in the Market Area. Since persons in the 45 to 54 age group are a primary market for move-up single-family homes, demand for new move-up homes was strong in Hutchinson during the 1990s.

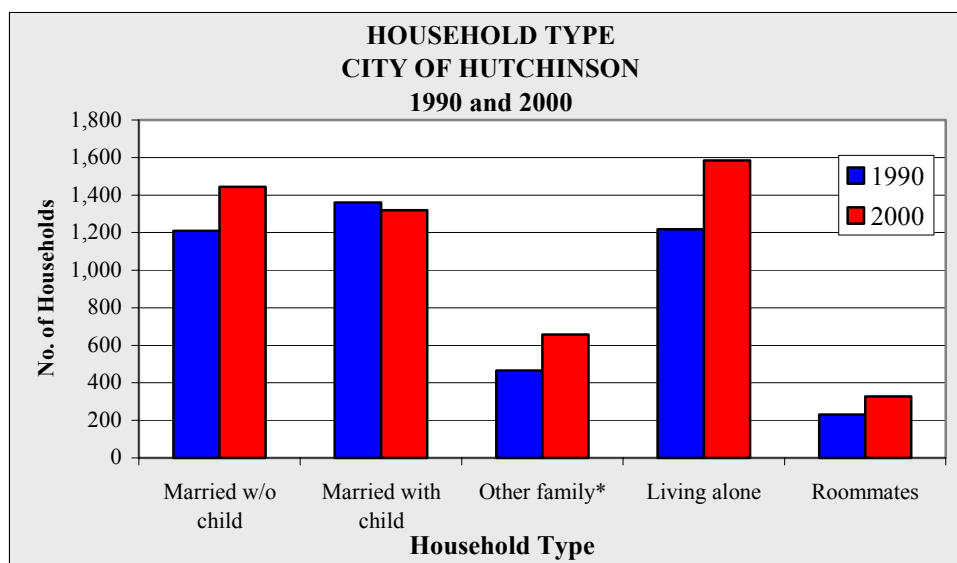
DEMOGRAPHIC ANALYSIS

- While the number of younger seniors (65 to 74) decreased during the 1990s, older seniors (75 and over) saw significant growth in the Market Area, increasing by 19.0%. Seniors over age 75 are the primary market for age-restricted (“senior”) housing, including independent and assisted living.

Household Type in 1990 and 2000

As with age distribution, the trends in types of households have an impact on demand for different types of housing. Table 7 presents data on the types of households in the Market Area in 1990 and 2000. The different categories of families: including married-couple families with children (so-called "traditional" families), married couples without children (mostly empty nesters, but also young marrieds who have not yet had children or will never have children), and other-family households, such as single parents. Non-family households include persons living alone and roommates (unrelated individuals living together, including unmarried couples). The following are key findings from the table.

- In 1990, the largest householder category in the Market Area was married couples with children (2,859 households), or one-third of all households. This group was just slightly ahead of married couples without children (2,720 households). By 2000, there were a greater number of married couples without children (3,161 households) than married couples with children (2,705 households). The increase in married couples without children is due in large part to the large number of baby boomers who have aged into their late-40s to early-50s and have become empty nesters, as well as lifestyle changes.



*Other family households are primarily single-parent households

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**TABLE 7
MARKET AREA HOUSEHOLD TYPE
HUTCHINSON MARKET AREA
1990 & 2000**

Number of Households	Total HH's		Family Households						Non-Family Households			
			Married w/o Child		Married w/ Child		Other *		Living Alone		Roommates	
	1990	2000	1990	2000	1990	2000	1990	2000	1990	2000	1990	2000
Hutchinson	4,483	5,333	1,209	1,444	1,361	1,319	465	658	1,217	1,585	231	327
Rem.of Market Area	4,196	4,559	1,511	1,717	1,498	1,386	314	391	765	897	108	168
Market Area Total	8,679	9,892	2,720	3,161	2,859	2,705	779	1,049	1,982	2,482	339	495
McLeod County	11,815	13,449	3,657	4,233	3,895	3,731	1,059	1,469	2,759	3,358	445	658
Percent of Total												
Hutchinson	100.0	100.0	27.0	27.1	30.4	24.7	10.4	12.3	27.1	29.7	5.2	6.1
Rem.of Market Area	100.0	100.0	36.0	37.7	35.7	30.4	7.5	8.6	18.2	19.7	2.6	3.7
Market Area Total	100.0	100.0	31.5	32.0	33.1	27.3	9	10.6	22.5	25.1	3.9	5.0
<i>McLeod County</i>	<i>100.0</i>	<i>100.0</i>	<i>31.0</i>	<i>31.5</i>	<i>33.0</i>	<i>27.7</i>	<i>9</i>	<i>10.9</i>	<i>23.4</i>	<i>25.0</i>	<i>3.8</i>	<i>4.9</i>
<i>Minnesota</i>	<i>100.0</i>	<i>100.0</i>	<i>28.4</i>	<i>28.5</i>	<i>28.8</i>	<i>25.2</i>	<i>11.4</i>	<i>12.5</i>	<i>25.1</i>	<i>26.9</i>	<i>6.3</i>	<i>6.9</i>
Change												
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Hutchinson	850	19.0%	235	19.4%	-42	-3.1%	193	41.5%	368	30.2%	96	41.6%
Rem.of Market Area	363	8.7%	206	13.6%	-112	-7.5%	77	24.5%	132	17.3%	60	55.6%
Market Area Total	1,213	14.0%	441	16.2%	-154	-5.4%	270	34.7%	500	25.2%	156	46.0%
McLeod County	1,634	13.8%	576	15.8%	-164	-4.2%	410	38.7%	599	21.7%	213	47.9%
* Single-parent families												
Source: US Census Bureau												

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- While the number of married couples with children in the Market Area declined by -154 households during the 1990s, single parent families (other family households in Table 7) increasing by 270 households. This shift in household type is the result of overall lifestyle changes, which also resulted in non-family roommate households becoming the fastest growing household type during the decade.
- To some extent, differences between Hutchinson and the remainder of the Market Area reflect the availability of a wider range of housing options in Hutchinson compared to the rural areas. For example, non-family householders tend to rent their housing more so than the other categories. This category includes many elderly widows as well as young persons. Young people typically do not have sufficient incomes to purchase housing, while single seniors are more likely to move to multifamily housing to shed the burden of home maintenance and to have more opportunities for socialization. About 36% of Hutchinson's households were non-family households in 2000, while only 24% of the remainder of the Market Area's households was non-family. This reflects the availability of multifamily rental housing in Hutchinson.
- Non-family and other-family households in the Market Area increased during the 1990s. These trends should continue, as more baby boomer householders become empty nesters and the number of younger householders increases. The result will be a sustained demand for rental housing and other non-traditional housing alternatives.

Household Tenure

Table 8 presents the change in tenure (owner versus renter) by age of householder of Market Area households between 1990 and 2000. This data is useful in determining demand for certain types of housing since housing preferences change throughout an individual's life cycle.

The following are key findings from Table 8.

- During the 1990s, owner households increased at nearly twice the rate of renter households (22% versus 12%). Two primary reasons account for this reversal during the 1990s, the tail-end of the baby boomers (the youngest was age 26 in 1990) aged into their first-time home-buyer years. Secondly, low home mortgage rates during the late 1990s made homeownership more affordable.
- According to the Census, Hutchinson added about 670 owner households and 180 renter households during the 1990s. Meanwhile, the remainder of the Market Area added 436 owner households, but lost about 73 renter households. This loss of renter households resulted from the combination of 1) no additional rental units were built, and 2) many single-family homes were converted from renter-occupied to owner-occupied.

DEMOGRAPHIC ANALYSIS

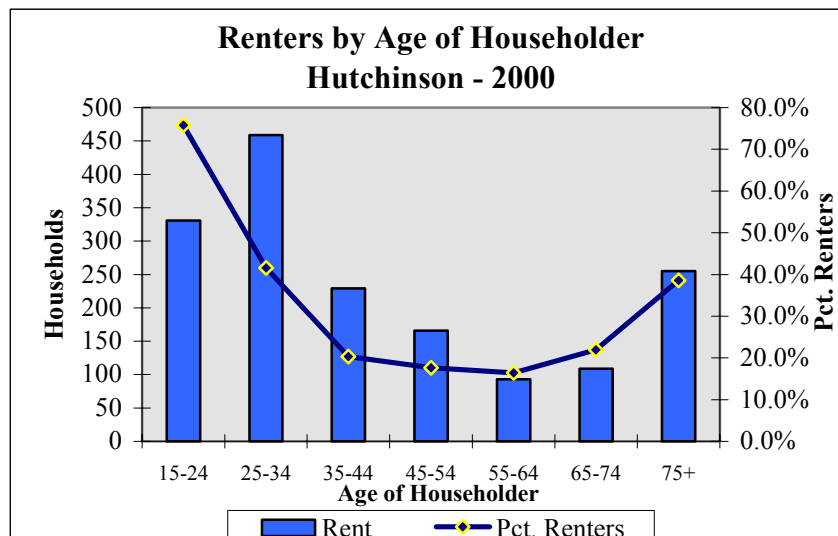
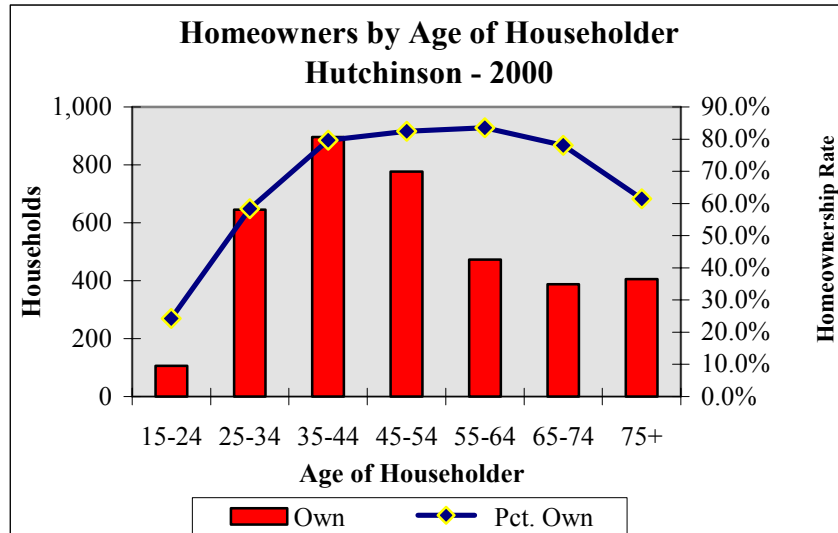
**TABLE 8
TENURE BY AGE OF HOUSEHOLDER
HUTCHINSON MARKET AREA
1990 to 2000**

	Age of Householder															
	15-24		25-34		35-44		45-54		55-64		65-74		75+		Total	
	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent	Own	Rent
2000																
Hutchinson	106	331	645	459	896	229	777	166	473	93	388	109	406	255	3,691	1,642
<i>Pct. Own</i>	24.3%		58.4%		79.6%		82.4%		83.6%		78.1%		61.4%		69.2%	
Rem. of Market Area	71	43	503	110	1,014	96	928	57	680	28	459	40	425	105	4,080	479
<i>Pct. Own</i>	62.3%		82.1%		91.4%		94.2%		96.0%		92.0%		80.2%		89.5%	
Market Area Total	177	374	1,148	569	1,910	325	1,705	223	1,153	121	847	149	831	360	7,771	2,121
<i>Pct. Own</i>	32.1%		66.9%		85.5%		88.4%		90.5%		85.0%		69.8%		78.6%	
1990																
Hutchinson	81	311	660	495	739	168	461	81	372	62	391	134	319	209	3,023	1,460
<i>Pct. Own</i>	20.7%		57.1%		81.5%		85.1%		85.7%		74.5%		60.4%		67.4%	
Rem. of Market Area	55	58	605	166	793	102	675	42	536	30	561	61	419	93	3,644	552
<i>Pct. Own</i>	48.7%		78.5%		88.6%		94.1%		94.7%		90.2%		81.8%		86.8%	
Market Area Total	136	369	1,265	661	1,532	270	1,136	123	908	92	952	195	738	302	6,667	2,012
<i>Pct. Own</i>	26.9%		65.7%		85.0%		90.2%		90.8%		83.0%		71.0%		76.8%	
Percentage Change 1990 to 2000																
Hutchinson	31%	6%	-2%	-7%	21%	36%	69%	105%	27%	50%	-1%	-19%	27%	22%	22%	12%
Rem. of Market Area	29%	-26%	-17%	-34%	28%	-6%	37%	36%	27%	-7%	-18%	-34%	1%	13%	12%	-13%
Market Area Total	30%	1%	-9%	-14%	25%	20%	50%	81%	27%	32%	-11%	-24%	13%	19%	17%	5%

Sources: Bureau of the Census, Maxfield Research Inc.

DEMOGRAPHIC ANALYSIS

- The significantly higher homeownership rates in the remainder of the Market Area (89.5%) compared to Hutchinson (69.2%) reflects the rural character of the area, where traditional agricultural land use and lack of infrastructure typically cannot support higher density rental housing. In addition, homeownership is more feasible in outlying rural areas because the cost of owning a single-family home is typically lower than in communities the size of Hutchinson or larger. Furthermore, rental demand is less in rural areas because a large percentage of younger households, who are primarily renters, migrate to urban areas, such as Hutchinson.



DEMOGRAPHIC ANALYSIS

- The proportion of renter households decreases significantly as households age. However, by the time households reach their senior years, rental housing often becomes a more desirable option than homeownership. In 2000, 76% of Hutchinson's households between the ages of 15 and 24 rented their housing, compared to 42% of households between the ages of 25 and 34. Householders between 35 and 64 were overwhelmingly homeowners, with no more than 20% of the householders in each 10-year age cohort renting their housing.
- Although the propensity for households age 15 to 24 to rent their housing is higher, the 25 to 34 age group had the largest number of renters (459) in 2000. These renters, along with older renters, are the primary market for upper-end rental units.
- The greatest gain of households in the Market Area was among those ages 35 to 54, as shown in Table 8. The overall Market Area increased by 50% owners and about 80% renters from 1990. The City of Hutchinson increased by about 70% owners and 105% renters. The majority of these households (87%) owned their housing in 2000. As shown in Tables 11 and 12, householders ages 35 to 54 also have the highest median incomes in Hutchinson. Thus, most of these households are in the market for move-up housing.
- The only age cohorts to lose households between 1990 and 2000 in Market Area were the 25 to 34 (a loss of 209 households, a -12% decrease) and the 65 to 74 age cohorts (a loss of -151 households, a 15% decrease). The decline of 25 to 34 year olds would indicate a weakening demand for starter homes, while the declines in the 65 to 74 age cohort likely will have a modest impact on demand for townhomes and rental units.

Population and Household Projections

Table 9 displays our population and household growth projections for the Market Area through 2010. The 2005 and 2010 population projections were accumulated from Minnesota Planning, while household projections were adjusted by Maxfield Research. Household projections are of particular importance in estimating future housing demand, since households are occupied housing units. The following are key findings from Table 10.

- We project that Hutchinson will continue to experience strong growth during the next decade, but at a somewhat slower rate than during the past decade. We project that Hutchinson will grow by 717 households and 1,420 persons between 2000 and 2010. While the projected household growth is projected to be about 5% less than during the 1990s, population growth is projected to be about 3% less. This is due to the fact that household sizes will not decrease as significantly this decade as during the 1990s.
- Since households are occupied housing units, a growth of 717 households between 2000 and 2010 would require an equal number of available units to accommodate the new households.

DEMOGRAPHIC ANALYSIS

- During the 1990s, the population in the Remainder of the Market Area decreased by about 150 persons (-1.3%). It is projected to increase by nearly 975 people (8.2%) between 2000 and 2010. Household growth in the Remainder of the Market Area will be about the same between 2000 and 2010 as it was during the 1990s, increasing by 410 households (9.0%).
- The total Market Area population is projected to increase at a slightly higher rate between 2000 and 2010 than it did during the 1990s. The Market Area is expected to increase by nearly 2,400 people (9.6%) by 2010, for a total of 27,271 people. Household growth is projected to increase by 1,127 households (11.4%) in 2010, slightly slower than the growth rate during the 1990s (14.0%).

TABLE 9
POPULATION AND HOUSEHOLD GROWTH TRENDS AND PROJECTIONS
HUTCHINSON MARKET AREA
1990 to 2010

	Census		Projection		Change				
	1990	2000	2005	2010	1990 to 2000		2000 to 2010		
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	
Population									
Hutchinson	11,523	13,080	13,775	14,500	1,557	13.5%	1,420	10.9%	
Rem. of Market Area	11,949	11,798	12,523	12,771	-151	-1.3%	973	8.2%	
Market Area Total	23,472	24,878	26,298	27,271	1,406	6.0%	2,393	9.6%	
Households									
Hutchinson	4,483	5,333	5,700	6,050	850	19.0%	717	13.4%	
Rem. of Market Area	4,196	4,559	4,775	4,969	363	8.7%	410	9.0%	
Market Area Total	8,679	9,892	10,475	11,019	1,213	14.0%	1,127	11.4%	
Sources: Minnesota Planning Maxfield Research Inc.									

Projected Age Distribution

Table 10 shows the projected age distribution of the Market Area population through 2010. The 1990 and 2000 age distribution is from the U.S. Census, while the projected 2010 age distribution was based on data by Claritas Inc. and adjusted by Maxfield Research. Age distribution trends affect demand for different types of housing since needs and desires are different at different stages of the life cycle. The following are key findings about the Market Area's projected age distribution:

DEMOGRAPHIC ANALYSIS

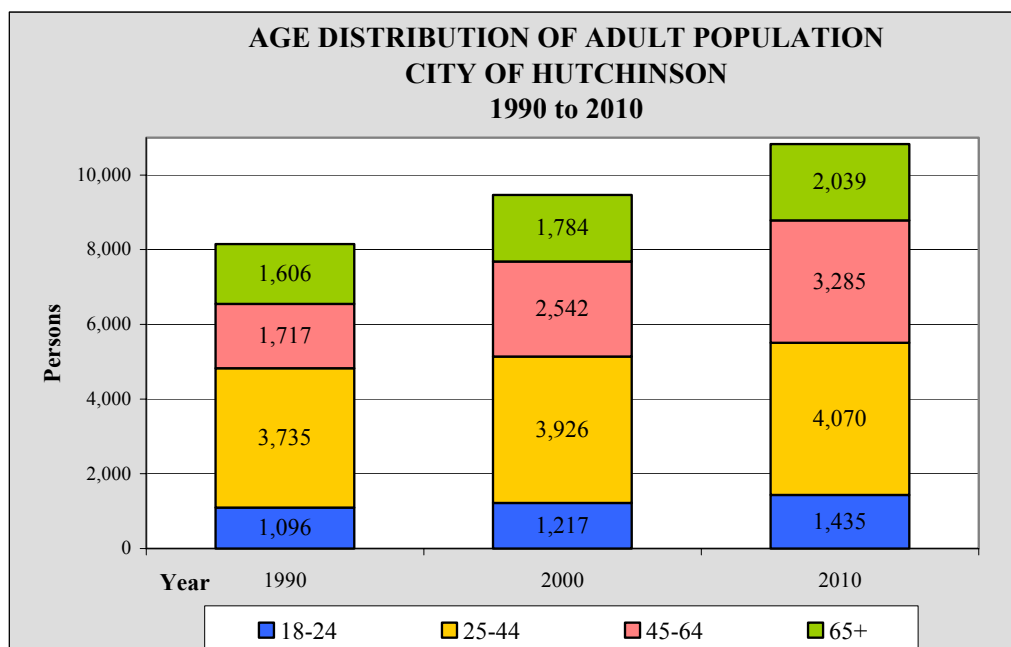
- The aging of the baby boomers will result in the greatest population gain over the next ten years in the 45 to 54 and 55 to 64 age groups. Combined, these two age groups are projected to grow by 1,569 persons in the Market Area between 2000 and 2010, while the Market Area is projected to grow by only 1,131 persons. The growth of 45 to 64 year olds will be offset by losses among other age groups.
- While growth of 45 to 54 year olds will result in increased demand for move-up single-family homes, growth of the 55 to 64 year olds will result in an increased market for maintenance-free housing, such as for-sale townhomes and twin homes, and possibly rental housing.
- The Market Area's population of 25 to 34 year olds, which consists primarily of renters and first-time homebuyers, decreased by 14% between 1990 and 2000, and is projected to decrease by another 5% between 2000 and 2010. The decline of this age group will reduce demand for rental units and starter homes.
- While demand for rental units from persons ages 25 to 34 year is projected to decline through 2010, this decline will be countered by projected growth of 18 to 24 year olds (a projected increase of 19%). These renters typically have lower incomes, however, and are primarily a market for entry-level market-rate units. This age group also is more likely than other age groups to "double-up" with roommates and, thus, demand for two-bedroom and three-bedroom units should increase.
- The decline of seniors ages 65 to 74 during the 1990s is projected to cease, with the population stabilizing at about 1,600 in 2000, but is then projected to increase by 107 people (6.7%) by 2010. Seniors ages 75 and over are projected to continue to increase by about 11% over the next six years, after growing by 20% during the 1990s.
- The following chart shows the distribution of the adult population in Hutchinson from 1990 projected through 2010 (the 2010 figures are estimates). The population in the chart is split into four age groups: young adults (ages 18 to 24), middle-aged adults (ages 25 to 44), older adults (ages 45 to 64), and seniors (ages 65 and over). The chart shows that the population of young adults and seniors has changed little since 1990, and is projected to remain roughly at current levels through 2010. However, there has been, and will continue to be, a large shift from middle-aged persons to older adults. In 1990, there were over 2.0 times as many middle-aged persons as older adults. However, by 2010, there is projected to be only about 1.2 times as many middle-aged persons as older adults.

DEMOGRAPHIC ANALYSIS

**TABLE 10
AGE DISTRIBUTION
HUTCHINSON MARKET AREA
1990, 2000, and 2010**

	Hutchinson			Rem. of Market Area			Market Area Total		
	1990	2000	2010	1990	2000	2010	1990	2000	2010
Number									
17 and Under	3,369	3,611	3,671	3,520	3,346	3,168	6,889	6,957	6,590
18 to 24	1,096	1,217	1,435	844	771	1,139	1,940	1,988	2,369
25 to 34	2,098	1,969	2,018	1,687	1,359	1,520	3,785	3,328	3,163
35 to 44	1,637	1,957	2,052	1,776	2,110	1,872	3,413	4,067	3,895
45 to 54	956	1,604	1,933	1,313	1,842	1,876	2,269	3,446	3,902
55 to 64	761	938	1,352	1,029	1,270	1,395	1,790	2,208	2,903
65 to 74	808	768	843	1,033	826	818	1,841	1,594	1,701
75 plus	798	1,016	1,196	747	835	984	1,545	1,851	2,047
Total	11,523	13,080	14,500	11,949	12,359	12,771	23,472	25,439	26,570
Percent									
17 and Under	29.2	27.6	25.3	29.5	27.1	24.8	29.3	27.3	24.8
18 to 24	9.5	9.3	9.9	7.1	6.2	8.9	8.3	7.8	8.9
25 to 34	18.2	15.1	13.9	14.1	11.0	11.9	16.1	13.1	11.9
35 to 44	14.2	15.0	14.2	14.9	17.1	14.7	14.5	16.0	14.7
45 to 54	8.3	12.3	13.3	11.0	14.9	14.7	9.7	13.5	14.7
55 to 64	6.6	7.2	9.3	8.6	10.3	10.9	7.6	8.7	10.9
65 to 74	7.0	5.9	5.8	8.6	6.7	6.4	7.8	6.3	6.4
75 plus	6.9	7.8	8.2	6.3	6.8	7.7	6.6	7.3	7.7
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Sources: Claritas, Inc.
Maxfield Research Inc.



Current and Projected Household Income

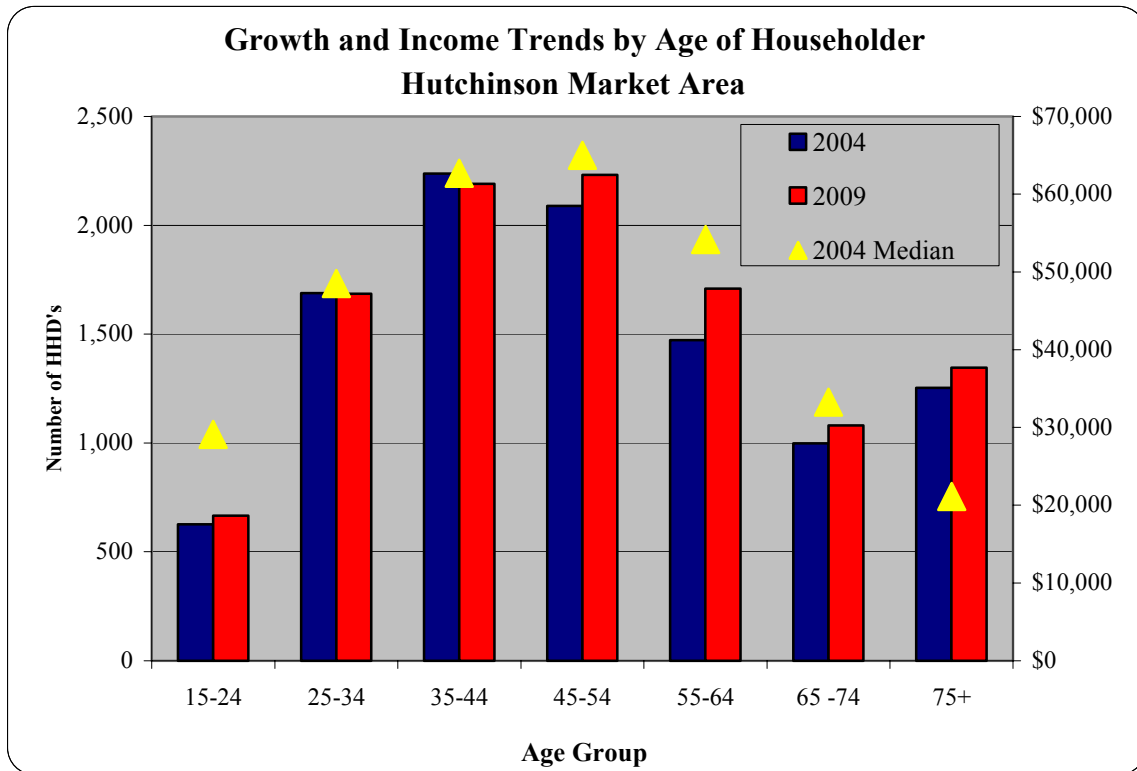
The estimated distribution of household incomes in the Market Area for 2004 and 2009 are shown in Tables 11 and 12. The data was based off of Claritas Inc. and adjusted by Maxfield Research to reflect local household projections. The data helps ascertain the demand for different housing products based on the size of the market at specific cost levels.

The Department of Housing and Urban Development defines affordable housing costs for families as 30% of a household's adjusted gross income. For example, a household with an income of \$25,000 per year would be able to afford a monthly housing cost of about \$625. Maxfield Research Inc. uses a figure of 25% to 30% for younger households and 40% or more for seniors, since seniors generally have lower living expenses and can often sell their homes and use the proceeds toward rent payments.

A generally accepted standard for affordable owner-occupied housing is that a typical household can afford to pay 2.5 to 3.0 times their annual income on a single-family home. Thus, a \$50,000 income would translate to an affordable single-family home of \$125,000 to \$150,000. The higher end of this range assumes that the person has adequate funds for down payment and closing costs, but also does not include savings or equity in an existing home which would allow them to purchase a higher priced home.

The following are key points from Tables 11 and 12.

- Hutchinson had an estimated median household income of \$44,556 in 2004. Similarly, the median household income of the Remainder of the Market Area was \$54,260. Typically, regional centers such as Hutchinson have lower median incomes than surrounding rural areas because they typically have a greater number of lower income households living in subsidized rental housing than the surrounding rural area.
- With a household income of \$44,500, a younger household (under age 65) could afford a monthly housing cost of about \$1,112, based on an allocation of 30% of income toward housing. A senior household with an income of \$25,643 (the median household income of seniors in Hutchinson) could afford a monthly housing cost of \$855, based on an allocation of 40% of income toward housing.



Non-Senior Households

- In 2004, 5.2% of the non-senior (under age 55) households in Hutchinson had incomes under \$15,000 (295 households). All of these households would be eligible for subsidized rental housing. Another 8.3% of Hutchinson’s non-senior households had incomes between \$15,000 and \$25,000 (467 households). Many of these households would qualify for subsidized housing, but many could also afford “affordable” or older market rate rentals. If housing costs would absorb 30% of income, households with incomes of \$20,000 could afford to pay \$500 per month. Average monthly rents for one-bedroom units in Hutchinson are about \$470 (shown in Table 21 in the *Rental Housing Analysis* section).
- The median household income in the Market Area is approximately \$44,500 in 2004. A household with this income can afford to make monthly housing payments of \$1,112. With a 5% down payment, including principal and interest, taxes and insurance and mortgage insurance, a household earning the median income could afford a single-family home valued at roughly \$160,000 (assuming a 6.0%, 30-year fixed mortgage). A household with significantly more equity (in an existing home and/or savings) could put more than 5% down and afford a higher-priced housing unit.

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TABLE 11
HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER
HUTCHINSON MARKET AREA
(Number of Households)
2004

2004								
Total	Age of Householder							
	15-24	25-34	35-44	45-54	55-64	65 -74	75+	
Hutchinson								
Less than \$15,000	642	77	57	73	41	47	95	253
\$15,000 to \$24,999	718	150	147	87	51	32	87	164
\$25,000 to \$34,999	790	87	167	71	133	95	93	144
\$35,000 to \$49,999	1,044	67	261	169	204	135	125	84
\$50,000 to \$74,999	1,356	77	329	377	277	192	46	57
\$75,000 to \$99,999	686	14	120	235	183	103	24	7
\$100,000 or more	394	3	22	139	143	65	19	1
Total	5,630	476	1,104	1,151	1,032	670	489	710
Median Income	\$44,556	\$26,235	\$45,382	\$61,687	\$57,887	\$53,391	\$31,703	\$21,249
Remainder of Market Area								
Less than \$15,000	485	21	30	45	38	60	92	199
\$15,000 to \$24,999	417	17	50	42	52	53	80	123
\$25,000 to \$34,999	512	31	57	87	72	99	83	83
\$35,000 to \$49,999	750	34	113	179	119	148	99	58
\$50,000 to \$74,999	1,197	39	187	344	282	211	89	45
\$75,000 to \$99,999	747	6	105	226	245	114	37	14
\$100,000 or more	628	3	43	163	249	118	30	22
Total	4,736	151	585	1,086	1,057	803	510	544
Median Income	\$54,260	\$37,867	\$55,682	\$63,808	\$71,941	\$54,917	\$35,000	\$20,934
Market Area Total								
Less than \$15,000	1,127	98	87	118	79	107	187	452
\$15,000 to \$24,999	1,135	167	197	129	103	85	167	287
\$25,000 to \$34,999	1,302	118	224	158	205	194	176	227
\$35,000 to \$49,999	1,794	101	374	348	323	283	224	142
\$50,000 to \$74,999	2,553	116	516	721	559	403	135	102
\$75,000 to \$99,999	1,433	20	225	461	428	217	61	21
\$100,000 or more	1,022	6	65	302	392	183	49	23
Total	10,366	627	1,689	2,237	2,089	1,473	999	1,254
Median Income	\$48,537	\$29,090	\$48,483	\$62,698	\$64,975	\$54,189	\$33,257	\$21,114

Sources: Claritas, Inc.
 Maxfield Research Inc.

- Nearly 1/2 of the homes sold (46%) in Hutchinson in 2003 were priced between \$100,000 and \$150,000. A household with an income of \$30,000 could purchase a house for \$75,000 (2.5 times their income). With a 5% down payment and a 30-year mortgage with a 6.0% interest rate, the monthly mortgage payment would be \$430 (the monthly housing cost would be about \$585 including property taxes and homeowners insurance).

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TABLE 12
HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER
HUTCHINSON MARKET AREA
(Number of Households)
2009

2009								
Total	Age of Householder							75+
	15-24	25-34	35-44	45-54	55-64	65-74		
Hutchinson								
Less than \$15,000	628	71	49	71	45	53	96	243
\$15,000 to \$24,999	693	131	125	83	46	42	95	171
\$25,000 to \$34,999	786	116	149	69	112	93	91	155
\$35,000 to \$49,999	1,106	65	259	148	213	151	150	119
\$50,000 to \$74,999	1,422	97	326	359	292	236	48	64
\$75,000 to \$99,999	781	17	154	238	210	121	27	14
\$100,000 or more	564	7	47	186	194	100	27	2
Total	5,980	504	1,110	1,155	1,113	796	534	768
Median Income	\$46,972	\$29,272	\$48,390	\$64,327	\$61,960	\$56,222	\$33,447	\$23,251
Remainder of Market Area								
Less than \$15,000	451	24	27	35	32	63	81	189
\$15,000 to \$24,999	368	13	31	35	44	41	82	122
\$25,000 to \$34,999	451	22	53	66	62	90	75	83
\$35,000 to \$49,999	729	39	86	138	114	159	115	78
\$50,000 to \$74,999	1,131	48	172	297	247	221	95	51
\$75,000 to \$99,999	823	10	118	227	251	144	50	23
\$100,000 or more	977	6	89	237	369	195	48	33
Total	4,930	162	576	1,035	1,119	913	546	579
Median Income	\$60,300	\$43,461	\$63,226	\$70,496	\$81,026	\$61,708	\$39,565	\$23,237
Market Area Total								
Less than \$15,000	1,079	95	76	106	77	116	177	432
\$15,000 to \$24,999	1,061	144	156	118	90	83	177	293
\$25,000 to \$34,999	1,237	138	202	135	174	183	166	238
\$35,000 to \$49,999	1,835	104	345	286	327	310	265	197
\$50,000 to \$74,999	2,553	145	498	656	539	457	143	115
\$75,000 to \$99,999	1,604	27	272	465	461	265	77	37
\$100,000 or more	1,541	13	136	423	563	295	75	35
Total	10,910	666	1,686	2,190	2,232	1,709	1,080	1,347
Median Income	\$52,378	\$31,788	\$53,174	\$67,119	\$70,743	\$58,873	\$36,178	\$23,245

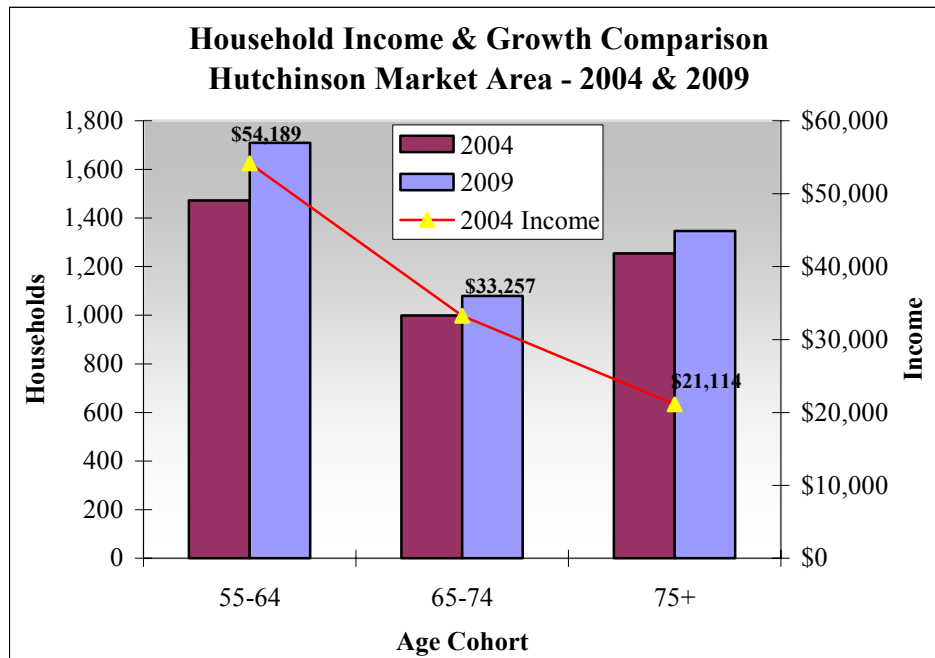
Sources: Claritas, Inc.
 Maxfield Research Inc.

- Incomes are expected to increase by 5.4% between 2004 and 2009 in the City of Hutchinson. This equates to an increase of 1.1% annually.

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Senior Households

- The oldest householders are likely to have lower incomes in 2004, as illustrated in Table 11. In Hutchinson, 19% of households ages 65 to 74 had incomes below \$15,000, compared to 36% of households ages 75 and over. Many of these low-income older senior households rely solely on social security benefits. Typically, younger seniors have higher incomes due to the fact they are still able to work or are married couples with two pensions or higher social security benefits. The 2004 median income for Market Area householders age 55 to 64, 65 to 74, and 75+ are \$54,198, \$33,257, and \$21,114, respectively.
- The median income for seniors age 65+ in the Hutchinson Market Area is \$25,513 in 2004. It is projected to increase by \$1,923 (7.4%) to \$27,436 by 2009.
- Generally, senior households with incomes greater than \$25,000 can afford market rate senior housing. Based on a 40% allocation of income for housing, this translates to monthly rents of at least \$833. Six-hundred senior households in Hutchinson (50% of senior households) had incomes above \$25,000 in 2004, as did 560 senior households in the Remainder of the Market Area (53% of senior households).
- Seniors who are able and willing to pay 80% or more of their income on assisted living housing would need an annual income of \$25,000 to afford monthly rents of \$1,700, which is about the beginning monthly rent for assisted living projects in rural parts of the State. In the Market Area, there were an estimated 515 older senior (ages 75 and over) households with incomes greater than \$25,000 in 2004. Seniors age 75 and over are the primary market for assisted living housing.



Residential Construction Trends 1990 to Present

Maxfield Research obtained data from the City of Hutchinson on the number of building permits issued for new housing units in Hutchinson from 1980 to 2003. Table 13 displays permits issued for single-family homes, twin homes, three- and four-unit buildings, and multifamily dwellings of five or more units. Multifamily units include both for-sale (condominium, twinhomes, and townhomes) and rental projects. The following are key points about housing added during the 1980s, 1990s, and 2000s.

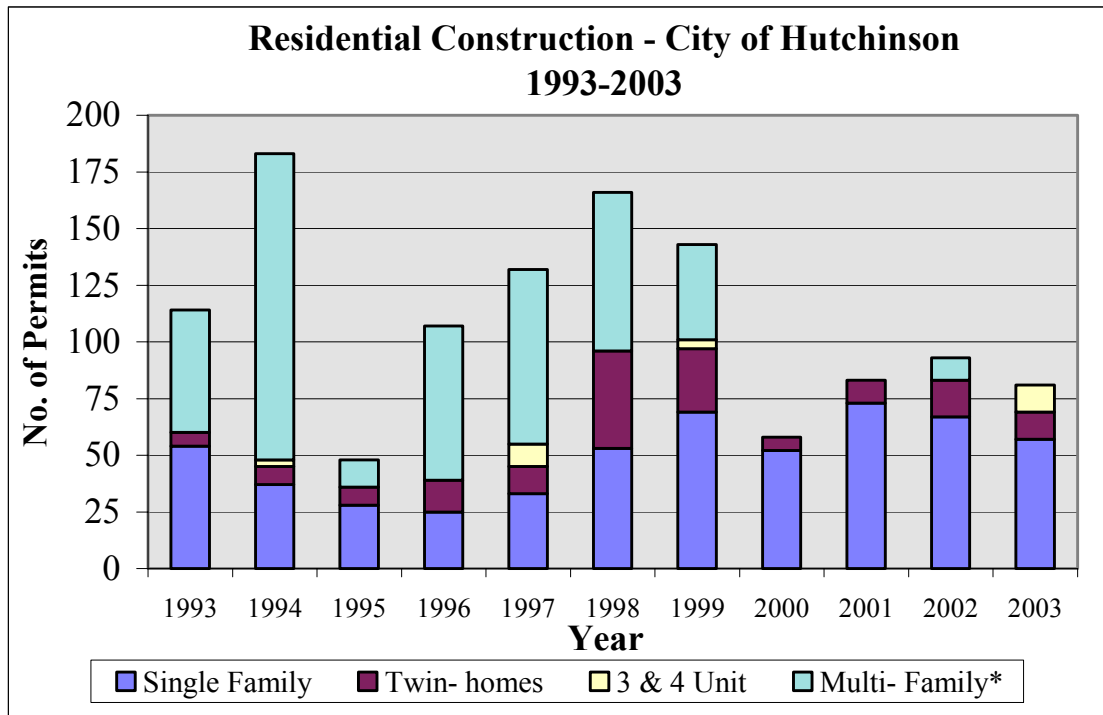
- The City of Hutchinson issued permits for the construction of 977 new residential units during the 1980s, 1,051 new units during the 1990s, and 315 units between 2000 and 2003. That equates to 98 new units annually during the 1980s, 105 new units annually during the 1990s, and about 79 units annually from 2000 to 2003.
- The City of Hutchinson added an average of 43 single-family homes and 46 multifamily units per year during the 1990s. Twinhome new construction starts averaged 14 units per year, and 3-4 unit structures averaged only 2 units per year. Between 2000 and 2003, Hutchinson has added an average of 62 single-family homes and 11 twinhome units per year. In this decade, only 10 multifamily units have been constructed in Hutchinson.
- During the 1980s, 32% of new housing units added were single-family homes. During the 1990s, that percentage increased to 41%, and from 2000 to 2003 the percentage has increased to 79%. A primary reason for the increase in single-family construction during the 1990s and 2000s is that the last of the baby boom generation aged from being young renters during the 1980s to first-time homebuyers in the 1990s and 2000s. In addition, record-low home mortgage rates during the late 1990s and 2000s have made homeownership more affordable.
- Only 10 multifamily units have been constructed in Hutchinson since 2000. All ten units, located in two buildings, are located in the Ravenwood subdivision.
- For-sale twinhomes have been very well-received in Hutchinson since the mid to-late - 1990s. Since 1996, a total of 141 units have been constructed, averaging 18 units per year. Nearly all of the twinhomes are one-level units that appeal to empty nesters and seniors. One-level living homes continue to be popular housing options for buyers in Hutchinson as a number of units are under construction in 2004.
- One-level living homes should continue to be popular this decade, as an increasing number of baby boomers become empty nesters. However, there is some concern from housing professionals that one-level living units could be overbuilt in the near future.

**TABLE 13
RESIDENTIAL CONSTRUCTION IN HUTCHINSON
(Number of Units)
1980-2003**

<u>Year</u>	<u>Single Family</u>	<u>Twin- homes</u>	<u>3 & 4 Unit</u>	<u>Multi- Family*</u>	<u>Total</u>
1980	28	14	0	80	122
1981	19	22	0	15	56
1982	16	20	0	12	48
1983	24	30	4	12	70
1984	30	28	16	0	74
1985	36	8	12	83	139
1986	45	14	4	18	81
1987	48	4	12	24	88
1988	39	24	4	204	271
1989	26	2	0	0	28
Total 1980s	311	166	52	448	977
1990	38	13	0	0	51
1991	43	6	0	0	49
1992	50	4	4	0	58
1993	54	6	0	54	114
1994	37	8	3	135	183
1995	28	8	0	12	48
1996	25	14	0	68	107
1997	33	12	10	77	132
1998	53	43	0	70	166
1999	69	28	4	42	143
Total 1990s	430	142	21	458	1,051
2000	52	6	0	0	58
2001	73	10	0	0	83
2002	67	16	0	10	93
2003	57	12	12	0	81
Total 2000s	249	44	12	10	315

*Consists of 5 or more units

Sources: City of Hutchinson
Maxfield Research Inc.



* Multi-Family includes 5 or more units

Summary of Growth Trends and Demographic Characteristics

There are several key demographic and growth trends that are projected to impact the potential demand for both owned and rental housing in Hutchinson and the Hutchinson Market Area.

Hutchinson and the Remainder of the Market Area experienced strong population and household growth during the 1980’s and 1990’s, and this growth is projected to continue through 2010. We expect a continuing trend throughout this decade of young families and move-up buyers moving into Hutchinson and the surrounding area. Furthermore, the continued outward movement of households from the core of the Twin Cities Metro Area is fueled by a search for more affordable housing and less congestion, which some new householders may seek in Hutchinson.

The current demographic trends in the Market Area support the development of both single-family and multifamily homes. The following demographic trends are expected to shape the Hutchinson Market Area over the next decade:

- The projected increases in the number of people age 55+, the aging baby boom generation along with young, independent seniors, supports the development of one-level living, either owner-occupied townhomes, twinhomes or age-restricted rental housing.
- The population of persons ages 25 to 34 is expected to decline through 2010, which includes mostly renters and first-time homebuyers. The decline of this age group will reduce demand for rental units and starter homes.

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- Persons ages 18 to 24 are projected to increase by about 9% between 2000 and 2010, the primary market for rental housing. The age cohort 18 to 24 is projected to add 381 persons in this decade, while the age group 25 to 34 is expected to decrease by -161 persons.
- Increased demand for both owned and rental housing products from empty-nesters and young, independent seniors who prefer greater freedom and mobility.

Ongoing low mortgage interest rates and a steadily increasing employment base continue to fuel demand for housing. As home values escalate in the Twin Cities Metropolitan Area, younger households are moving further out seeking more house and lot for their money. Therefore, Hutchinson is capturing households that are willing to commute greater distances for work in exchange for lower cost housing.

Introduction

Maxfield Research Inc. analyzed the for-sale housing market by collecting data on: 1) the age of the existing housing stock; 2) housing stock by structure type; 3) home sales in the City of Hutchinson (Hutchinson MLS); 4) the value of new housing built; 5) the residential lot supply in Hutchinson; 6) multifamily developments currently marketing; 7) pending for-sale developments in Hutchinson; and 8) interviews of local real estate professionals, civic leaders and other community members directly involved in the local housing market and their impressions of existing market conditions and trends.

Age of Housing Stock

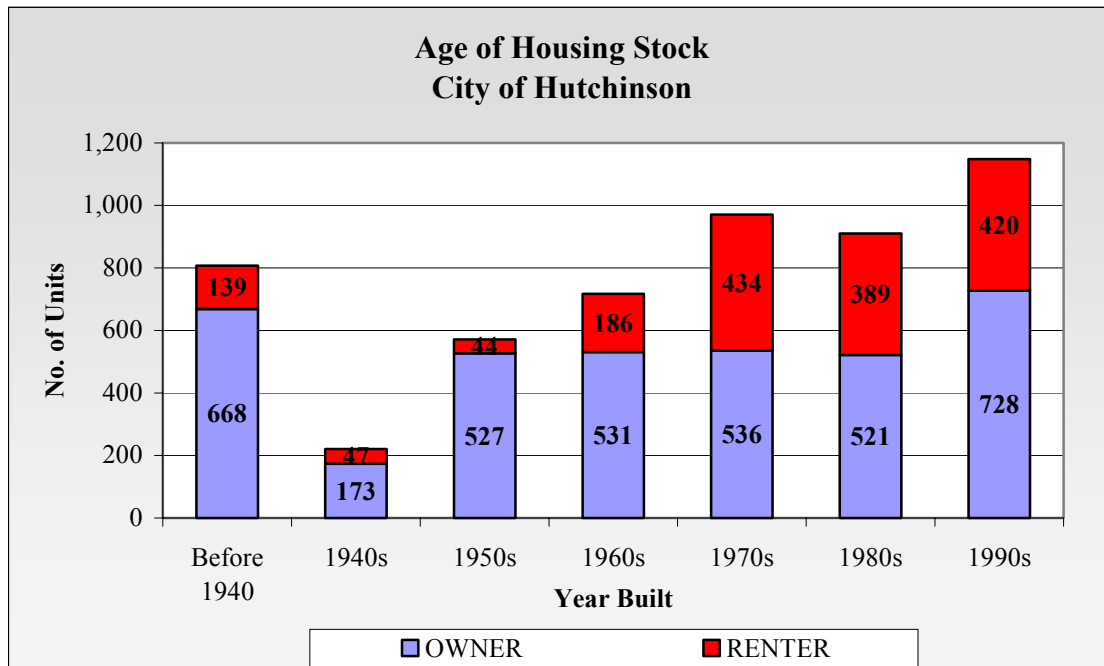
Table 14 on the following page shows the age of the Market Area's occupied housing stock in 2000. The table includes the number of housing units built in both Hutchinson and the Remainder of the Market Area over the previous six decades as well as the number of units built prior to 1940. The table further breaks down the data by number of owner-occupied and renter-occupied units. The following are key points from Table 14.

- The greatest percentage of the Market Area's housing stock was built prior to 1940. However, the Remainder of the Market Area has a much older housing stock than Hutchinson. While 31% of the housing units in the Remainder of the Market Area were built prior to 1940, about 15% of Hutchinson's units were built during this period. This difference is due primarily to the fact that the Remainder of the Market Area was originally settled with rural farmsteads before the City of Hutchinson began to grow significantly.
- Between 1940 and 2000, 59% of the Market Area's new housing units were built in Hutchinson. Since the 1940s, Hutchinson has added an average of 754 housing units per decade, while the Remainder of the Market Area has added an average of 527 units per decade. Approximately 85% of Hutchinson's housing stock was constructed since 1940, of which 39% was constructed since 1980.
- Of the housing units added in Hutchinson since 1980, 61% of the units were owner occupied (1,249 units) and 39% of the units were renter occupied (809 units). The Remainder of the Market Area experienced an even greater addition of owner occupied housing units since 1980 (92%).
- Approximately one-third of the Market Area's housing stock was constructed in the 1980's and 1990's. About 72% of the housing constructed was owner-occupied.

FOR-SALE HOUSING ANALYSIS

**TABLE 14
AGE OF HOUSING STOCK
HUTCHINSON MARKET AREA
2000**

Total Units	Year Structure Built														
	<1940		1940s		1950s		1960s		1970s		1980s		1990s		
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	
Hutchinson															
Owner-Occupied	3,684	668	18.1	173	4.7	527	14.3	531	14.4	536	14.5	521	14.1	728	19.8
Renter-Occupied	1,646	139	8.4	47	2.9	31	1.9	186	11.3	434	26.4	389	23.6	420	25.5
Subtotal	5,330	807	15.1	220	4.1	558	10.5	717	13.5	970	18.2	910	17.1	1,148	21.5
Remainder of Market Area															
Owner-Occupied	4,102	1,233	30.1	249	6.1	384	9.4	433	10.6	708	17.3	467	11.4	628	15.3
Renter-Occupied	456	165	36.2	52	11.4	44	9.6	29	6.4	66	14.5	62	13.6	38	8.3
Subtotal	4,558	1,398	30.7	301	6.6	428	9.4	462	10.1	774	17.0	529	11.6	666	14.6
Market Area Total															
Owner-Occupied	7,786	1,901	24.4	422	5.4	911	11.7	964	12.4	1,244	16.0	988	12.7	1,356	17.4
Renter-Occupied	2,102	304	14.5	99	4.7	75	3.6	215	10.2	500	23.8	451	21.5	458	21.8
Total	9,888	2,205	22.3	521	5.3	986	10.0	1,179	11.9	1,744	17.6	1,439	14.6	1,814	18.3
Sources: U.S. Census Maxfield Research Inc.															



Housing Stock by Structure Type

Table 15 shows the housing stock in Hutchinson and the Remainder of the Market Area by type of structure and tenure as of 2000. The data is from the 2000 U.S. Census, and indicates the types of housing structures that are owned or rented, as well as vacant.

- The dominant housing type in the Market Area is the single-family detached home, representing 87% of all owner-occupied housing and 73% of all occupied units. Single-family homes accounted for 64% of all occupied housing units in Hutchinson versus 76% in the Remainder of the Market Area.
- There were 423 owner-occupied multifamily (townhomes and condominiums) units in Hutchinson in 2000, or only 11.5% of the owner-occupied stock. The remaining 310 owned units (8.4%) were manufactured homes, all of which are located in one of the three Hutchinson manufactured parks.
- In 2000, only 10% of Hutchinson’s renters were in single-family homes (161 homes), compared to 64% of the Remainder of the Market Area’s renters (293 homes). Hutchinson, on the other hand, has the majority of apartments within the Market Area, with 94% of the rental units in buildings with five or more units.

FOR-SALE HOUSING ANALYSIS

TABLE 15
HOUSING STOCK BY UNITS IN STRUCTURE
HUTCHINSON MARKET AREA
2000

	Hutchinson		Rem. of MA		Market Area Total	
	No	Pct.	No	Pct.	No	Pct.
Owner occupied:	3,684	100.0	4,100	100.0	7,784	100.0
1, detached	2,951	80.1	3,809	92.9	6,760	86.8
1, attached	281	7.6	24	0.6	305	3.9
2 to 4 units	64	1.7	12	0.3	76	1.0
5- to 9-plex	33	0.9	0	0.0	33	0.4
10 to 19 units	0	0.0	0	0.0	0	0.0
20 to 49 units	45	1.2	0	0.0	45	0.6
50 + units	0	0.0	0	0.0	0	0.0
Mobile home	310	8.4	255	6.2	565	7.3
Renter occupied:	1,646	100.0	456	100.0	2,102	100.0
1, detached	137	8.3	285	62.5	422	20.1
1, attached	24	1.5	8	1.8	32	1.5
2 to 4 units	293	17.8	40	8.8	333	15.8
5- to 9-plex	243	14.8	19	4.2	262	12.5
10 to 19 units	378	23.0	55	12.1	433	20.6
20 to 49 units	349	21.2	3	0.7	352	16.7
50 + units	216	13.1	0	0.0	216	10.3
Mobile home	6	0.4	46	10.1	52	2.5
Total occupied:	5,330	100.0	4,556	100.0	9,886	100.0
1, detached	3,088	57.9	4,094	89.9	7,182	72.6
1, attached	305	5.7	32	0.7	337	3.4
2 to 4 units	357	6.7	52	1.1	409	4.1
5- to 9-plex	276	5.2	19	0.4	295	3.0
10 to 19 units	378	7.1	55	1.2	433	4.4
20 to 49 units	394	7.4	3	0.1	397	4.0
50 + units	216	4.1	0	0.0	216	2.2
Mobile home	316	5.9	301	6.6	617	6.2
Vacant/Vac. Rate:	338	6.0	437	8.8	775	7.3
1, detached	80	2.5	349	7.9	429	5.6
1, attached	40	11.6	2	5.9	42	11.1
2 to 4 units	36	9.2	8	13.3	44	9.7
5- to 9-plex	17	5.8	5	20.8	22	6.9
10 to 19 units	47	11.1	8	12.7	55	11.3
20 to 49 units	91	18.8	0	0.0	91	18.6
50 + units	14	6.1	0	0.0	14	6.1
Mobile home	13	4.0	65	17.8	78	11.2

Sources: US Census Bureau; Maxfield Research Inc.

FOR-SALE HOUSING ANALYSIS

- According to the Census, 6.0% of Hutchinson’s housing stock was vacant as of 2000. It is important to note, however, that the Census’ definition of vacant housing units includes: units that have been rented or sold, but not yet occupied, seasonal housing (vacation or second homes), housing for migrant workers, and even boarded-up housing. Thus, the U.S. Census vacancy figures are not always a true indicator of adequate housing available for new households wishing to move into the area.

Home Resales

Table 16 displays data on home resales in Hutchinson from 1999 through June 2004. The data was provided by the Regional Multiple Listing Service of Minnesota (“MLS”). Table 17 shows total number of sales, average and median sale prices, and average time on the market for the years 1999 through June 2004. This data helps ascertain the strength of the overall for-sale housing market. The following are key findings from Table 16.

- Resale values in Hutchinson increased from a median price of \$112,950 in 1999 to \$141,000 in 2003, a gain of 25% over the past four years, or about a 6% annual increase. Through June 2004, the median resale value has increased to \$143,400, a 2% increase through the first-half of 2004.

TABLE 16
SINGLE-FAMILY AND MULTI-FAMILY RESIDENTIAL SALES
HUTCHINSON MLS
1999 through June 2004

District	Year	Number of Sales	Median Selling Price	% Chg.	Average Selling Price	% Chg.	Average Market Time (Days)
Hutchinson (307)	1999	228	\$112,950	--	\$118,653	--	77
	2000	248	\$112,500	0%	\$119,566	1%	95
	2001	275	\$121,500	8%	\$131,692	10%	92
	2002	302	\$125,300	3%	\$139,712	6%	78
	2003	259	\$141,000	13%	\$148,482	6%	74
	2004*	159	\$143,400	2%	\$153,112	3%	65

* 2004 Data is through June

Sources: Regional Multiple Listing Service of Minnesota (MLS)
Maxfield Research Inc.

- The average sale price of homes in Hutchinson surveyed was \$148,482 in 2003, or approximately \$7,500 higher than the median resale price. The difference between the average and median resale prices indicates that there are more higher-end homes skewing the average resale price.

FOR-SALE HOUSING ANALYSIS

- The average time on market for housing in Hutchinson was 74 days in 2003, down from 78 days in 2002. Through June 2004, the average market time has decreased to 65 days, the lowest in the past 4.5 years.
- In 2003 there were 259 resales in Hutchinson, down from the 302 resales in 2002. However, the median selling price increased by 13% between 2002 and 2003, the largest annual increase since 1999. Between 1999 and 2003, the annual average resales in Hutchinson was 262.

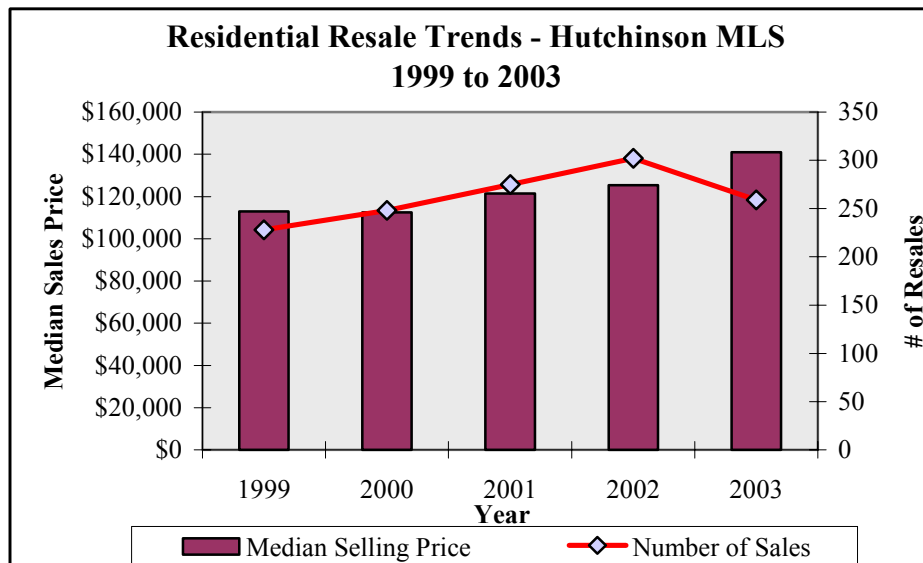


Table 17 shows the distribution of sales within ten price ranges, along with the average and median sale price of homes for each year. The following are key points about home resales from Table 17:

- Approximately 14% of homes sold for less than \$100,000, while almost 72% of the resales sold between \$100,000 and \$200,000 in 2003. In 1999, 40% of resales were under \$100,000 and 41% of homes sold between \$100,000 and \$150,000.
- In 1999, only 19% of the homes were purchased above \$150,000. In 2003, 41% of the home resales were sold above \$150,000 and 44% through June 2004 were priced above \$150,000.
- Based on the median price of \$141,000 in Hutchinson in 2003, a household's monthly payment (assuming zero down and principal/interest, insurance, and taxes) would be about \$1,020. The income required to afford a home at this price would be about \$47,000 to \$56,400, based on purchasing a home at 2.5 to three times income (and assuming they do not have a high level of debt or existing equity). In 2004, 51% (2,279 households) of Hutchinson's non-senior households had incomes greater than \$50,000, meaning that over half of non-senior households in Hutchinson can afford a median-priced home in the Market Area.

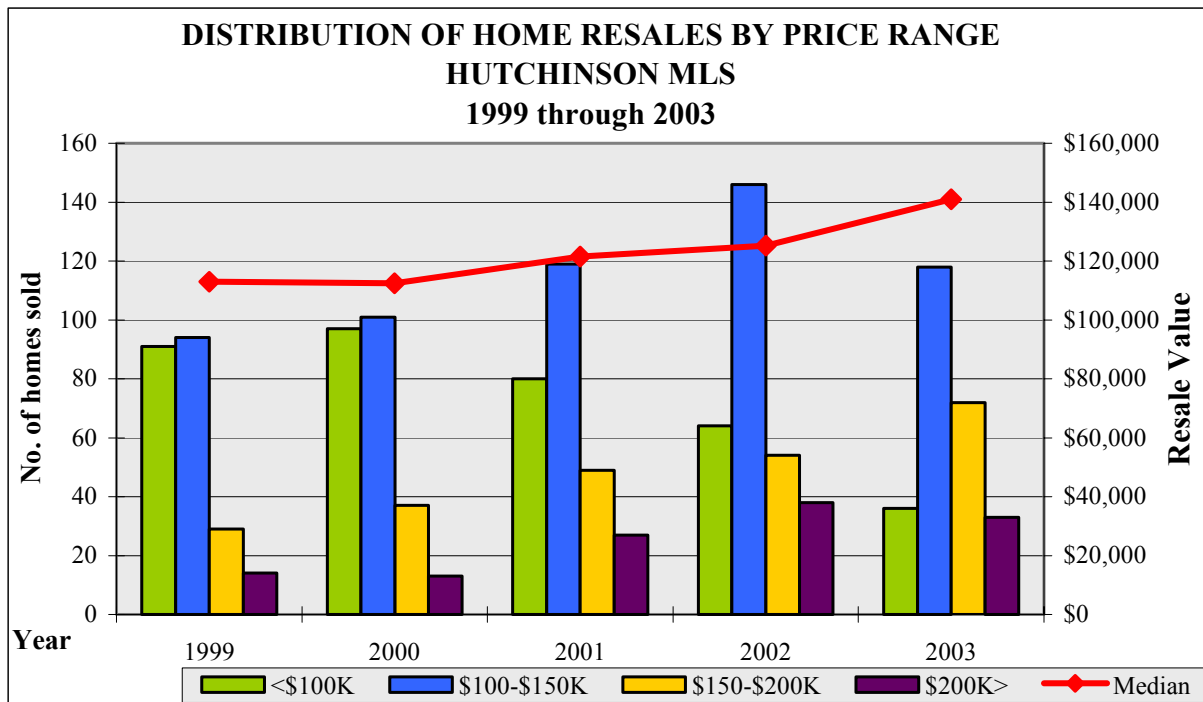
FOR-SALE HOUSING ANALYSIS

TABLE 17
SINGLE-FAMILY & MULTIFAMILY HOME RESALES
HUTCHINSON MLS
1999 through June 2004

Year Price Range	2004*		2003		2002		2001		2000		1999	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under \$50,000	1	0.6	2	0.8	1	0.3	5	1.8	5	2.0	10	4.4
\$50,000 to \$74,999	5	3.1	9	3.5	15	5.0	14	5.1	15	6.0	18	7.9
\$75,000 to \$99,999	15	9.4	25	9.7	48	15.9	61	22.2	77	31.0	63	27.6
\$100,000 to \$124,999	29	18.2	50	19.3	84	27.8	72	26.2	67	27.0	60	26.3
\$125,000 to \$149,999	39	24.5	68	26.3	62	20.5	47	17.1	34	13.7	34	14.9
\$150,000 to \$174,999	31	19.5	47	18.1	30	9.9	34	12.4	21	8.5	22	9.6
\$175,000 to \$199,999	15	9.4	25	9.7	24	7.9	15	5.5	16	6.5	7	3.1
\$200,000 to \$250,000	15	9.4	16	6.2	25	8.3	17	6.2	9	3.6	10	4.4
\$250,000 to \$300,000	4	2.5	14	5.4	10	3.3	6	2.2	2	0.8	1	0.4
\$300,000 plus	5	3.1	3	1.2	3	1.0	4	1.5	2	0.8	3	1.3
Total	159	100.0	259	100.0	302	100.0	275	100.0	248	100.0	228	100.0
Median	\$143,400		\$141,000		\$125,300		\$121,500		\$112,500		\$112,950	

*Through June 2004

Sources: Regional Multiple Listing Service of Minnesota
 Maxfield Research Inc.



Current Supply of Homes on the Market

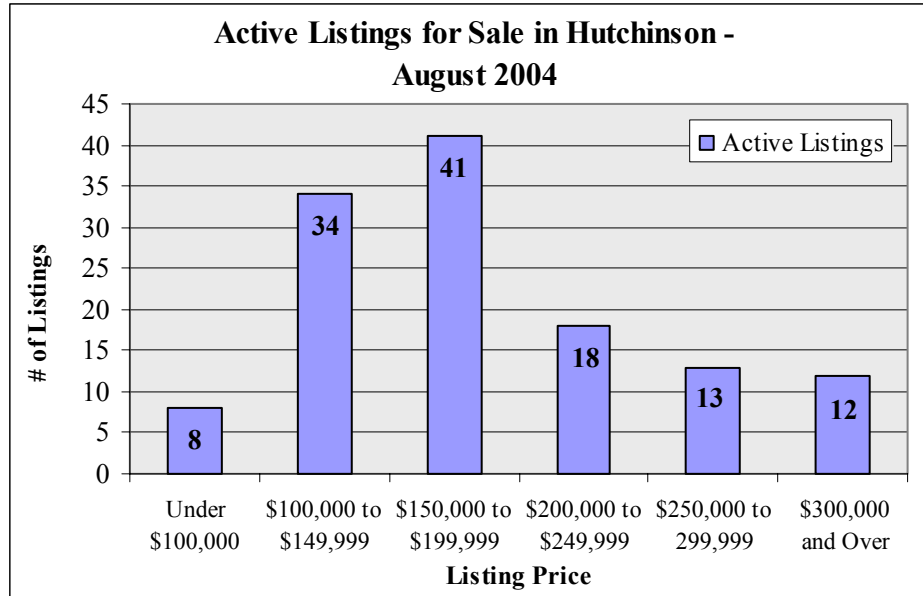
Table 18 shows the number of homes currently listed for sale in Hutchinson distributed into nine price ranges. The data was provided by the Regional Multiple Listing Service. Key findings from Table 18 are:

- A total of 126 homes in Hutchinson were listed for-sale in August 2004. The average and median price of the homes listed for sale were \$193,251 and \$169,900, respectively. These are much higher than the average and median resale price of homes in Hutchinson in 2003 (See Table 17) – by about 30% and 20% higher, respectively. Higher list prices may indicate current strong demand for homes in Hutchinson.
- Resale data in Table 16 showed that the percentage of homes sold in Hutchinson priced below \$100,000 fell from 97 sales in 2000 to 36 sales in 2003. Of the homes currently listed for sale in Hutchinson, only 6.4% are priced below \$100,000. While recent low interest rates have made homeownership more affordable to moderate income households than in past years, there is currently a small inventory of lower priced homes listed for moderate income households to purchase.
- Approximately 60% of the housing stock listed for sale is priced between \$100,000 and \$200,000 in August 2004. Nearly one-third of all the listed homes for sale in Hutchinson are priced between \$150,000 and \$200,000 and 27% of the homes are priced between \$100,000 and \$150,000.

TABLE 18 HOMES CURRENTLY LISTED FOR-SALE CITY OF HUTCHINSON August 2004		
Price Range	No.	Pct.
<\$75,000	1	0.8%
\$75,000 to \$99,999	7	5.6%
\$100,000 to \$124,999	13	10.3%
\$125,000 to \$149,999	21	16.7%
\$150,000 to \$174,999	25	19.8%
\$175,000 to \$199,999	16	12.7%
\$200,000 to \$249,999	18	14.3%
\$250,000 to 299,999	13	10.3%
\$300,000 and Over	12	9.5%
	126	100%

Minimum	\$62,500
Maximum	\$489,900
Median	\$169,900
Average	\$193,251

Sources: Regional Multiple Listing Service of MN
Maxfield Research Inc.



Value of New Homes Constructed (Including Lot Price)

Based on data provided by the City of Hutchinson, Maxfield Research Inc. reviewed the construction costs of single-family homes and multifamily units (condominiums, townhomes, and twinhomes) built in Hutchinson between 2000 and 2003.

Because the construction costs do not include lot price (or land price in the case of multifamily units), a factor of 1.30 was used to estimate the sales price of homes. The price adjustments were based on the industry standard that a lot usually represents about 30% of a home’s value. It should be noted that these estimated lot values are based on the typical proportion of the home’s value that is the lot, and the actual lot price may vary somewhat from the estimated value.

Table 19 shows the distribution of newly-constructed single-family homes in seven price ranges, while Table 20 shows the distribution of newly-constructed multifamily units. The following are key points from the Tables.

- The median price of new single-family homes built in Hutchinson was \$149,500 in 2003, an increase of \$39,000 (35.3%) since 2000. Through July 2004, the median price has increased to \$162,500, a 9% increase from 2003.
- Between 2000 and 2003, 108 (44%) of the new single-family homes constructed were priced less than \$125,000. The majority of these homes were built in the Rolling Meadows and Island View Heights subdivision that targeted moderate-income households. A number of mortgage assistance programs were available to these buyers through the Hutchinson Home Purchase Opportunity Program (HHPOP).

FOR-SALE HOUSING ANALYSIS

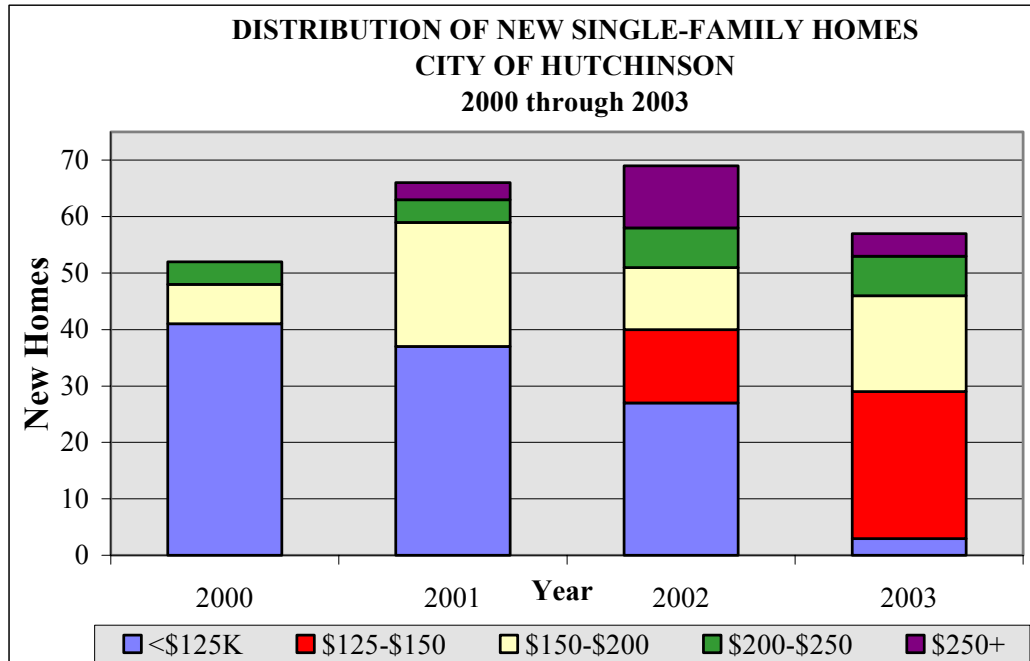
- In 2003, 26 (46%) single-family homes were built priced between \$125,000 and \$150,000. Low home mortgage rates and an initial low down payment have made homes in this price range more affordable to younger buyers, whose housing options in previous years were more limited to rental units.
- About 16% of the new single-family housing constructed between 2000 and 2003 was priced above \$200,000. We consider homes priced above \$200,000 to be a move-up home in Hutchinson. The primary buyers of move-up homes are older adults with higher incomes and equity in existing entry-level homes that they can use toward the purchase of a more expensive product. As the bulk of the baby boom have aged, demand for move-up homes has also increased.

TABLE 19
VALUE OF NEW SINGLE-FAMILY HOMES (WITH LOT)
HUTCHINSON
2000 to July 2004

Value	2004*		2003		2002		2001		2000	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
<\$100,000	0	0.0	0	0.0	1	1.4	0	0.0	1	1.9
\$100,000 - \$124,999	2	8.3	3	5.3	26	37.7	37	51.4	40	76.9
\$125,000 - \$149,999	8	33.3	26	45.6	13	18.8	6	8.3	0	0.0
\$150,000 - \$174,999	6	25.0	15	26.3	5	7.2	13	18.1	3	5.8
\$175,000 - \$199,999	6	25.0	2	3.5	6	8.7	9	12.5	4	7.7
\$200,000 - \$249,999	1	4.2	7	12.3	7	10.1	4	5.6	4	7.7
\$250,000+	1	4.2	4	7.0	11	15.9	3	4.2	0	0.0
Total	24	100.0	57	100.0	69	100.0	72	100.0	52	100.0
Median	\$162,500		\$149,500		\$140,400		\$124,800		\$110,500	
* Through July 2004										
Source: City of Hutchinson Maxfield Research Inc.										

- An average of 16 for-sale multifamily units were built annually between 2000 and 2003. In 2000, however, only six units were built. Through July 2004, 14 units have been constructed. The median price of multifamily units increased from \$111,800 in 2000 to \$133,250 in 2003, an increase of 19%.
- The median value of new multifamily units was higher than single-family units for each year between 2000 and 2002. However, single-family homes were priced 12% higher than multifamily in 2002, and through July 2004 they are priced 21% higher. Typically, multifamily units are priced lower than single-family units, resulting in a more affordable housing option for first-time homebuyers. Alternatively, older buyers increasingly desire multifamily construction because there is less maintenance than a single-family home.

FOR-SALE HOUSING ANALYSIS

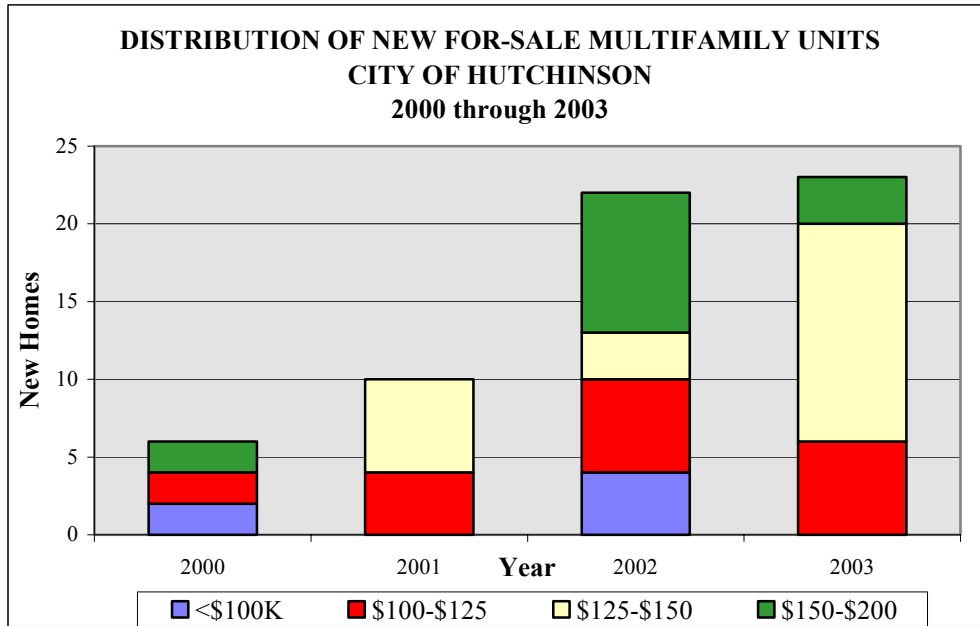


- Between 2000 and 2003, single-family homes accounted for 79% of all new for-sale units (244 new single-family homes were built, compared to 64 multifamily units).

**TABLE 20
VALUE OF NEW MULTIFAMILY HOMES
HUTCHINSON
2000 to July 2004**

Value	2004*		2003		2002		2001		2000	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
<\$100,000	0	0.0	0	0.0	4	16.7	0	0.0	2	33.3
\$100,000 - \$124,999	0	0.0	6	25.0	6	25.0	4	40.0	2	33.3
\$125,000 - \$149,999	13	92.9	14	58.3	3	12.5	6	60.0	0	0.0
\$150,000 - \$174,999	1	7.1	3	12.5	7	29.2	0	0.0	1	16.7
\$175,000 - \$199,999	0	0.0	0	0.0	2	8.3	0	0.0	1	16.7
\$200,000 - \$249,999	0	0.0	1	4.2	0	0.0	0	0.0	0	0.0
\$250,000+	0	0.0	0	0.0	2	8.3	0	0.0	0	0.0
Total	14	100.0	24	100.0	24	100.0	10	100.0	6	100.0
Median	\$133,900		\$133,250		\$143,000		\$128,050		\$111,800	
* Through July 2004										
Source: City of Hutchinson Maxfield Research Inc.										

- Comparing resale data from Table 17 with the price of new homes reveals that in 2003, the median price of new homes was \$144,685 (single-family and multifamily combined), while the resale price of existing homes was \$141,000 – for a difference of only \$3,685. Thus, today’s buyers have a wide variety of choices in either existing homes or newly constructed homes.



Lot Supply

Table 21 shows an inventory of single-family lots within platted subdivisions in Hutchinson that have not been built upon through year end 2003. The Table includes information on the year the subdivision was platted, the total number of lots platted, as well as the number of vacant lots. The following are key points from Table 21.

- Through year-end 2003, Hutchinson had a total of 217 vacant lots within 18 different subdivisions.
- Almost 200 vacant lots in Hutchinson are in subdivisions platted since 1999, or about 90% of the available lot supply. The older, scattered vacant lots may be less desirable for new home construction.
- In the past four years, the City of Hutchinson has averaged about 200 single-family lots available per year. However, a number of lots may not be available yet, due to do grading and/or bringing services into the development. Therefore, we estimate that about one-half of the lots, or about 110 lots, are available for new construction.

FOR-SALE HOUSING ANALYSIS

**TABLE 21
RESIDENTIAL LOT SUPPLY (SINGLE-FAMILY)
CITY OF HUTCHINSON
1999 to 2003**

Subdivision	Year Platted	Lots Available			
		2003	2002	2001	2000
Bridgewater Estates-Lakewood Dr. SW	1995	0	0	2	2
Bridgewater Estates-Second Addition	2000	17	19	21	25
Broll's Third Addition-Rearrangement	2000	4	6	8	8
Campbell Lane	N/A	1	1	1	1
Colorado Circle	N/A	1	0	1	1
Colorado Street NW	1998	0	0	3	3
Fairway Estates	1994	0	1	6	6
Fairway Estates Second Addition	1999	26	29	36	46
Goebel Street SW	N/A	1	1	1	1
Hidden Circle SW	1992	0	1	1	1
Hunter's Ridge	1994	2	4	0	1
Hunter's Ridge Second Addition	2000	0	0	1	1
Island View Heights First Addition	1993	0	0	6	7
Island View Heights Third Addition	1999	0	0	0	0
Island View Heights Fifth Addition	2000	0	1	9	18
Island View Heights Sixth Addition	2002	23	--	--	--
Krisean Acres Plat Two	N/A	0	0	0	1
Morningside Estates-Hilltop Drive NE	N/A	15	15	15	15
Otter Oaks	1994	0	0	2	2
Plaza Heights	N/A	0	0	1	4
Ravenwood - First Addition	2002	21	22	--	--
Ravenwood - West	2003	--	--	--	--
Rolling Meadows (Single-Family)	1999	0	0	9	13
Rolling Meadows-First Addition	2000	0	0	10	13
Rolling Meadows-Second Addition	2000	0	0	3	6
Rolling Meadows-Third Addition	2001	0	0	16	--
Rolling Meadows - East	2003	--	--	--	--
Shady Ridge Road	N/A	0	0	1	1
South Lakewood Estates-Tyler Street SW	1994	0	0	3	5
Southwind	2002	48	--	--	--
Southfork	2004	--	--	--	--
Stearnswood	2003	6	--	--	--
Summerset	2000	6	12	16	21
Summerset Second Addition	2002	29	35	--	--
Walnut Ridge	1993	0	0	4	8
Walnut Ridge - Plat 2	2001	7	11	10	--
Walnut Ridge - Plat 3	2001	0	0	4	--
Welcome to Our Home	2002	8	9	--	--
Westridge Shores-Otter Street	N/A	2	2	3	4
7th Avenue NW	N/A	0	0	1	1
8th Avenue NW	N/A	0	0	1	1
Total Single-Family Lots		217	169	195	216

Sources: City of Hutchinson
Maxfield Research Inc.

Actively Marketing and Pending Residential Developments

Maxfield Research Inc. interviewed city officials, real estate agents, and developers/builders of owner-occupied residential developments currently being marketed in the Market Area as well as those currently proposed (pending). We identified 13 developments in the City of Hutchinson that had a combined 273 lots available.

Table 22 lists the year the subdivision was platted, the general quadrant of Hutchinson in which it is located, total number of lots, available lots (as of August 2004), typical lot price, and typical home value. Table 23 includes total units, units available, unit sizes, and unit prices as it relates to multifamily developments. A map on the following page shows the location of these subdivisions.

Single-Family Developments

- As illustrated in Table 22, there are 13 active single-family subdivisions with a total of 273 available lots (excluding planned developments). Based on an average of about 63 homes built per year since 2000, this equates to a lot supply of 4.3 years. Including the 93 planned lots in the Summerset Third Addition results in a total of 366 available lots, or a 5 to 6 year lot supply. Maxfield Research Inc. believes that a three- to five-year supply of lots is an appropriate balance between providing adequate consumer choice and minimizing developers' carrying costs.
- Four new developments (Ravenwood West, Rolling Meadows East, Southfork Ridge, and Southwind) should be available for new home construction starting in Fall 2004. Summerset Third Addition is planned to be available after Summerset Addition 1 & 2 are further developed.
- Entry-level homes have been constructed in recent years in the Island View Heights and Rolling Meadows subdivisions. Rolling Meadows (First Phase) consisted of 83 homes, 37 of which had income guidelines. The subdivision was projected for a five-year build-out, however all of the lots were sold in about three years. Rolling Meadows is able to offer affordable homes because development costs were partially covered by a grant from the Greater Minnesota Housing Fund. In addition, a City program called the Hutchinson Home Purchase Opportunity Program (HHPOP) has enabled many moderate-income households to afford these homes. Rolling Meadows East will have 60 lots, 30 of which will be targeted to first-time homebuyers utilizing the HHPOP program. The listing Realtor marketing Rolling Meadows East projects a three-year absorption of the second phase.
- In addition to a number of affordable homes, Island View Heights also includes a number of high-amenity lots that were developed on Otter Lake as part of the first phase. Scenic Homes, the developer for Island View Heights, recently realigned the last phase of the development from 30 twinhomes to 23 single-family homes.

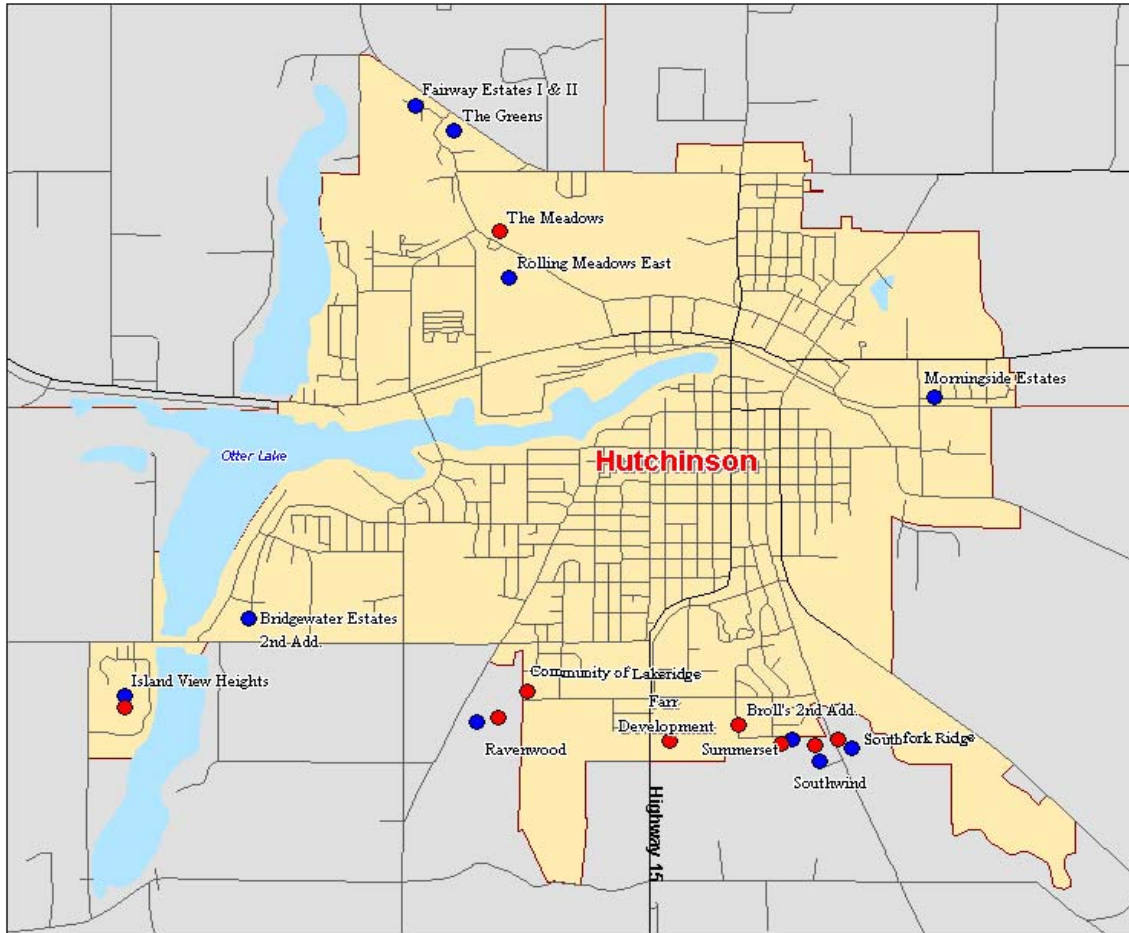
FOR-SALE HOUSING ANALYSIS

TABLE 22
ACTIVE SINGLE-FAMILY SUBDIVISIONS
HUTCHINSON
August 2004

Subdivision	Year Platted	Location	No. of Lots	Vacant/Avail. Lots	Typical Lot Price	Typical Home Value
Bridgewater Estates Second Addition	2000	SW	26	16	N/A	\$200k-\$245k
Fairway Estates I	1994	NW	21	1	\$44,900	
Fairway Estates II	1999	NW	46	15	\$40k-\$50k	\$245k
Island View Heights	1993-2004	SW	108	23	N/A	\$137k-\$330k
Morningside Estates (Habitat)	N/A	SE	15	6	\$36,000	\$120,000
Park Island Drive	N/A	SW	8	7	N/A	N/A
Ravenwood 1st Addition	2003	SW	27	1	\$34,900+	\$162k-\$192k
Ravenwood West	2003	SW	23	23	N/A	N/A
Rolling Meadows East	2003	NW	60	60	N/A	\$140's+
Southfork Ridge	2004	SE	34	33	\$60k-\$70k	\$240k-\$350k
Southwind	2003	SE	48	48	N/A	\$238k
Summerset Addition	2001	SE	21	11	N/A	\$170k-\$242k
Summerset Second Addition	2002	SE	35	29	N/A	\$193k-\$245k
<i>Total platted</i>			472	273		
Planned Developments						
Summerset Third Addition	2004	SE	93	93	N/A	N/A
<i>Total planned</i>			93	93		
Total available and planned lots			565	366		
Sources: City of Hutchinson Regional Multiple Listing Service of Minnesota Maxfield Research Inc.						

- Move-up housing in Hutchinson is generally defined as homes priced from approximately \$185,000 or more. Bridgewater Estates, Fairway Estates, Southfork Ridge, Southwind, and the Summerset Additions generally cater to a move-up buyer. Combined, these subdivisions have a total of 246 units available, or 67% of all of the available lots in Hutchinson. Homes in these subdivisions generally range from \$200,000 to \$245,000.
- Southfork Ridge, a 99-unit mixed-use development on about 30 acres between Jefferson Street and the Crow River, has begun marketing 27 single-family homes ranging from \$240,000 to \$350,000. This development is expected to fill a niche for more upscale housing in Hutchinson. The homes will emphasize architectural features and many of the lots will have walk-outs to the Crow River.

Active Single-Family and Multifamily Subdivisions City of Hutchinson August 2004



Maxfield Research Inc.

Legend

- Single-Family Subdivision
- Multifamily Subdivision

Multifamily Developments

- There are seven subdivisions marketing multifamily developments in Hutchinson, as illustrated in Table 19. Combined, the subdivisions account for 321 units, 151 of which are available. Based on the average absorption of 16 units per year between 2000 and 2003, these 151 units would be absorbed in nine years. Due to the aging of the baby boom population, we estimate about 25 multifamily units could be absorbed annually, resulting in a six-year unit/lot supply.
- Farr Development has plans to develop 36 townhome units, 24 twinhomes, and a 30-unit senior condominium building on a property just south of Denver Avenue and east of Highway 15. Furthermore, the master plan calls for commercial uses and rental senior housing. Farr Development has indicated the commercial portion of the project will be completed first, while the for-sale townhomes or twinhomes will be developed in a subsequent phase.
- The Meadows and Ravenwood feature one-level living (without basements) with attached two-car garages. Buyer interest for both projects has been primarily from empty nesters and independent seniors looking for maintenance-free living. Both projects experienced somewhat slow absorptions in the first year or two on the market. However, both developments have been well-received in the past few years and have been readily absorbed. Purchase prices range from about \$100,000 to \$170,000 at Ravenwood, and current new construction pricing at The Meadows is approximately \$150,000.
- Island View Heights is the largest twinhome development in Hutchinson, accounting for a total of 102 multifamily units. Recent home prices have generally ranged from \$130,000 to \$160,000, with only 12 vacant lots available in August 2004. A number of the townhomes are one-level living units, with and without walk-out basements.
- Construction has recently commenced on two twinhome units in the Southwind development, located south of Edmonton Avenue and bordering Jefferson Street. The subdivision will include a mix of 46 twinhomes and 48 single-family homes. The twinhomes are expected to sell for purchase prices between \$179,000 and \$193,000.
- Development plans for Southfork Ridge include 26 twinhomes and 37 townhomes. Construction will begin on the planned 27 single-family units first, followed by the multifamily component in the second phase. Base prices are expected to be around \$125,000 for the townhomes, and from \$150,000 to \$200,000 for the twinhomes.

FOR-SALE HOUSING ANALYSIS

TABLE 23
ACTIVE MULTIFAMILY DEVELOPMENTS
CITY OF HUTCHINSON
August 2004

Subdivision	Year Platted	Location	No. of Units	Available Units/Lots	Typical Home Value
Broll's 3rd Addition (Rearrangement)	2000	SE	8	4	\$195k-\$210k
Island View Heights	1993-	SW	102	12	\$130k-\$160k
The Meadows	1998	NW	36	6	\$153k
Ravenwood	2001	SW	56	16	\$97k-170k
South Orchard Estates	2001	SE	10	6	\$195k
Southfork Ridge (Twinhomes)	2004	SE	26	26	\$150k-\$200k
Southfork Ridge (Townhomes)	2004	SE	37	37	\$125k
Southwind	2003	SE	46	44	\$179k-193k
<i>Total Units & Number Available</i>			<i>321</i>	<i>151</i>	
Planned Developments					
Burgess (twinhomes)	2004	SE	10	10	TBD
Farr Development (2-level townhomes)	2004	SE	36	36	TBD
Farr Development (1-level twinhomes)	2004	SE	24	24	TBD
Farr Development (senior condo)	2004	SE	30	30	TBD
Summerset 3rd Addition	2004	SE	20	20	TBD
<i>Total Planned Units</i>			<i>120</i>	<i>120</i>	
<i>Total Available and Planned Lots</i>			<i>441</i>	<i>271</i>	
Sources: City of Hutchinson Maxfield Research Inc.					

Manufactured Homes (i.e. "Mobile Homes")

Maxfield Research Inc. investigated the availability of manufactured homes and manufactured home parks in Hutchinson. Traditionally, research shows that manufactured homes usually serve as an alternative to permanent housing. During times of housing scarcity, the number of homes usually rises.

Table 24 displays information pertaining to the three manufactured home parks in Hutchinson. The following are key points from our review of manufactured home parks in Hutchinson.

FOR-SALE HOUSING ANALYSIS

- Hutchinson has three manufactured home parks with a total of 334 manufactured home lots. Country Club Terrace, built in the early 1970's, is the largest manufactured home park with 214 lots, which accounts for nearly two-thirds of the total lots in Hutchinson.

Park Name/Location	Year Built	Total Pads	Vacant Pads	Lot Rent/ Utilities	Comments/Tenant Profile
Country Club Terrace 448 California St.	early- 1970's	214	26	\$195 \$80-130	All units are owned. Majority of residents are elderly and young couples, some married families, singles and snowbirds.
McDonald's Lakeview Terrace 1539 McDonald Drive	1966	99	0	\$180 \$80-100	1/3 retired seniors, 1/3 middle age adults, 1/3 ages 19 to 30. Very low turnover, no need for a waiting list.
North View Court North High Drive	early- 1950's	21	0	\$185 \$60-100	Mostly young married couples and families with children, some singles, and a couple of seniors. All of the units are owned.
Total		334	26		

Source: Maxfield Research Inc.

- All of the units at Country Club Terrace are owned, while they rent the pads for \$195 per month. There are currently 26 vacant pads at Country Club Terrace, compared to only six vacant in 2001. Typical residents at Country Club Terrace include elderly and young couples, with some married families, singles and snowbirds.
- McDonald's Lakeview Terrace consists of 99 units located near the lake. Lot rents for \$180 per month in addition to monthly utility bills. All 99 lots are currently occupied and very seldom do they become available. They have an extremely low turnover rate, therefore there is no longer a need for a waiting list. The tenants at McDonald's Lakeview Terrace consist of about 1/3 retired seniors, 1/3 middle-age adults, and 1/3 younger adults age 19 to 30.
- North View Court was built in the early 1950's and consists of 21 total pads. The pads rent for \$180 per month, with utilities ranging from \$60 to \$100. There are currently no vacancies, and like McDonald's, they rarely have any pads available. All of the manufactured homes in North View Court are owned. The majority of the tenants at North View Court are young married couples and families with children. There are also a few singles and a couple of seniors.
- Out of all three manufactured home parks, Country Club Terrace was the only park to have any vacancies. Overall, there were 26 vacancies, which is about a 7.8 percent vacancy rate.

Pending For-Sale Developments

There have been a number of recent subdivisions that are proceeding to develop, such as Ravenwood West, Rolling Meadows East, Southfork Ridge, Southwind, and the Summerset Additions. The following bullet points summarize projects that are planned in Hutchinson.

- Burgess Development
Brian Burgess has presented preliminary sketches to subdivide his 10-acre property along 1383 Jefferson Street S.E. into 8 lots. Preliminary plans show all of the lots designated for twinhome construction. The homes would be located on the far western portion of the existing property and would be just outside the Crow River flood plain.
- Farr Development
In addition to the Southfork Ridge subdivision, Farr Development has plans to develop a mixed-use project along Highway 15 between Denver and Montreal Avenues. Commercial uses will be constructed first along Highway 15, with subsequent phases including housing. At this time, the site is planned for 36 townhomes, 24 one-level living townhomes, 30 senior condominium units, as well as a potential independent and assisted living building.

For-Sale Interviews Summary

Maxfield Research, Inc. interviewed real estate agents and other persons familiar with Hutchinson's owner-occupied market to solicit their impressions of the for-sale housing market in the community. The following are key points derived from these interviews.

- Many of the active housing developments available for new construction require the purchaser to use specific builders. Average lot prices in Hutchinson usually range between \$40,000 to \$60,000, including the sewer and water connection. Very few lots are available at a price point less than \$30,000.
- Demand for housing continues to be strong from both first-time homebuyers and from existing homeowners looking to move-up into larger homes. The market for newly constructed move-up homes has increased in recent years. Move-up purchasers, including 2nd and 3rd time home buyers, tend to purchase homes priced from the high \$190,000's to the \$250,000's.
- Entry-level homes have been very well received in the past five years in Hutchinson. Island View Heights and Rolling Meadows have allowed many first-time home buyers the opportunity to purchase a home in Hutchinson. A number of Realtors feel the needs of first-time home buyers are being met in the community.

FOR-SALE HOUSING ANALYSIS

- Due to the amount of new construction, the market for one-level living twinhomes and townhomes could become saturated in Hutchinson. The primary buyers of these units are empty nesters and seniors. Due to the escalating costs of these units, some real estate professionals believe many perspective buyers may not have enough equity from their existing home to purchase a new unit without taking out a mortgage.
- There is a concern that too much for-sale senior housing could be built in Hutchinson. A number of Realtors do not know how much senior housing can be absorbed, should all the planned and proposed projects proceed with development.
- A number of lake view lot developments are being purchased just outside of Hutchinson. Buyers are more receptive to locating within close proximity to area lakes (“lake view”) without paying lake lot premiums.
- The rental market in Hutchinson has suffered from the historic low mortgage interest rates which has allowed many first-time homebuyers to purchase a home. A number of former renters were able to purchase their first home at the Rolling Meadows subdivision.
- Some housing professionals feel there has been an increasing number of householders relocating from the Twin Cities to Hutchinson and commuting to jobs in the Metro Area. This has, in turn, driven up the price of housing in Hutchinson as home buyers from the Twin Cities find the housing stock to be priced significantly lower than the Metropolitan Area.

Introduction

For purposes of analysis, we have classified rental projects into two groups, general occupancy projects and senior (age-restricted) projects. Within each of these two groups, we then further divide the projects into two subcategories, those with income restrictions (subsidized) and those without (market rate). This section analyzes the current market situation for each of these rental categories.

General-Occupancy Rental Projects

Maxfield Research Inc. identified and surveyed general-occupancy rental properties of eight or more units in Hutchinson in the previous study completed in 2001. Information on those projects has been updated for this study. Tables 25 and 26, on the following pages, summarize information on the general occupancy market rate and subsidized projects surveyed in the City of Hutchinson. The following are key points from our survey of these developments.

Market Rate

- Since the completion of the previous study in 2001, there have been no market rate rental projects added. Overall, there were 31 projects surveyed, with a total of 913 units.
- Over 70% of the units in the surveyed apartments have two-bedrooms (647 units). Sixteen percent of the units surveyed have one bedroom (149 units), and 12% have two bedrooms plus a den/three bedrooms (113 units). Only four efficiency units were surveyed.
- We found 42 vacancies among the 913 market rate general occupancy units surveyed, translating to a vacancy rate of 4.60% as of August 2004. This compares to a 7.0% vacancy rate among market rate projects surveyed in July 2001. The majority of the vacancies came from the two-bedrooms, with 28 total vacancies (4.33%), while the three-bedrooms had the highest vacancy rate (10.62%) with 12 total vacancies. There were only 2 one-bedroom units vacant (1.34%) in all of the Hutchinson projects surveyed.
- The monthly rent for market rate units in August 2004 ranged from \$335 to \$375 for efficiency units, with an average of about \$359 per month. One-bedroom units ranged from \$265 to \$665 and averaged \$470 per month. Two-bedrooms ranged from \$375 to \$800 with an average of \$545 per month, while two-bedroom plus den/three-bedroom units ranged from \$475 to \$855, averaging about \$702 per month.
- In our last study done in July 2001, the monthly rents averaged \$445 and \$527 for one- and two-bedroom units, respectively. That equals a \$25 increase in three years, or an annual increase of about 1.9% for one-bedroom units. Two-bedroom units increased by \$18, an annual increase of about 1.1%.

RENTAL HOUSING ANALYSIS

TABLE 25
MARKET RATE GENERAL OCCUPANCY RENTAL BUILDINGS IN HUTCHINSON
August 2004

Building Name	Year Built	Units	Unit Mix	Rents	Vacancies	Tenant Profile	Comments
Pleasant Acres 255 North High Dr.	1998	137	20 - 1BR	\$515	1 - 1BR	Young Professionals, some families, avg. age is 22-25.	Central A/C; walk-in closet; on site management; laundry on each floor; patios or balconies; ceiling fans; garages \$35/mo. Pet deposit of \$300. Currently running a special of \$575 for 2BR's.
			105 - 2BR	\$595	8 - 2BR		
			12 - 3BR	\$715	3 - 3BR		
Huski Townhomes * 860 - 920 Texas Ave. N.	1997	32	32 - 3BR	\$690	4 - 3BR	90% families, 10% singles or couples	Section 42. Central A/C, attached garages, playground, in-unit washer/dryer. Tenant pays heat and electric.
Century Court 701-775 Century Avenue	1995	80	<u>Market Rate</u>		0 - 1BR 3 - 2BR 4 - 3BR	40% Seniors, 30% Singles, 30% Married.	Twelve 8-plexes. Two buildings were tax credit financed and have income restrictions and moderate rents. Attached garages included, central air, playground. Moderate rent units do not include heat. Also have 6 & 9 month leases available. Currently running a special on 3BR's
			16 - 1BR	\$630 - \$665			
			40 - 2BR	\$740 - \$800			
	1995	16	<u>Moderate Rent</u>				
			24 - 3BR	\$795 - \$855			
5 - 1BR	\$520	0 - 1BR					
7 - 2BR	\$675	0 - 2BR					
4 - 3BR	\$750	1 - 3BR					
Ridgdale Square 715 Ridgedale Ave. N.	1994	48	2 - 1BR	\$460	0 - 1BR	A mix of all groups.	Tax credit-financed/modest rent project with income restrictions. 24 detached garages available for \$40/mo.
			24 - 2BR	\$520	2 - 2BR		
			10 - LG 2BR	\$545	0 - LG 2BR		
			12 - 3BR	\$615	0 - 3BR		
Country Club Manor 765 School Road North	1988	76	26 - 1BR	\$485 - \$520	1 - 1BR	2/3 young to mid-age professionals; 1/3 seniors. Very few children.	Considered to be one of the nicest projects in town, but few amenities. Located adjacent on golf course. 38 garages available for \$45/mo., 8 new garages for \$50/mo. There are 5 total buildings with 16 units in four of the buildings and 12 units in one.
			40 - 2BR	\$560 - \$635	0 - 2BR		
			10 - 2BR/den	\$660 - \$685	0 - 2BR/den		
Twin Oaks Townhomes 102-135 Texas Avenue	1988	80	8 - 1BR	\$510	0 - 1BR	A mix of everything, young to old, families, students.	Two-story townhomes, spacious kitchens and garage storage. Tenants pay heat which averages \$50/mo. 60 detached garages available at \$35/mo.
			64 - 2BR	\$585	1 - 2BR		
			8 - 3BR	\$685	0 - 3BR		
River Ridge Apts. 1095 Jefferson St. S.E.	1988	36	4 - 1BR	\$469	0 - 1BR	Some families with children, a couple students. About 85% shift workers and elderly	20 garages at \$40/month, dishwasher, wall A/C, walk-in closet, balconies.
			32 - 2BR	\$519	0 - 2BR		
Golfview Apartments * 1165 Carolina Avenue	1988	12	1 - 1BR	\$380	0 - 1BR	90% are young people in late 20's to late 30's	8 garages at \$30/month.
			9 - 2BR	\$495	0 - 2BR		
			2 - 3BR	\$605	0 - 3BR		
Heritage Square 965 Merrill St. S	1987	24	24 - 2BR	\$525 - \$550	0 - 2BR	A mixture of all types: seniors, singles, students, couples, families. A good amount of Hispanics and Asians	Everything but electric paid for. 24 garages at \$35/month. Patio/deck, dishwashers.

RENTAL HOUSING ANALYSIS

TABLE 25
MARKET RATE GENERAL OCCUPANCY RENTAL BUILDINGS IN HUTCHINSON
August 2004
(Continued)

Building Name	Year Built	Units	Unit Mix	Rents	Vacancies	Tenant Profile	Comments
Parkview Terrace 44th Avenue NE	1987	18	1 - 1BR 17 - 2BR	\$390 \$495	0 - 1BR 5 - 2BR	singles, families, few elderly, young couples or young roommates. Avg. Ages 35-40.	9 detached garages at \$30/month. The 1BR unit is handicapped equipped.
Regency Apts. 235 Echo Circle	1982	18	1 - 1BR 17 - 2BR	\$500 \$500 - \$525	0 - 1BR 0 - 2BR	Mixture young, students, seniors, couples, singles, family	Everything incl. but electric. 18 garages at \$30/month
Echo Manor 210, 220 Echo Circle	1980	30	2 - 1BR 28 - 2BR	\$395 \$495	0 - 1BR 0 - 2BR	About 1/2 college students, 1 elderly, single parents w/children	18 garages available for \$30/month. Dishwashers, wall A/C, tenants pay heat.
Luhman Apts. 535 Jefferson St.	mid- 1980's	11	10 - 2BR 1 - 3BR	\$485 \$560	0 - 2BR 0 - 3BR	About 1/3 singles (some students), 1/3 seniors and 1/3 families	Five garage spaces available for \$30-\$35/month.
Gateway Central 11 Glen St. NE	1979	16	3 - 1BR 13 - 2BR	\$375 \$450 - \$500	0 - 1BR 3 - 2BR	Mixture of tenants, married couples with children, couples, singles, no elderly, no students.	Close to shopping, rental assistance programs welcome, coin-op. laundry, off-street parking available. There are actually 17 total units, but 1 is being used for storage.
Fairlane Apts. * 455 High Street	1979	24	9 - 1BR 15 - 2BR	\$370 \$450	0 - 1BR 1 - 2BR	Most are young (20's-30's). Some units with children, families.	A/C, blinds, ceiling fans, laundry on-site. Water, sewer, garbage included. Water softener in apartments.
Village Estates I&II 987/991 Echo Drive	1978	36	2 - 1BR 34 - 2BR	\$370 \$450 - \$495	0 - 1BR 0 - 2BR	Younger tenants, some students, couples, single parents, no seniors.	17 garages available for \$30/month, coin-op. laundry facilities available, Tenant pays electric \$20/month.
Southdale Apartments 907 Dale Street SW	1977	39	2 - EFF 8 - 1BR 28 - 2BR 1 - 3BR	\$375 \$450 \$515 - \$535 \$610	0 - EFF 0 - 1BR 0 - 2BR 0 - 3BR	Some elderly, single moms, college kids, working families. Ages 20's, 30's, and 40's	19 detached garges for \$35/month. Wall-unit A/C, laundry rooms, tenant pays electric, phone, and cable.
Freemont Apts. 221/231 Freemont	early- 1970's	24	2 - 1BR 22 - 2BR	\$435 \$525	0 - 1BR 0 - 2BR	65% young families, the rest are college students and young people.	One handicap unit with same rent. Tennant pays electricity (about \$30/month.)
Hutchinson-Jefferson 565 Jefferson Street	1970	12	1 - 1BR 11 - 2BR	\$400 \$475 - \$495	0 - 1BR 0 - 2BR	Single moms, few college students, working families, no elderly, younger working people	19 detached garges for \$35/month. Wall-unit A/C, laundry rooms, tenant pays electric, phone, and cable.
Jefferson Court 435 Jefferson Street	1970	11	11 - 2BR	\$375 - \$400	0 - 2BR	3/4 seniors, 1/4 are married couples or young singles	Detached garages available for \$25/ month.
Manards Apts. 325 Jefferson Street	1970	12	12 - 2BR	\$375 - \$400	0 - 2BR	3/4 seniors, 1/4 are married couples or young singles	Detached garages available for \$25/ month.

RENTAL HOUSING ANALYSIS

TABLE 25
MARKET RATE GENERAL OCCUPANCY RENTAL BUILDINGS IN HUTCHINSON
August 2004
(Continued)

Building Name	Year Built	Units	Unit Mix	Rents	Vacancies	Tenant Profile	Comments
Twin Apts. 965/975 Jefferson St.	mid-1960's	14	14 - 1BR	\$400	0 - 1BR	Singles, young couples, working tenants, elderly, No families	Parking available, laundry available, tenants pay electric.
Southview Terrace 901 Hwy. 15 South	mid-1960's	18	18 - 2BR	\$485 - \$510	1 - 2BR	Singles, families w/kids, retirees, middle to lower class. Avg. adult pop. Is 39 years. Range from 21-83	Wall A/C, coin-op. laundry room, dishwashers, decks on 2nd and 3rd floors, tenant pays electric, phone, and cable.
Manther Apts. 105 2nd Ave. SW	1968	7	1 - EFF 4 - 1BR 2 - 2BR	\$335 \$400 \$500	0 - EFF 0 - 1BR 0 - 2BR	Mixture of tenants, some couples, 2 students, singles.	Shares with 3 retail spaces, free parking lot, laundry available, tenants pay electric.
Colonial Apts. 345 Jefferson Street	1963	8	1 - EFF 3 - 1BR 4 - 2BR	\$350 \$400 \$485	0 - EFF 0 - 1BR 0 - 2BR	Mix of tenants.	Have always been full with low turnover. Parking lot, coin-operated laundry, all utilities included except electricity.
Miller Jefferson Apts. 970 Jefferson St. S	1960	8	4 - 1BR 2 - 2BR 2 - 3BR	\$265 - \$400 \$525 \$475 - \$550	0 - 1BR 2 - 2BR 0 - 3BR	1 couple, 1 retired, some singles, families with kids.	Wall A/C, everything but electricity paid. Coin-operated laundry area, off-street parking available.
Shamrock Apts. 955 Echo Drive	1976	8	1 - 1BR 7 - 2BR	\$500 \$500	0 - 1BR 1 - 2BR	Mixture of people, some singles & couples, seniors, families, 1 unit occupied by students (roommates). A lot of middle-aged tenants.	Wall A/C, laundry facility available, parking available, tenant pays all utilities except for heat.
Parkwood Apts. 45 N. High	1975	24	8 - 1BR 16 - 2BR	\$370 \$445	0 - 1BR 1 - 2BR	Mostly families w/kids, some students, couples, singles.	Garages at \$30/month, coin-operated laundry, tenants pay heat/electric, \$500 deposit for both types
Olson Apts. I 15 -11th Ave. NE	1970's	8	3 - 1BR 4 - 2BR 1 - 3BR	\$450 \$500 \$550	0 - 1BR 0 - 2BR 0 - 3BR	Mix of all types, elderly, couples with children, singles.	Three apartments w/decks, garages, on site laundry, off street parking, heat included.
Olson Apts. II 525 & 685 School Road, 148 Florida Street, 955 Jefferson	1970's & 1980's	15	11 - 2BR 4 - 3BR	\$550 \$600 - \$650	0 - 2BR 0 - 3BR	Mix of all types, elderly, couples without children, singles, families.	Some garages included, laundry hook-ups in each unit, off street parking, heat included. Olson Apartments manage multiple 4-plex projects. Olson Apts. II includes three 4-plex projects and a 3-plex project.
Olson Apts. III (Alexander) 415 Jefferson St..	1960's	11	1 - 1BR 10 - 2BR	\$400 \$500	0 - 1BR 0 - 2BR	Mix of all types, few elderly, couples without children, single parents.	Large apartments; off street parking and laundry on site.
* Did not respond to our study in August 2004. Data provided by the City of Hutchinson as of April 2004.							
Total		913	4 - EFF 149 - 1BR 647 - 2BR 113 - 3BR <u>913</u>		0 - EFF 2 - 1BR 28 - 2BR 12 - 3BR <u>42</u>	0.00% 1.34% 4.33% 10.62% <u>4.60%</u>	
Source: Maxfield Research Inc.							

RENTAL HOUSING ANALYSIS

- Of the 31 projects surveyed, 18 have detached garages but one featured attached garages (Century Court). In the projects that offer garages, only Century Court does not charge extra for the garage stall. The remaining projects charge anywhere from \$25 to \$45 per month. Hence, the effective rents at Century Court (\$650 for a one-bedroom and \$770 for a two-bedroom) are about 40 percent higher than the average.
- Virtually all units are either equipped with some sort of air conditioning unit, or include sleeves for wall-units to be installed by the resident.
- Most of the buildings surveyed said they had a good mixture of tenants, ranging from young and old singles, couples, students, seniors, single parents, and families with children.

Subsidized

- We identified six general-occupancy subsidized projects in Hutchinson offering a total of 206 units. A total of three vacancies were reported by building managers, translating to a vacancy rate of 1.46%. In comparison, there were four vacancies in 2001, or a vacancy rate of 1.9%.
- Three of the six buildings (North Place, South Place, and Plaza Apartments) were financed through the U. S. Department of Rural Development. Residents must meet income guidelines for these apartments of \$34,100 for one-person households, \$39,000 for two-person households, \$43,850 for three-person households, and \$48,700 for four-person households. Residents pay 30% of their adjusted gross income for rent. However, there is a Basic Rent, which is a minimum rent that the resident must pay, even if it is higher than 30% of their adjusted gross income. A potential exception is if the tenant is receiving rental assistance. Rental assistance availability varies by project.
- The Plaza Apartments is on the verge of converting all of their units to market rate. There are currently about 5 tenants that are using the subsidy program. Since they are phasing out their subsidy program, the majority of the newer tenants are students from outside the Hutchinson area. Market rate rents for the Plaza apartments range from \$425 to \$465 for one-bedrooms and \$429 to \$490 for two-bedrooms.
- The majority of the tenants living in the subsidized projects are from the City of Hutchinson, with the exception of the Plaza Apartments. According to property managers, there is a large mixture of people living in these units that vary from: families with children, couples, singles, students and a few seniors.

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Building Name	Year Built	No. of Units	Unit Mix	Rents	Vacancies	Tenant Profile	Subsidy Program/Comments
North Place 415 School Rd. N.	1988	24	15 - 1BR 9 - 2BR	30% of AGI \$346 - Basic \$546 - Market \$386 - Basic \$546 - Market	0 - 1BR 0 - 2BR	Families and singles. About 80% from Hutchinson.	RD 515. No tenants pay market rent, income guidelines are \$34,100 for 1pp, \$39,000 for 2 ppl., \$43,850 for 3 ppl, and \$48,700 for 4 ppl. They have a laundry facility, plug-ins, heat/water/sewer/garbage included.
South Place 1220 Bradford St.	1985	24	16 - 1BR 7 - 2BR 1 - 3BR	30% of AGI \$354 - Basic \$546 - Market \$384 - Basic \$576 - Market \$424 - Basic \$606 - Market	0 - 1BR 0 - 2BR 0 - 3BR	Mostly families, 2 apts. with students. About 80% from Hutchinson.	RD 515. No tenants pay market rent, income guidelines are \$34,100 for 1pp, \$39,000 for 2 ppl., \$43,850 for 3 ppl, and \$48,700 for 4 ppl. They have a laundry facility, plug-ins, heat/water/sewer/garbage included.
Clinton House 550 Clinton Ave.	1979	52	16 - 1BR 24 - 2BR 12 - 3BR	30% of AGI \$421 - Max \$563 - Max \$646 - Max	0 - 1BR 0 - 2BR 0 - 3BR	A mix of elderly, students, single-parent families, and couples. Townhomes tend to be families. About 80% from Hutchinson.	MHFA/Sec. 8. The 3BR units are townhouses, where tenant pays heat and electric \$100/month. Apts. Pay electric \$15 - 20/mo. 20 detached garages are \$20/month
Plaza Apartments 215/1025/1055 987 & 991 Echo Drive	1977- 1987	36	21 - 1BR 15 - 2BR	30% of AGI \$250 - Basic \$425 - \$465 - Market \$280 - Basic \$429 - \$490 - Market	3 - 1BR 0 - 2BR	A mix of seniors, students, and middle-age persons. Majority of new tenants are students. Drawing more from outside Hutchinson	Some RD 515, remaining market rent. Garages are currently included, but will begin to charge about \$25-\$30/month in Sept. 2004. Coin-op laundry available. On the verge of converting all units to market rent. About 5 tenants are currently using subsidy program.
Valley View Apts. 215 4th Ave. N.E.	1971	60	6 - 1BR 48 - 2BR 6 - 3BR	\$345 - \$396 \$396 - \$454 \$441 - \$505	0 - 1BR 0 - 2BR 0 - 3BR	Mixture of young, seniors, couples, students, singles, families w/kids. About 60% from Hutchinson.	16 units are Section 8, the rest are Section 236. Off street parking and lot. Waiting list of about 5 names, coin-op. laundry, all utilities included.
Apollo Apt. 1065 Jefferson St.	1950	10	3 - 1BR 7 - 2BR	\$331 \$428 - \$448	0 - 1BR 0 - 2BR	Some elderly, few younger, mostly middle-aged professionals. Mostly draw from Hutchinson	Low-moderate income, 2 parking spots included, tenant pays electric, phone, and cable. Higher 2BR rents have in-unit laundry.
Total		206	77 - 1BR 110 - 2BR 19 - 3BR <u>206</u>		3 - 3.90% 0 - 0.00% 0 - 0.00% <u>3 1.46%</u>		

Source: Maxfield Research Inc.

RENTAL HOUSING ANALYSIS

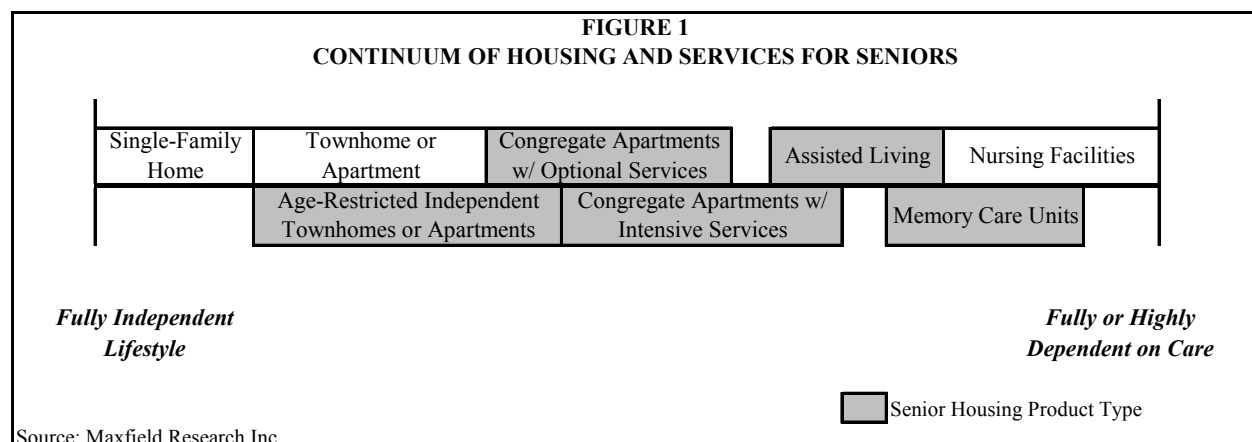
Combined, the average rent paid by tenants at the subsidized apartments is about \$315 to \$330 per month. Based on paying 30% of their adjusted gross income for rent, this would equate to an average annual income of about \$12,600 to \$13,200.

- 37 percent (77 units) of the surveyed apartments are one-bedroom units. 54 percent (110 units) are two-bedrooms, and the remaining 9 percent (19 units) have three bedrooms.
- As with market rate rental housing, vacancy rates among subsidized rental developments should, typically, fall below 5.0%. Vacancy rates substantially above 5.0% percent usually indicate that demand is soft or that there is a mismatch between the supply and the demand. Historically, subsidized projects have been able to maintain vacancy rates of 3.0% or less in most market areas.

Senior Housing Defined

Senior housing is a concept that generally refers to the integrated delivery of housing and services to seniors. However, senior housing embodies a wide variety of product types across the service-delivery spectrum, from independent apartments and/or townhomes with virtually no services on one end, to highly specialized, service-intensive, assisted living units or housing geared for persons with dementia-related illnesses (termed "memory care") on the other end. In general, senior housing attracts people ages 65 and over while developments offering support services tend to serve a market age 75 and older. For analytical purposes, Maxfield Research classifies senior housing into the following product types base on the availability of services and the market segments they serve:

- The least service-intensive buildings, also termed “**adult**”/few services projects, are similar to general occupancy apartment buildings, offering virtually no services, but restricting tenancy to those ages 55 and over. Congregate projects, the next level up on the service-delivery spectrum, offer basic support services such as meals and housekeeping, transportation and activities and as such, attract a frailer senior population than “adult” projects. Congregate housing projects can be split into two subcategories, those that offer the services a-la-carte (**optional services**) and those that include the some services (usually meals or house-keeping) in the rent (**congregate service-intensive**).



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- The most service-intensive product types, **assisted living** and **memory care**, offer the highest level of services short of a nursing home. Typical services covered in the fee for both of these product types include all meals, housekeeping, linen changes, personal laundry, 24-hour emergency response, and a wide range of personal-care and therapeutic services (either built into the fee or a-la-carte).

Sponsorship by a nursing home, hospital or other health care organization is common for assisted living and memory care projects.

Competitive Senior Housing Projects in the Hutchinson Market Area

Overall, Maxfield Research identified and collected information on six market rate independent, assisted living and memory care projects in the Hutchinson Market Area. We also collected data on three adult projects to provide a comprehensive list of all market rate senior housing options available in Hutchinson. Information regarding age of structure, number of units, vacancies, unit mix and sizes, and monthly fees (or entrance fees), is illustrated in Table 27. Table 28 displays unit and building features in each of the projects.

The surveyed developments contain a combined 249 units. Three of the inventoried developments are adult/few-services projects (80 units), one facility is a congregate/optional services project (40 units), three of these developments are assisted living (with 99 units), and two are memory care (30 units). A survey of the 8 developments in Table 23 in August 2004 found only 12 units vacant, for an overall vacancy rate of 4.8%. All of the units were occupied in Hutchinson indicating strong pent-up demand and need for additional senior housing. All of the 12 vacant units in the Market area were at Cosmos Assisted Living Plus, which converted from a nursing home in 2003.

Pricing in senior housing is driven primarily by the inclusion of services; however unit features and building amenities also play a key role in a project's market positioning. Table 29 displays information regarding the delivery of services deemed key to the decision making process of prospective senior housing residents: community transportation to goods and services, medical appointments, and church services; availability of activity programs; in-house meal programs; housekeeping and laundry services; and assistance with health monitoring.

The following are key findings of the information presented in Tables 27, 28, and 29:

Adult/Few Services Projects

- The three adult few services projects combine for 80 units, of which there were no vacancies, resulting in an overall occupancy rate of 100% in August 2004. Generally a healthy senior housing market will have a vacancy rate of around 5.0% in order to allow for sufficient consumer choice and turnover. Vacancy rates well below 5.0% indicate pent-up demand.
- Village Cooperative and Greencastle Condominiums are ownership projects that residents must buy into. The Village Cooperative has entry fees ranging from \$17,000 to \$31,153 with monthly association fees ranging from \$456 to \$935. Recent resales from the Greencastle

RENTAL HOUSING ANALYSIS

Condominiums have ranged from \$50,000 for a one-bedroom unit to \$96,300 for a two-bedroom unit.

- Lakeside Manor in Silver Lake is the only rental adult/few services project in the Market Area. The 12-unit project accepts both market-rate and affordable rents.
- As shown in Table 29, all three projects offer no services. However all three projects have a small percentage of residents receiving Meals on Wheels.

TABLE 27 SENIOR HOUSING PROJECTS HUTCHINSON MARKET AREA August 2004							
Project Name	Year Opened	No. of Units	No. Vac.	Unit Mix	Unit Sizes (Sq. Ft.)	Entry Fee/Sales Price Monthly Rents/Fees	Price Per Square Foot
Market Area - Adult/Few Services Projects							
Village Cooperative Hutchinson	1994	33	0	11 - 1 BR	670 - 747	\$17,000 - \$19,040 \$456 - \$508	\$25 - \$26 \$0.68
			0.0%	22 - 2 BR	932 - 1,375	\$22,168 - \$31,153 \$634 - \$935	\$24 - \$28 \$0.68
Greencastle Condominiums Hutchinson	1987	35	0	7 - 1 BR	812	\$50,000 - \$59,900 \$155	\$62 - \$74 \$0.19
			0.0%	12 - 1 BR/D	No recent resales	No recent resales \$188	N/A N/A
				7 - 2 BR	1,130 - 1,418	\$90,000 - \$96,300 \$221	\$68 - \$80 \$0.16 - \$0.20
Lakeside Manor ¹ Silver Lake	1984	12	0	2 - 1 BR	Unknown	250+	N/A
			0.0%	10 - 2 BR	Unknown	280+	N/A
Total Adult/Few Services Units		80	0	0.0%			
Market Area - Congregate Optional Service Projects							
Prince of Peace Hutchinson	1995	40	0	12 - Eff	517	\$677	\$1.31
			0.0%	16 - 1 BR	645	\$835	\$1.29
				12 - 2 BR	833	\$1,190	\$1.43
Market Area - Assisted Living Projects							
The Oaks Hutchinson	1999	42	0	38 - 1 BR	528 - 780	\$1,850 - \$2,250	\$2.88 - \$3.50
			0.0%	4 - 2 BR	1,000	\$2,450	\$2.45
Cedar Crest Estates ² Hutchinson	1984	28	0	28 - Pvt.	150	\$2,200+	\$15+
			0.0%				
Cosmos Assisted Living Plus ² Cosmos	2003	29	12	29 - Pvt.	Unknown	\$2,200+	N/A
			41.4%				
Total Assisted Living Units		99	12	12.1%			
Market Area - Memory Care Projects							
Prairie Senior Cottages Hutchinson	1999	16	0	8 - Pvt.	N/A	N/A	N/A
			0.0%	4 - Semi-Pvt.	N/A	N/A	N/A
Cedar Crest Estates ² Hutchinson	1984	14	0	14 - Pvt.	150	\$2,200+	\$15+
			0.0%				
Total Memory Care Units		30	0	0.0%			
¹ Lakeside Manor accepts subsidizes							
² Facility is licensed as a board and care and assisted living facility							
Source: Maxfield Research Inc.							

RENTAL HOUSING SUMMARY

**TABLE 28
AMENITY COMPARISON
COMPETITIVE SENIOR PROJECTS
HUTCHINSON MARKET AREA & VICINITY
August 2004**

	Amenities/Features:																Other	
	<i>Emer. Call</i>	<i>A/C</i>	<i>Dishwasher</i>	<i>Disposals</i>	<i>Balc./Patio</i>	<i>Walk-in Closet</i>	<i>In Unit Laundry</i>	<i>Storage</i>	<i>Comm. Rm.</i>	<i>Exercise Rm.</i>	<i>Activity Rm.</i>	<i>Salon</i>	<i>Library</i>	<i>Game Rm.</i>	<i>Terrace/porch</i>	<i>Guest Suites</i>		<i>Parking</i>
Village Cooperative	No	Cent.	Yes	Yes	No	Some	No	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Attached & detached \$25-\$30	Fireside lounge, wood-working shop, garden plots
Green Castle Condominiums	No	Cent.	Yes	Yes	Patio	No	Yes	Yes	Yes	Yes	Yes	No	Yes	No	No	Yes	Attached garages	Wood-working shop, sun-room
Lakeside Manor	No	Unit	No	No	No	No	No	No	Yes	No	No	No	No	No	No	No	Garage & Surface	--
Prince of Peace	No	Unit	No	Yes	No	Yes	No	No	Yes	Yes	Yes	Yes	Yes	No	No	Yes	14 underground \$40/month	Private dining room,
The Oaks	Yes	Unit	No	No	No	No	No	No	Yes	No	No	Yes	No	No	No	Yes	6 garage stalls \$45/month	Fireplace room
Cedar Crest Estates	Yes	Cent.	No	No	No	No	No	No	Yes	No	Yes	No	No	No	Yes	No	Surface	Large outside patio
Cosmos Assisted Living Plus	Yes	Cent.	No	No	No	No	No	No	Yes	No	Yes	N/A	N/A	No	N/A	No	Surface	--
Prairie Senior Cottages	Yes	Cent.	No	No	No	No	No	No	Yes	No	Yes	No	No	No	Yes	No	Surface	Outdoor courtyard

Source: Maxfield Research Inc.

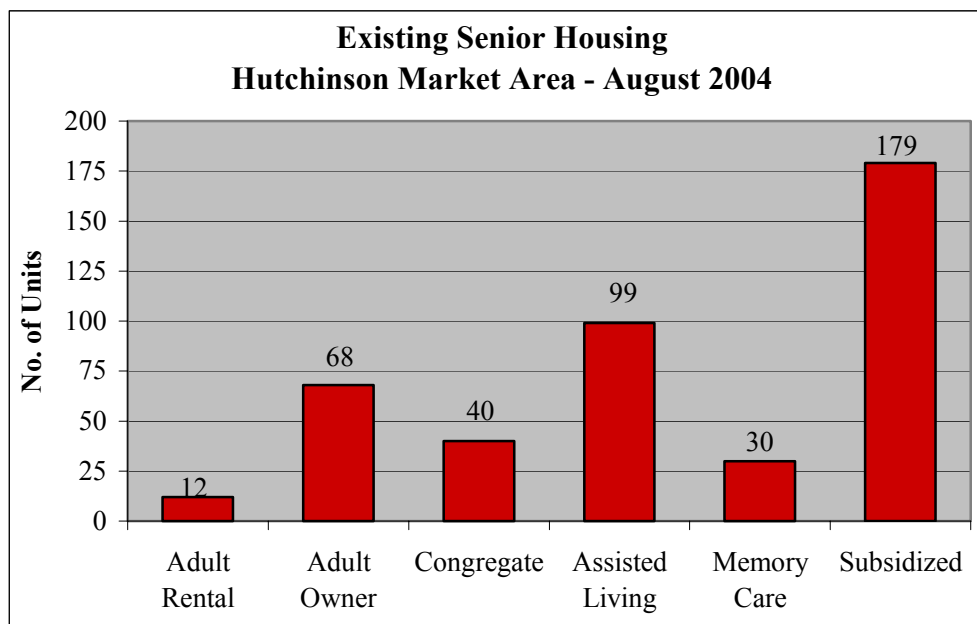
RENTAL HOUSING SUMMARY

TABLE 29 SERVICES COMPARISON COMPETITIVE SENIOR PROJECTS HUTCHINSON MARKET AREA August 2004							
	Age Qualif.	Utilities	Transportation	Activities	Meal Program	Hskpg.	Health/Misc.
Adult/Few Services							
Village Cooperative	62+	Resident pays electric, phone, & cable	None	Resident Committee	None - 1 catered meal per month	None	None
Greencastle Condominums	55+	Resident pays electric, phone, & cable	None	Arranged by residents	None - 3 residents receive Meals on Wheels	None	None
Lakeside Manor	62+	Resident pays electric, phone, & cable	None	Social activities arranged by residents	None - About 2-3 residents receive Meals on Wheels	None	None
Congregate Optional Services							
Prince of Peace	55+	All except phone & cable	Shuttle to grocery store	Resident services director	Optional noon meal for \$4.50/meal or \$40/month	Weekly light housekeeping	Home health available through ConnectCare
Assisted Living							
The Oaks	62+	All included	Transportation can be arranged to medical appts.	Planned activities	One meal included daily - 3 meals offered on an optional basis	Optional fee	24-hour staff on-site, Medical assistance is available for additional fees
Cedar Crest Estates	No specific age require.	All included - Resident pays phone & cable	Transportation to medical appts. & social outings	Coordinated by care staff	Three meals daily plus two snacks daily included	Hskpg., laundry, & linen service included	24-hour staff on-site
Cosmos Assisted Living Plus	No specific age require.	All included - Resident pays phone & cable	Transportation to Hutchinson or Litchfield for medical appts.	Coordinated by care staff	Three meals daily plus two snacks daily included	Hskpg., laundry, & linens service included	24-hour staff on-site
Memory Care							
Prairie Senior Cottages	62+	All included except phone & cable	Scheduled w/ station wagon	Arranged by Director & Asst. Director	3 meals daily plus snacks Residents encouraged to help w/ meal preparation	Hskpg., linen, & laundry service included	RN on call 24 hrs/day
Cedar Crest Estates	No specific age require.	All included - Resident pays phone & cable	Transportation to medical appts. & social outings	Coordinated by care staff	Three meals daily plus two snacks daily included	Hskpg., laundry, & linen service included	24-hour staff on-site
Source: Maxfield Research Inc.							

RENTAL HOUSING SUMMARY

Congregate Optional Service Projects

- The Market Area contains only one congregate/optional services property, Prince of Peace in Hutchinson. There are no congregate/service-intensive projects in the Market Area.
- Prince of Peace offers an optional daily noon meal and includes weekly light-housekeeping in the rent. Noon meals are available for \$4.50 per meal or for \$40 per month. The facility is currently 100% occupied with a waiting list.
- Sizes for apartment-style units at Prince of Peace are 517 square feet for studio units and 645 square feet for one-bedroom units, while two-bedroom units are 833 square feet. Monthly rents range from \$677 for a studio unit to \$1,190 for a two-bedroom unit.



Assisted Living Projects

- There are three assisted living projects located in the Market Area, which contain a total of 99 units. The Oaks, built in 1999, is the newest project in Hutchinson; it has 42 units. Cosmos Assisted Living Plus, previously the Cosmos Nursing Home, was rehabbed and re-opened in 2003. Cedar Crest Estates in Hutchinson, offers 28 assisted living units, as well as 14 memory care units.
- Our survey in August 2004 found twelve vacant units in the Market Area; however the two projects in Hutchinson are fully occupied. Unlike senior housing offering fewer services, demand for assisted living (and memory care housing) is need-driven and turnover rates are generally much higher. Thus, vacancy rates are often higher. We consider the market equilibrium vacancy rate for assisted living and memory care housing to be 7.0%. All twelve vacant units were at Cosmos Assisted Living Plus, which was converted from a nursing home to assisted living in 2003 and is still within its initial lease-up period.

RENTAL HOUSING SUMMARY

- The Oaks is the only assisted living project that offers apartment style units, with Cedar Crest Estates and Cosmos Assisted Living Plus offering suite-style units. Our research of assisted living housing has indicated that apartment-style units are the preferred design from the market standpoint, versus suite-style units. Common areas at the Oaks include a dining room, community room, and barber/beauty shop.
- Cedar Crest Estates and Cosmos Assisted Living Plus are licensed as both assisted living facilities and board and lodging facilities. Therefore, both facilities cater to residents requiring service-intensive health-care. Both facilities offer private rooms and shared bathrooms. In today's market, many assisted living residents demand apartment-style units with kitchenettes (or full-kitchens) and private bathrooms.
- Base monthly fees can vary from project to project, depending largely on the number of meals, housekeeping, and other health services that are included in the monthly rent. Cedar Crest Estates and Cosmos Assisted Living Plus include: weekly laundry, housekeeping, and three meals plus snacks daily. Overall beginning base monthly fees at these two assisted living facilities start at \$2,200 for a private unit and will increase based on the service-intensive need of the resident. The Oaks includes one meal daily in the base fee while additional meals are extra. Housekeeping and laundry/linen services are also optional. Monthly rents range from \$1,850 to \$2,250 for a one-bedroom and \$2,450 for a two-bedroom unit.
- Scheduled transportation to shopping, events, and doctors appointments is provided by all of the three projects. Each project also has an activities program to enrich the social lives of its residents that is coordinated by management staff. Examples of program activities include: birthday parties, games, crafts, and trips to the County Fair.
- Meals are served restaurant style in a dining area at all three projects. In many cases, arrangements can be made for tray service to individual rooms, at an additional charge.

Memory Care

- A total of two memory care facilities with 30 units are located in the Market Area, with all rooms occupied at the time of our survey. These units would not be competitive with the proposed project, since they cater to people who need a greater level of supervision and care than is provided in a congregate setting. The Market Area's low vacancy rate indicates potential for additional memory care beds.
- Cedar Crest Estates features private rooms with shared baths, while Prairie Senior Cottages offers both private and semi-private rooms with shared baths. Prairie Senior Cottages also offers walking paths and outdoor activities in a gated setting.

RENTAL HOUSING SUMMARY

Subsidized Senior Housing Projects

Subsidized senior housing offers affordable rents to qualified lower income seniors and handicapped/disabled persons. Typically, rents are tied to residents' incomes with rents based on 30% of adjusted gross income (AGI), or a rent that is below the fair market rent. Two Federal government agencies, the Department of Housing and Urban Development (HUD) and the United States Department of Agriculture's Rural Development (formerly Farmer's Home Administration), provide funding for the vast majority of subsidized senior housing projects.

Maxfield Research Inc. inventoried and surveyed three subsidized senior rental projects located in Hutchinson in August 2004. Table 30 provides information on year built, number of units, unit mix, number of vacant units, rents, and general comments about each project.

- Combined, the three subsidized senior projects contain a total of 178 units. There were no vacancies among these projects when surveyed.
- Residents at the three subsidized projects pay 30% of their adjusted gross income on rent. The average rent paid by residents at Park Towers is \$200 monthly. This equates to an average annual income of roughly \$8,000. Approximately 90% of Park Towers residents earn less than \$15,000 annually. However, residents who do not meet the income requirements may still reside in Park Towers and pay a flat monthly fee (\$500 in 2004).
- The three subsidized buildings are comprised almost entirely of one-bedroom units. According to building managers, the vast majority of residents are single and they prefer a one-bedroom unit.
- Park Towers is an HRA/public housing building and has a dining room that is a site for the Region 6C Area Agency on Aging's Senior Dining Program. Seniors at Park Towers can purchase meals Monday through Friday. Meals can be purchased on weekends delivered by a local church group. In addition to meals, if seniors need assisted living services, Connect Care will provide the services for an additional fee. Services may be charged in fifteen minute increments between the hours of 7AM and 7PM. Additional Funding for the assisted living services can be provided by the County's Alternative Care Grant.

RENTAL HOUSING SUMMARY

**TABLE 30
MARKET AREA SUBSIDIZED SENIOR PROJECTS
CITY OF HUTCHINSON
August 2004**

Building Name	Year Built	No. of Units	Unit Mix	Rents	Vacancies	Tenant Profile	Comments
Leona 225 Echo Circle	1982	15	15 - 1BR	\$310 - Basic \$470 - Market	0 - 1BR	Elderly singles/disabled. 100% of tenants from Hutchinson	RD 515. No waiting list. No one pays market rent. Building has a community room on main floor, laundry facility, plug ins, no garage, allows pets.
Evergreen 115 Jefferson S.	1982	62	61 - 1BR 1 - 2BR	30% of Income (Caretaker)	0 - 1BR 0 - 2BR	Most tenants are in lower 80's	HUD/Section 8. Meals on wheels in community center; lounge in building, sitting areas and balconies on every floor. No services are available.
Park Towers 133 3rd Ave. SW	1974	101	95 - 1BR 5 - 1BR/HC 1 - 2BR	30% of Income	0 - 1BR 0 - 2BR	Average age is about 80. Majority seniors and disabled tenants, about 5 students.	HRA/Public Housing building. Waiting list w/6 names. Community room with kitchen, library, and craft room. Optional services are provided for an extra fee. 2 parking lots, tenant pays only phone and cable
Subtotal		178			0		

Source: Maxfield Research Inc.

RENTAL HOUSING SUMMARY

Planned/Proposed Rental Housing Developments

There are no proposed market rate or subsidized general occupancy buildings in Hutchinson or the Market Area at this time. However, Farr Development is in the process of assembling a mixed-use development on the southern edge of town along Highway 15, just south of Denver Avenue. Preliminary plans indicate commercial uses, student housing, senior housing (independent, assisted, and memory care housing), general occupancy apartments, and for-sale condos and townhomes. It should be noted, this project is still in the planning stages and would likely be a multi-phase project should it proceed.

Consequently, a number of senior housing developments have been proposed and are in the planning phases at this time in Hutchinson and the Market Area. The following bullet points summarize these projects in the Market Area.

Hutchinson

- The Hutchinson Area Health Care facility and Presbyterian Homes entered into a public/private partnership in October 2003 to replace the existing Burns Manor Nursing Home and augment the senior housing options available in Hutchinson. The partnership created a new nonprofit corporation that was named “Newco” that was expected to develop a new nursing home, assisted living housing, congregate housing, and adult day care services. The existing Burns Manor Nursing Home located on the north end of town is 40 years old and is considered functionally obsolete. A consulting firm hired by the hospital recommended the construction of a new senior community that would include a 120-bed nursing home with as many as 90 apartments. Approximately 30 to 40 units were planned as assisted living, with the remaining units planned for independent living with services. However, due to the number of other planned senior developments in Hutchinson, the Hutchinson Hospital has delayed any building plans for senior housing and it is unlikely anything will proceed.
- Welcome to Our Home, in conjunction with the Board of Social Ministry, is planning to construct a 50-unit independent living building adjacent to the Oaks. The proposed project would include a daily noon meal, weekly housekeeping, scheduled activities, transportation, and 24-hour staffing. The development has proposed monthly rents ranging from \$1,350 to \$1,400 per month for a one-bedroom unit and from \$1,450 to \$1,500 for a two-bedroom unit.
- Community of Lakeridge is a planned senior condominium development of 36-units located at the intersection of Century Avenue and Dale Street. Units sizes will be from 946 to 1,534 square feet, with purchase prices ranging from \$124,000 to \$164,000. Common area amenities will include a workshop, craft room, game room, exercise room, library, guest suite, storage lockers, and a community room with a kitchen. Anticipated occupancy is June 2005.

RENTAL HOUSING SUMMARY

Silver Lake

- The City of Silver Lake is investigating the possibility of developing senior housing. Prairie Grass LLC, a senior housing developer with a recent project in Hector, MN, has proposed to assist the City in developing a continuum of care campus with approximately 24 potential senior housing units. The City is exploring the potential to develop an Economic Development Authority to oversee the development and to manage the project. However, the project would require a \$3 million investment by the City and would be risky for a City the size of Silver Lake. According to city staff, this proposed project is still under discussion and no details are available.

Rental Market Interview Summary

Interviews with area rental property managers, real estate agents, health care professionals, and other persons familiar with the general-occupancy and senior rental markets in Hutchinson, were conducted to solicit their impressions of the rental housing market in the community. The following are some key points from these interviews:

General Occupancy Market

- The majority of apartment managers of market rate buildings stated that the rental market is still soft and that the existing supply of market rate apartments in Hutchinson is satisfying demand. However, it was generally agreed the rental market has performed much better in the past year than the early 2000's.
- Although vacancy rates are just below the 5% equilibrium, some property managers felt the quality of the tenants was poor. Even though the units are being filled, they are being filled with tenants that have poor credit or show bad background checks.
- There is a lack of student housing options for students of Ridgewater College. Few apartment buildings cater to students or have affordable units available to college students. Many students would prefer to have studio-like apartment within walking distance to Ridgewater College.
- Some potential residents of Section 8 housing are turned away due to high occupancies. However, historically Section 42 units have remained vacant due to the income requirements by household size.

Senior Housing Market

- Many people interviewed are very concerned about the amount of senior housing that is planned in Hutchinson in the next few years. A number of developers have expressed interest in building in Hutchinson, and should they all proceed, the senior housing market in Hutchinson could be over built.

RENTAL HOUSING SUMMARY

- Persons interviewed also expressed concern about the number of twinhomes being constructed in Hutchinson. A number of new one-level twin home units have been built in the past five years and the market for these units may be saturated should they continue to be built at a fast pace.
- Senior subsidized housing units in Hutchinson have maintained high occupancies for many years. As a result, there may be demand for additional subsidized or affordable senior units.

Introduction

Previous sections of this study analyzed the existing housing supply and the growth and demographic characteristics of the population and household base in the Hutchinson Market Area. This section of the report presents our estimates of housing demand in Hutchinson from 2004 through 2010.

Demographic Profile and Housing Demand

The demographic profile of a community affects housing demand and the types of housing that are needed. The housing life-cycle stages are:

1. *Entry-level householders*
 - Often prefer to rent basic, inexpensive apartments
 - Usually singles or couples without children in their early 20's
 - Will often “double-up” with roommates in apartment setting
2. *First-time homebuyers and move-up renters*
 - Often prefer to purchase modestly-priced single-family homes or rent more upscale apartments
 - Usually married or cohabiting couples, some with children, but most are without children, in their mid-20's or 30's
3. *Move-up homebuyers*
 - Typically prefer to purchase newer, larger, and therefore more expensive single-family homes
 - Typically families with children where householders are in their late 30's to 40's
4. *Empty-nesters (persons whose children have grown and left home) and never-nesters (persons who never have children)*
 - Prefer owning but will consider renting their housing
 - Some will move to alternative lower-maintenance housing products
 - Generally couples in their 50's or 60's
5. *Younger independent seniors*
 - Prefer owning but will consider renting their housing
 - Will often move (at least part of the year) to retirement havens in the Sunbelt and desire to reduce their responsibilities for upkeep and maintenance
 - Generally in their late 60's or 70's

6. *Older seniors*

- May need to move out of their single-family home due to physical and/or health constraints or a desire to reduce their responsibilities for upkeep and maintenance
- Generally single females (widows) in their mid-70's or older

Outstate communities and rural areas tend to have higher proportions of younger households that own their housing than in the larger growth centers or metropolitan areas. In addition, senior households in outstate communities typically tend to move to alternative housing at an older age. However, Hutchinson has senior housing options available and a number of one-level living twinhomes are catered to independent seniors. These conditions are a result of housing market dynamics, which typically provide more affordable single-family housing for young households. Therefore, the age categories for housing life cycles will be somewhat different in Hutchinson than in communities located in larger growth centers and metropolitan areas.

The baby boom generation will have the biggest effect on the housing market in Hutchinson as their life cycle continues. Baby boomers are currently ages 40 to 58, and as they age over the next decade, they will increase the population in the age groups 45 to 54 and 55 to 64. The 45 to 54 and 55 to 64 age cohorts in the Market Area will see increases of 143 and 236 households, respectively, over the next five years. Some of these baby boomers will prefer more expensive single-family homes, while others who become empty nesters may prefer to downsize or desire maintenance-free alternatives. With the baby busters following in the baby boomers' wake, the age group 35 to 44 will decline, somewhat decreasing the demand for move-up housing.

Housing Demand Calculations

Demand for additional housing in Hutchinson will primarily come from household growth, although replacement need will also contribute to the need for additional residential development. Pent-up rental demand can also be a source of housing demand. However, in Hutchinson we find that the overall supply of existing rental units is adequately meeting current demand. Table 31 shows our calculation of housing demand in Hutchinson from 2004 to 2010.

Table 9 in the *Demographic Analysis* section shows that Hutchinson is projected to add 420 households between 2004 and 2010, while the Remainder of Market Area is projected to add about 234 households. We estimate that Hutchinson can capture one-third of the demand in the Remainder of the Market Area, or 77 units, by providing moderately priced housing to retain some potential residents who otherwise would seek this housing in smaller surrounding communities. Thus, an additional 497 housing units would need to be developed during the remainder of this decade to satisfy projected household growth in Hutchinson.

Another factor in calculating demand for housing is an examination of replacement need. Replacement need is generated from the loss of housing, or the need to replace housing units that are physically or functionally obsolete (i.e., they no longer meet the needs of the current housing market). A review of the age of Hutchinson's housing stock from the U.S. Census revealed that 807 housing units were built prior to 1940. We estimate that 0.5% of these units should be

HOUSING DEMAND ANALYSIS

replaced annually. This would result in a replacement need for about 4 houses each year, or 24 houses between 2004 and 2010.

TABLE 31 HOUSING DEMAND SUMMARY CITY OF HUTCHINSON 2004 to 2010			
			2004 to 2010
Household growth*			497
(plus) Replacement need		+	24
(equals) Total housing demand		=	521
(times) Percent rental demand	x	15% to 20%	
(equals) Rental housing demand	=	78 to 104	
(plus) Supply needed to reach 95% occupancy	+	3 4	
(equals) Total rental housing demand	=	81 to 108	
(times) Percent owner demand	x	80% to 85%	
(equals) Total owner housing demand	=	417 to 443	
* Includes 420 households in Hutchinson and 77 in the Remainder of the Market Area Source: Maxfield Research Inc.			

Based on demographic and market trends, we believe that 15% to 20% of the housing demand in Hutchinson between 2004 and 2010 (about 80 to 105 units) will be for rental housing. Since the current vacancy rate for market rate rental housing is 4.6%, there is a slight demand of 3-4 units to bring the vacancy rate back to the 5% equilibrium. A healthy rental market is expected to have a vacancy rate of about 5% to allow for sufficient consumer choice and unit turnover (the vacancy rate for single-family homes is expected to be about one percent or less). With pent-up demand (a shortage of units), persons who would normally form their own rental households instead room with other persons in a housing unit, live with their parents, or live in housing outside of the area and commute to jobs. Adding the units need to reach equilibrium, the total demand for additional rental units in Hutchinson is approximately 80 to 110 units through 2010. The remaining 80% to 85% of demand in Hutchinson through 2010 (about 415 to 445 units) will be for owned housing.

It should be noted that our demand calculations do not factor in changes in interest rates that may occur in the future; primarily because of their unpredictability. However, because home mortgage rates are currently very low, the likelihood is that if there is a change, rates will increase. We believe that an increase in home mortgage rates to about 7.0% to 7.5% would begin to slow new home construction and would result in a greater percentage of new households that would seek rental housing. The following are the primary impacts that higher home mortgage rates would have on the housing market.

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- The people most impacted would be first-time homebuyers and others seeking moderately priced homes. The reason is that most of these buyers have very little down payment money and must finance nearly the entire cost of a home. Conversely, most persons purchasing move-up housing or downsizing from single-family homes to townhomes (typically empty-nesters) have equity in their existing homes and also substantial savings that they can use toward the purchase of their new home, and do not need as much financing. If home mortgage rates increase, we could expect demand for entry-level housing to decrease by a greater amount than for move-up homes and one-story townhomes.
- Demand will not likely decline as much for mid-range homes as for entry-level homes should home mortgage rates increase. This is because a greater percentage of households in the market for mid-range homes could take on a greater housing cost burden (due to higher home mortgage rates) and still be under the qualifying cost burden required by lenders. The decline in demand would come from households who, because of the higher rates, would not income-qualify for a home mortgage sufficient enough to purchase a home they find adequate in the market. This occurs most often in the entry-level market.
- Should some households become priced out of the for-sale housing market by higher home mortgage rates, demand for rental housing would increase in the community. Should mortgage rates increase to above about 7.5% for an extended period of time, rental demand would likely exceed our projections in Table 31. It should be noted, however, that with higher interest rates, the cost of developing a rental project also increases. Thus, despite greater demand, it could be difficult to develop a rental project without some public subsidy, unless the new project were able to command rents much higher than can currently be commanded in Hutchinson.
- While we do not believe that the move-up market or single-story townhome market would be impacted as much as the entry-level for-sale market by higher home mortgage rates, there would be some slowdown. The slowdown would occur because homeowners of entry-level homes would have greater difficulty in selling their existing homes before purchasing a move-up home. For some existing owners of entry-level homes, they may not be able to obtain the price they seek and may subsequently decide to stay in their existing home.

For-Sale Housing Needs

Table 31 shows that there is a projected demand for about 415 to 445 additional owner-occupied housing units in Hutchinson between 2004 and 2010. We estimate that about two-thirds of the demand for owned housing will be for single-family homes (280 to 295 homes), and the remainder for 140 to 150 multifamily units (i.e. condominium and townhomes). Based on community interviews, we believe that most of the demand for new single-family homes in Hutchinson will be from family households beginning in their mid-20s to those in their 40s.

Historically in Hutchinson, demand for multifamily owned housing has primarily generated by empty nesters. Condominiums and townhomes generally appeal to empty nesters because they offer a more maintenance-free environment (allowing more time for travel or other activities) than a single-family home. Younger households are generally attracted to townhomes if they are

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more affordable than single-family homes. Because new single-family homes in some developments in Hutchinson are comparable to new townhomes in price, we believe that most younger households will prefer single-family homes. However, should a new multifamily development be priced lower than new single-family homes, a number of younger householders would be attracted to a multifamily ownership project.

General Occupancy Rental Housing Needs

Based on the calculations in Table 31, demand exists for an additional 80 to 110 rental units in Hutchinson between 2004 and 2010. However, our research indicated that most of this demand will be generated later in the decade, as the current rental market is near equilibrium. Hutchinson has been in a period of over supply for about three years, and we believe demand will reach a level to support a new project no sooner than 2006. Based on household income growth, we project that 60% to 70% of the demand will be for market rate units, or 55 to 70 units. The remainder of demand will be for units affordable to lower-and moderate- income households, or about 25 to 40 units. This demand for lower to moderate rental units also includes housing for students at Ridgewater College.

The target market for a market rate project will be primarily to single professionals and couples who are new to the community, and also to some empty nesters who prefer not to move into an age-restricted building. However, we do not believe that increased demand will reach a level to support the development in the short-term.

Independent Senior Housing Demand

Table 32 presents our demand calculations for market-rate, independent senior housing in the Market Area in 2004 and projections for 2009. Demand estimates are given for independent adult (without services) and congregate (with services) rental housing.

The table calculates demand based on senior households with incomes of \$25,000 or more plus senior homeowners (based on the current homeownership rate) with incomes of 15,000 to \$25,000 in 2004. To account for inflation, we have defined the income-qualified market as all households with incomes of \$30,000 or more and homeowners with incomes of \$20,000 to \$30,000 in 2009. We estimate the number of age/income-qualified older adult and senior households in the Market Area in 2004 to total 2,860.

It is important to note that the more intensive the services a senior needs, the higher the proportion of their income he or she is willing to apply to alternative housing. For instance, it is not uncommon for older, frailer seniors to allocate 80% or more of their income on assisted living housing that includes all of their essential support service and personal care needs. In many cases, seniors will even spend down assets in order to reside in assisted living housing and avoid being placed in a nursing home. Seniors who own their homes have an untapped source of equity that can be used to supplement their income. The proceeds from the sale of their home often allows a lower-income household to more easily afford monthly rental payments at a market rate senior facility.

Adjusting to include appropriate short-term capture rates for each age cohort (0.5 percent of households age 55 to 64, 11.0 percent of households 65 to 74, and 19.0 percent of households age 75 and older) results in a local short-term demand potential for approximately 229 market rate independent senior units in 2004. Next, we divide total demand for independent senior housing into demand for rental units offering additional services (congregate), and rental and/or ownership units with no services (adult). Based on the current senior household population in the Market Area, as well as the number of existing independent senior units, we have determined that in 2004, 40% of the total independent demand will be for congregate rental units and 60% of demand will be for adult rental units or ownership units. Then, based on the draw of other projects in the Market Area, we estimate that seniors currently residing outside the Market Area will generate 25% of the long-term demand for senior housing. This demand will consist primarily of parents of adult children living in the Market Area, individuals who live just outside the Market Area and have an orientation to the area, as well as former residents who desire to return upon retirement.

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TABLE 32
MARKET RATE INDEPENDENT SENIOR RENTAL & OWNER HOUSING DEMAND
HUTCHINSON MARKET AREA
2004 & 2009

	2004			2009		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of \$15,000 to \$24,999 ¹	85	167	287	133	171	265
(times) Homeownership Rate	x 91%	x 85%	x 70%	x 91%	x 85%	x 70%
(equals) Potential Market	= 77	= 142	= 201	= 120	= 145	= 186
(plus) # of Households w/ Incomes of \$25,000+ ¹	+ 1,280	+ 645	+ 515	+ 1,419	+ 643	+ 503
(equals) Total Potential Market Base	= 1,357	= 787	= 716	= 1,539	= 788	= 689
(times) Short-Term Capture Rate	x 0.5%	x 11.0%	x 19.0%	x 0.5%	x 11.0%	x 19.0%
(equals) Short-Term Demand Potential	= 7	= 87	= 136	= 8	= 87	= 131
Total Market Rate Demand Potential	= 229			= 225		
	With Services	Without Services		With Services	Without Services	
(times) % for housing w/services & w/o services	x 40%	x 60%		x 40%	x 60%	
(equals) Demand potential	= 92	= 138		= 90	= 135	
(plus) Demand from Outside Market Area (25%)	+ 31	+ 46		+ 30	+ 45	
(equals) Total Demand Potential	= 122	= 183		= 120	= 180	
(minus) Existing Competitive Units ²	- 40	- 80		- 88	- 114	
(equals) Total Long-Term Demand Potential	= 82	= 103		= 32	= 66	
(minus) Pending Competitive Independent Units ³	- 48	- 34		- 0	- 0	
(equals) Excess Demand	= 34	= 69		= 32	= 66	

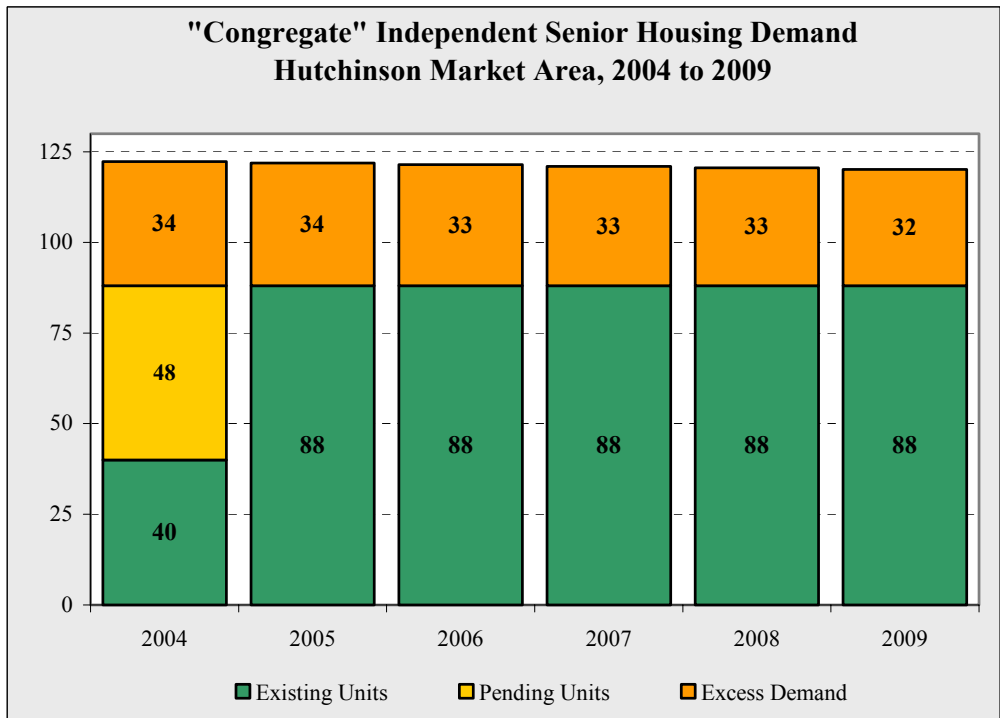
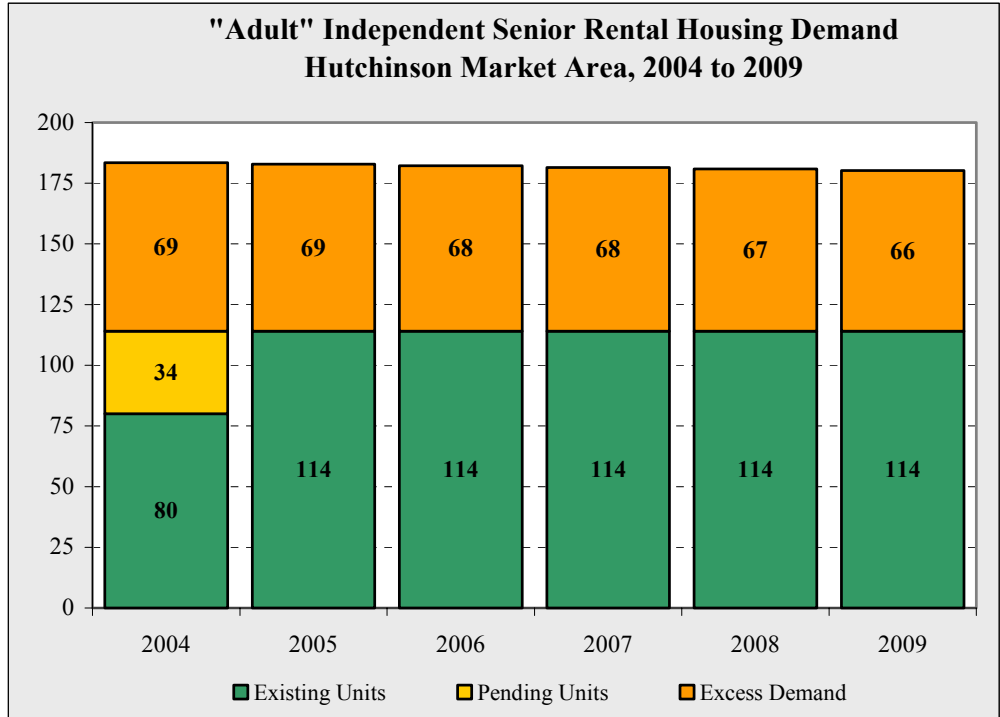
¹ 2009 income-qualified figures adjusted for inflation (\$30K or more + homeowners w/ inc. of \$20-30K)
² competitive units includes 100% of all market rate rental and 95% occupancy (market equilibrium).
³ Pending units are stated at 95% occupancy (market equilibrium).

Source: Maxfield Research Inc.

From this total, we subtract the number of existing units in both congregate (with services) and adult (without services) units to get a total long-term demand of 82 adult units and 103 independent units. Then we subtract total pending competitive units to get excess demand of 34 congregate rental units and 69 adult rental or ownership units in the Market Area in 2004.

After applying the same demand methodology to the projected 2009 senior household population and the construction of new senior projects in the Market Area, demand in 2009 decreases to 32 units of congregate housing and 66 units of adult housing in the Market Area.

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Assisted Living Demand Estimates

Table 33 presents calculations of demand for assisted living units in the Market Area. The availability of intensive support services such as meals, housekeeping, and personal care at assisted living facilities usually attracts older, frail seniors. Hence, the age-qualified market for assisted living housing is defined as people ages 75 and over.

Because of the supportive nature of assisted living housing, most of their daily essentials are provided for and, hence, seniors can typically afford to spend a significant portion of their incomes on assisted living housing with basic services. An income of approximately \$30,000, and an 80 percent allocation of that income to housing, translates to an affordable monthly fee of roughly \$2,000, the approximate starting monthly fee for assisted living in the Market Area. Thus, all senior households with incomes above \$30,000 would income-qualify for assisted living, while those with incomes below \$30,000 would likely need some supplemental income to afford the beginning monthly fee at an assisted living facility.

Supplemental income for senior households primarily comes from equity invested in their homes. These seniors have an untapped source of equity that can be used as supplemental income to pay for assisted living. In addition, there are significant numbers of seniors who will spend down their assets or will receive financial assistance from family members in order to avoid institutional care.

Because the vast majority (90%, according to the latest Assisted Living Federation of America survey) of assisted living residents are single, our demand methodology separates the number of senior households that live alone from those that live with a spouse or other relative. From this figure, we applied acceptable capture rates for each income cohort and household type to derive the potential income and asset-qualified market. There were an estimated 353 income and asset-qualified older senior households in the Market Area in 2004 and 369 households in 2009.

Because demand for assisted living housing is need-driven, the age- and income-qualified market is reduced to include only the potential market that needs assistance. Studies by government agencies indicate that about one-third of all seniors age 75 and over need assistance with at least three activities of daily living (ADL's). Applying this proportion to the age- and income-qualified household base yields a potential assisted living market of 116 seniors in the Market Area in 2004, and 122 households in 2009.

We identified three assisted living facilities in the Market Area (*The Oaks*, *Cedar Crest Estates*, and *Cosmos Assisted Living*). Subtracting the competitive units at these projects (minus a 7% vacancy rate) reduces long-term demand to 24 units in 2004 and 30 units in 2009.

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**TABLE 33
ASSISTED LIVING DEMAND
HUTCHINSON MARKET AREA
2004 & 2009**

2004							2009						
Income	HHs 75+ Lvg. Alone	Capture Rate	Potential HHs	Non-single HH's 75+	Capture Rate	Potential HHs	Income	HHs 75+ Lvg. Alone	Capture Rate	Potential HHs	Non-single HH's 75+	Capture Rate	Potential HHs
Less than \$20,000	432	25%	108	163	5%	8	< \$24,000	505	25%	126	191	5%	10
\$20-\$34,999	136	75%	102	235	15%	35	\$24-\$39,999	122	75%	91	211	15%	32
\$35,000+	52	100%	52	236	20%	47	\$40,000+	58	100%	58	261	20%	52
Total	620		262	634		91		685		275	663		93
						↓							
Total potential income-qualified market						353							
(times) Percent needing assistance w/ 3+ ADL/IADL's						x 33%							
(equals) Age/income qualified market needing assistance						= 116							
(less) Existing assisted living units/beds (less 7% vacancy rate)*						- 92							
(equals) Net age/income qualified market needing assistance						= 24							
(times) Short-term market penetration rate of 33%						x 33%							
(equals) Short-term demand from senior households						= 8							
(plus) Proportion from outside the market area (25%)						+ 3							
(equals) Total market area assisted living demand						= 11							
						↓							
Total potential income-qualified market						369							
(times) Percent needing assistance w/ 3+ ADL/IADL's						x 33%							
(equals) Age/income qualified market needing assistance						= 122							
(less) Existing assisted living units/beds (less 7% vacancy rate)*						- 92							
(equals) Net age/income qualified market needing assistance						= 30							
(times) Short-term market penetration rate of 33%						x 33%							
(equals) Short-term demand from senior households						= 10							
(plus) Proportion from outside the market area (25%)						+ 3							
(equals) Total market area assisted living demand						= 13							

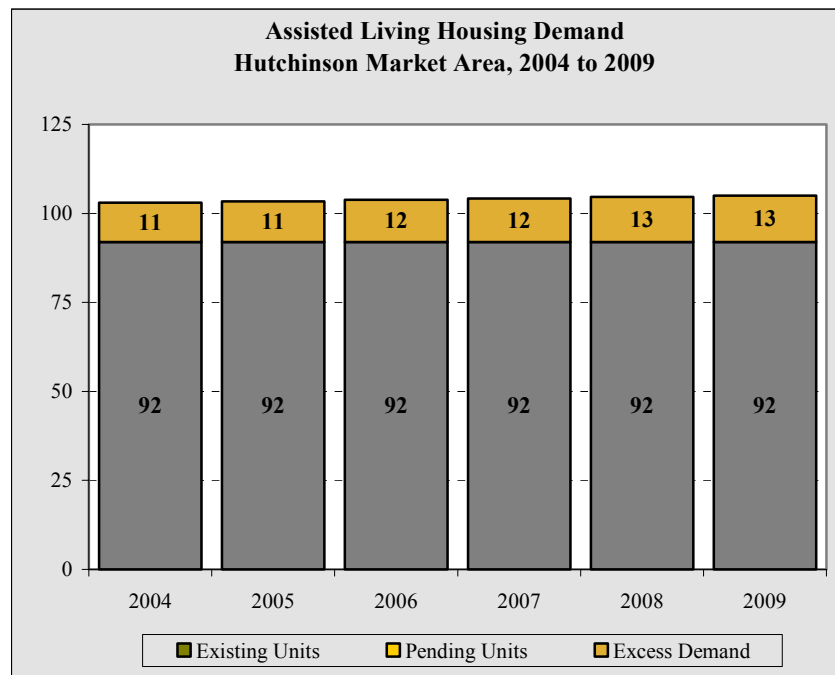
* Less a 7% vacancy rate

Source: Maxfield Research Inc.

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We estimate that two-thirds of the age- and income-qualified market needing assistance will be able to remain in their homes with the assistance of a family member or home health care. The remaining one-third will need assisted living housing within the next few years. Applying this “market penetration rate” results in a local short-term demand of 8 units in 2004, and 10 units in 2009.

A portion of households in the Hutchinson Market Area may have senior parents that desire supportive housing near their adult children. We believe that it is reasonable to estimate that approximately 25% of the demand for an assisted living facility in Hutchinson may come from outside the Market Area. Using this figure, along with the local demand, **results in a potential for 11 assisted living units in 2004, and 13 units in 2009.**



Market Rate Memory Care Housing Demand

Table 34 shows the age/income-qualified market for memory care housing in the Market Area, as calculated by Maxfield Research Inc. in August 2004.

Demand is calculated by starting with the estimated Market Area population for age 65 to 74, 75 to 84, and 85+ in 2004. We then multiply each age cohort population by the respective incidence rates of Alzheimer's/dementia based on recent reports by the Alzheimer's Association. The incidence rates are 3.0% for ages 65 to 74, 17.0% for ages 75 to 84, and 45% for ages 85+. This yields an estimated age 65+ dementia population of 527 seniors in the Market Area in 2004.

TABLE 34 MEMORY CARE DEMAND HUTCHINSON MARKET AREA 2004 & 2009		
	2004	2009
Age 65-74 Population	1,592	1,679
(times) 3.0% Dementia incidence rate	x 3.0%	3.0%
(equals) Estimated Age 65-74 population with dementia	48	50
Age 75-84 Population	1,386	1,418
(times) 17.0% Dementia incidence rate	x 17%	17%
(equals) Estimated Age 75-84 population with dementia	236	241
Age 85+ Population	539	608
(times) 45.0% Dementia incidence rate	x 45%	45%
(equals) Estimated Age 85+ population with dementia	243	274
Total Estimated Age 65+ Population With Dementia	= 527	565
(times) Percent needing institutional care	x 25%	25%
(equals) Non-institutionalized demand	= 132	141
(times) Percent income/asset qualified (25%)	x 25%	25%
(equals) Total potential market base from Market Area	= 33	35
(plus) Demand from outside the Market Area (25%)	+ 11	11
(equals) Total demand for memory care units in Market Area	= 44	46
(minus) Existing private pay memory care units	- 28	28
(minus) Planned memory care units	- 0	0
(equals) Excess demand for memory care units in Market Area	= 16	18
(times) Percent Capturable in Hutchinson (85%)	x 85%	85%
(equals) Total Demand for Memory Care Units in Hutchinson	= 14	15
Source: Maxfield Research, Inc.		

According to data from the National Institute of Aging, about one out of every four persons with memory care impairments are a market for memory care units. This figure takes into account that the majority of seniors with dementia will still be able to live independently with the assistance of a caregiver, while those in the latter stages of dementia will require intensive medical care that would only be available in skilled care facilities.

Applying this figure to the estimated population with memory impairments yields a potential market of 132 seniors in the Market Area in 2004. Because of the staff-intensive nature of dementia care, typical monthly fees for this type of housing start at about \$3,000. Some of the income-qualified seniors will have high monthly incomes, however, most will be seniors (or family members of seniors) willing to spend down assets and/or receive financial assistance to afford memory care housing. Based on a review of household income data, we estimate that 25 percent of Market Area seniors would be income-qualified for memory care housing. This figure accounts for married couple households where one spouse may have memory care needs and allows for a sufficient income for the other spouse to live independently. Multiplying the

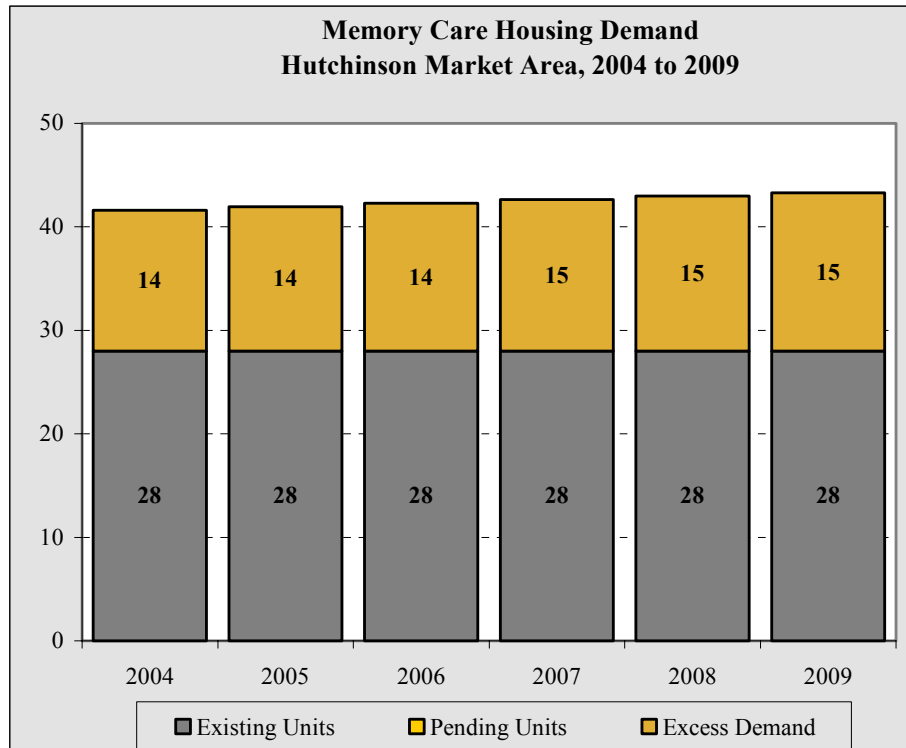
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potential market (132 seniors) by 25 percent, results in a total of 33 income-qualified seniors in the Market Area in 2004. To this total we add the estimated percentage of demand that would come from outside the Market Area (25 percent) for a total demand for 44 memory care units in 2004.

Subtracting out the existing 28 existing memory care units in the market area results in excess demand for 16 memory care units in 2004.

We have determined that based on the existing number of memory care units in the Market Area, as well as the drawing power of Hutchinson the Market Area, Hutchinson would be able to capture 85% of the total Market Area demand potential for memory care units. **Therefore, in 2004, we find excess demand for 14 units of memory care housing in Hutchinson.**

Applying the same calculations to the age/income-qualified base in 2009 results in a total demand potential for 18 memory care units in the Market Area. **We estimate that Hutchinson would be able to capture 85 percent of this demand, resulting in an excess demand for 15 units of memory care housing in 2009.**



Subsidized/Affordable Senior Housing Demand

In general, most senior households with incomes in excess of \$25,000, and senior homeowners with incomes of \$15,000 or more can afford market rate senior housing without financial assistance and do not need subsidized housing. Subsequently, seniors with incomes less than \$15,000 and seniors with incomes between \$15,000 and \$25,000 who currently rent their housing are candidates for subsidized housing. Based on these factors, we estimate demand for subsidized senior housing in Hutchinson as shown in Table 35.

The table shows a total potential market base for senior housing of 426 households in Hutchinson and 320 households in the remainder of the Market Area in 2004. Not all of the age/income-qualified market senior households will need or want subsidized housing. We estimate that 45% of the market base will need or want subsidized senior housing in Hutchinson, and 25% will need or want subsidized senior housing in the remainder of the Market Area. Thus, demand exists for 192 subsidized senior housing units in Hutchinson and 80 units in the remainder of the Market Area. There are 178 subsidized senior housing units in Hutchinson and 52 units in the remainder of the Market Area.

	2004		2009	
	Hutchinson	Rem. Of Market Area	Hutchinson	Rem. Of Market Area
Age/Income-Qualified Market:				
Senior Households (65+) w/incomes below \$15,000 ¹	348	291	392	310
(plus) Senior households w/incomes between \$15,000 and \$25,000 who rent their housing ¹	+ 78	29	+ 90	31
(equals) Potential market base	= 426	= 320	= 482	= 341
(times) % of market base needing/wanting low-income housing	x 45%	x 25%	x 45%	x 25%
(equals) Subsidized/affordable senior housing demand	= 192	= 80	= 217	= 85
(minus) Existing occupied subsidized units	- 178	- 52	- 178	- 52
(equals) Excess long-term demand	= 14	= 28	= 39	= 33
(times) % which a project in Hutchinson can capture	x 100%	x 30%	x 100%	x 30%
(equals) Excess Demand	= 14	= 8	= 39	= 10
Total Demand in Hutchinson through 2004	22		49	

¹ 2009 income-qualified figures adjusted to account for inflation (\$17k or less and renters \$17k-\$28k)

Source: Maxfield Research Inc.

Subtracting the existing units results in excess demand for 14 units from Hutchinson households and 28 units from households in the remainder of the Market Area. While a subsidized/affordable project in Hutchinson would capture all of the demand from Hutchinson households, we project that it would capture only 30% of the demand from the remainder of the Market Area, or 8 units. Thus, in total, we project 2004 demand for 22 units of subsidized/affordable senior housing in Hutchinson.

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All three subsidized senior projects in Hutchinson have monthly rents based on 30% of a household's adjusted gross income, which we consider a "deep" subsidy. For a community of Hutchinson's size, we believe these three projects meet the short-term needs of very-low and low-income seniors who need deep subsidies to help pay for their housing.

Applying the same calculations to the age/income-qualified base in 2009 results in excess demand for 49 units. We believe, however, that due to the growing demand for subsidized housing, a new income-restricted senior project could be constructed between 2007 and 2010.

CONCLUSIONS AND RECOMMENDATIONS

Introduction

This section recommends housing development concepts for the City of Hutchinson over the remainder of the decade, based on the demand analysis and interviews with persons knowledgeable about the Hutchinson housing market. A summary of these development concepts is illustrated below in Table 36. Detailed recommendations for each housing type follow the table. It is important to note that these proposed concepts are intended to act as a development guide and that similar product could be successful as well.

TABLE 36				
RECOMMENDED HOUSING DEVELOPMENT				
CITY OF HUTCHINSON				
2004 to 2010				
	Purchase Price/ Monthly Rent Range¹	No. of Units	Pct. of Total	
Owner-Occupied Housing				
Single-Family				
Entry-level	\$125,000 - \$150,000	90 - 95	33%	
Move-up	\$150,000 - \$250,000	130 - 135	47%	
Executive	\$250,000+	55 - 60	20%	
Total		275 - 290	100%	
Condominium/Townhomes				
Entry-level	\$125,000 - \$155,000	80 - 85	59%	
Upper-end	\$175,000 - \$225,000	55 - 60	41%	
Total		135 - 145	100%	
General Occupancy Rental Housing				
Market Rate ²	\$500 - \$850	40 - 50	67%	
Student Housing	\$400 - \$800	20 - 30	33%	
Total		60 - 80	100%	
Senior Housing				
Subsidized Senior	Income Restricted	30 - 36	37%	
Independent/Active Adult	Rental \$600 - \$950, or Ownership \$100,00- \$150,000	40 - 50	49%	
Memory Care/Dementia	\$2,300+	12 - 14	15%	
Total		82 - 100	100%	
¹ All fees quoted in 2004 dollars and can be adjusted annually for inflation				
² Demand will not reach a level to support this development until 2006 or later.				
Source: Maxfield Research Inc.				

Single-Family Housing

We estimate a demand for 275 to 290 new single-family homes in Hutchinson between 2004 and 2010 – or about 47 new homes per year. Based on recent building trends and interviews with Realtors and builders, we find that the greatest demand in Hutchinson exists for homes priced between \$125,000 and \$175,000 – with especially strong demand for homes priced below \$150,000. Based on land and building costs, it is very difficult to build new single-family homes for less than \$130,000. Most of the demand for homes in this price range will be satisfied by existing homes in Hutchinson. We anticipate an increase in the supply of existing homes for sale in Hutchinson with the opening of Oaks independent living facility and the new senior condominium building Community of Lakeridge, as some seniors would likely sell their home to move into the these developments.

To meet the demand for entry-level single-family homes over the remainder of the decade not satisfied by existing homes on the market, we recommend the development of 90 to 95 homes priced between \$125,000 and \$150,000. The remaining demand will be split between move-up homes (130 to 135 homes) priced between \$150,000 and \$250,000 and executive homes (55 to 60 homes) priced at \$250,000 and above.

It should be noted that if mortgage interest rates increase substantially – to near 7.5% or 8.0% or higher – for an extended period of time, the overall demand for single-family homes will decrease somewhat. The biggest impact would be on entry-level demand, since many of these buyers have very little down payment money and must finance nearly the entire cost of a home, plus many would not be able to take on a greater housing cost burden and still be under the qualifying cost burden required by lenders.

At present, Hutchinson has a lot supply of about 270 available lots. Based on an annual absorption of 50 single-family lots per year, the existing lot supply would be depleted in five years. The general benchmark for a growing community is maintaining a three- to five-year lot supply, which ensures adequate consumer choice without excessively prolonging developer-carrying costs. Thus, Hutchinson currently has an adequate lot supply at this time. The additional 93 planned lots for the Summerset 3rd addition will extend the lot-supply for approximately two more years.

The Rolling Meadows East subdivision, which is currently grading at this time, is planned to bring 60 lots to Hutchinson's lot supply. Based on the success of Rolling Meadow's first phase, we believe that this development will meet the needs of many first-time homebuyers looking for an entry-level home during the next three to four years. However, we recommend the continuation of the Home Purchase Opportunity Program (HHPOP) through 2010 as there will likely be a need for entry level housing after the Rolling Meadows East subdivision has been absorbed. This program has been very beneficial in helping moderate-income households become first-time homebuyers, and would increase the absorption of an entry-level subdivision.

Multifamily For-Sale Housing

A growing number of households desire alternative housing types such as townhouses, twin-homes and condominiums. Most often, the target market is empty-nesters and young seniors who want to own their residence but do not want the responsibility of maintenance. Some younger households (typically without children) also find the lack of maintenance required at these projects desirable. In larger housing markets with high housing costs (particularly high land costs), younger households also find purchasing multifamily units to be generally more affordable than purchasing new single-family homes. We do not believe that will be the case in Hutchinson however, as developments such as Rolling Meadows and Island View Heights have offered more affordable single-family homes.

Based on the level of owned multifamily development that occurred in Hutchinson during the past eight years and the impact of demographic shifts on demand, we believe that the demand for multifamily housing will remain constant through 2010. Since 1996, multifamily units have been constructed at an annual average rate of 21 homes per year. We estimate that Hutchinson can support the development of 130 to 140 multifamily units between 2004 and 2010 – or close to about 23 units per year.

Generally, older adults and seniors prefer to use the equity from an existing home sale dollar-for-dollar to purchase a new multifamily unit – without having to take out a mortgage to purchase the new unit. Based on home values of the existing housing stock, we believe that about 60% of the for-sale multifamily demand will be for units priced between \$125,000 and \$155,000. The remaining demand for 55 to 60 units will be for units priced between \$175,000 and \$225,000.

Existing multifamily developments such as Ravenwood, the Meadows, and Island View Heights, and have supplied the housing market with a number of one-level living homes. Maxfield Research Inc. believes these projects, as well as the addition of the Community of Lakeridge, should satisfy the demand for one-level living units through 2010, specifically age-restricted ownership units. Since the target market for the majority of these units is older adults and active seniors, it is important for these one-level living developments to maintain purchase prices below \$150,000, to ensure that most prospective buyers will be able to sell their existing home and use the proceeds to purchase a new home without having to take out a mortgage.

There are very few two-story townhome units in existing developments in Hutchinson. Two-level townhomes tend to attract younger householders who desire a more affordably priced unit. Southfork Ridge is planning on constructing 37 two-level townhomes with purchase prices starting at \$125,000. We anticipate that the multifamily phase to the Southfork Ridge subdivision will satisfy the demand from younger households through the remainder of the decade.

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Independent Senior Housing

As illustrated in Table 32, demand was calculated for 69 active adult independent and 34 congregate units in Hutchinson in 2004. The demand calculations take into account two planned projects. Welcome to Our Home is planning on constructing a 50-unit congregate building (meals and limited support services, such as light housekeeping and linen service, are available on an optional basis) adjacent to The Oaks. A private developer is planning the Community of Lakeridge, a 36-unit age restricted condominium building (meals and personal services are not available).

In the short-term, we believe that the most appropriate project to satisfy market rate senior demand in Hutchinson is an adult/few-services rental apartment. With the completion of the Community of Lakeridge, there will be three adult/few-services for-sale projects in Hutchinson. The current two buildings (Green Castle Condominiums and Village Cooperative) have both been successful, and the addition of Community of Lakeridge should meet the demand for additional independent seniors seeking a for-sale senior building. Prince of Peace is the only project in Hutchinson offering few services and has maintained 100% occupancies for many years.

An adult/few-services rental project would meet the housing needs of the greatest number of seniors in Hutchinson and the Market Area, since it would appeal to seniors who are very independent and to seniors with some limited care needs – who would be able to receive care through a home health care agency. We do not recommend the development of another congregate project at this time. Congregate (i.e., meals are available) projects appeal mainly to seniors with greater care needs, some of whom can be served by assisted living housing. The planned Welcome to Our Home project will offer one daily meal in the monthly fee, as well as optional services and will satisfy most of the congregate demand through the remainder of this decade.

TABLE 37 RECOMMENDED SENIOR HOUSING CITY OF HUTCHINSON August 2004			
<u>Unit-Mix</u>	<u>Unit Type</u>	<u>Unit Size (sq. ft.)</u>	<u>Monthly Rent</u>
Market Rate (Active Adult)			
25% - 30%	1 BR	675 - 750	\$775 - \$825
15% - 20%	1 BR/D	850 - 925	\$925 - \$975
45% - 50%	2 BR	975 - 1,200	\$975 - \$1,200
Subsidized Senior			
65% - 75%	1 BR	650 - 700	\$500 - \$525
25% - 35%	2 BR	825 - 875	\$650 - \$700
Note: Rent is quoted in 2004 dollars and includes all utilities except electricity.			
Source: Maxfield Research Inc.			

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Farr Development is in the process of assembling a master plan for a mixed-use development east of Highway 15 and south of Denver Street. At present, preliminary senior housing plans include the following components:

- ▶ 30 senior condominiums
- ▶ 30 active adult rental units
- ▶ 40 congregate optional services

This mixed-use development is still in the preliminary planning phases. However, should any of the components proceed, we believe the components in this development would absorb all the remaining demand for active adult and congregate senior housing in Hutchinson in the short term. We recommend a reevaluation of the senior housing market in 2007 or 2008 to examine the need for independent senior housing at that time.

Subsidized Independent Senior Housing

Based on the current market situation for subsidized senior housing in Hutchinson, we do not recommend the development of additional subsidized senior housing in Hutchinson in the short term. Although existing subsidized senior projects have remained at or near full occupancy, waiting lists are very minimal. Nearly all qualified seniors who wish to move into one of the subsidized senior housing projects in Hutchinson can do so within a short period of time (one- to- two months). However, due to the increasing demand for subsidized senior housing (as illustrated in Table 35), we recommend the development of income restricted senior housing towards the later part of this decade. We recommend the development of 30 to 36 units to meet the demand for subsidized senior housing.

Assisted Living and Memory Care Housing

As illustrated in Tables 32 and 33, we found demand for 11 assisting living units and 14 memory care units in 2004. However, this level of assisted living demand is not sufficient to support a new stand-alone facility. In addition, the new congregate Welcome to Our Home project will offer optional services ala carte to seniors, therefore some seniors could age in place and purchase services as needed, thereby delaying their need to move into a true assisted living building.

We would suggest adding a memory care project with up to 10 to 12 units in the community. To accomplish this, it may be appropriate to develop these units as a wing to an existing facility, since it would likely be financially difficult to develop a stand alone building with 12 or fewer units. Prairie Senior Cottages has expressed interested in adding units to their existing facility, as such, this could absorb the vast majority of memory care demand through 2010.

To be price sensitive to overall moderate incomes in the Market Area, we recommend a memory care project with all studio units, each with 400 to 450 square feet and base fees of about \$3,300 per month. A few larger one bedroom units could also be developed, which should have about 500 to 550 square feet and base fees of about \$3,500 per month.

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Base fees in memory care housing should include all utilities except telephone, three meals per day plus snacks, weekly housekeeping, medication management, initial nursing assessment and periodic wellness checks. In addition, memory care fees should also include personal laundry, linen services, passive and stimulating programming, basic personal care services and some hygiene care (we recommend assistance with two baths/showers per week). Additional personal care package should be made available through a tiered pricing system, to allow for aging-in-place.

Unit-Mix	Unit Type	Unit Size (sq. ft.)	Monthly Rent
75% - 85%	Studio	400 - 450	\$3,300 - \$3,400
15% - 25%	1 BR	500 - 550	\$3,500 - \$3,650

Note: Rent is quoted in 2004 dollars and includes all utilities except telephone, three meals per day plus snacks, weekly housekeeping, medication management, initial nursing assessment and periodic wellness checks.

Source: Maxfield Research Inc.

Design features unique to memory care housing are a separate kitchen/dining area, activity areas for both passive and active programming, and a secured landscaped outdoor plaza area for wandering and exercise. Color schemes in the hallways should be utilized, as should ledges or boxes outside each unit for residents to personalize to assist the residents in orientation. Hallways should be large enough for residents to roam freely and designed as not to dead-end. Appropriate lighting will also be important as these residents are often more sensitive to light. We also highly suggest each unit contain its own bathroom with walk-in shower for added privacy and that residents be allowed to bring with them their own furniture and other keepsakes to familiarize themselves to their new home.

General-Occupancy Apartment

Maxfield Research Inc. calculated demand for approximately 80 to 110 rental housing units in Hutchinson through 2010, including about 55 to 70 units for market rate apartments. We do not recommend a new building in the short-term, however. We recommend a building of 40 to 50 units be developed later this decade when demand has increased to a level sufficient enough to support the development without adversely affecting the existing rental market. A portion of the rental demand over through the remainder of this decade could be for a more “up-scale” product with contemporary amenities (i.e. central air-conditioning, attached garages, in-unit washer/dryers, dishwasher, etc.)

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To appeal to the target market (young professionals and some seniors), we suggest a market rate apartment project have a unit mix consisting of approximately 10% to 15% one-bedroom units, 5% to 10% one-bedroom plus den units, 60% to 65% two-bedroom units, and 15% to 20% two-bedroom plus den units. Further, rents (in 2004 dollars) should range from about \$550 to \$575 for one-bedroom units, \$625 to \$650 for one-bedroom plus den units, \$700 to \$725 for two-bedroom units, and \$750 to \$775 for two-bedroom plus den units. Because of high construction and development costs, it may be difficult for a market rate apartment to be financially feasible with these rents. Thus, for this type of project to become a reality, there may need to be a public – private partnership to reduce development costs.

In addition to the recommended apartment project, we find that demand exists for some larger townhome units for families – including those who are new to the community and want to rent until they find a home for purchase. An additional eight to 12 rental townhome units could be supported in Hutchinson through the remainder of this decade. We recommend a project with rents of approximately \$750 to \$775 for two-bedroom units and \$800 to \$825 for three-bedroom units. Units should feature an attached two car garage and in-unit washer/dryers.

TABLE 39			
RECOMMENDED GENERAL OCCUPANCY RENTALS			
CITY OF HUTCHINSON			
August 2004			
<u>Unit-Mix</u>	<u>Unit Type</u>	<u>Unit Size (sq. ft.)</u>	<u>Monthly Rent</u>
Apartment Style			
10% - 15%	1 BR	700 - 775	\$500 - \$550
5% - 10%	1 BR/D	850 - 900	\$600 - \$625
60% - 65%	2 BR	975 - 1,100	\$660 - \$715
15% - 20%	2 BR/D	1,150 - 1,250	\$730 - \$775
Townhome Style			
50% - 60%	2 BR	1,175 - 1,250	\$775 - \$800
40% - 50%	3 BR	1,250 - 1,300	\$825 - \$850
Student Housing			
15% - 20%	1 BR/1BA	625 - 675	\$425 - \$460
40% - 50%	2 BR/2 BA	875 - 975	\$575 - \$640
30% - 40%	3 BR/2 BA	1,075 - 1,150	\$825 - \$875
Note: Rent is quoted in 2004 dollars and includes all utilities except electricity			
Source: Maxfield Research Inc.			

Finally, we recommend the development of 20 to 30 units of student housing located in close proximity to Ridgewater College. A joint venture between Ridgewater College, the City of Hutchinson, and a housing developer would likely have to ensue for the project to be developed. Farr Development has expressed interest in constructing student housing as a component of their

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mixed-use concept, however all plans are preliminary at this time. Student housing will help satisfy the need for subsidized/affordable units in Hutchinson over this decade.

Subsidized Apartment

Although the current vacancy rate for subsidized apartments was only 1.5% in August 2004, we do not recommend the development of additional affordable/subsidized rental housing in Hutchinson in the short-term. We believe that future residents of affordable single-family homes (i.e. Rolling Meadows and Island View Heights) and some rental residents of a new student housing project will include residents of existing apartments in Hutchinson. Therefore, the development of the new affordable single-family developments and student housing will free up rental units throughout Hutchinson, which in turn should satisfy new demand for affordable housing in this decade. The remaining demand may not be sufficient to support the development of a new project.

Cenex Site Recommendations

Maxfield Research Inc. examined the appropriateness for housing at the Cenex Co-op site in Hutchinson. The Site has frontage along 4th Avenue NW to the north, James Street to the west, and the Luce Line Recreational Trail to the south. The Site's main accessible entrance, however, is located along 4th Avenue NW. Fourth Avenue NW is about one block south of Highway 7, yet also intersects with Highway 7 about six blocks west of the Site. The Site is zoned I/C and is surrounded by light industrial and commercial uses. The Crow River is located just south of the site, and the property is located within the 100-year flood plain. Photos of the site are illustrated below.

Site looking southeast



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Site looking northeast from the Luce Line Trail



Site looking southwest



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Luce Line Trail – South of Cenex site



The Crow River, Riverside Park, proximity to Downtown Hutchinson, and Luce Line trail are all amenities adjacent to the Site that could be appealing for a housing development. However, housing would not be compatible with the surrounding commercial and industrial uses, and vice versa. This is especially true of for-sale housing. Perspective buyers are more cautious about the location of their housing because they want to maximize their homes resale value. With an abundance of quality housing sites elsewhere throughout Hutchinson, we do not believe that this site would be highly sought by housing developers. Thus, we recommend the City consider alternative land uses for the Site.

We do believe, however, a for-sale housing development on the south side of the Crow River would be successful with overlooks to the river while also creating a link to Downtown Hutchinson. A higher-density townhome or rowhouse concept with views of the river would be attractive to both younger and older buyers seeking multi-family housing.