



An Updated Comprehensive Housing Needs Assessment For the City of Hutchinson, Minnesota

Prepared For:

Mr. Dan Jochum
Planning Director
City of Hutchinson
Hutchinson, Minnesota

Updated 3rd & 4th Quarter 2022



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April 12, 2023

Mr. Dan Jochum
Planning Director
City of Hutchinson
111 Hassan Street SE
Hutchinson, MN 55350

Dear Mr. Jochum:

Attached is the *Comprehensive Housing Market Analysis for Hutchinson, Minnesota* conducted by Maxfield Research & Consulting, LLC. The housing analysis projects housing need through 2030 and provides recommendations on the amount and type of housing that could be built across Hutchinson to satisfy demand from current and future residents over this decade. The study identifies a potential demand for over 1,500 new housing units through 2030. Driven by the growing Baby Boomer cohort, demand is led by age-restricted senior housing (63%) compared to all-ages housing (37%).

Overall, the housing market is very tight across Hutchinson; in-part led by the pandemic-induced housing boom that further tightened the housing market. Our inventory of rental properties (market rate and affordable/subsidized) found a combined vacancy rate of only 1.6% (1.0% market rate and 3.8% affordable/subsidized); indicating strong demand for new rental supply and few opportunities for existing/new households to relocate to Hutchinson. In addition, the senior housing is tight despite coming out of the pandemic, posting a vacancy rate of only 3.4% across all senior products. Finally, the for-sale market has experienced record-low supply and strong appreciation over the past few years (+26% since 2020). The lot supply is sufficient in the short-term (about three years), but will require additional lot supply to meet future demand.

Detailed information regarding recommended housing concepts and the challenges associated with developing the needed housing can be found in the *Recommendations* and *Challenges and Opportunities* sections 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 & CONSULTING, LLC

Matt Mullins
Vice President

Max Perrault
Research Analyst

Attachment

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Purpose and Scope of Study

Maxfield Research and Consulting, LLC. was engaged by the City of Hutchinson Housing and the Hutchinson Redevelopment Authority (HRA) to conduct an *Updated Housing Needs Assessment* for the City of Hutchinson, Minnesota. The Housing Needs Assessment provides updated recommendations on the amount and types of housing that should be developed in order to meet the needs of current and future households who choose to reside in the City.

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

Demographic Analysis

- Between 2010 and 2020, the City of Hutchinson experience an increase in both population (421 people | 3.0%) and households (288 households | 4.8%). Projections indicate the City of Hutchinson will experience a 4.8% (701 persons) increase in population and a 6.1% (379 households) increase in households between 2020 and 2030.
- In 2022, the largest adult cohort by age in Hutchinson is estimated to be the 35 to 44 age cohort (Millennials), totaling an estimated 1,978 people (13.3% of the population). The most rapid growth is projected to occur among seniors (65+) in Hutchinson. The forecasted growth among baby boomers and the silent generation will lead to a 9% increase in the 65 to 74 age group and a 22% increase in the 75 to 84 age group between 2022 and 2027.
- The Hutchinson Market Area had an estimated median household income of \$75,392 in 2022. Overall, non-senior households had a higher median household income (\$87,274) compared to senior households (\$56,911).
- Between 2010 and 2020, the number of owner households increased by 7%, while the number of renter households increased by 12% in the City of Hutchinson. Additionally, the estimated median income among owners was \$63,293 and was \$48,975 for renters in 2020. These figures reveal a relatively affluent renter household base.
- Approximately 42% of all households in Hutchinson lived alone in 2020. Married without children households accounted for the second highest percentage at 23%.
- The majority of residents in Hutchinson (86%) did not move within the last year. Of the remaining residents that moved within the last year, approximately 7.2% moved intra-county (i.e. from Hutchinson to another McLeod County location), 5.6% moved out-side of McLeod County, but within Minnesota, and 0.8% moved to a different state.

- The estimated household size in the City of Hutchinson was 2.34 persons per household (PPH) in 2020. By 2030, the household size is projected to be 2.31 PPH. Household size for renters tends to be smaller than for owners. In 2020, approximately 53% of the renter-occupied households in Hutchinson were one-person households, while 37% of owner-occupied households were two-person households.

Employment Trends

- Covid-19 had a substantial impact on unemployment rates across the country. Business shutdowns and closures beginning in March 2020 led to a large increase in the unemployment rate and spiked to 6.0% in Hutchinson in 2020. However, the City of Hutchinson has not been impacted to the degree that the Twin Cities was. Additionally, the unemployment rate in Hutchinson has decreased to a recent low of 2.3% as of June 2022.
- Resident employment in Hutchinson decreased by 83 people between 2012 and 2021 (-1.2%), while the number of individuals in the labor market also decreased (-387 people | -5.2%).
- The Manufacturing and the Education & Health Services Sectors each accounted for about 28% of the City's jobs in Q1 2022, which are slightly higher when compared to the South-west Central Region as Manufacturing accounted for 20.5% and Education & Health Services accounted for 27%.
- In Hutchinson, the highest average wages are found in the Manufacturing (\$1,385), Financial Activities (\$1,112), and the Public Administration (\$939) sectors. Additionally, wages increased 6.7% overall, with notable increases occurring in the Trade, Transportation, & Utilities sector (+13%).
- The City of Hutchinson can be considered an importer of workers, as the number of workers coming into the City (inflow) for employment was higher than the number of residents leaving the City for work (outflow). Approximately 5,317 workers came into the City of Hutchinson for work while 3,875 workers left, for a net difference of 1,442.

Housing Characteristics

- The City of Hutchinson issued permits for the construction of roughly 500 new residential units from 2010 to 2021. That equates to about 41 units annually since 2010 and is comprised of an average of 21 single-family permits and 20 multifamily permits. Building permit activity has drastically picked up in recent years, as permits issued since 2016 account for 86% of all permits issued between 2010 and 2021.

EXECUTIVE SUMMARY

- The dominant housing type among owners in Hutchinson is the single-family detached home, representing an estimated 76% of all owner-occupied housing units. Structures with 20 to 49 units represent the largest share among renter-occupied housing units, accounting for 25%.
- Approximately 66% of Hutchinson homeowners and about 10% of homeowners with mortgages in Hutchinson also have a second mortgage and/or home equity loan.
- The majority of the owner-occupied housing stock in the City of Hutchinson is estimated to be valued between \$100,000 and \$149,999 (27.7%), followed by homes valued between \$150,000 and \$199,999 (24.5%).
- Approximately 42% of Hutchinson renters paying cash have monthly rents ranging from \$500 to \$749. Only 11% of renters have monthly rents of \$1,000 or greater.

Rental Housing Market Analysis

- Over the past decade, market rate rentals have comprised about 83% of the total units in Hutchinson's general occupancy rental housing stock. Affordable/subsidized projects account for about 17%.
- Between 2012 and 2021, the average vacancy rate was 2.7%, which is well below market equilibrium of 5%.
- In July and August 2022, we identified and surveyed 30 general occupancy rental properties of 12 or more units. These properties included 1,092 market rate units with a 1% vacancy rate, 114 affordable units with a 2.6% vacancy rate, and 177 subsidized units with a 4.5% vacancy rate.

Senior Housing Market Analysis

- In July and August 2022, we identified and surveyed 11 senior housing properties. Combined, these properties contained 363 units.
- The predominant senior housing product type in Hutchinson is assisted living, which accounted for 26% of all senior housing, while for-sale active adult accounted for 25%.
- Generally, vacancy rates were low among most product types in the City of Hutchinson. Affordable/subsidized active adult and independent living posted no vacancies at the time of survey, while for-sale active adult had a 3% vacancy, assisted living had a 5% vacancy, and memory care had a 8% vacancy rate.

For-Sale Housing Market Analysis

- The median sales price reached a high of \$163,385 in 2007 before significantly falling to \$111,500 in 2012. Since 2012, pricing has been steadily recovering and the median sales price in Hutchinson reached a new peak of \$259,950 through October 2022.
- Over the past 15 years, Hutchinson has averaged about 280 resales annually. However, single family housing units dominate and average over 230 homes annually compared to about 27 multifamily homes. Resales peaked at the housing peak in 2005 and 2006 while posting strong years in 2015 and 2018. In 2009, only 205 homes sold.
- About 32% of sales in Hutchinson sold in 2021 were priced under \$200,000. However, nearly 48% of homes were sold between \$200,000 and \$300,00. Combined, about 80% of sales were priced under \$300,000.
- In 2022, the price of an existing home sale topped \$230,000 compared to over \$355,000 for new construction. New construction commanded a premium of about 35%, compared to the historical average of 30%.
- About 35 homes were listed for sale in Hutchinson as of July 2022. Single-family homes accounted for 85% of all active listings. Multifamily units consisted of only a few town-homes/twinhomes and condominiums. The median list price in Hutchinson was about \$380,000 for single-family homes and \$266,400 for multifamily homes; combined the median sales price across all housing types is about \$240,000.

Housing Affordability

- About 18% of owner households and 28% of renter householders are estimated to be paying more than 30% of their income for housing costs in the City of Hutchinson. By comparison, 18% of owner households and 47% of renter households in the State of Minnesota are cost burdened.
- About 76% of the Hutchinson Market Area households could afford to buy an entry-level home (\$150,000). Additionally, about 47% of existing owner households could afford to purchase a home of \$250,000.
- About 66% of existing Market Area renter households can afford to rent a one-bedroom unit in Hutchinson (approx. \$700/month). The percentage of renter income-qualified households decreases to roughly 55% that can afford an existing three-bedroom unit (approx. \$1,000/month).

Housing Needs Analysis

- Based on our calculations, demand exists for the following general occupancy product types between 2022 and 2030:
 - Market rate rental 211 units
 - Affordable rental 57 units
 - Subsidized rental 57 units
 - For-sale single-family 125 units (After existing lots have been absorbed)
 - For-sale multifamily 109 units
- In addition, we find demand for all senior housing product types. By 2027, demand for senior housing is forecast for the following:
 - Active adult ownership 193 units
 - Active adult market rate rental 195 units
 - Active adult affordable 131 units
 - Active adult subsidized 13 units
 - Independent Living 191 units
 - Assisted living 126 units
 - Memory care 100 unit

Recommendations and Conclusions

- Based on the finding of our analysis and demand calculations, the following chart provides a summary of the recommended development concepts by product type for the City of Hutchinson through 2030. Detailed findings are described in the *Conclusions and Recommendations* section of the report.

EXECUTIVE SUMMARY

RECOMMENDED HOUSING DEVELOPMENT HUTCHINSON MARKET AREA 2022 - 2027/2030				
		Purchase Price/ Monthly Rent Range ¹	No. of Units	Development Timing
Owner-Occupied Homes (2022 to 2030)				
Single Family ²				
	Move-up	\$250,000 - \$400,000	125 - 135	Ongoing
	Executive	\$450,000+	50 - 60	Ongoing
	Total		175 - 195	
Townhomes/Twinhomes ²				
	Attached Townhomes	\$200,000 - \$275,000	45 - 50	2023+
	Twinhomes / Detached Townhomes	\$285,000+	25 - 30	2023+
	Total		70 - 80	
Total Owner-Occupied			245 - 275	
General Occupancy Rental Housing (2022 to 2030)				
Market Rate Rental Housing				
	Apartment-style	\$950/1BR - \$1,300/3BR	125 - 150	2023+
	Townhomes	\$1,200/2BR - \$1,400/3BR	65 - 75	2023+
	Total		190 - 225	
Affordable Rental Housing				
	Apartment-style	Moderate Income ³	50 - 60	2023+
	Townhomes	Moderate Income ³	20 - 30	2023+
	Total		70 - 90	
Total Renter-Occupied			260 - 315	
Senior Housing (i.e. Age Restricted) (2022 to 2027)				
	Active Adult Ownership / Co-op ⁴	\$150,000+	60 - 70	2023+
	Active Adult Rental	\$1,000/1BR - \$1,200/2BR	100 - 120	2023+
	Active Adult Affordable Rental	Moderate Income ³	100 - 120	2023+
	Independent Living	\$1,600+ per month	80 - 100	2023+
	Assisted Living	\$3,500+ per month	50 - 60	2023+
	Memory Care	\$5,500+ per month	30 - 40	2023+
	Total		420 - 510	
Total - All Units			925 - 1,100	
¹ Pricing in 2022 dollars. Pricing can be adjusted to account for inflation.				
² Recommendations include the absorption of existing previously platted lots. Most entry-level demand will be accommodated through the resale market.				
³ Affordability subject to income guidelines per Minnesota Housing Finance Agency (MHFA).				
⁴ Senior Cooperative assumption cost is based on share cost = 40% of its actual value.				
Note - Recommended development does not coincide with total demand. The City of Hutchinson may not be able to accommodate all recommended housing types based on a variety of factors (i.e. development constraints, land availability, etc.)				
Source: Maxfield Research and Consulting, LLC				

Purpose and Scope of Study

Maxfield Research and Consulting, LLC. was engaged by the City of Hutchinson and the Hutchinson Housing and Redevelopment Authority (HRA) to conduct an *Updated Housing Needs Assessment* for the City of Hutchinson, Minnesota. The previous housing study was completed in 2012. The Housing Needs Assessment provides updated recommendations on the amount and types of housing that should be developed in order to meet the needs of current and future households who choose to reside in the City.

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

Methodology

During the course of the study a number of resources were utilized to obtain information in the analysis. The primary data and information sources include the following:

- U.S. Census Bureau; American Community Survey
- Minnesota Department of Employment and Economic Development (DEED)
- United States Department of Housing and Urban Development (HUD)
- Environmental Systems Research Institute (ESRI)
- CoStar, Inc.
- Regional Multiple Listing Service of Minnesota (MLS)
- The City of Hutchinson
- McLeod County
- Longitudinal Employer-Household Dynamics (LEHD)
- Minnesota Geospatial Commons
- Minnesota Housing Finance Agency (MHFA)
- Novogradac
- Private property owners/managers, realtors, brokers, developers, employers, etc.

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 types, household tenure, employment growth trends and characteristics, age of housing stock, and recent residential building permit trends 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.

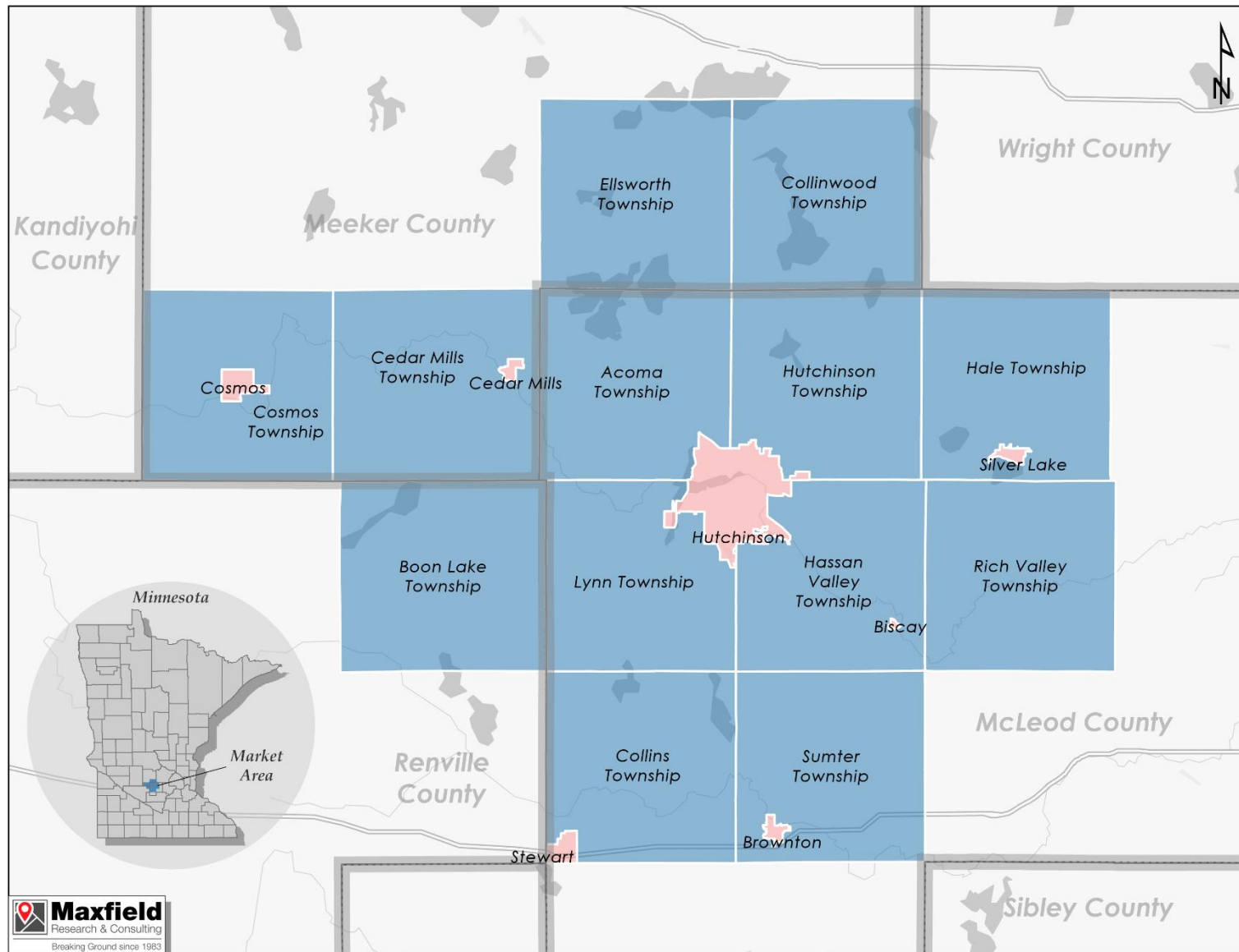
Market Area Definition

The primary draw area (Market Area) for housing in Hutchinson was defined based on traffic patterns, community and school district boundaries, and geographic and our general knowledge of the draw area. The Market Area includes the City of Hutchinson, as well as 13 townships and six small cities surrounding Hutchinson, an area extending roughly eight 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 previous studies, completed in 2001, 2004, and 2012. The Market Area is shown on the map on the following page.

The City of Hutchinson is expected to account for a majority of the total demand for housing in the Market Area, depending on the housing product. Additional demand will come from individuals moving from just outside the area, those who return from other locations (particularly young households returning after pursuing their degrees or elderly returning from retirement locations), and seniors who move to be near the adult children living in the Market Area. Demand generated from within and outside of the Market Area is considered in the demand calculations presented later in this analysis.

Figure 1 City of Hutchinson Housing Market Area Definition		
Cities	Townships	
Biscay	Acoma	Hale
Brownston	Boon Lake	Hassan Valley
Cedar Mills	Cedar Mills	Hutchinson
Cosmos	Collins	Lynn
Hutchinson	Collinwood	Rich Valley
Silver Lake	Cosmos	Sumter
Stewart	Ellsworth	
Market Area includes parts of McLeod, Meeker, & Renville County.		
Sources: Maxfield Research & Consulting, LLC		

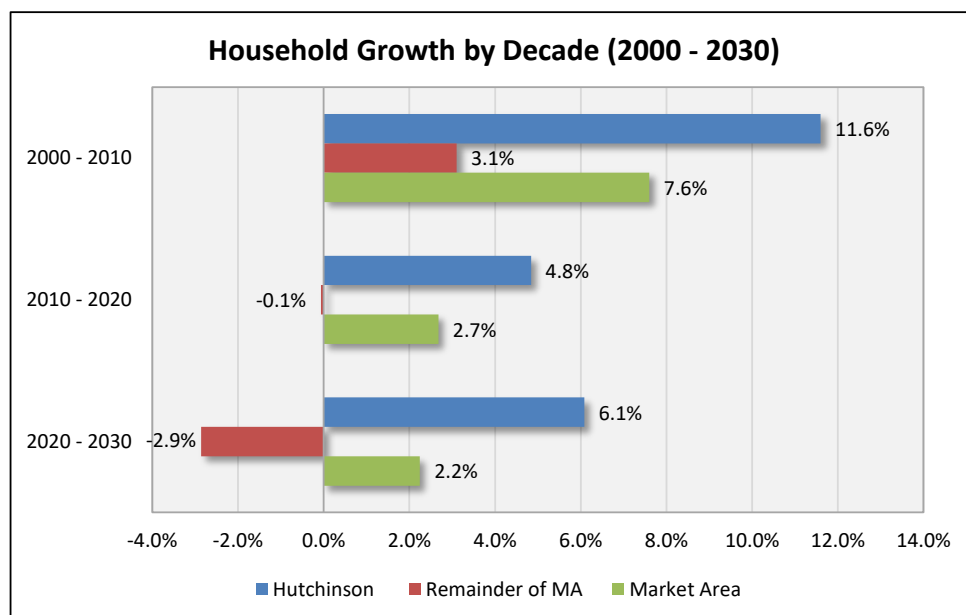
Hutchinson Market Area



Population and Household Estimates and Projections

Table D-1 presents population and household growth estimates and projections for the Market Area through 2030. Estimates for 2022 and projections through 2030 are based on information from ESRI (a national demographics service provider) and the Minnesota State Demographic Center, with adjustments calculated by Maxfield Research and Consulting, LLC.

- Between 2010 and 2020, the City of Hutchinson experience an increase in both population (421 people | 3.0%) and households (288 households | 4.8%). During this same period, the Market Area experience modest growth, increasing in population by 0.5% and households by 2.7%.
- Projections indicate the City of Hutchinson will experience a 4.8% (701 persons) increase in population between 2020 and 2030. The projected population increase will be slightly higher than the population increase experienced in the decade between 2010 and 2020 (3%).
- Due to declining household size, household growth is projected to outpace population growth. A 6.1% increase in households is forecast for Hutchinson between 2020 to 2030. Similar trends are expected to occur for the Market Area, which is expected to increase in households by 2.2%.
- Household size is expected to decline slightly in Hutchinson from 2.34 people per household in 2020 to 2.31 people per household in 2030 while household size in the Market Area is expected to decline from 2.42 people per household in 2020 to 2.38 people per household in 2030. McLeod County for comparison, is expected to decrease in people per household from 2.45 people per household in 2020 to 2.42 people per household in 2030.



DEMOGRAPHIC ANALYSIS

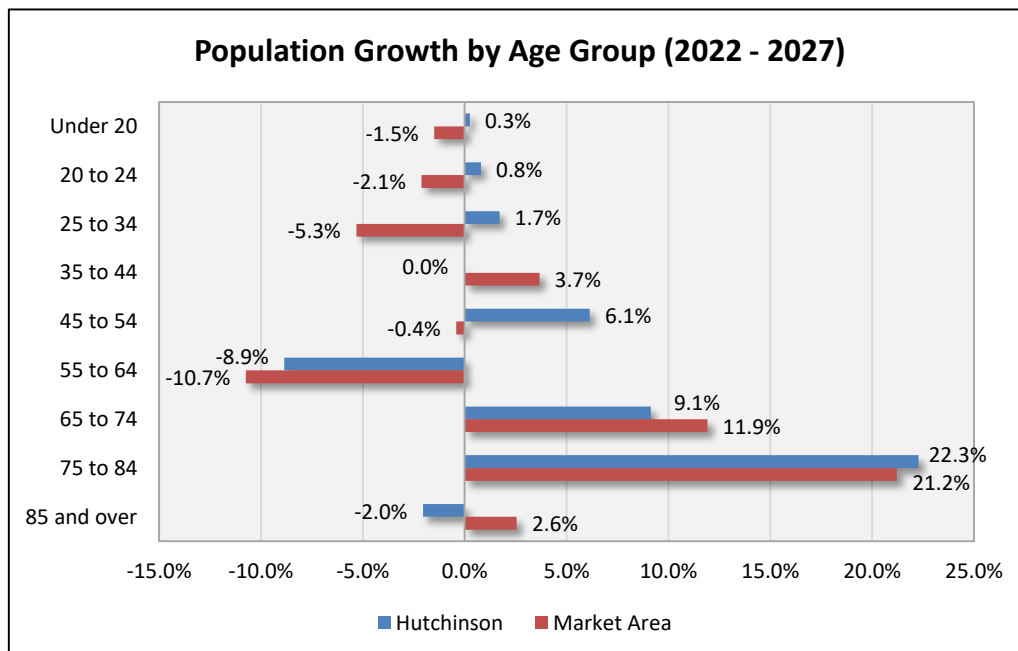
**TABLE D-1
POPULATION & HOUSEHOLD GROWTH PROJECTIONS
HUTCHINSON MARKET AREA
2010-2030**

						Change					
	U.S. Census		Estimate	Projections		2010 - 2020		2022 - 2027		2020-2030	
	2010	2020	2022	2027	2030	No.	Pct.	No.	Pct.	No.	Pct.
Population											
Hutchinson	14,178	14,599	14,863	15,150	15,300	421	3.0%	287	1.9%	701	4.8%
Remainder of Market Area	12,084	11,784	11,548	11,378	11,298	-300	-2.5%	-170	-1.5%	-486	-4.1%
Market Area Total	26,262	26,383	26,411	26,528	26,598	121	0.5%	117	0.4%	215	0.8%
McLeod County	36,651	36,771	36,643	36,579	36,541	120	0.3%	-64	-0.2%	-230	-0.6%
Households											
Hutchinson	5,950	6,238	6,352	6,518	6,617	288	4.8%	166	2.6%	379	6.1%
Remainder of Market Area	4,689	4,686	4,627	4,580	4,552	-3	-0.1%	-47	-1.0%	-134	-2.9%
Market Area Total	10,639	10,924	10,979	11,098	11,169	285	2.7%	119	1.1%	245	2.2%
McLeod County	14,639	15,004	15,011	15,079	15,120	365	2.5%	68	0.5%	116	0.8%
Persons Per Household											
Hutchinson	2.38	2.34	2.34	2.32	2.31						
Remainder of Market Area	2.58	2.51	2.50	2.48	2.48						
Market Area Total	2.47	2.42	2.41	2.39	2.38						
McLeod County	2.50	2.45	2.44	2.43	2.42						
Sources: U.S. Census Bureau; MN State Demographic Center; ESRI; Maxfield Research & Consulting, LLC											

Age Distribution Trends

The age distribution of a community's population helps in assessing the type of housing needed. For example, younger and older people are more attracted to higher-density housing located near services and entertainment while middle-aged people (particularly those with children) traditionally prefer lower-density single-family homes. Table D-2 presents the age distribution of Hutchinson and the Market Area population from 2000 to 2027. Information from 2000 and 2010 is sourced from the U.S. Census. Age distribution data for the 2020 U.S. Census was unavailable at the time of the study. The 2022 estimates and projections for 2027 were provided by ESRI, with adjustments made by Maxfield Research.

- Between 2010 and 2022, the City of Hutchinson is estimated to have expanded by 685 people with a majority of the growth occurring in the 65 to 74 age group (+49%), 55 to 64 age group (+24%), and the 35 to 44 age group (+14%).
- In 2022, the largest adult cohort by age in Hutchinson is estimated to be the 35 to 44 age cohort, totaling an estimated 1,978 people (13.3% of the population), followed by the 25 to 34 and 55 to 64 age groups, which accounted for 12.9% and 12.8%, respectively. In the Market Area, the 55 to 64 cohort is the largest age group (14.5% of the population) in 2022, followed by 35 to 44 cohort (12.8%).
- The most rapid growth is projected to occur among seniors in the Market Area. The forecasted growth among baby boomers will lead to an increase of 174 people (22%) in the 75 to 84 population in Hutchinson and 335 people (21%) in the Market Area between 2022 and 2027. Additionally, the 65 to 74 age group is projected to increase by 9.1% in the City of Hutchinson and 11.9% in the Market Area.



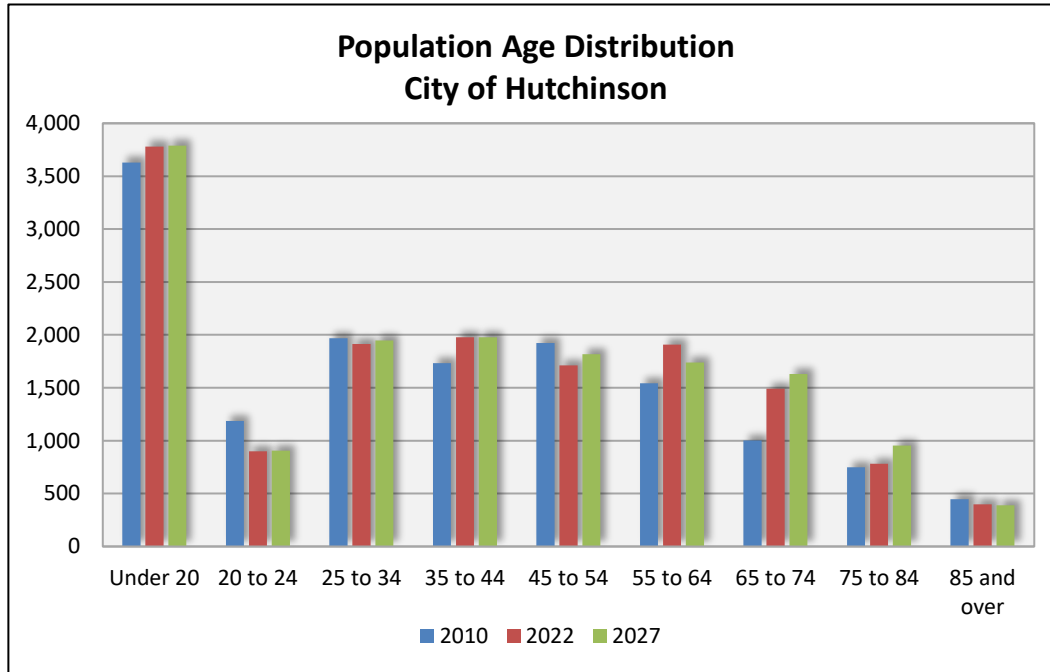
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TABLE D-2 POPULATION AGE DISTRIBUTION HUTCHINSON MARKET AREA 2000 to 2027										
Age	Census		Estimate	Projection	Change					
	2000	2010	2022	2027	2000-2010		2010-2022		2022-2027	
	No.	No.	No.	No.	No.	Pct.	No.	Pct.	No.	Pct.
City of Hutchinson										
Under 20	3,611	3,627	3,780	3,790	16	0.4	153	4.2	9	0.3
20 to 24	1,217	1,187	899	906	-30	-2.5	-288	-24.2	7	0.8
25 to 34	1,969	1,968	1,913	1,946	-1	-0.1	-55	-2.8	33	1.7
35 to 44	1,957	1,733	1,978	1,978	-224	-11.4	245	14.2	-1	0.0
45 to 54	1,604	1,922	1,712	1,817	318	19.8	-210	-10.9	105	6.1
55 to 64	938	1,542	1,909	1,740	604	64.4	367	23.8	-169	-8.9
65 to 74	768	1,003	1,492	1,629	235	30.6	489	48.8	136	9.1
75 to 84	736	750	781	955	14	1.9	31	4.1	174	22.3
85 and over	280	446	398	390	166	59.3	-48	-10.7	-8	-2.0
Subtotal	13,080	14,178	14,863	15,150	1,098	8.4	685	4.6	287	1.9
Remainder of Market Area										
Under 18	3,346	2,820	2,496	2,392	-526	-15.7	-103	-4.1	-103	-4.1
18 to 24	771	754	425	390	-17	-2.2	-35	-8.3	-35	-8.3
25 to 34	1,359	1,093	1,215	1,016	-266	-19.6	-199	-16.4	-199	-16.4
35 to 44	2,110	1,607	1,414	1,539	-503	-23.8	125	8.9	125	8.9
45 to 54	1,842	2,216	1,496	1,378	374	20.3	-119	-7.9	-119	-7.9
55 to 64	1,270	1,797	1,912	1,670	527	41.5	-241	-12.6	-241	-12.6
65 to 74	826	1,076	1,450	1,664	250	30.3	214	14.8	214	14.8
75 to 84	640	513	797	958	-127	-19.8	161	20.2	161	20.2
85 and over	195	208	343	370	13	6.7	27	7.9	27	7.9
Subtotal	12,359	12,084	11,548	11,378	-275	-2.2	-170	-1.5	-170	-1.5
Market Area Total										
Under 18	6,957	6,447	6,276	6,182	-510	-7.3	-94	-1.5	-94	-1.5
18 to 24	1,988	1,941	1,324	1,296	-47	-2.4	-28	-2.1	-28	-2.1
25 to 34	3,328	3,061	3,128	2,962	-267	-8.0	-166	-5.3	-166	-5.3
35 to 44	4,067	3,340	3,392	3,517	-727	-17.9	125	3.7	125	3.7
45 to 54	3,446	4,138	3,208	3,195	692	20.1	-13	-0.4	-13	-0.4
55 to 64	2,208	3,339	3,820	3,410	1,131	51.2	-410	-10.7	-410	-10.7
65 to 74	1,594	2,079	2,942	3,293	485	30.4	351	11.9	351	11.9
75 to 84	1,376	1,263	1,578	1,913	-113	-8.2	335	21.2	335	21.2
85 and over	475	654	741	760	179	37.7	19	2.6	19	2.6
Total	25,439	26,262	26,411	26,528	823	3.2	117	0.4	117	0.4
Sources: U.S. Census Bureau; ESRI; Maxfield Research & Consulting, LLC										

- Based on age distribution projections for Hutchinson and the Hutchinson Market Area, demand is expected to be strongest for housing units catering to the senior population (65+) and for-sale and rental housing targeting the 35 to 44 and 45 to 54 age groups.
- Typical housing products sought by households in various age groups include:
 - Rental housing targeting the young adult (25 to 34) age group;
 - Maintenance-free, single-level housing (ownership or rental) targeting the empty nester population (55 to 74 age group);

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- Entry-level ownership housing for first-time home buyers (age 25 to 34);
- Entry-level and move-up ownership housing for family households (age 35 to 54); and,
- Age-restricted active adult or service-enhanced (i.e. ind. Living, assisted living) housing for seniors.



Household Income by Age of Householder

The estimated distribution of household incomes in the Market Area for 2022 and 2027 are shown in Tables D-3 and D-4. The data was estimated by Maxfield Research and Consulting based on income trends provided by ESRI. The data helps ascertain the demand for different housing products based on the size of the market at specific cost levels.

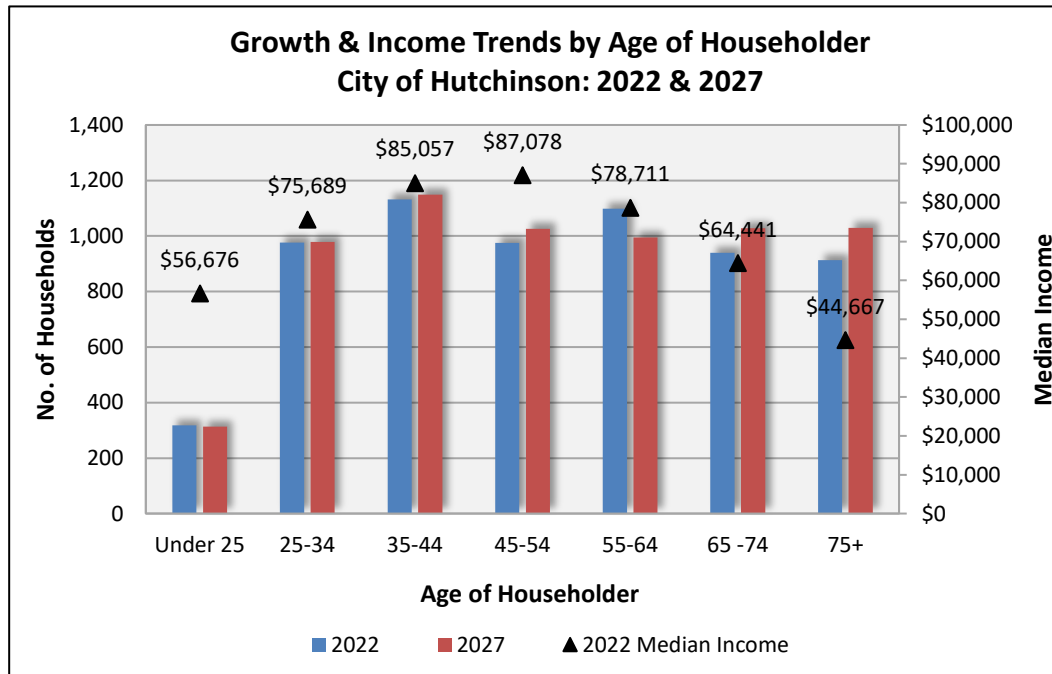
The Department of Housing and Urban Development defines affordable housing costs as 30% of a household's adjusted gross income. For example, a household with an income of \$50,000 per year would be able to afford a monthly housing cost of about \$1,250. Maxfield Research and Consulting uses a figure 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.

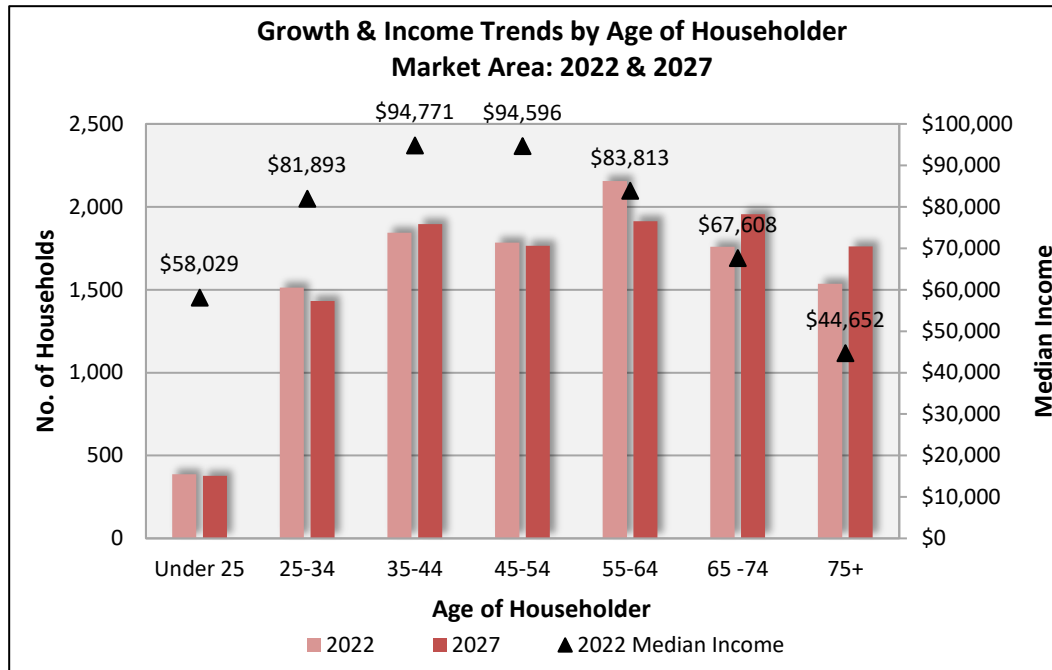
A generally accepted standard for affordable owner-occupied housing is that a typical household can afford to pay 3.0 to 3.5 times their annual income on a single-family home. Thus, a \$50,000 income would translate to an affordable single-family home of \$150,000 to \$175,000. The higher end of this range assumes that the person has adequate funds for down payment

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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.

- Hutchinson had an estimated median household income of \$68,881 in 2022. Similarly, the median household income across the Market Area was \$75,392. 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.





Non-Senior Households

- In 2022, only 3.6% of the non-senior (under age 65) households in the Hutchinson Market Area had incomes under \$15,000 (279 households). All of these households would be eligible for subsidized rental housing. Another 3.2% of the Market Area's non-senior households had incomes between \$15,000 and \$25,000 (243 households). Many of these households would qualify for subsidized housing, but many could also afford "affordable" or older market rate rentals. If housing costs absorb 30% of income, households with incomes of \$15,000 to \$25,000 could afford to pay \$375 to \$625 per month. Average monthly rents for one-bedroom units in Hutchinson are about \$699 (shown in Table R-2 in the *Rental Housing Analysis* section).
- Median incomes for households in the Market Area peak at \$94,771 for the 35 to 44 age group in 2022. Households in this age group are in their peak earning years. The majority of households (71.6%) in this age group are homeowners. By 2027, the median income for the 35 to 44 age group is projected to increase to \$104,297, a 10.1% increase.
- The median resale price of homes in Hutchinson was roughly \$260,000 through October 2022 (see Table FS-1). The income required to afford a home at this price would be about \$74,270 to \$86,650, based on the standard of 3.0 to 3.5 times the median income (and assuming these households do not have a high level of debt). In 2022, 59% (4,512 households) of the Market Area's non-senior households had incomes greater than \$74,270.
- Overall, incomes for non-senior households are expected to increase by 9.6% between 2022 and 2027 in the Hutchinson Market Area. This equates to an increase of 1.9% annually.

Senior Households

- The oldest householders are likely to have lower incomes. In 2022, 5.1% of households ages 65 to 74 had incomes below \$15,000, compared to 9.5% 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 2022 median income for Market Area householders age 65 to 74 and 75+ are \$67,608, and \$44,652, respectively.
- Generally, senior households with incomes greater than \$30,000 can afford market rate senior housing. Based on a 40% allocation of income for housing, this translates to monthly rents of at least \$1,000. About 1,376 senior households in Hutchinson (74.2% of senior households) had incomes above \$30,000 in 2022, as did 2,489 senior households in the Market Area (75.5% of senior households). Seniors will often move from rural areas in the Remainder of the Market Area to the City of Hutchinson to receive medical care and other services.
- Seniors who are able and willing to pay 80% or more of their income on assisted living housing would need an annual income of \$37,500 to afford monthly rents of \$2,500, which is about the beginning monthly rent for assisted living projects in the Market Area. There were an estimated 889 older senior (ages 75 and over) households with incomes greater than \$37,500 in 2022. Seniors age 75 and over are the primary market for assisted living housing.
- The median income for seniors age 65+ in the Market Area is \$56,911 in 2022. It is projected to increase by \$9,823 (17.3%) to \$66,734 by 2027.

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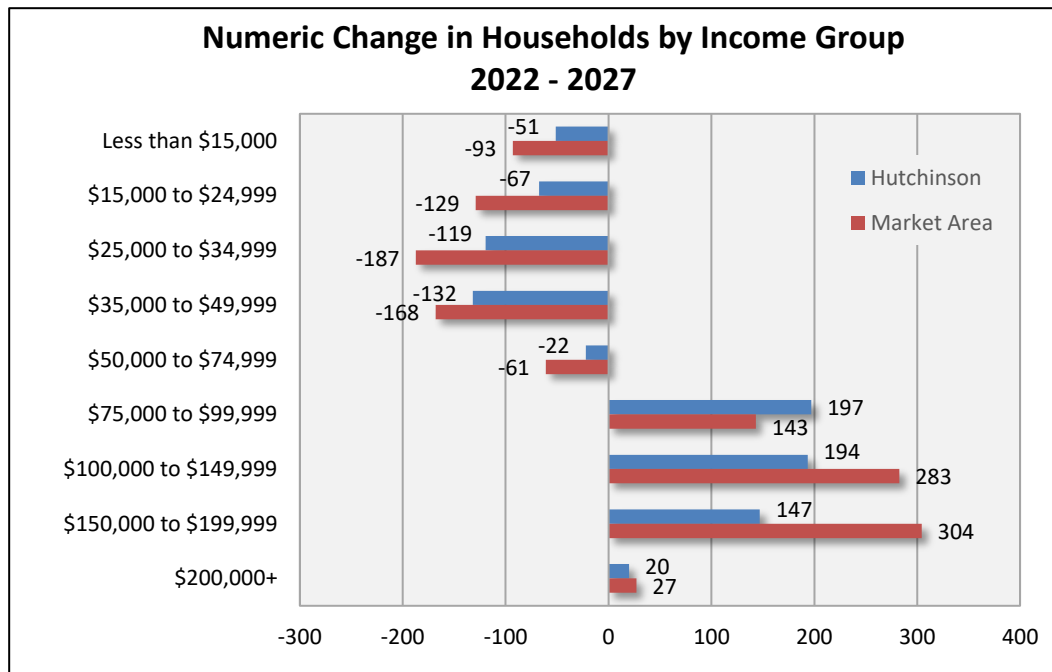
TABLE D-3 HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER HUTCHINSON MARKET AREA 2022 and 2027								
	Total	Age of Householder						
		Under 25	25-34	35-44	45-54	55-64	65 -74	75+
2022								
Less than \$15,000	515	35	61	41	56	86	89	146
\$15,000 to \$24,999	569	29	51	38	32	93	107	218
\$25,000 to \$34,999	701	33	85	66	53	94	134	235
\$35,000 to \$49,999	1,058	56	138	104	103	160	215	281
\$50,000 to \$74,999	2,597	122	368	400	389	528	486	303
\$75,000 to \$99,999	2,024	67	298	390	374	435	315	143
\$100,000 to \$149,999	2,222	37	303	528	491	472	268	124
\$150,000 to \$199,999	779	6	139	138	156	188	96	55
\$200,000+	515	1	68	138	130	99	49	29
Total	10,979	386	1,513	1,844	1,785	2,155	1,760	1,536
Median Income	\$75,392	\$58,029	\$81,893	\$94,771	\$94,596	\$83,813	\$67,608	\$44,652
2027								
Less than \$15,000	421	32	48	31	44	52	69	145
\$15,000 to \$24,999	440	22	32	26	23	54	90	192
\$25,000 to \$34,999	514	27	51	41	30	59	104	201
\$35,000 to \$49,999	890	33	106	78	74	117	199	282
\$50,000 to \$74,999	2,536	127	340	373	347	435	533	380
\$75,000 to \$99,999	2,168	80	305	402	378	398	379	223
\$100,000 to \$149,999	2,505	48	318	604	522	466	356	191
\$150,000 to \$199,999	1,083	8	162	197	206	239	163	107
\$200,000+	542	1	68	142	140	92	61	37
Total	11,098	378	1,432	1,895	1,765	1,912	1,955	1,760
Median Income	\$81,776	\$64,362	\$88,072	\$104,297	\$103,328	\$92,009	\$77,231	\$55,073
Change - 2022 to 2027								
Less than \$15,000	-93	-3	-13	-10	-12	-34	-20	-1
\$15,000 to \$24,999	-129	-7	-19	-12	-9	-39	-17	-26
\$25,000 to \$34,999	-187	-6	-34	-25	-23	-35	-30	-34
\$35,000 to \$49,999	-168	-23	-32	-26	-29	-43	-16	1
\$50,000 to \$74,999	-61	5	-28	-27	-42	-93	47	77
\$75,000 to \$99,999	143	13	7	12	4	-37	64	80
\$100,000 to \$149,999	283	11	15	76	31	-6	88	67
\$150,000 to \$199,999	304	2	23	59	50	51	67	52
\$200,000+	27	0	0	4	10	-7	12	8
Total	119	-8	-81	51	-20	-243	195	224
Median Income	\$6,384	\$6,333	\$6,178	\$9,526	\$8,732	\$8,196	\$9,623	\$10,421
Sources: ESRI; Maxfield Research & Consulting, LLC								

Sources: ESRI; Maxfield Research & Consulting, LLC

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TABLE D-4 HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER CITY OF HUTCHINSON 2022 and 2027								
	Age of Householder							
	Total	Under 25	25-34	35-44	45-54	55-64	65 -74	75+
2022								
Less than \$15,000	338	32	45	32	32	52	53	91
\$15,000 to \$24,999	350	25	34	30	22	53	61	124
\$25,000 to \$34,999	469	30	64	54	39	61	80	140
\$35,000 to \$49,999	664	45	97	77	67	95	114	168
\$50,000 to \$74,999	1,640	101	267	296	237	285	276	179
\$75,000 to \$99,999	1,179	50	187	235	218	235	166	89
\$100,000 to \$149,999	1,047	28	163	249	221	188	126	73
\$150,000 to \$199,999	362	5	67	71	71	84	37	26
\$200,000+	302	1	52	87	68	45	26	22
Total	6,352	318	976	1,132	975	1,098	940	913
<i>Median Income</i>	<i>\$68,881</i>	<i>\$56,676</i>	<i>\$75,689</i>	<i>\$85,057</i>	<i>\$87,078</i>	<i>\$78,711</i>	<i>\$64,441</i>	<i>\$44,667</i>
2027								
Less than \$15,000	287	28	37	24	27	32	44	94
\$15,000 to \$24,999	283	19	24	21	18	34	52	114
\$25,000 to \$34,999	350	24	41	35	27	40	64	118
\$35,000 to \$49,999	532	28	74	57	50	66	93	163
\$50,000 to \$74,999	1,618	106	257	273	225	239	300	219
\$75,000 to \$99,999	1,376	64	217	263	246	240	210	136
\$100,000 to \$149,999	1,241	35	189	286	256	196	167	112
\$150,000 to \$199,999	509	7	86	103	100	105	63	46
\$200,000+	322	1	52	88	76	42	34	28
Total	6,518	313	978	1,149	1,025	994	1,028	1,029
<i>Median Income</i>	<i>\$77,405</i>	<i>\$62,912</i>	<i>\$83,424</i>	<i>\$92,557</i>	<i>\$93,806</i>	<i>\$85,601</i>	<i>\$73,527</i>	<i>\$54,454</i>
Change - 2022 to 2027								
Less than \$15,000	-51	-4	-8	-8	-5	-20	-9	2
\$15,000 to \$24,999	-67	-6	-10	-9	-4	-19	-9	-11
\$25,000 to \$34,999	-119	-6	-23	-19	-12	-21	-16	-23
\$35,000 to \$49,999	-132	-17	-23	-20	-17	-29	-22	-5
\$50,000 to \$74,999	-22	4	-10	-23	-11	-46	24	41
\$75,000 to \$99,999	197	14	31	28	28	5	45	47
\$100,000 to \$149,999	194	7	27	37	35	9	41	38
\$150,000 to \$199,999	147	2	18	31	28	20	26	20
\$200,000+	20	0	0	0	8	-3	8	6
Total	166	-5	2	18	50	-104	89	117
<i>Median Income</i>	<i>\$8,524</i>	<i>\$6,236</i>	<i>\$7,735</i>	<i>\$7,500</i>	<i>\$6,728</i>	<i>\$6,889</i>	<i>\$9,086</i>	<i>\$9,787</i>

Sources: ESRI; Maxfield Research & Consulting, LLC



Tenure by Household Income

Table D-5 shows household tenure by income for the City of Hutchinson, the Hutchinson Market Area, as well as the Remainder of the Market Area in 2020. Data is an estimate from the American Community Survey. Household tenure information is important to assess the propensity for owner-occupied or renter-occupied housing options based on household affordability. As stated earlier, the Department of Housing and Urban Development determines affordable housing as not exceeding 30% of the household's income. It is important to note that the higher the income, the lower percentage a household typically allocates to housing. Many lower income households, as well as many young and senior households; spend more than 30% of their income, while middle-aged households in their prime earning years typically allocate 20% to 25% of their income.

- Typically, as income increases, so does the rate of homeownership. This can be seen in the Hutchinson Market Area, where the homeownership rate increases from 32% of households with incomes below \$15,000 to 95% of households with incomes above \$100,000.
- In 2020, the median incomes of owners was \$63,293 while the median incomes of renters was \$48,975 in Hutchinson. The higher homeownership and household incomes increase in the Remainder of the Market Area which reflects the rural character of the adjacent townships.
- A portion of renter households that are referred to as lifestyle renters, or those who are financially able to own but choose to rent, have household incomes above \$50,000 (about

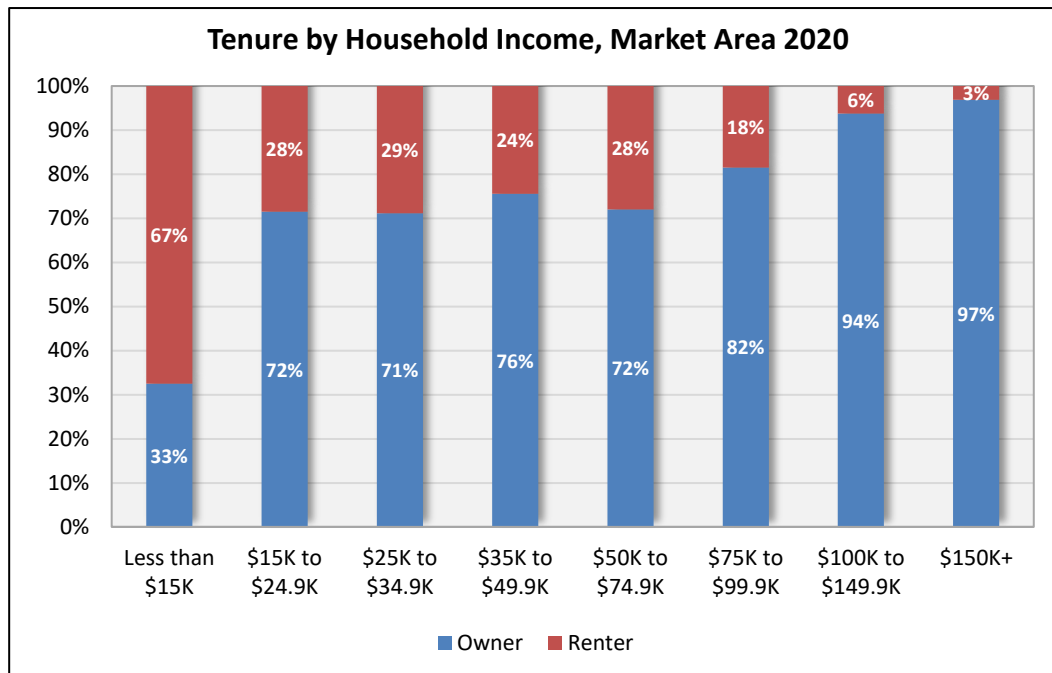
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47% of the Hutchinson Market Area's renters in 2020). Households with incomes below \$15,000 are typically a market for deep subsidy rental housing (about 23% of the Hutchinson Market Area's renters in 2020).

**TABLE D-5
TENURE BY HOUSEHOLD INCOME
HUTCHINSON MARKET AREA
2020**

	City of Hutchinson				Remainder of Market Area				Hutchinson Market Area			
	Owner		Renter		Owner		Renter		Owner		Renter	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Less than \$15,000	121	19.0	515	81.0	164	68.3	76	31.7	285	32.5	591	67.5
\$15,000 to \$24,999	344	70.6	143	29.4	188	73.2	69	26.8	532	71.5	212	28.5
\$25,000 to \$34,999	388	63.9	219	36.1	243	86.8	37	13.2	631	71.1	256	28.9
\$35,000 to \$49,999	562	71.0	229	29.0	403	82.9	83	17.1	965	75.6	312	24.4
\$50,000 to \$74,999	1,130	62.9	666	37.1	854	89.1	104	10.9	1,984	72.0	770	28.0
\$75,000 to \$99,999	585	69.7	254	30.3	707	94.9	38	5.1	1,292	81.6	292	18.4
\$100,000 to \$149,999	652	89.2	79	10.8	969	97.1	29	2.9	1,621	93.8	108	6.2
\$150,000+	548	95.6	25	4.4	511	98.3	9	1.7	1,059	96.9	34	3.1
Total	4,330	67.0	2,130	33.0	4,039	90.1	445	9.9	8,369	76.5	2,575	23.5
Median Household Income	\$63,293		\$48,975		\$80,904		\$45,653		\$71,792		\$48,478	

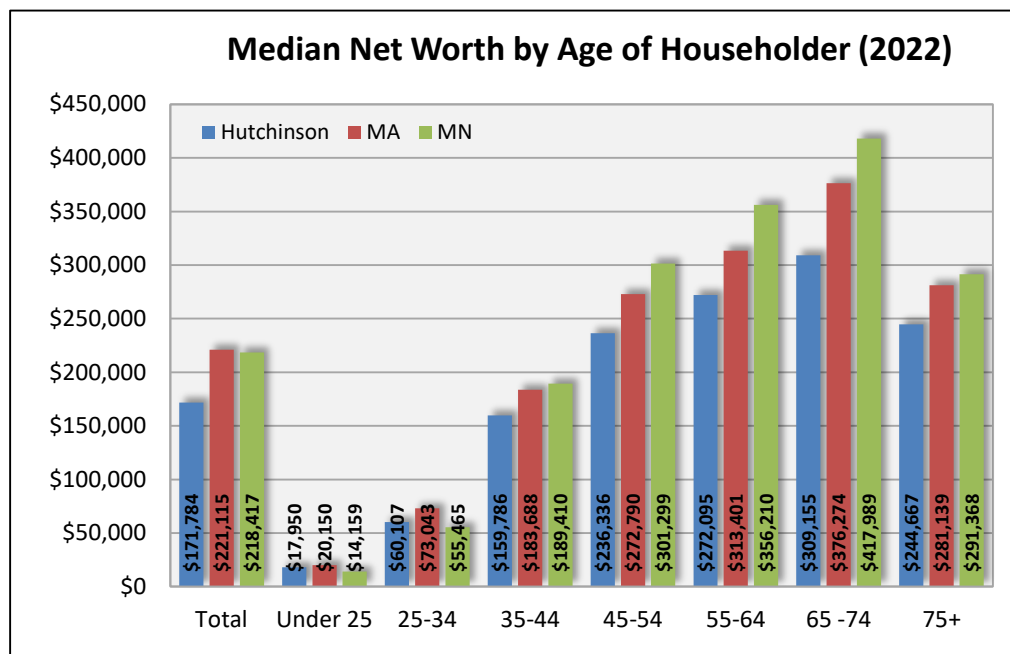
Source: U.S. Census Bureau - American Community Service; Maxfield Research & Consulting, LLC



Net Worth

Table D-6 shows household net worth in the Hutchinson Market Area in 2022. Simply stated, net worth is the difference between assets and liabilities, or the total value of assets after the debt is subtracted. The data was compiled and estimated by ESRI based on the Survey of Consumer Finances and Federal Reserve Board data.

- The Hutchinson Market Area had an average net worth of \$720,951 in 2022 and a median net worth of \$221,115. Median net worth is generally a more accurate depiction of wealth than the average figure. A few households with very large net worth can significantly skew the average. Communities with high levels of farming equipment and land assets tend to also increase the average and median net worth in those areas.
- Similar to household income, net worth increases as households age and decreases after they pass their peak earning years and move into retirement. Median and average net worth usually peak in the 65 to 74 age cohort with a median net worth of \$376,274 in the Hutchinson Market Area. Senior households usually have a higher net worth also due to their 401k's, and other retirement funds. Also, senior households that continue to have higher average net worth could be an indication of farm equipment and land assets being primarily retained by households in senior age cohorts.
- Households often delay purchasing homes and instead choose to rent until they acquire sufficient assets to cover the costs of a down payment and closing costs associated with home ownership.



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TABLE D-6
NET WORTH BY AGE OF HOUSEHOLDER
HUTCHINSON MARKET AREA
2022

	Age of Householder							
	Total	Under 25	25-34	35-44	45-54	55-64	65 -74	75+
City of Hutchinson								
Less than \$15,000	1,010	145	302	171	77	108	115	91
\$15,000 to \$34,999	336	55	99	77	27	24	39	14
\$35,000 to \$49,999	166	17	37	33	24	17	23	14
\$50,000 to \$99,999	805	62	242	120	94	127	64	94
\$100,000 to \$149,999	559	28	126	115	79	85	43	81
\$150,000 to \$249,999	1,003	7	88	299	205	136	101	167
\$250,000 or more	2,473	2	81	315	469	601	555	450
Subtotal	6,352	316	977	1,131	976	1,099	942	911
<i>Median Net Worth</i>	<i>\$171,784</i>	<i>\$17,950</i>	<i>\$60,107</i>	<i>\$159,786</i>	<i>\$236,336</i>	<i>\$272,095</i>	<i>\$309,155</i>	<i>\$244,667</i>
<i>Average Net Worth</i>	<i>\$593,068</i>	<i>\$45,111</i>	<i>\$105,925</i>	<i>\$486,501</i>	<i>\$704,550</i>	<i>\$781,975</i>	<i>\$865,367</i>	<i>\$808,350</i>
Hutchinson Market Area								
Less than \$15,000	1,371	168	399	213	121	174	171	125
\$15,000 to \$34,999	451	69	140	93	39	37	55	18
\$35,000 to \$49,999	229	20	59	41	31	28	33	17
\$50,000 to \$99,999	1,203	83	371	180	135	209	94	131
\$100,000 to \$149,999	879	39	213	165	128	142	73	119
\$150,000 to \$249,999	1,713	9	170	494	342	244	170	284
\$250,000 or more	5,131	2	162	657	985	1,323	1,166	835
Subtotal	10,979	390	1,514	1,844	1,781	2,158	1,762	1,529
<i>Median Net Worth</i>	<i>\$221,115</i>	<i>\$20,150</i>	<i>\$73,043</i>	<i>\$183,688</i>	<i>\$272,790</i>	<i>\$313,401</i>	<i>\$376,274</i>	<i>\$281,139</i>
<i>Average Net Worth</i>	<i>\$720,951</i>	<i>\$47,612</i>	<i>\$120,548</i>	<i>\$512,510</i>	<i>\$834,623</i>	<i>\$980,255</i>	<i>\$1,013,966</i>	<i>\$906,349</i>
Data Note: Net Worth is total household wealth minus debt, secured and unsecured. Net worth includes home equity, equity in pension plans, net equity in vehicles, IRAs and Keogh accounts, business equity, interest-earning assets and mutual fund shares, stocks, etc. Examples of secured debt include home mortgages and vehicle loans; examples of unsecured debt include credit card debt, certain bank loans, and other outstanding bills. Forecasts of net worth are based on the Survey of Consumer Finances, Federal Reserve Board. Detail may not sum to totals due to rounding.								
Sources: ESRI; Maxfield Research & Consulting, LLC								

Tenure by Age of Householder

Table D-7 shows the number of owner and renter households in the City of Hutchinson and the Market Area by age group in 2010 and 2020. This data is useful in determining demand for certain types of housing since housing preferences change throughout an individual's life cycle.

- In 2010, 77.1% of all households in the Market Area owned their housing. By 2020, that percentage slightly decreased to 76.5%. The housing market downturn contributed to the decrease in the homeownership rate during the late 2000s and early 2010s as it became more difficult for households to secure mortgage loans, households delayed purchasing homes due to the uncertainty of the housing market, and foreclosures forced households out of their homes.

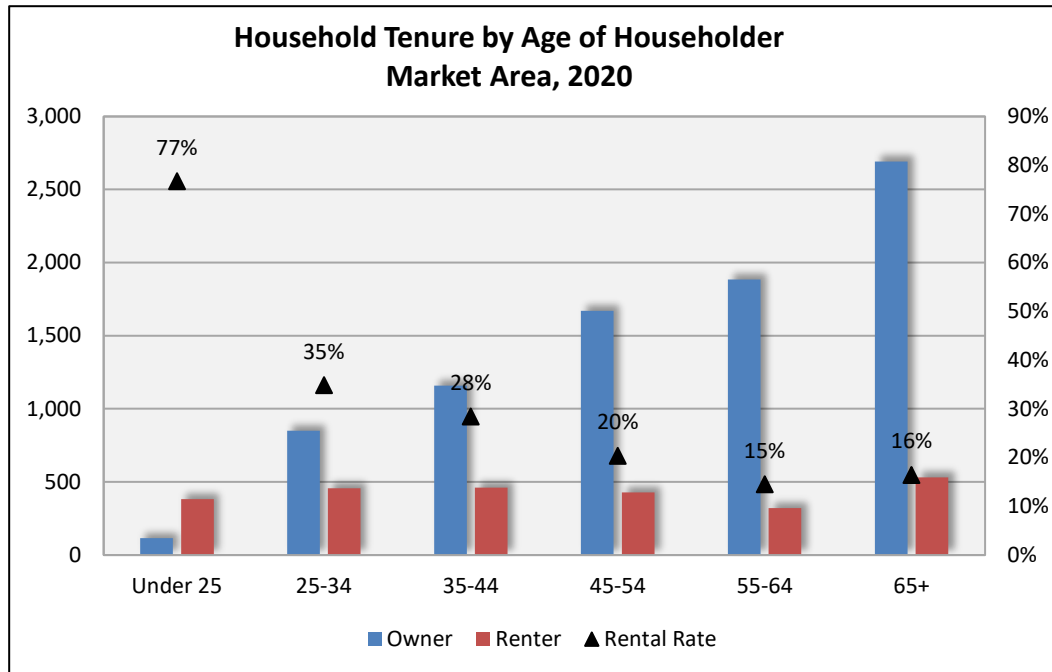
DEMOGRAPHIC ANALYSIS

- The number of owner households in the Market Area increased by 2% compared to a 6% in renter households between 2010 and 2020. Due to the lack of renter units built over the decade we can assume that many of the single-family homes have been converted to rental properties.
- As households progress through their life cycle, housing needs change. The proportion of renter households decreases significantly as households age out of their young-adult years. However, by the time households reach their senior years, rental housing often becomes a more viable option than homeownership, reducing the responsibility of maintenance and a financial commitment.

**TABLE D-7
TENURE BY AGE OF HOUSEHOLDER
HUTCHINSON MARKET AREA
2010 & 2020**

Age		City of Hutchinson				Hutchinson Market Area			
		2010		2020		2010		2020	
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under 25	Own	72	20.3	84	20.6	113	25.9	116	23.3
	Rent	283	79.7	323	79.4	323	74.1	382	76.7
	Total	355	100.0	407	100.0	436	100.0	498	100.0
25-34	Own	590	57.3	498	55.8	958	63.8	850	65.1
	Rent	440	42.7	395	44.2	543	36.2	455	34.9
	Total	1,030	100.0	893	100.0	1,501	100.0	1,305	100.0
35-44	Own	743	73.2	498	57.8	1,465	80.3	1,159	71.6
	Rent	272	26.8	364	42.2	359	19.7	460	28.4
	Total	1,015	100.0	862	100.0	1,824	100.0	1,619	100.0
45-54	Own	866	77.2	974	71.6	1,955	84.9	1,670	79.6
	Rent	256	22.8	386	28.4	347	15.1	428	20.4
	Total	1,122	100.0	1,360	100.0	2,302	100.0	2,098	100.0
55-64	Own	745	80.1	831	77.5	1,643	85.8	1,884	85.5
	Rent	185	19.9	241	22.5	272	14.2	320	14.5
	Total	930	100.0	1,072	100.0	1,915	100.0	2,204	100.0
65+	Own	1,025	68.4	1,445	77.4	2,073	77.9	2,690	83.5
	Rent	473	31.6	421	22.6	588	22.1	530	16.5
	Total	1,498	100.0	1,866	100.0	2,661	100.0	3,220	100.0
TOTAL	Own	4,041	67.9	4,330	67.0	8,207	77.1	8,369	76.5
	Rent	1,909	32.1	2,130	33.0	2,432	22.9	2,575	23.5
	Total	5,950	100.0	6,460	100.0	10,639	100.0	10,944	100.0

Sources: U.S. Census Bureau; American Community Survey; Maxfield Research & Consulting, LLC



- In 2020, 76.7% of the Market Area’s households under the age of 25 rented their housing, compared to 34.9% of households between the ages of 25 and 34. Householders between 35 and 64 were overwhelmingly homeowners, with no more than 30% of the householders in each 10-year age cohort renting their housing.

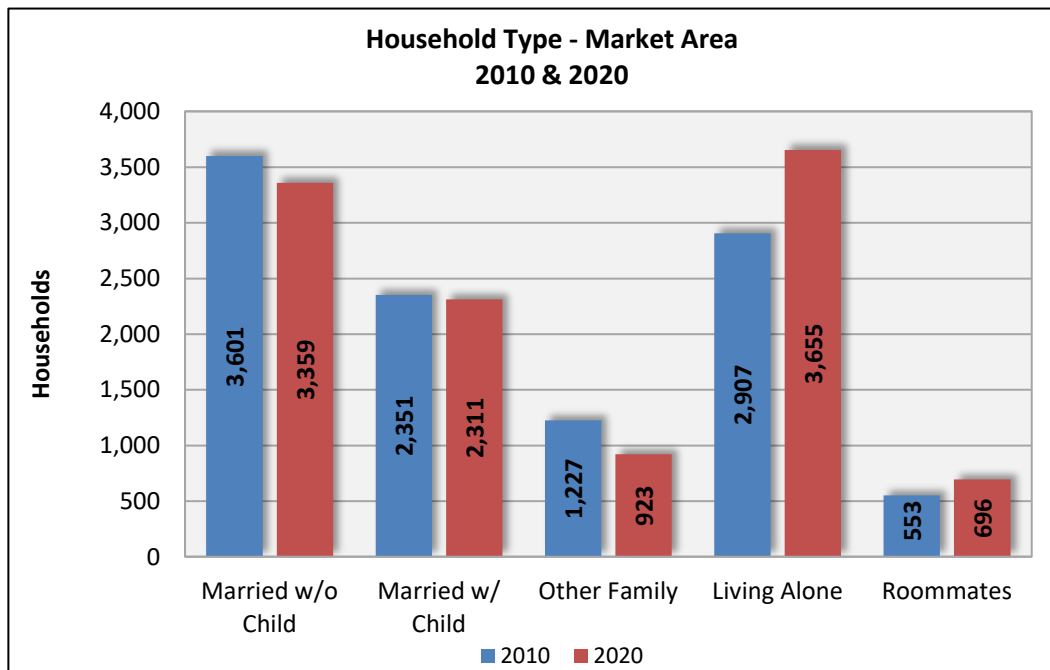
Household Type

Table D-8 shows a breakdown of the type of households present in the Market Area in 2010 and 2020. The data is useful in assessing housing demand since the household composition of ten dictates the type of housing needed and preferred.

- Between 2010 and 2020, the Market Area only experienced an increase in Non-Family Households, as those Living Alone increased by 748 households (+25.7%) and Roommate households increasing by 143 households (+25.9%). The largest decrease occurred among Other households (family households that are single-parent families or unmarried couples with children), declining by 304 households (-24.8%).
- In the City of Hutchinson, persons Living Alone experienced the highest percentage increase of 728 households (+37.2%). This could indicate an aging senior population. As the frailty level of these seniors increases, they typically move out of their homes in pursuit of housing with services.

DEMOGRAPHIC ANALYSIS

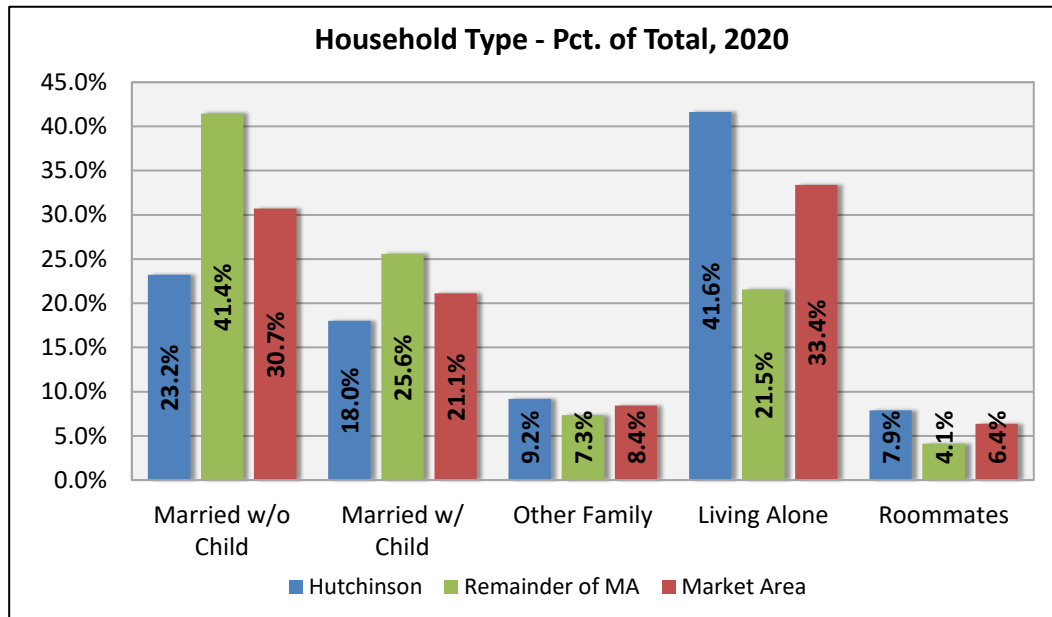
- The differences between Hutchinson and the Remainder of the Market Area, reflect more availability of multifamily rental housing in Hutchinson compared to the rural Remainder of the Market Area. For example, non-family householders tend to rent their housing more than other categories. This includes elderly widows and young persons. Young people typically do not have sufficient incomes to purchase housing, while single seniors are likely to move to multifamily housing to shed the burden of home maintenance and to have opportunities for socialization. About 49.5% of Hutchinson households were non-family households in 2020, while 25.7% of the Remainder of the Market Area's households was non-family.



DEMOGRAPHIC ANALYSIS

**TABLE D-8
HOUSEHOLD TYPE
HUTCHINSON MARKET AREA
2010 & 2020**

Number of Households	Total HH's		Family Households						Non-Family Households			
			Married w/o Child		Married w/ Child		Other *		Living Alone		Roommates	
	2010	2020	2010	2020	2010	2020	2010	2020	2010	2020	2010	2020
City of Hutchinson	5,950	6,460	1,619	1,501	1,199	1,165	824	594	1,960	2,689	348	511
Remainder of Market Area	4,689	4,484	1,982	1,858	1,152	1,146	403	329	947	966	205	185
Hutchinson Market Area	10,639	10,944	3,601	3,359	2,351	2,311	1,227	923	2,907	3,655	553	696
State of Minnesota	2,087,227	2,284,103	443,212	475,553	617,297	673,280	288,506	304,391	584,008	657,852	154,204	173,026
Percent of Total												
City of Hutchinson	100%	100%	27.2%	23.2%	20.2%	18.0%	13.8%	9.2%	32.9%	41.6%	5.8%	7.9%
Remainder of Market Area	100%	100%	42.3%	41.4%	24.6%	25.6%	8.6%	7.3%	20.2%	21.5%	4.4%	4.1%
Hutchinson Market Area	100%	100%	33.8%	30.7%	22.1%	21.1%	11.5%	8.4%	27.3%	33.4%	5.2%	6.4%
State of Minnesota	100%	100%	21.2%	20.8%	29.6%	29.5%	13.8%	13.3%	28.0%	28.8%	7.4%	7.6%
* Single-parent families, unmarried couples with children.												
Sources: U.S. Census Bureau; American Community Survey; Maxfield Research & Consulting, LLC												



Tenure by Household Size

Table D-9 shows the distribution of households by size and tenure in the City of Hutchinson and the Hutchinson Market Area in 2010 and 2020. This data is useful in that it sheds insight into the number of units by unit type that may be most needed in Hutchinson Market Area.

- Household size for renters tends to be smaller than for owners. This trend is a result of the typical market segments for rental housing, including households that are younger and are less likely to be married with children as well as older adults and seniors who choose to downsize from their single-family homes. In 2020, approximately 59% of the renter-occupied households in the Hutchinson Market Area were one-person households.
- Approximately 85% of renter households in the Hutchinson Market Area in 2020 have either one or two people. The one-person households would primarily seek one-bedroom units and two-person households that are couple would primarily seek one-bedroom units. Two-person households that consist of a parent and child or roommate would primarily seek two-bedroom units. Larger households would seek units with multiple bedrooms.
- Owner-occupied one-person households in the City of Hutchinson increased by 485 households (+51%) between 2010 and 2020, while owner-occupied two-person households increased by 167 households (+11%). By comparison, renter-occupied one-person households in Hutchinson increased by 244 households (+24%) and two-person renter households increased by 91 households (+19%).

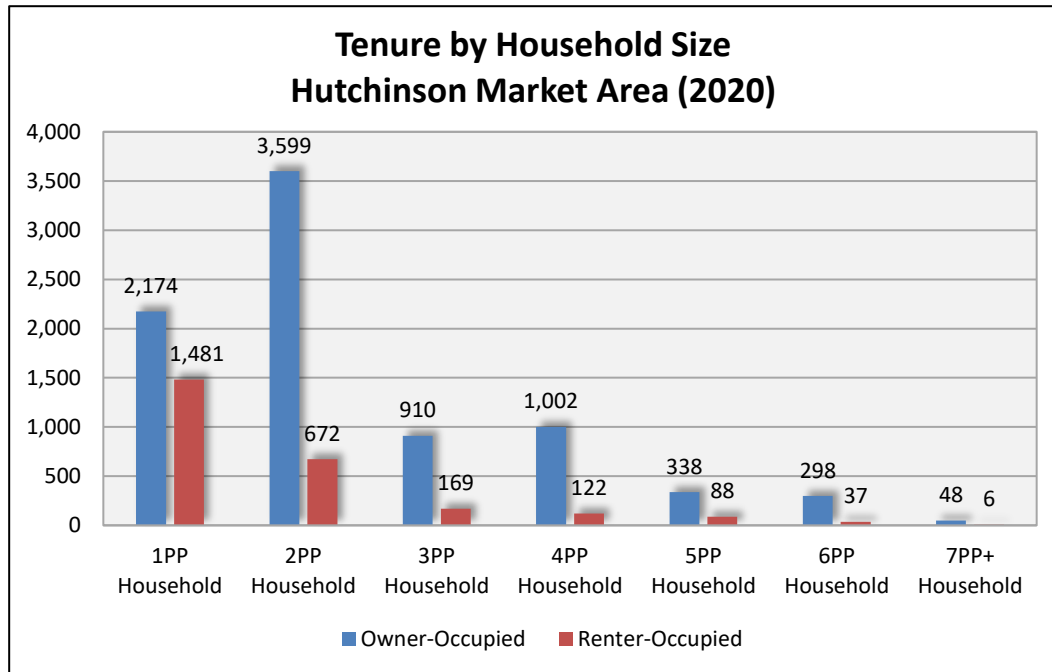
DEMOGRAPHIC ANALYSIS

**TABLE D-9
TENURE BY HOUSEHOLD SIZE
HUTCHINSON MARKET AREA
2010 and 2020**

Size	CITY OF HUTCHINSON							
	2010				2020			
	Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied	
	Number	Pct.	Number	Pct.	Number	Pct.	Number	Pct.
1PP Household	950	23.5%	1,010	52.9%	1,435	33.1%	1,254	58.9%
2PP Household	1,508	37.3%	470	24.6%	1,675	38.7%	561	26.3%
3PP Household	576	14.3%	216	11.3%	452	10.4%	119	5.6%
4PP Household	604	14.9%	119	6.2%	468	10.8%	86	4.0%
5PP Household	258	6.4%	63	3.3%	101	2.3%	80	3.8%
6PP Household	109	2.7%	18	0.9%	174	4.0%	30	1.4%
7PP+ Household	36	0.9%	13	0.7%	25	0.6%	0	0.0%
Total	4,041	100.0%	1,909	100.0%	4,330	100.0%	2,130	100.0%

Size	MARKET AREA TOTAL							
	2010				2020			
	Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied	
	Number	Pct.	Number	Pct.	Number	Pct.	Number	Pct.
1PP Household	8,207	50.2%	1,246	51.2%	2,174	26.0%	1,481	57.5%
2PP Household	1,661	10.2%	599	24.6%	3,599	43.0%	672	26.1%
3PP Household	3,294	20.2%	265	10.9%	910	10.9%	169	6.6%
4PP Household	1,246	7.6%	179	7.4%	1,002	12.0%	122	4.7%
5PP Household	1,202	7.4%	88	3.6%	338	4.0%	88	3.4%
6PP Household	527	3.2%	31	1.3%	298	3.6%	37	1.4%
7PP+ Household	202	1.2%	24	1.0%	48	0.6%	6	0.2%
Total	16,339	100.0%	2,432	100.0%	8,369	100.0%	2,575	100.0%

Sources: U.S. Census Bureau; American Community Survey; Maxfield Research and Consulting LLC



Diversity

The population distribution by race, Table D-10 presents the diversity of the population in Hutchinson, the Remainder of the Market Area, and the Hutchinson Market Area for 2010 and 2020. The data was obtained from the U.S. Census and American Community Survey.

- In 2020, “White Alone” comprised the largest proportion of the population in Hutchinson (96.8%), the Remainder of the Market Area (97.1%), and in the Hutchinson Market Area (97%). The percentage has increased since 2010 where “White Alone” was 95% in the City of Hutchinson.
- U.S. Census respondents that list themselves ethnically as Hispanic or Latino, racially list themselves in various race categories. As of 2020, 5.8% of the Hutchinson’s population was Hispanic/Latino. The Hispanic/Latino population was 3.6% of the city’s population in 2010.
- The Hispanic/Latino population experienced the largest percentage growth between 2010 and 2019 in the PMA, increasing from 513 to 765 people (49% increase).

DEMOGRAPHIC ANALYSIS

TABLE D-10
POPULATION DISTRIBUTION BY RACE
HUTCHINSON MARKET AREA
2010 and 2020

NUMBER	White Alone		Black or African American Alone		American Indian or Alaska Native Alone (AIAN)		Native Hawaiian or Pacific Islander Alone (NHPI)		Asian Alone		Some Other Race		Two or More Races Alone		Hispanic or Latino ¹ <i>Ethnicity not Race</i>	
	2010	2020	2010	2020	2010	2020	2010	2020	2010	2020	2010	2020	2010	2020	2010	2020
Hutchinson	13,531	12,753	127	59	41	44	12	0	151	143	133	0	183	171	513	765
Remainder of the MA	11,860	11,071	19	90	12	6	2	0	48	86	58	13	85	132	226	348
Hutchinson Market Area	25,391	23,824	146	149	53	50	14	0	199	229	191	13	268	303	739	1,113
State of Minnesota	4,405,142	4,353,800	269,141	392,850	55,421	57,046	1,860	2,621	212,996	297,460	5,947	20,963	103,160	236,034	250,258	345,640
PERCENTAGE																
	2010	2020	2010	2020	2010	2020	2010	2020	2010	2020	2010	2020	2010	2020	2010	2020
Hutchinson	95.4%	96.8%	0.9%	0.4%	0.3%	0.3%	0.1%	0.0%	1.1%	1.1%	0.9%	0.0%	1.3%	1.3%	3.6%	5.8%
Remainder of the MA	98.1%	97.1%	0.2%	0.8%	0.1%	0.1%	0.0%	0.0%	0.4%	0.8%	0.5%	0.1%	0.7%	1.2%	1.9%	3.1%
Hutchinson Market Area	96.7%	97.0%	0.6%	0.6%	0.2%	0.2%	0.1%	0.0%	0.8%	0.9%	0.7%	0.1%	1.0%	1.2%	2.8%	4.5%
State of Minnesota	87.2%	81.2%	5.3%	7.3%	1.1%	1.1%	0.0%	0.0%	4.2%	5.5%	0.1%	0.4%	2.0%	4.4%	5.0%	6.4%

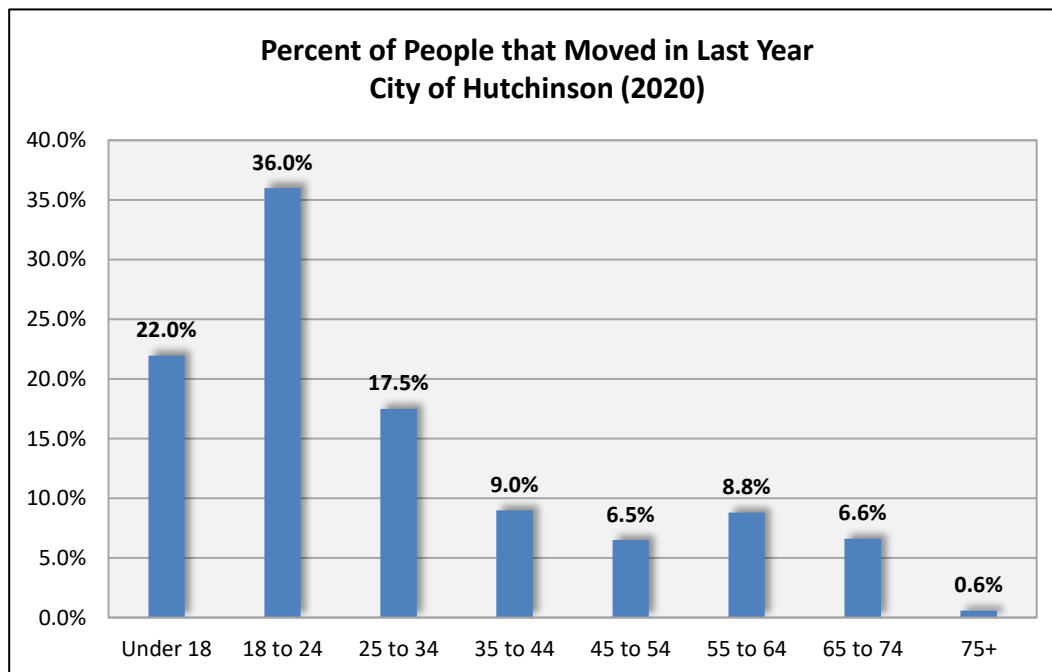
¹ US Census respondents list themselves ethnically Hispanic or Latino and racially in one of the other listed categories.

Sources: U.S. Census Bureau; American Community Survey; Maxfield Research & Consulting LLC

Mobility in the Past Year

Table D-11 shows mobility patterns of Hutchinson residents within a one-year timeframe. The data is sourced to the 2016-2020 American Community Survey, the most recent data available. People move for various reasons, but housing is the primary motivator, followed by family-related reasons, and job-related reasons. Local moves are generally housing-related, while longer-distance moves are typically job-related.

- The majority of residents in Hutchinson (86%) did not move within the last year.
- Of the remaining residents that moved within the last year, approximately 7.2% moved intra-county (i.e. from Hutchinson to another McLeod County location) and 5.6% moved outside of McLeod County, but within Minnesota.
- A greater proportion of younger age cohorts tended to move compared to older age cohorts. In the Hutchinson, approximately 17.5% of those age 25 to 34 moved within the last year compared to 7.2% of those age 65+.



DEMOGRAPHIC ANALYSIS

TABLE D-11
MOBILITY IN THE PAST YEAR BY AGE FOR CURRENT RESIDENCE
HUTCHINSON MARKET AREA
2020

	Not Moved		Moved							
	Same House		Within Same County		Different County Same State		Different State		Abroad	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Hutchinson										
Age										
Under 18	2,094	78.0%	354	13.2%	235	8.8%	0	0.0%	0	0.0%
18 to 24	839	64.0%	312	23.8%	142	10.8%	0	0.0%	18	1.4%
25 to 34	1,583	82.5%	154	8.0%	152	7.9%	31	1.6%	0	0.0%
35 to 44	1,305	91.0%	57	4.0%	72	5.0%	0	0.0%	0	0.0%
45 to 54	1,903	93.5%	85	4.2%	10	0.5%	37	1.8%	0	0.0%
55 to 64	1,578	91.2%	40	2.3%	92	5.3%	21	1.2%	0	0.0%
65 to 74	1,267	93.4%	0	0.0%	79	5.8%	11	0.8%	0	0.0%
75+	1,381	99.4%	0	0.0%	0	0.0%	8	0.6%	0	0.0%
Total	11,949	86.2%	1,003	7.2%	780	5.6%	107	0.8%	18	0.1%
McLeod County										
Age										
Under 18	7,135	89.2%	507	6.3%	322	4.0%	34	0.4%	0	0.0%
18 to 24	2,004	73.4%	442	16.2%	262	9.6%	3	0.1%	19	0.7%
25 to 34	3,651	84.8%	263	6.1%	336	7.8%	56	1.3%	0	0.0%
35 to 44	4,002	93.5%	133	3.1%	146	3.4%	0	0.0%	0	0.0%
45 to 54	4,440	94.8%	141	3.0%	42	0.9%	61	1.3%	0	0.0%
55 to 64	4,570	93.6%	146	3.0%	122	2.5%	39	0.8%	5	0.1%
65 to 74	3,379	95.5%	18	0.5%	110	3.1%	11	0.3%	21	0.6%
75+	2,958	94.2%	82	2.6%	63	2.0%	31	1.0%	6	0.2%
Total	32,139	90.4%	1,731	4.9%	1,402	3.9%	235	0.7%	52	0.1%
Minnesota	4,782,778	86.4%	376,422	6.8%	249,103	4.5%	105,177	1.9%	22,142	0.4%

Sources: U.S. Census Bureau; Maxfield Research and Consulting LLC

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.

Employment Growth and Projections

Table E-1 shows projected employment growth in Central Minnesota. Table E-1 shows employment growth trends and projections from 2010 to 2030 based on the most recent Minnesota Department of Employment and Economic Development (DEED) Employment Outlook projections. The 2030 forecast is based on industry projections for the Central Minnesota Planning area. The Central Minnesota Planning area consists of 13 Minnesota Counties with McLeod County also included in the Central Minnesota planning region, projections are unavailable at the municipal level.

TABLE E-1 EMPLOYMENT PROJECTIONS CENTRAL MINNESOTA 2010-2030								
	Employment				Change			
	Actual		Estimated	Forecast	2010 - 2020		2020 - 2030	
	2010	2015	2020	2030	No.	Pct.	No.	Pct.
Central Minnesota	245,310	268,190	301,170	316,216	55,860	22.8%	15,046	5.0%
Sources: MN Dept. of Employment & Economic Deve. (MN DEED); Maxfield Research & Consulting, LLC								

Resident Labor Force

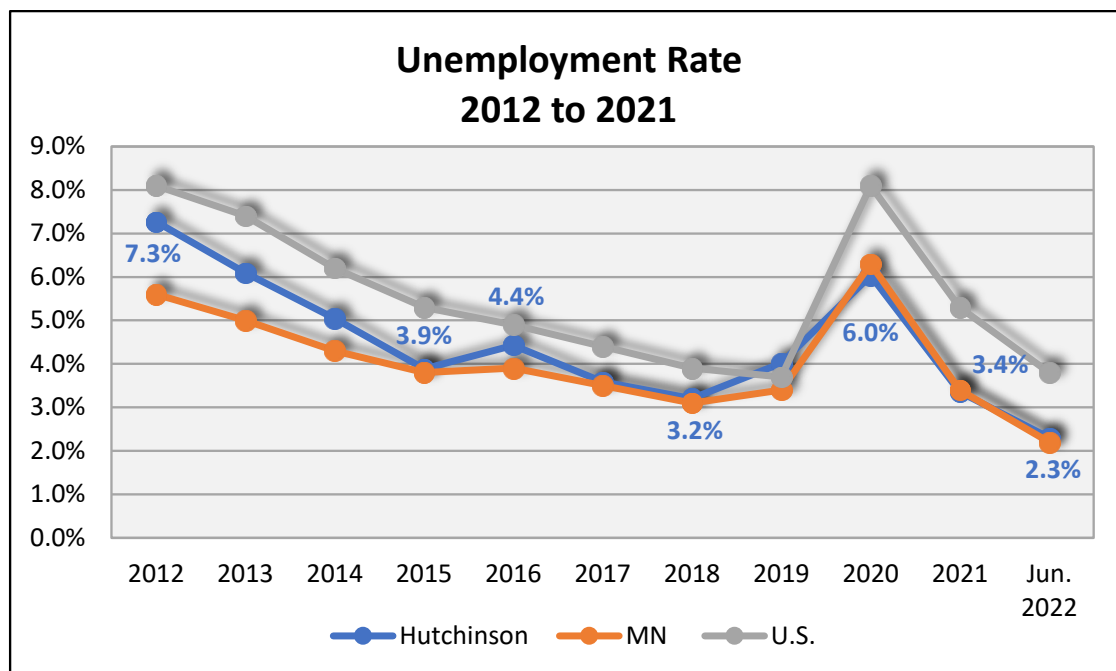
- Resident employment in Hutchinson decreased by 83 people between 2012 and 2021 (-1.2%), while the number of individuals in the labor market also decreased (-387 people | -5.2%).
- Hutchinson's unemployment rate has been even or slightly higher than the State of Minnesota in most year from 2012 to 2021.
- Covid-19 had a substantial impact on unemployment rates across the country. Business shutdowns and closures beginning in March 2020 led to a large increase in the unemployment rate and spiked to 6.0% in Hutchinson in 2020. However, the City of Hutchinson has not been impacted to the degree that the Twin Cities was. Additionally, the unemployment rate in Hutchinson has decreased to a recent low of 2.3% as of June 2022.

EMPLOYMENT TRENDS

TABLE E-2
RESIDENT EMPLOYMENT (ANNUAL AVERAGE)
CITY OF HUTCHINSON
2012 to June 2022

Year	Total Labor Force	Total Employed	Total Unemployed	Unemployment Rate	Minnesota Unemployment Rate	U.S. Unemployment Rate
2012	7,445	6,904	541	7.3%	5.6%	8.1%
2013	7,468	7,013	455	6.1%	5.0%	7.4%
2014	7,375	7,003	372	5.0%	4.3%	6.2%
2015	7,462	7,172	290	3.9%	3.8%	5.3%
2016	7,291	6,968	323	4.4%	3.9%	4.9%
2017	7,280	7,019	261	3.6%	3.5%	4.4%
2018	7,340	7,105	235	3.2%	3.1%	3.9%
2019	7,330	7,036	294	4.0%	3.4%	3.7%
2020	7,327	6,885	442	6.0%	6.3%	8.1%
2021	7,058	6,821	237	3.4%	3.4%	5.3%
June 2022	7,063	6,898	165	2.3%	2.2%	3.8%
Change 2012-'21	-387	-83	-304	-3.9%	-2.2%	-2.8%

Sources: MN Dept. of Employment & Economic Deve. (MN DEED); Maxfield Research & Consulting, LLC



Covered Employment and Wages by Industry

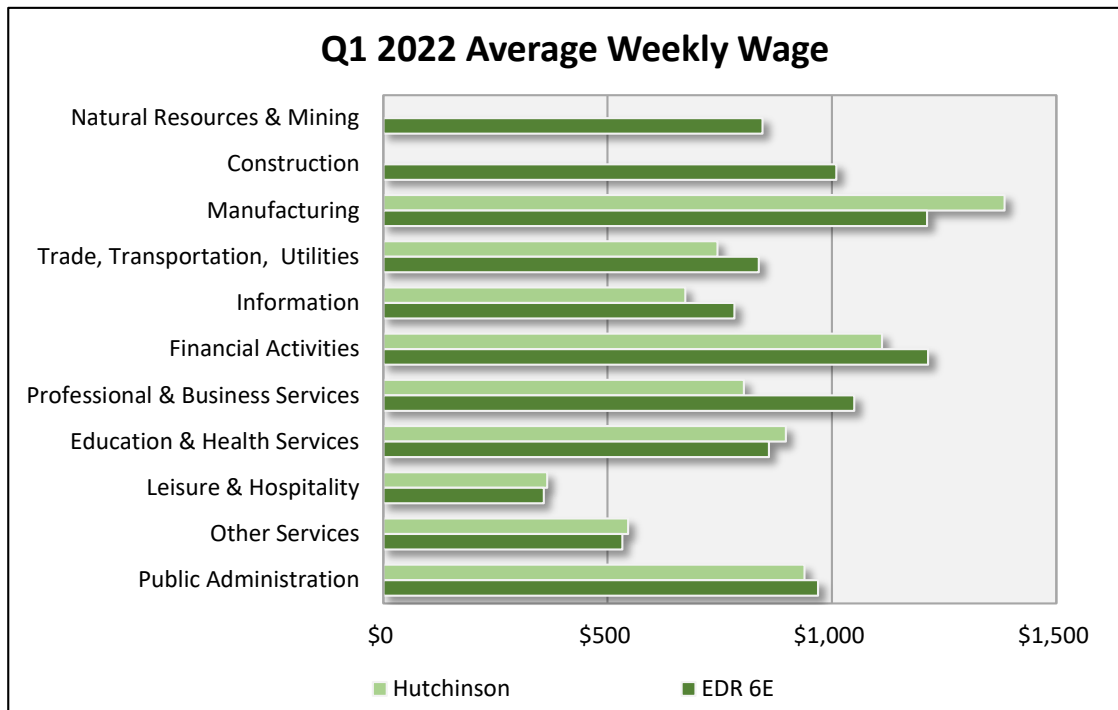
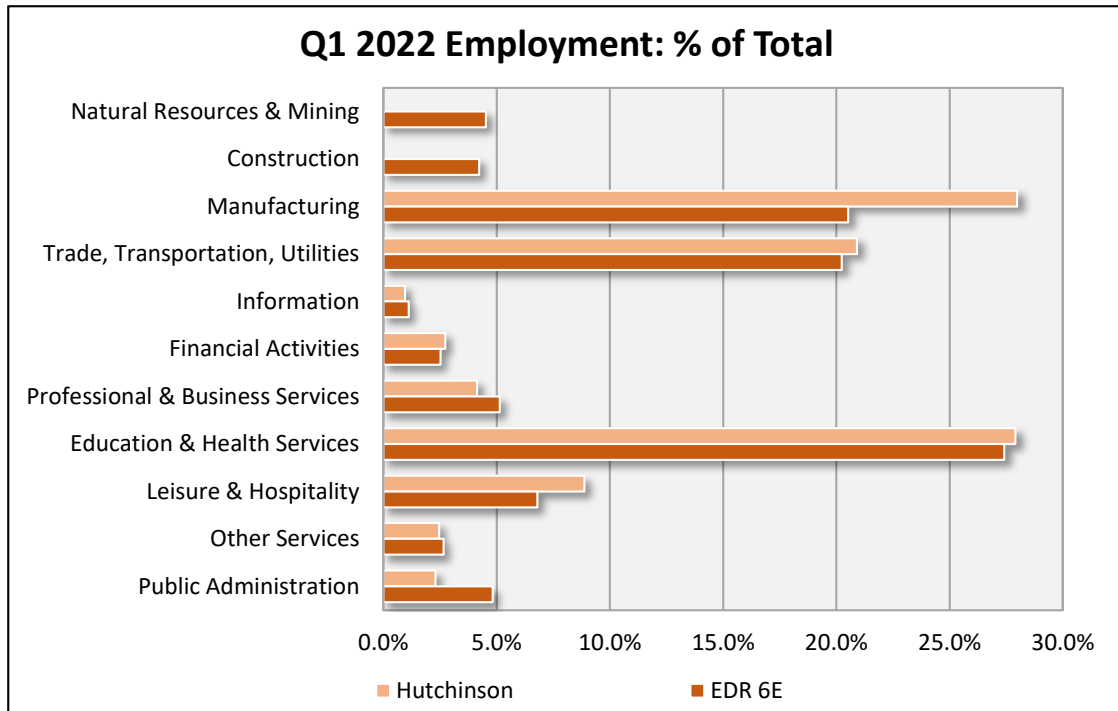
Table E-3 displays information on the employment and wage situation in the City of Hutchinson compared to the Southwest Central Economic Development Region, which consists of Kan-diyohi, McLeod, Meeker, & Renville Counties. The Quarterly Census of Employment and Wages (QCEW) data is sourced from DEED and represents data for the first quarter 2021 compared to the first quarter of 2022, the most recent data available.

All establishments covered under the Unemployment Insurance (UI) Program are required to report wage and employment statistics to DEED quarterly. Certain industries in the table may not display any information which means that there is either no reported economic activity for that industry or the data has been suppressed to protect the confidentiality of cooperating employers. This generally occurs when there are too few employers or one employer comprises too much of the employment in that geography.

- In Hutchinson, total employment increased 0.7% (60 jobs) between Q1 2021 and Q1 2022. Additionally, employment in the Southwest Central Region grew by 1% during the same time, adding 496 jobs.
- The Manufacturing and the Education & Health Services Sectors each accounted for about 28% of the City's jobs in Q1 2022, which are slightly higher when compared to the Southwest Central Region as Manufacturing accounted for 20.5% and Education & Health Services accounted for 27%.
- In Hutchinson, notable job growth occurred in the Leisure & Hospitality sector, adding 93 jobs (14%) and the Professional & Business Services sector (+74 jobs | +27%). These gains were in part offset by losses in the Education & Health Services sector (-48 jobs | -2%) and the Trade, Transportation, and Utilities sector (-46 jobs | -2.5%).
- Average weekly wages in the City of Hutchinson (\$951) are 4% higher than across the Southwest Central Region (\$913).
- In Hutchinson, the highest average wages are found in the Manufacturing (\$1,385), Financial Activities (\$1,112), and the Public Administration (\$939) sectors. Additionally, wages increased 6.7% overall, with notable increases occurring in the Trade, Transportation, & Utilities sector (+13%).
- A household earning the average weekly wage in Hutchinson (\$951) would be able to afford an apartment unit renting for an estimated \$1,236 per month to not exceed 30% of its monthly income on housing costs.

EMPLOYMENT TRENDS

TABLE E-3 QUARTERLY CENSUS OF EMPLOYMENT AND WAGES CITY OF HUTCHINSON & SOUTHWEST CENTRAL (6E) EDR Q1 2021 AND Q1 2022										
Industry	Q1 2021			Q1 2022			Change Q1 2021 - Q1 2022			
	Establish- ments	Employ- ment	Weekly Wage	Establish- ments	Employ- ment	Weekly Wage	Employment # %		Wage # %	
City of Hutchinson										
Total, All Industries	436	8,359	\$891	441	8,419	\$951	60	0.7%	\$60	6.7%
Natural Resources & Mining	--	--	--	--	--	--	--	--	--	--
Construction	--	--	--	--	--	--	--	--	--	--
Manufacturing	30	2,381	\$1,309	30	2,356	\$1,385	-25	-1.0%	\$76	5.8%
Trade, Transportation, & Utilities	90	1,806	\$659	89	1,760	\$745	-46	-2.5%	\$86	13.1%
Information	8	77	\$707	8	81	\$673	4	5.2%	-34	-4.8%
Financial Activities	59	233	\$996	59	230	\$1,112	-3	-1.3%	\$116	11.6%
Professional & Business Services	38	275	\$730	41	349	\$804	74	26.9%	\$74	10.1%
Education & Health Services	87	2,397	\$840	88	2,349	\$897	-48	-2.0%	\$57	6.8%
Leisure & Hospitality	46	654	\$337	45	747	\$365	93	14.2%	\$28	8.3%
Other Services	37	202	\$530	38	208	\$546	6	3.0%	\$16	3.0%
Public Administration	6	189	\$928	6	194	\$939	5	2.6%	\$11	1.2%
Southwest Central (6E) EDR										
Total, All Industries	3,534	48,695	\$848	3,664	49,191	\$913	496	1.0%	\$65	7.7%
Natural Resources & Mining	232	2,179	\$797	243	2,226	\$845	47	2.2%	\$48	6.0%
Construction	449	2,022	\$961	462	2,079	\$1,010	57	2.8%	\$49	5.1%
Manufacturing	229	9,991	\$1,122	234	10,094	\$1,212	103	1.0%	\$90	8.0%
Trade, Transportation, & Utilities	825	10,072	\$757	836	9,957	\$837	-115	-1.1%	\$80	10.6%
Information	53	507	\$743	57	550	\$783	43	8.5%	\$40	5.4%
Financial Activities	292	1,301	\$1,204	297	1,244	\$1,214	-57	-4.4%	\$10	0.8%
Professional & Business Services	334	2,507	\$968	354	2,527	\$1,050	20	0.8%	\$82	8.5%
Education & Health Services	443	13,661	\$775	465	13,482	\$860	-179	-1.3%	\$85	11.0%
Leisure & Hospitality	254	2,996	\$322	265	3,347	\$358	351	11.7%	\$36	11.2%
Other Services	301	1,181	\$519	328	1,307	\$533	126	10.7%	\$14	2.7%
Public Administration	122	2,275	\$980	123	2,374	\$969	99	4.4%	(\$11)	-1.1%
Note: Southwest Central (6E) Economic Development Region (EDR) consists of Kandiyohi, McLeod, Meeker, & Renville Counties.										
Sources: Minnesota Department of Employment and Economic Development (MN DEED); Maxfield Research & Consulting, LLC										



Commuting Patterns

Proximity to employment is often a primary consideration when choosing where to live, since transportation costs often accounts for a large proportion of households' budgets. Table E-4 highlights the commuting patterns of workers in the City of Hutchinson in 2019 (the most recent data available), based on Employer-Household Dynamics data from the U.S. Census Bureau.

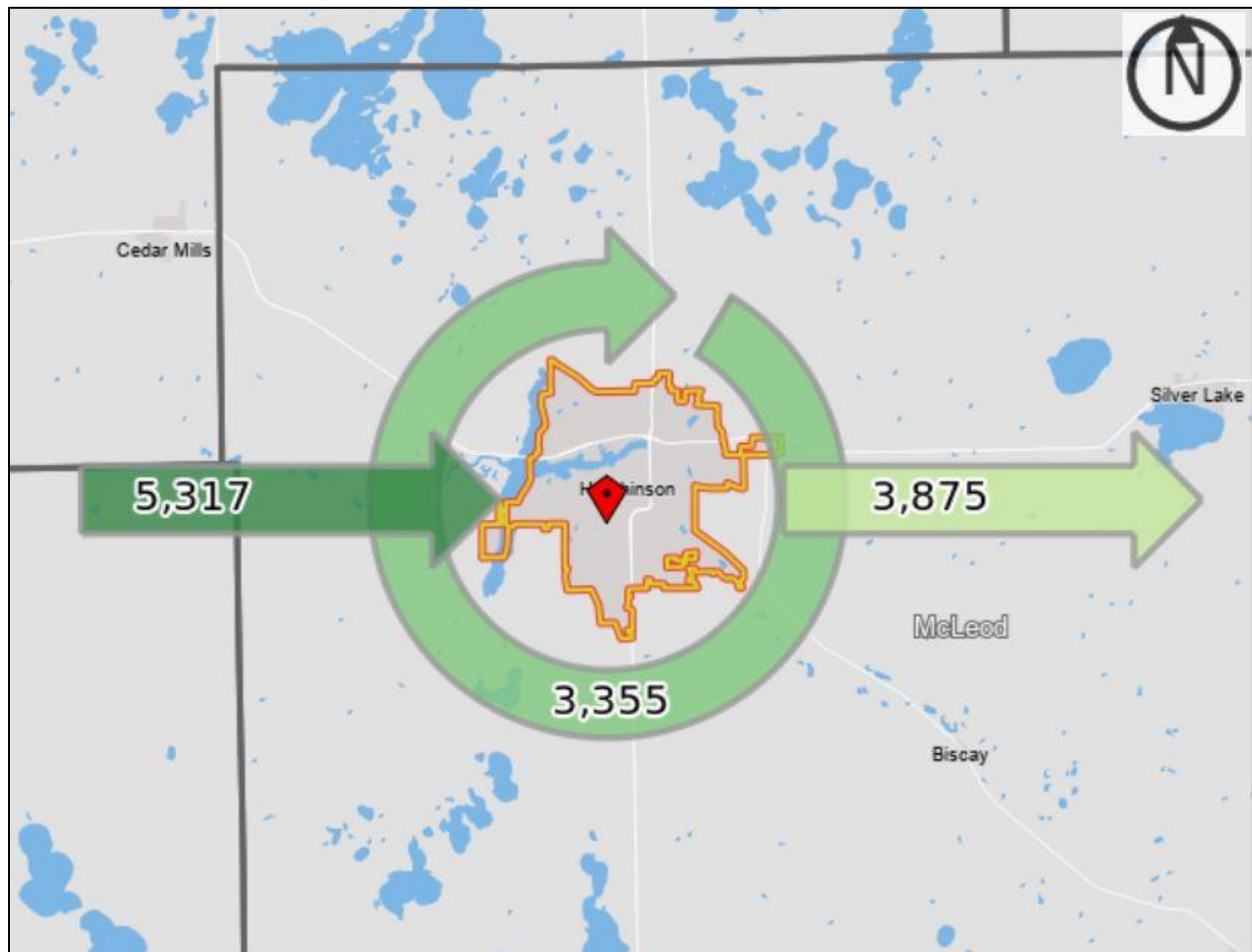
- As shown in Table E-4, about 54% of the City of Hutchinson residents commuted to jobs outside the City, 5% commuted to jobs in Glencoe (351 employees), 1.9% commuted to jobs in Willmar (136 employees), and 1.8% commuted to jobs in Litchfield (131 employees).
- Of the workers who work in Hutchinson, 39% also live in the city. The remaining 61% of the workers are commuting from mostly Glencoe (1.9%) and Litchfield (1.6%).

TABLE E-4 COMMUTING PATTERNS CITY OF HUTCHINSON 2019					
Work Destination			Home Destination		
Place of Residence	Count	Share	Place of Employment	Count	Share
Hutchinson, MN	3,355	46.4%	Hutchinson, MN	3,355	38.7%
Glencoe, MN	351	4.9%	Glencoe, MN	166	1.9%
Willmar, MN	136	1.9%	Litchfield, MN	137	1.6%
Litchfield, MN	131	1.8%	New Ulm, MN	115	1.3%
Winsted, MN	126	1.7%	Winsted, MN	93	1.1%
Minneapolis, MN	110	1.5%	Brownton, MN	83	1.0%
Plymouth, MN	107	1.5%	Stewart, MN	80	0.9%
Eden Prairie, MN	105	1.5%	Hector, MN	68	0.8%
Maplewood, MN	102	1.4%	St. Paul, MN	57	0.7%
Minnetonka, MN	82	1.1%	Buffalo, MN	55	0.6%
All Other Locations	2,625	36.3%	All Other Locations	4,463	51.5%
Distance Travelled			Distance Travelled		
Total Primary Jobs	7,230	100.0%	Total Primary Jobs	8,672	100.0%
Less than 10 miles	3,644	50.4%	Less than 10 miles	4,350	50.2%
10 to 24 miles	1,118	15.5%	10 to 24 miles	1,585	18.3%
25 to 50 miles	1,311	18.1%	25 to 50 miles	1,081	12.5%
Greater than 50 miles	1,157	16.0%	Greater than 50 miles	1,656	19.1%
Work Destination: Where workers are employed, who live in the selection area. Home Destination: Where workers live, who are employed in the selection area.					
Sources: U.S. Census Bureau Local Employment Dynamics, Maxfield Research & Consulting, LLC					

EMPLOYMENT TRENDS

- As the graphic on the following page show depicts; there is an inflow of workers into Hutchinson for employment. As such, housing developments in the city have the potential to capture commuters who want to relocate closer to employment.

Employment Inflow & Outflow



Sources: Longitudinal Employer-Household Dynamics

- The City of Hutchinson can be considered an importer of workers, as the number of workers coming into the City (inflow) for employment was higher than the number of residents leaving the City for work (outflow). Approximately 5,317 workers came into the City of Hutchinson for work while 3,875 workers left, for a net difference of 1,442.

Existing Business Mix by NAICS

Table E-5 presents business data as compiled from ESRI and Data Axle, Inc. in 2022. The business inventory database is compiled from multiple sources; including directory resources from the yellow and white pages, annual reports, 10ks, SEC filings, government data, U.S. Postal Service, business trade directories, newspapers, etc. To ensure accurate information, phone telephone verifications are completed for each business in the database. The data is characterized based on the six-digit North American Industry Classification System (NAICS). The NAICS is the standard used by Federal statistical agencies in classifying business establishments for the purpose of collecting, analyzing, and publishing statistical data related to the U.S. business economy.

- There are approximately 834 businesses with 12,406 employees in the City of Hutchinson.
- Retail Trade is the largest industry type (124 businesses), but ranks third in terms of number of employees (1,480). Manufacturing has the most employees (3,275) followed by Health Care & Social Assistance (2,552) in Hutchinson.

TABLE E-5 BUSINESS SUMMARY - BY NAICS CODE CITY OF HUTCHINSON 2022				
Business/Industry	Businesses		Employees	
	Number	Pct	Number	Pct
NAICS CODES				
Agriculture, Forestry, Fishing and Hunting	4	0.5%	13	0.1%
Mining	0	0.0%	0	0.0%
Utilities	3	0.4%	80	0.6%
Construction	65	7.8%	272	2.2%
Manufacturing	40	4.8%	3,275	26.4%
Wholesale Trade	21	2.5%	177	1.4%
Retail Trade	125	15.0%	1,480	11.9%
Transportation & Warehousing	12	1.4%	117	0.9%
Information	21	2.5%	205	1.7%
Finance & Insurance	60	7.2%	328	2.6%
Real Estate, Rental & Leasing	39	4.7%	204	1.6%
Professional, Scientific & Tech Services	57	6.8%	438	3.5%
Management of Companies & Enterprises	0	0.0%	0	0.0%
Administrative & Support & Waste Management & Remediation Services	21	2.5%	121	1.0%
Educational Services	29	3.5%	1,075	8.7%
Health Care & Social Assistance	97	11.6%	2,552	20.6%
Arts, Entertainment & Recreation	22	2.6%	133	1.1%
Accommodation & Food Services	44	5.3%	842	6.8%
Other Services (except Public Administration)	111	13.3%	540	4.4%
Public Administration	40	4.8%	545	4.4%
Unclassified Establishments	23	2.8%	9	0.1%
Total	834	100.0%	12,406	100.0%
Sources: ESRI; Maxfield Research & Consulting, LLC				

- By comparison, the Manufacturing sector account for 35.8% of all employees in Hutchinson according to the study completed in 2012, while in 2022 Manufacturing accounted for 26.4%, a difference of -9.4%. Additionally, the Health Care & Social Assistance sector accounted for 20.6% in 2022 and only 13.3% in 2012, an increase of 7.3%.

Employer Survey

Maxfield Research and Consulting, LLC surveyed a small sample size of employer representatives from major employers in Hutchinson regarding recent trends in job growth, employee turnover, and projected job growth. In addition, representatives were asked their opinion about issues related to housing in the area. Community economic development information provides useful job growth data and assists in identifying housing demand in an area. Although our sample size was small, we encourage diving deeper into surveying local employers. The following summarizes key points derived from the surveys.

- Employers identified that a majority of employees lived locally in Hutchinson, while the remaining employee based live in surrounding communities. No employers noted that a lack of housing hindered their ability to attract or retain employees.
- A number of employers noted that younger employees have difficulty finding quality rental housing that do not have income restrictions. Additional suggested housing types include more single-family homes geared to younger start-up families.
- Some surveyed employers mentioned the expectation to increase employment slightly over the next three years. However, many employers can face labor challenges finding workers to fill positions.

Major Employers

Table E-6 shows major employers in Hutchinson. Data is sourced to the City of Hutchinson and is current as of 2021, the most recent information available. It should be noted that this is not a comprehensive list of all employers in the city.

These major employers based in Hutchinson employ nearly 2,633 people across Minnesota. The largest employer in Hutchinson, 3M employs roughly 1,675 people, which is roughly 64% of all major employers in the table.

Among major employers in the City of Hutchinson, the manufacturing industry accounts for the highest share of employees, totaling 2,168 employees or 82% of major employers.

TABLE E-6
MAJOR EMPLOYERS
CITY OF HUTCHINSON
2021

Name	Industry/Product/Service	Approximate Employee Size
3M	Manufacturing	1,675
Curtiss-Wright NDT	Full Service Nondestructive Testing	215
Resonetics	Manufacturing	162
TDK-HTI (Hutchinson Technology Inc.)	Manufacturing	112
Heartland AG Systems	Distribution	103
Goebel Fixture Company	Manufacturing	78
Hutchinson COOP	Farm Service Cooperative	78
Warrior Manufacturing	Manufacturing	78
Impressions, Inc.	Printing and Packaging	69
MITGI	Manufacturing	63
Major Employers Total		2,633

Source: City of Hutchinson; Maxfield Research & Consulting, LLC

Introduction

The variety and condition of the housing stock in a community provides the basis for an attractive living environment. Housing functions as a building block for neighborhoods and goods and services. We examined the housing market in Hutchinson and the Market Area by reviewing data on the age of the existing housing supply; examining residential building trends since 2010; and reviewing housing data from the American Community Survey that relates to the Hutchinson area.

Residential Building Permit Trends

Maxfield Research obtained data from the City of Hutchinson on the number of building permits issued for new housing units in Hutchinson from 2010 to 2021. Table HC-1 displays permits issued for single-family homes, duplexes, and multifamily dwellings. Multifamily units include both for-sale (condominium, townhomes, and townhomes) and rental projects. The following are key points about housing development since 2010.

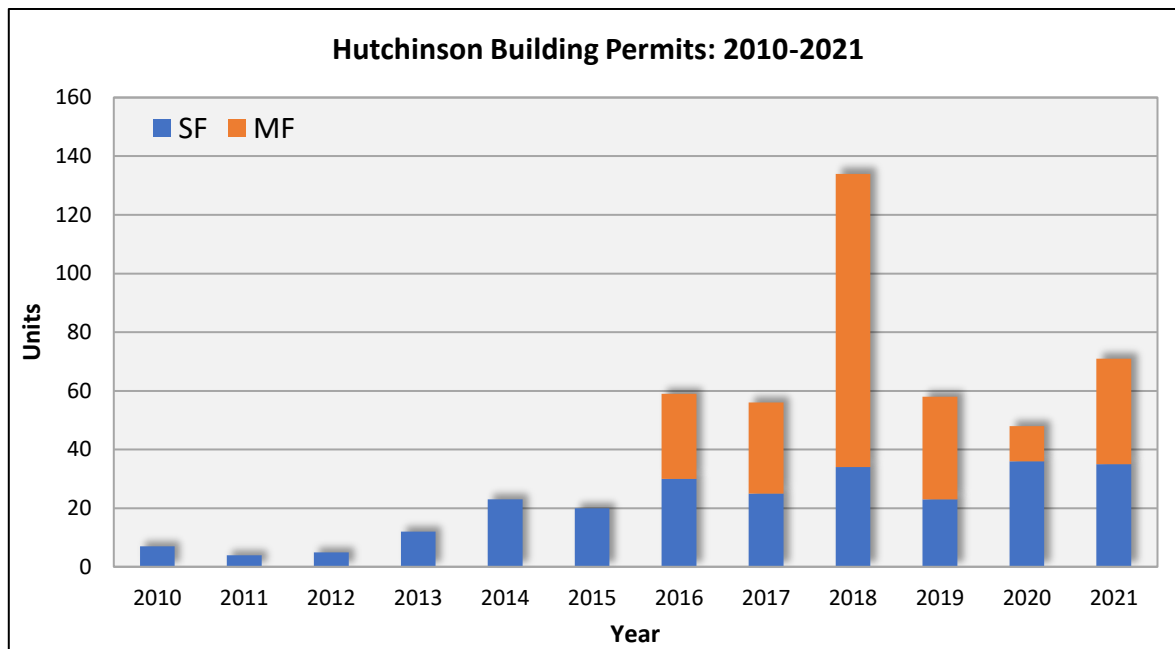
- The City of Hutchinson issued permits for the construction of roughly 500 new residential units from 2010 to 2021. That equates to about 41 units annually since 2010 and is comprised of an average of 21 single-family permits and 20 multifamily permits.
- Building permit activity has drastically picked up in recent years, as permits issued since 2016 account for 86% of all permits issued between 2010 and 2021. In part, this can be explained by an uptick in single-family construction (183 permitted units between 2016 & 2021) and in multifamily construction (241 permitted units between 2016 & 2021).
- The average valuation of single-family permits issued between 2010 to 2021 was \$4,217,068, while the average valuation among multifamily permits was \$4,805,395.

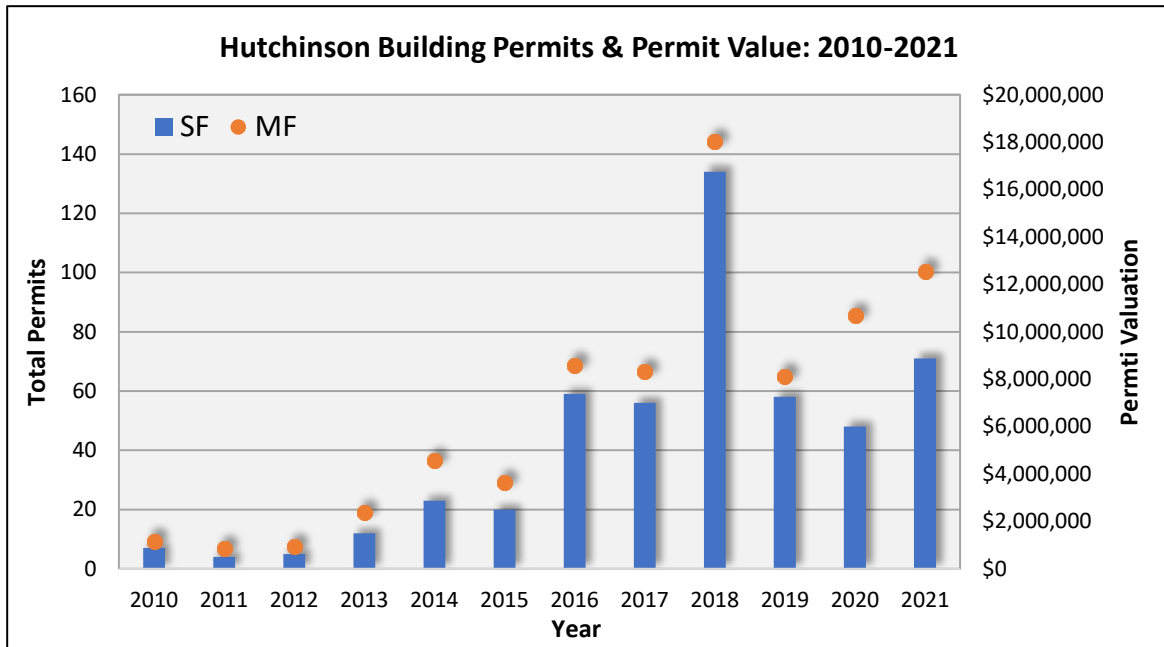
HOUSING CHARACTERISTICS

**TABLE HC-1
BUILDING PERMIT ACTIVITY
CITY OF HUTCHINSON
2010 to 2021**

Year	Single-Family		Duplex		Multifamily		Total	
	Units	Valuation	Units	Valuation	Units	Valuation	Units	Valuation
2010	7	\$1,156,000	0	\$0	0	\$0	7	\$1,156,000
2011	4	\$852,053	0	\$0	0	\$0	4	\$852,053
2012	5	\$935,140	0	\$0	0	\$0	5	\$935,140
2013	12	\$2,378,254	0	\$0	0	\$0	12	\$2,378,254
2014	23	\$4,575,500	0	\$0	0	\$0	23	\$4,575,500
2015	20	\$3,623,304	0	\$0	0	\$0	20	\$3,623,304
2016	30	\$5,617,378	0	\$0	29	\$2,968,690	59	\$8,586,068
2017	25	\$4,972,795	2	\$373,104	29	\$2,968,690	56	\$8,314,589
2018	34	\$6,486,684	0	\$0	100	\$11,532,993	134	\$18,019,677
2019	23	\$5,027,559	0	\$0	35	\$3,100,000	58	\$8,127,559
2020	36	\$7,582,886	0	\$0	12	\$3,100,000	48	\$10,682,886
2021	35	\$7,397,267	0	\$0	36	\$5,161,998	71	\$12,559,265

Source: City of Hutchinson, Maxfield Research & Consulting, LLC





American Community Survey

The American Community Survey (“ACS”) is an ongoing statistical survey administered by the U.S. Census Bureau that is sent to approximately 3 million addresses annually. The survey gathers data previously contained only in the long form of the decennial census. As a result, the survey is ongoing and provides a more “up-to-date” portrait of demographic, economic, social, and household characteristics every year, not just every ten years. The most recent ACS highlights data collected between 2016 and 2020. Tables HC-2 to HC-7 show key data for Hutchinson and the Market Area.

Age of Housing Stock

The following graph shows the age distribution of the housing stock in 2020 based on data from the U.S. Census Bureau and 2020 from the American Community Survey (5-Year). Table HC-2 includes the number of housing units built in the Market Area, prior to 1950 and during each decade since.

- In total, the Market Area is estimated to have 10,944 housing units, of which roughly 76.5% are owner-occupied and 23.5% are renter-occupied.

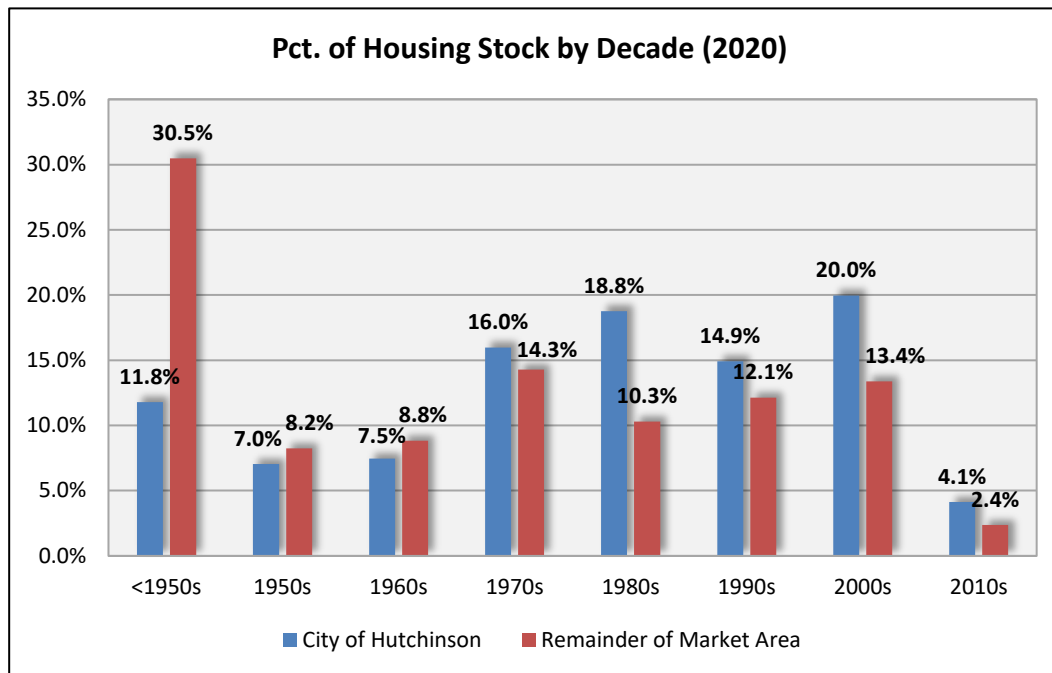
HOUSING CHARACTERISTICS

**TABLE HC-2
AGE OF HOUSING STOCK
HUTCHINSON MARKET AREA
2020**

Year Unit Built																					
Total Units	Med. Yr. Built	<1950		1950s		1960s		1970s		1980s		1990s		2000s		2010s					
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.				
CITY OF HUTCHINSON																					
Owner-Occupied	4,330	1978	703	16.2	375	8.7	375	8.7	430	9.9	725	16.7	714	16.5	835	19.3	173	4.0			
Renter-Occupied	2,130	1976	58	2.7	79	3.7	107	5.0	601	28.2	487	22.9	249	11.7	455	21.4	94	4.4			
Total	6,460	1976	761	11.8	454	7.0	482	7.5	1,031	16.0	1,212	18.8	963	14.9	1,290	20.0	267	4.1			
REMAINDER OF MARKET AREA																					
Owner-Occupied	4,039	1971	1,180	29.2	338	8.4	364	9.0	558	13.8	409	10.1	517	12.8	567	14.0	106	2.6			
Renter-Occupied	445	1972	187	42.0	31	7.0	32	7.2	82	18.4	53	11.9	27	6.1	33	7.4	0	0.0			
Total	4,484	1934	1,367	30.5	369	8.2	396	8.8	640	14.3	462	10.3	544	12.1	600	13.4	106	2.4			
MARKET AREA TOTAL																					
Owner-Occupied	8,369	1978	1,883	22.5	713	8.5	739	8.8	988	11.8	1,134	13.6	1,231	14.7	1,402	16.8	279	3.3			
Renter-Occupied	2,575	1976	245	9.5	110	4.3	139	5.4	683	26.5	540	21.0	276	10.7	488	19.0	94	3.7			
Total	10,944	1978	2,128	19.4	823	7.5	878	8.0	1,671	15.3	1,674	15.3	1,507	13.8	1,890	17.3	373	3.4			
Note: Total units not equal to total households because data based on sample instead of 100% count.																					
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research Inc.																					

HOUSING CHARACTERISTICS

- Homes in Hutchinson are newer than homes in the Market Area. The highest number of homes in Hutchinson were built in the 2000s. Overall, roughly 20% of housing units were built during this period. By comparison, the highest number of homes in the Remainder of the Market Area was built prior to 1950. About 30.5% of the Remainder of the Market Area's housing stock was built before 1950. Some of these housing units may be dilapidated and in need of replacement or repair.



Housing Units by Structure and Occupancy or (Housing Stock by Structure Type)

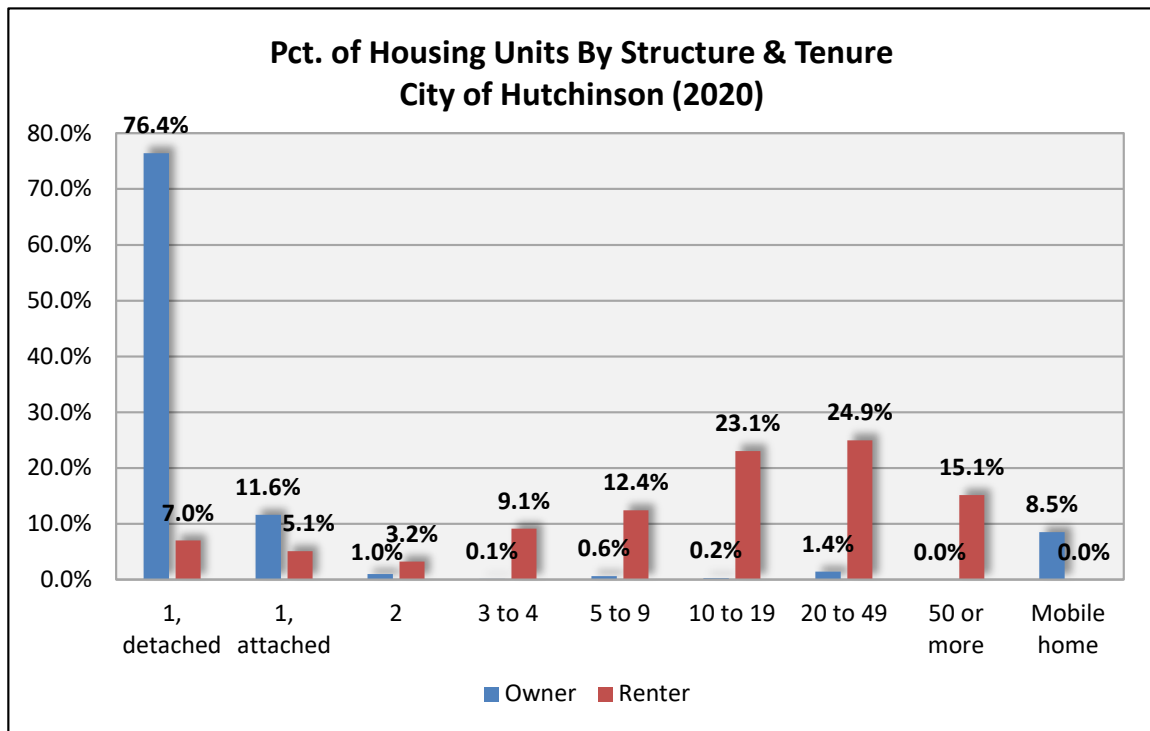
Table HC-3 shows the housing stock in the Market Area by type of structure and tenure as of 2020.

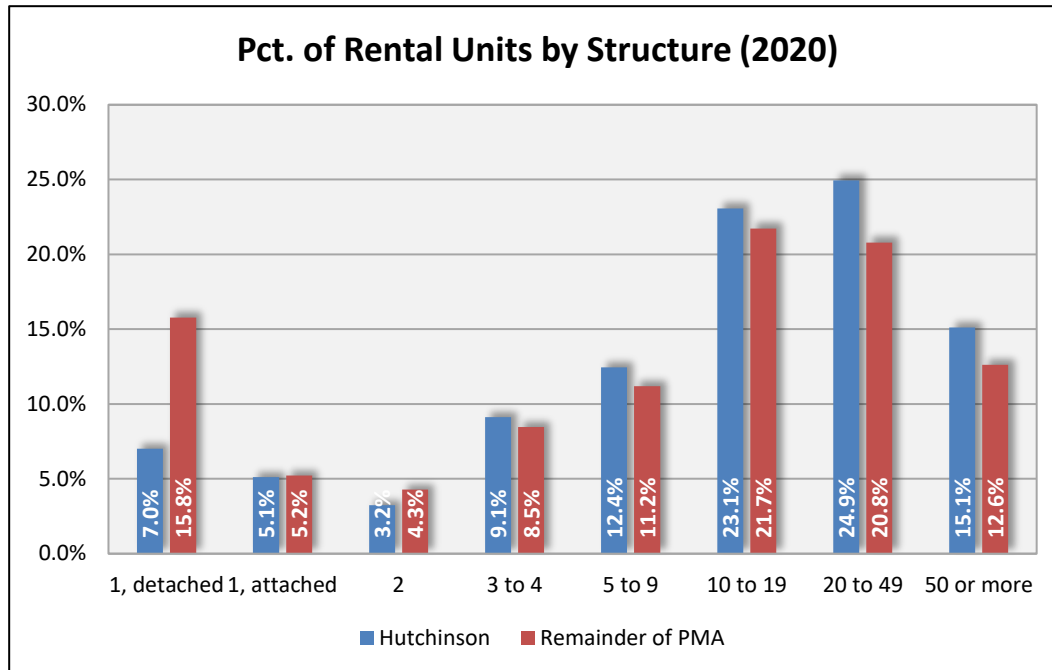
- The dominant housing type in the Market area is the single-family detached home, representing an estimated 86.4% of all owner-occupied housing units and 15.7% of renter-occupied housing units as of 2020.
- All of the housing units with five or more units, 94.4% are renter-occupied, and about 95% of all housing units with five or more units are located in the City of Hutchinson.
- Mobile homes account for about 4.4% of all housing units in the Market Area.

HOUSING CHARACTERISTICS

TABLE HC-3 HOUSING UNITS BY STRUCTURE & TENURE HUTCHINSON MARKET AREA 2020												
Units in Structure	CITY OF HUTCHINSON				REMAINDER OF MARKET AREA				MARKET AREA TOTAL			
	Owner- Occupied	Pct.	Renter- Occupied	Pct.	Owner- Occupied	Pct.	Renter- Occupied	Pct.	Owner- Occupied	Pct.	Renter- Occupied	Pct.
1, detached	3,309	76.4%	149	7.0%	3,926	97.2%	254	57%	7,235	86.4%	403	15.7%
1, attached	503	11.6%	109	5.1%	9	0.2%	24	5%	512	6.1%	133	5.2%
2	44	1.0%	69	3.2%	3	0.1%	40	9%	47	0.6%	109	4.2%
3 to 4	6	0.1%	194	9.1%	2	0.0%	22	5%	8	0.1%	216	8.4%
5 to 9	28	0.6%	265	12.4%	0	0.0%	21	5%	28	0.3%	286	11.1%
10 to 19	10	0.2%	491	23.1%	1	0.0%	64	14%	11	0.1%	555	21.6%
20 to 49	62	1.4%	531	24.9%	0	0.0%	0	0%	62	0.7%	531	20.6%
50 or more	0	0.0%	322	15.1%	0	0.0%	0	0%	0	0.0%	322	12.5%
Mobile home	368	8.5%	0	0.0%	96	2.4%	20	4%	464	5.5%	20	0.8%
Boat, RV, van, etc.	0	0.0%	0	0.0%	2	0.0%	0	0%	2	0.0%	0	0.0%
Total	4,330	100%	2,130	100%	4,039	100%	445	100%	8,369	100%	2,575	100%

Sources: U.S. Census Bureau - American Community Survey; Maxfield Research & Consulting, LLC





Owner-Occupied Housing Units by Mortgage Status

Table HC-4 shows mortgage status and average values from the American Community Survey for 2020 (5-Year). Mortgage status provides information on the cost of homeownership when analyzed in conjunction with mortgage payment data. A mortgage refers to all forms of debt where the property is pledged as security for repayment of debt. A first mortgage has priority claim over any other mortgage or if it's the only mortgage. A second (and sometimes third) mortgage is called a "junior mortgage," a home equity line of credit (HELOC) would also fall into this category. Finally, a housing unit without a mortgage is owned free and clear and is debt free.

- Approximately 66% of Hutchinson homeowners and 58% of homeowners in the Remainder of the Market Area have a mortgage. About 10% of homeowners with mortgages in Hutchinson also have a second mortgage and/or home equity loan. Comparatively, about 69% of homeowners in Minnesota have a mortgage.
- The median value for homes with a mortgage for the City of Hutchinson homeowners is approximately \$158,700. By comparison, the same value in Minnesota is about \$245,100, or 43% higher than Hutchinson.

HOUSING CHARACTERISTICS

TABLE HC-4 OWNER-OCCUPIED HOUSING UNITS BY MORTGAGE STATUS HUTCHINSON MARKET AREA 2020							
Mortgage Status	CITY OF HUTCHINSON		REMAINDER OF MA		MARKET AREA		MN
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
Housing units without a mortgage	1,472	34.0%	1,703	42.2%	3,175	37.9%	31.2%
Housing units with a mortgage/debt	2,858	66.0%	2,336	57.8%	5,194	62.1%	68.8%
Second mortgage only	149	3.4%	58	1.4%	207	2.5%	4.3%
Home equity loan only	289	6.7%	197	4.9%	486	5.8%	11.4%
Both second mortgage and equity loan	11	0.3%	2	0.0%	13	0.2%	0.6%
No second mortgage or equity loan	2,376	54.9%	2,073	51.3%	4,449	53.2%	52.5%
Total	4,330	100.0%	4,039	100.0%	8,369	100.0%	100.0%
Average Value by Mortgage Status							
Housing units with a mortgage	\$158,700		\$228,712		\$190,188		\$245,100
Housing units without a mortgage	\$151,300		\$213,504		\$184,665		\$215,300
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research & Consulting, LLC							

Owner-Occupied Housing Units by Value

Table HC-5 presents data on housing values summarized by nine price ranges. Housing value refers to the estimated price point the property would sell if the property were for sale. For single-family and townhome properties, value includes both the land and the structure. For condominium units, value refers to only the unit.

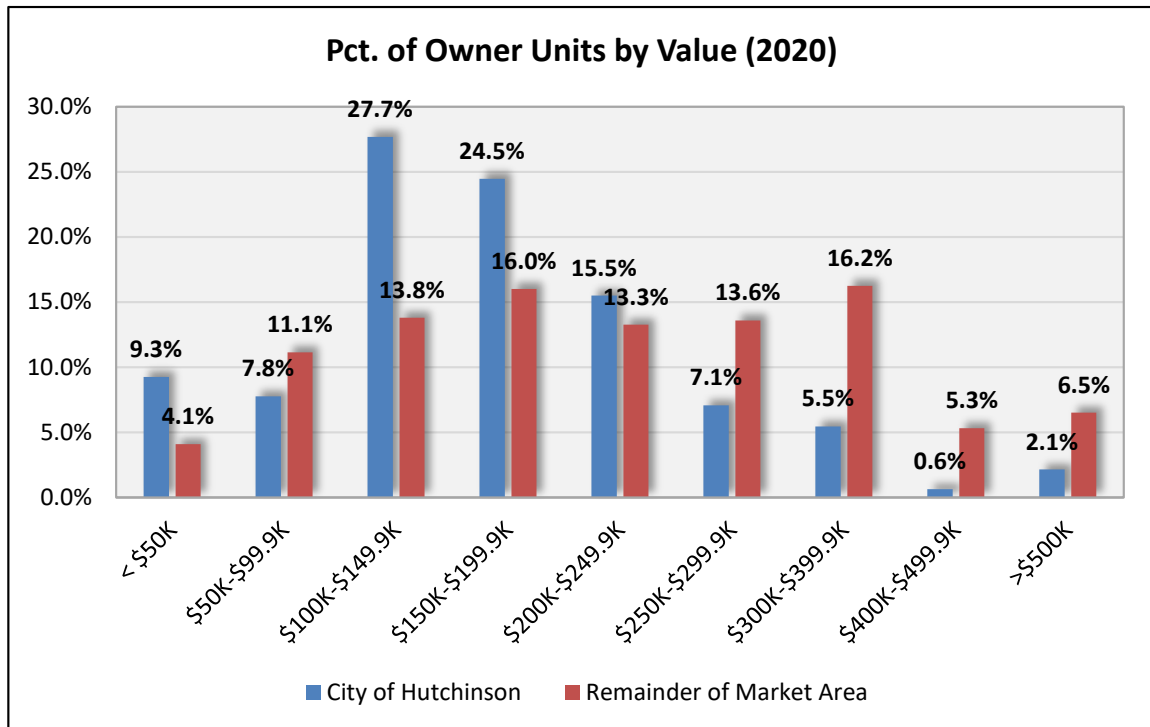
- The majority of the owner-occupied housing stock in the City of Hutchinson is estimated to be valued between \$100,000 and \$149,999 (27.7%), followed by homes valued between \$150,000 and \$199,999 (24.5%).
- The median owner-occupied home in Hutchinson is \$157,200, or \$65,301 less than the Remainder of the Market Area median home value (\$222,501). There is a greater percentage of higher valued homes in the Remainder of the Market Area (\$300,000 or greater) than the City of Hutchinson. Approximately 8% of homes in Hutchinson are valued at \$300,000 or greater compared to 28% in the Remainder of the Market Area. A percentage of these in the Remainder of the Market Area are located on lakes or farmsteads.

HOUSING CHARACTERISTICS

TABLE HC-5
OWNER-OCCUPIED UNITS BY VALUE
HUTCHINSON MARKET AREA
2020

Home Value	CITY OF HUTCHINSON		REMAINDER OF MA		MARKET AREA		MN
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
Less than \$50,000	401	9.3%	165	4.1%	566	6.8%	5.1%
\$50,000-\$99,999	336	7.8%	450	11.1%	786	9.4%	8.5%
\$100,000-\$149,999	1,199	27.7%	558	13.8%	1,757	21.0%	13.8%
\$150,000-\$199,999	1,060	24.5%	647	16.0%	1,707	20.4%	18.9%
\$200,000-\$249,999	671	15.5%	536	13.3%	1,207	14.4%	15.4%
\$250,000-\$299,999	306	7.1%	549	13.6%	855	10.2%	11.6%
\$300,000-\$399,999	236	5.5%	656	16.2%	892	10.7%	13.3%
\$400,000-\$499,999	28	0.6%	215	5.3%	243	2.9%	6.1%
Greater than \$500,000	93	2.1%	263	6.5%	356	4.3%	7.2%
Total	4,330	100.0%	4,039	100.0%	8,369	100.0%	100.0%
Median Home Value	\$157,200		\$222,501		\$188,715		\$235,700

Sources: U.S. Census Bureau - American Community Survey; Maxfield Research & Consulting, LLC



Renter-Occupied Units by Contract Rent

Table HC-6 presents information on the monthly housing costs for renters called contract rent (also known as asking rent). Contract rent is the monthly rent agreed to regardless of any utilities, furnishings, fees, or services that may be included.

- The median contract rent in Hutchinson and the Remainder of the Market Area was \$674 and \$564, respectively. Based on a 30% allocation of income to housing, a household in Hutchinson would need an income of about \$26,960 to afford an average monthly rent of \$674 and an income of \$22,570 in the Remainder of the Market Area to afford an average monthly rent of \$564.
- Approximately 42% of Hutchinson renters paying cash have monthly rents ranging from \$500 to \$749. Only 11% of renters have monthly rents of \$1,000 or greater. Due to the limited number of units with rents over \$1,000, we can assume the majority of these renters are renting single-family homes.
- Housing units without payment of rent ("no cash rent") make up only 1.7% of Hutchinson renters. Typically units may be owned by a relative or friend who lives elsewhere whom allow occupancy without charge. Other sources may include caretakers or ministers who may occupy a residence without charge.

TABLE HC-6 RENTER-OCCUPIED UNITS BY CONTRACT RENT HUTCHINSON MARKET AREA 2020							
Contract Rent	CITY OF HUTCHINSON		REMAINDER OF MA		MARKET AREA		MN
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
No Cash Rent	37	1.7%	86	19.3	123	4.8	4.1%
Cash Rent	2093	98.3%	359	80.7	2,452	95.2	95.9%
\$0 to \$249	74	3.5%	29	6.5	103	4.0	5.1%
\$250-\$499	325	15.3%	99	22.2	424	16.5	10.4%
\$500-\$749	892	41.9%	172	38.7	1,064	41.3	16.8%
\$750-\$999	566	26.6%	34	7.6	600	23.3	23.4%
\$1,000+	236	11.1%	25	5.6	261	10.1	40.2%
Total	2,130	100.0%	445	100.0	2,575	100.0	100.0%
Median Contract Rent	\$674		\$564		\$658		\$916
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research & Consulting, LLC							

Housing Units by Occupancy Status & Tenure

Tenure is a key variable that analyzes the propensity for householders to rent or own their housing unit. Tenure is an integral statistic used by numerous governmental agencies and private sector industries to assess neighborhood stability. Table HC-7 shows historic trends from 2010 and 2020.

- Although the number of owner-occupied housing units increased over the decade, the percentage remained at 63% in 2010 to 2020. This in part is due to an increased number of renter and vacant units. Consequently, the percentage of renter-occupied housing units increased from 29.9% to 31.0% and vacant units decreased from 6.9% to 5.9%.
- The City of Hutchinson had significantly higher percentage of renter occupied units compared to the Remainder of the Market Area (31% compared to 8.4% in 2020). However, there are fewer vacant units in Hutchinson than in the Remainder of the Market Area (5.9% compared to 14.9%).
- About 9.8% of the Market Area's housing stock was vacant in 2020. It is important to note, however, that the Census's 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.

TABLE HC-7 HOUSING UNITS BY OCCUPANCY STATUS & TENURE HUTCHINSON MARKET AREA 2010 TO 2020						
Year/Occupancy	CITY OF HUTCHINSON		REMAINDER OF MA		MARKET AREA	
	No.	Pct.	No.	Pct.	Pct.	Pct.
2010						
Owner Occupied	4,041	63.2	4,166	78.6	8,207	70.2
Renter Occupied	1,909	29.9	523	9.9	2,432	20.8
Vacant	443	6.9	612	11.5	1,055	9.0
Total	6,393	100.0	5,301	100.0	11,694	100.0
2020						
Owner Occupied	4,330	63.0	4,039	76.7	8,369	69.0
Renter Occupied	2,130	31.0	445	8.4	2,575	21.2
Vacant	408	5.9	784	14.9	1,192	9.8
Total	6,868	100.0	5,268	100.0	12,136	100.0
Sources: U.S. Census Bureau; Maxfield Research & Consulting, LLC						

Introduction

For purposes of our analysis, rental properties are classified into two groups, general occupancy (all ages) and senior (age-restricted). All senior properties are included in the Senior Housing Analysis section of this report. The general occupancy rental properties are divided into three groups: market rate (those without income restrictions); affordable or shallow-subsidy housing (those receiving tax credits or another type of shallow-subsidy and where there is a quoted rent for the unit and a maximum income that cannot be exceeded by the tenant); and subsidized or deep-subsidy properties (those with income restrictions at 30% or less of AMI where rental rates are based on 30% of their gross adjusted income).

Historic Market Performance

The Hutchinson Housing and Redevelopment Authority compiles an annual apartment survey of all multifamily projects in the Hutchinson. The survey is typically completed in the months of October or November and has been able to achieve a high participation rate among rental properties. Table R-1 summarizes historic trends from 2012 to 2021 broken-out by type of project; general-occupancy market rate and income-restricted. Key findings from the Table include:

- Over the past decade, market rate rentals have comprised about 83% of the total units in Hutchinson's general occupancy rental housing stock. Affordable/subsidized projects account for about 17%.
- The combined vacancy rate was 1.3% in 2021 and has averaged 2.7% since the year 2012. We consider a 5% vacancy rate the equilibrium rate for consumer choice and turn-over. These low vacancy rates could indicating pent-up demand for new product across all market segments and incomes.

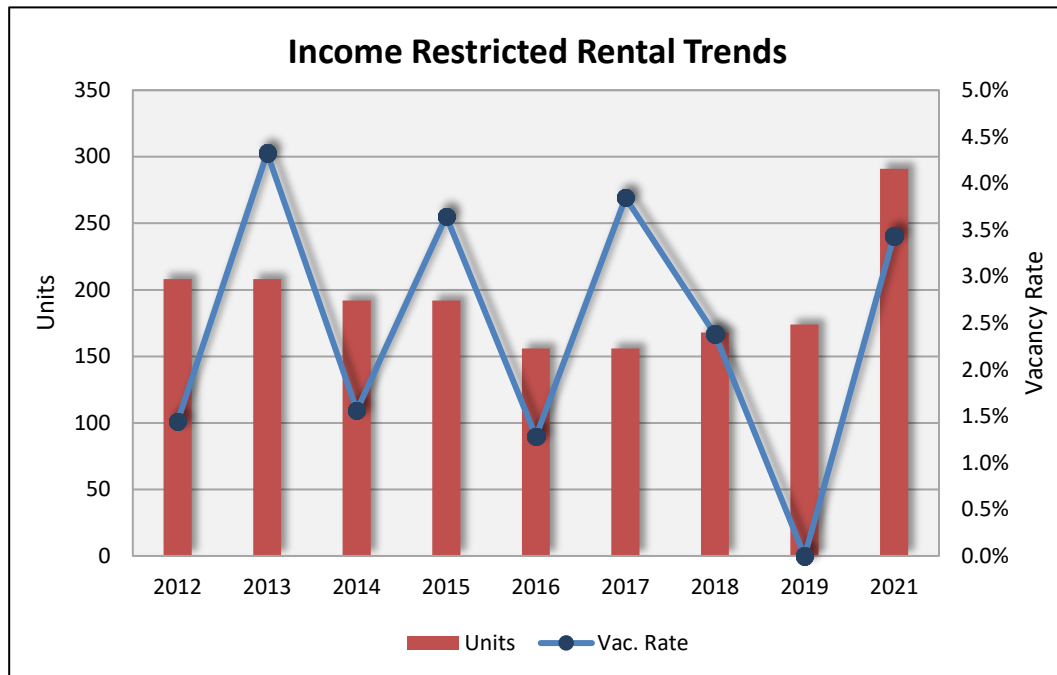
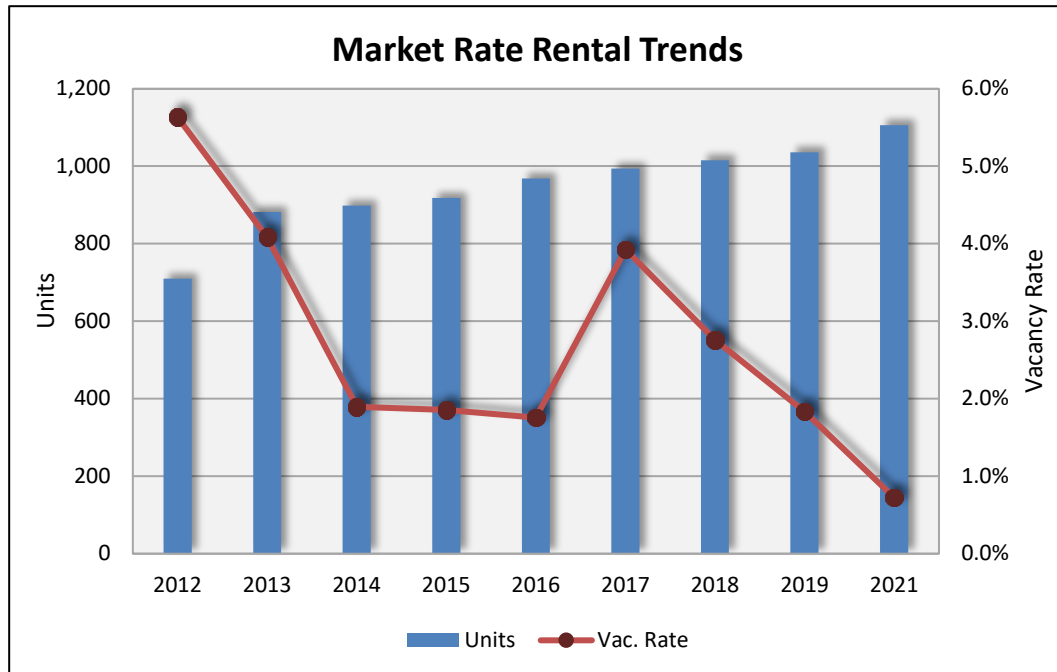
RENTAL MARKET ANALYSIS

**TABLE R-1
GENERAL OCCUPANCY APARTMENT VACANCIES
CITY OF HUTCHINSON
2012 TO 2021**

Year	Market Rate			Income Restricted			Total		
	Total Units	Vacant Units	Vacancy Rate	Total Units	Vacant Units	Vacancy Rate	Total Units	Vacant Units	Vacancy Rate
2012	710	40	5.6%	208	3	1.4%	918	43	4.7%
2013	882	36	4.1%	208	9	4.3%	1,090	45	4.1%
2014	898	17	1.9%	192	3	1.6%	1,090	20	1.8%
2015	918	17	1.9%	192	7	3.6%	1,110	24	2.2%
2016	968	17	1.8%	156	2	1.3%	1,124	19	1.7%
2017	994	39	3.9%	156	6	3.8%	1,150	45	3.9%
2018	1,015	28	2.8%	168	4	2.4%	1,183	32	2.7%
2019	1,036	19	1.8%	174	0	0.0%	1,210	19	1.6%
2021	1,106	8	0.7%	291	10	3.4%	1,397	18	1.3%
Avg.	947	25	2.7%	194	5	2.4%	1,141	29	2.7%

Note: 2020 data not provided due to COVID-19.

Source: Hutchinson HRA Apartment Vacancy Report; Maxfield Research & Consulting, LLC



Rental Unit Registration Program

The City of Hutchinson Building Department initiated a rental housing registration program in 2008 that established minimum life/safety standards on rental property in Hutchinson (Ordinance #07-0482). The registration applies to all rental housing units in Hutchinson, from single-family rentals to traditional multi-story apartment buildings. The registration includes an inspection completed by the Hutchinson Fire Department that is to be completed at least once every three years. Rental property owners are required to renew the registration annually, even though an inspection may not occur that year.

In 2022, this program included 374 rental properties, of which 207 were single-family rentals. Between 2018 and 2022, there was a reduction in 109 single-family rental houses. This in part could be due to some property owners selling their property and transitioning it from a rental to an owner-occupied property.

General-Occupancy Rental Projects

In July / August 2022, Maxfield Research and Consulting, LLC identified and surveyed larger rental properties of 12 or more units in Hutchinson, Minnesota. Table R-2 and R-3 summarizes rents, vacancies, unit features, and common area amenities on market rate, affordable, and subsidized general occupancy projects.

Our research of Hutchinson's general occupancy rental market included a survey of 30 total properties, and consisted of 25 market rate, five affordable, and three subsidized apartment properties. It should be noted that some properties are mixed income properties. These projects represent a combined total of 1,383 units, including 1,092 market rate units, 114 affordable units, and 177 subsidized units.

Although we were able to contact and obtain up-to-date information on the majority of rental properties, there were a few projects that chose not to participate in this survey or were unable to reach and had to rely on information from third party sources.

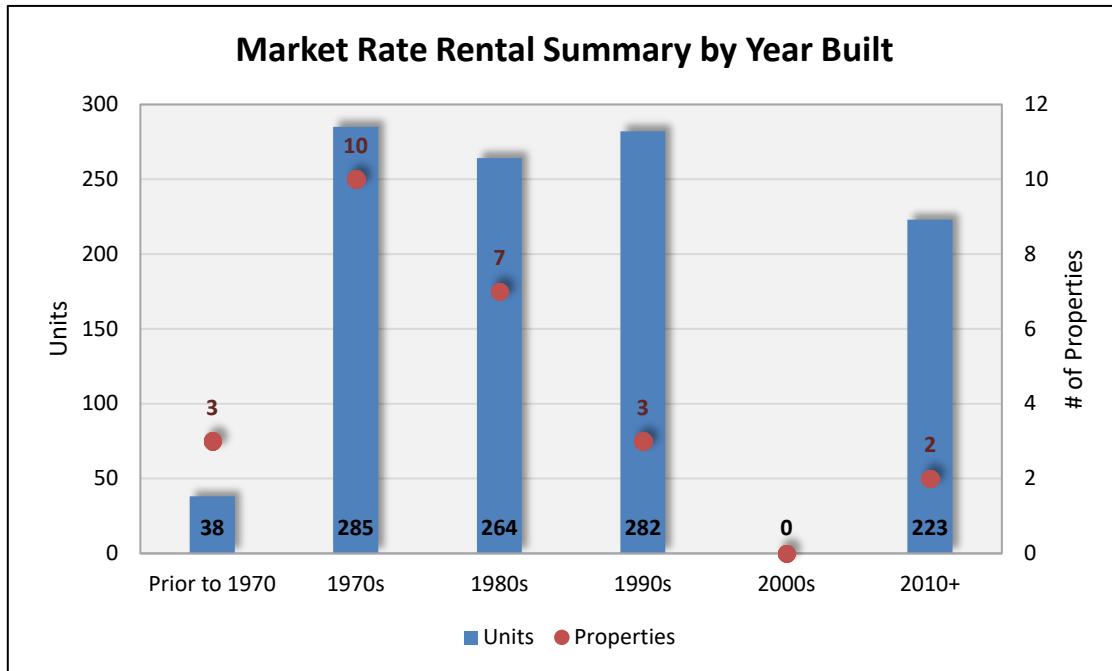
At the time of our survey, 11 market rate units, three affordable units, and nine subsidized unit were vacant, resulting in an overall vacancy rates of 1.7%. The industry standard is a vacancy rate of 5% for a stabilized rental market, this rate promotes competitive rates, ensures adequate choice, and allows for unit turnover.

Market Rate

- Most of Hutchinson's market rate general occupancy rental housing was built in the 1970's (285 units), 1980's (264 units) and 1990's (282 units). No multifamily market rate rental properties were built between 2000 and 2009.
- The newest general occupancy rental housing project over 12 units with market rate units is *Century Court Townhomes West*, which was built in 2019 and 2020 and includes 84 units. The first phase of this project, *Century Court Townhomes East*, was completed in 1999 and consists of 97 units.
- A total of 11 vacant units were found in market rate rental projects, resulting in a vacancy rate of 1.0% as of July / August 2022.
- Turnover at many apartments is primarily driven by residents purchasing homes or leaving the area for employment opportunities. Many tenants will stay in a unit for longer lease terms; especially older adults/seniors.
- Roughly two-thirds of the market rate rental projects surveyed are two-bedroom units. The breakout by unit type is summarized below.
 - Studio/Efficiency units: 0.3%
 - One-bedroom units: 18.7%
 - Two-bedroom/2BR+Den units: 72.7%
 - Three-bedroom units: 8.3%
- The following is the monthly rent ranges and average rent for market rate units:
 - Studio/Efficiency units: \$498 average
 - One-bedroom units: \$699 average
 - Two-bedroom/2BR+Den units: \$843 average
 - Three-bedroom units: \$1,013 average
- The majority of the properties surveyed have a common laundry room with coin-operated washers and dryers. Only three properties have either in-unit washer and dryers or hook-ups. In-unit washer and dryers has become the standard in new apartment developments constructed today.
- Compared to the previous housing study completed in 2012, average monthly rents have increased slightly more than inflation. The average annual increase over the past ten years has been about 3.1%, higher than inflationary gains (prior to 2022 inflation).

RENTAL MARKET ANALYSIS

Unit Type	2012 Study	2022 Study	Pct. Change
Studio	\$398	\$498	25.0%
1BR	\$546	\$699	27.9%
2BR	\$594	\$843	41.9%
3BR	\$790	\$1,013	28.2%



RENTAL MARKET ANALYSIS

TABLE R-2 MARKET RATE GENERAL OCCUPANCY RENTAL PROPERTIES CITY OF HUTCHINSON JULY / AUGUST 2022								
Property Name / Location	Year Built	Total Units	Vacant / Vac. Rate	Unit Mix	Unit Sizes (Sq. Ft.)	Monthly Rents	Rent Per Sq. Ft. (PSF)	Amenities / Notes
Century Court Townhomes (West) 809-899 Century Ave SW	2019/ 2020	84	3 3.6%	84 - 2BR	1,154 - 1,323	\$1,600 - \$1,650	\$1.25 - \$1.39	In-unit washer and dryer, deck/patio, attached garage on each unit, playground, central AC, dishwasher. 7 12-plex buildings. Short-term & corp rentals available.
Highfield Apartments 96 Denver Ave SE	2017/ 2019	139	0 0.0%	29 - 1BR 72 - 2BR 38 - 3BR	612 - 612 864 - 970 1,118 - 1,165	\$800 - \$950 \$995 - \$1,136 \$1,100 - \$1,100	\$1.31 - \$1.55 \$1.15 - \$1.17 \$0.94 - \$0.98	Heat/sewer/water/garbage included. Fitness room, surface and detached parking garage available (\$50+/mo.), playground, BBQ grill, dishwasher, common area laundry services. Income restricted units available.
Century Court Townhomes (East) 705 Century Ave SW	1999	97	1 1.0%	35 - 1BR 46 - 2BR 16 - 3BR	757 - 757 956 - 1,075 1,147 - 1,190	\$950 - \$950 \$1,090 - \$1,250 \$1,161 - \$1,450	\$1.25 - \$1.25 \$1.14 - \$1.16 \$1.01 - \$1.22	In-unit washer and dryer, deck/patio, attached garage on each unit, playground, central AC, dishwasher. Income restricted units available.
Deer Park Apartments 309 North High Dr NW	1996	137	2 1.5%	20 - 1BR 105 - 2BR 12 - 3BR	675 - 675 810 - 905 1,000 - 1,000	\$915 - \$915 \$850 - \$1,075 \$1,185 - \$1,250	\$1.36 - \$1.36 \$1.05 - \$1.19 \$1.19 - \$1.25	Outdoor pool, balcony/patio, game room, community room, sauna, fitness center, fireplace, heat included, dishwasher, surface and detached garage available (\$40/month).
Ridgedale Square Apartments 715 Ridge Ave NE	1995	48	1 2.1%	2 - 1BR 34 - 2BR 12 - 3BR	684 - 684 810 - 912 1,216 - 1,216	\$735 - \$735 \$810 - \$895 \$995 - \$995	\$1.07 - \$1.07 \$0.98 - \$1.00 \$0.82 - \$0.82	Balcony/patio, dishwasher in most units, walk-in closets in select units, common area laundry facilities, surface and garage parking (additional), and playground. Heat/sewage/trash/water included.
River Ridge Apartments 1095 Jefferson St S	1989	36	1 2.8%	10 - 1BR 26 - 2BR	750 - 750 980 - 980	\$772 - \$772 \$950 - \$950	\$1.03 - \$1.03 \$0.97 - \$0.97	Surface and garage parking (\$50/mo.), balcony/patio, dishwasher, and common area laundry facilities.
Country Club Manor 765 School Rd North	1989	76	1 1.3%	26 - 1BR 40 - 2BR 10 - 2BR+D	620 - 620 760 - 888 1,020 - 1,020	\$755 - \$770 \$815 - \$890 \$910 - \$925	\$1.22 - \$1.24 \$1.00 - \$1.07 \$0.89 - \$0.91	Four buildings with 16 units and one building with 12 units. Surface and detached garage parking (\$50-\$55/mo.), balcony/patio, fitness center, dishwasher, and common area laundry facilities. Heat/water/sewer/trash included in rent.
Twin Oaks Townhomes 1025-1035 Texas Ave	1988	80	0 0.0%	8 - 1BR 64 - 2BR 8 - 3BR	920 - 920 950 - 950 1,100 - 1,100	\$915 - \$915 \$870 - \$1,075 \$1,250 - \$1,250	\$0.99 - \$0.99 \$0.92 - \$1.13 \$1.14 - \$1.14	Dishwasher, playground, patio/balconies, surface parking and detached garage parking (\$40/mo.), and common area laundry facilities.
Golfview Apartments 1165 Carolina Ave	1988	12	0 0.0%	1 - 1BR 9 - 2BR 2 - 3BR	N/A - N/A N/A - N/A N/A - N/A	\$600 - \$600 \$690 - \$690 \$750 - \$750	N/A - N/A N/A - N/A N/A - N/A	Surface and detached garage parking (\$50/mo.), in-unit washer and dryer, and wall AC unit.
Parkview Terrace 400 High St NE	1987	18	0 0.0%	1 - 1BR 17 - 2BR	550 - 550 820 - 820	\$825 - \$825 \$850 - \$850	\$1.50 - \$1.50 \$1.04 - \$1.04	Patio/balcony, surface and detached garage parking (\$50/mo.).
Heritage Square 965 Merrill St S	1986	24	0 0.0%	24 - 2BR	N/A - N/A	\$825 - \$825	N/A - N/A	Surface and detached garage parking (\$40/mo.), dishwasher, balcony/patio, and common area laundry facilities. Water/trash/sewer included in rent.
Regency Apartments 235 Echo Cir	1980	18	0 0.0%	18 - 2BR	N/A - N/A	\$700 - \$775	N/A - N/A	Surface and detached garage parking,
Fairlane Apartments 451-455 High St NE	1979 Reno. 2012	24	0 0.0%	9 - 1BR 15 - 2BR	450 - 450 600 - 600	\$650 - \$650 \$735 - \$805	\$1.44 - \$1.44 \$1.23 - \$1.34	Common area laundry facilities, and balcony/patio. Water/sewer/garbage included in rent.

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RENTAL MARKET ANALYSIS

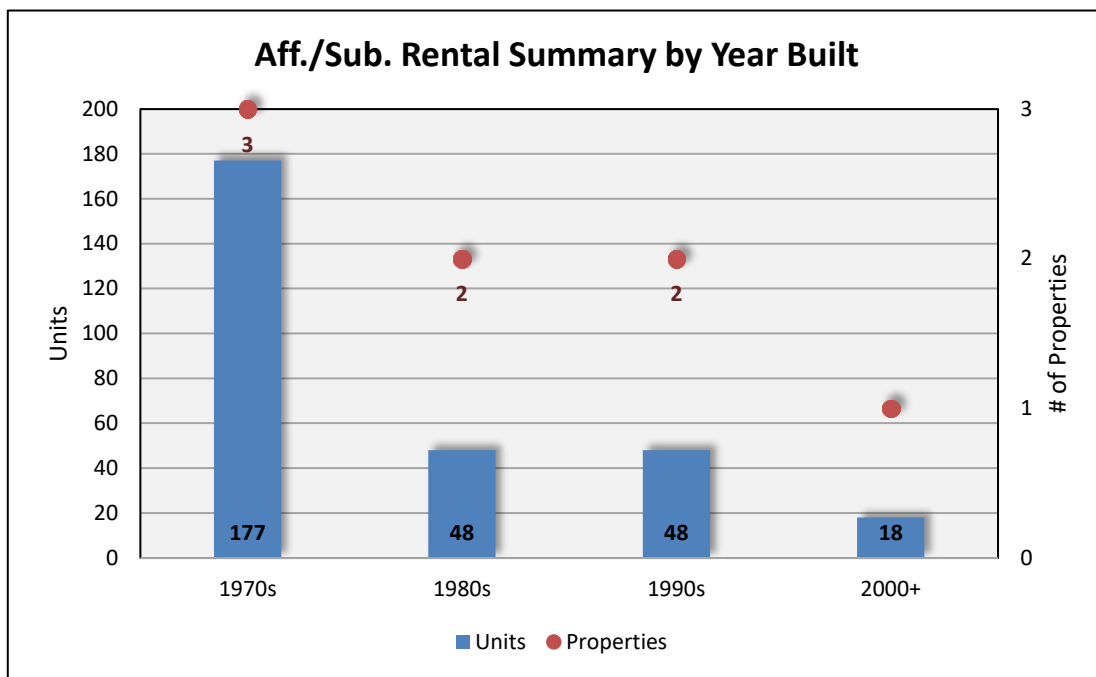
TABLE R-2 MARKET RATE GENERAL OCCUPANCY RENTAL PROPERTIES CITY OF HUTCHINSON JULY / AUGUST 2022 (Continued)								
Property Name	Year Built	Total Units	Vacant / Vac. Rate	Unit Mix	Unit Sizes (Sq. Ft.)	Monthly Rents	Rent Per Sq. Ft. (PSF)	Amenities / Notes
Hutchinson Apartments 987-991 Echo Dr	1978/ 1979	36	0 0.0%	2 - 1BR 34 - 2BR	604 - 624 768 - 768	\$750 - \$750 \$800 - \$800	\$1.20 - \$1.24 \$1.04 - \$1.04	Balconies, surface and detached garage parking (\$45/mo.), and common area laundry facilities. Heat/water/sewer/trash included in rent.
Cedar Acres Apartments 1025 & 1055 Echo Dr SE	1978 / 1985	36	0 0.0%	21 - 1BR 15 - 2BR	604 - 624 768 - 768	\$725 - \$725 \$800 - \$800	\$1.16 - \$1.20 \$1.04 - \$1.04	Surface and garage parking (\$50/mo.) and common area laundry facilities. Heat/water/sewer/trash included in rent
Gateway Central 11 Glen St NW	1978	17	0 0.0%	1 - Studio 3 - 1BR 13 - 2BR	N/A - N/A N/A - N/A N/A - N/A	\$445 - \$445 \$575 - \$575 \$675 - \$675	N/A - N/A N/A - N/A N/A - N/A	Surface parking, common area laundry facility, and wall AC units.
Echo Manor 210-220 Echo Cir SE	1977	30	1 3.3%	2 - 1BR 28 - 2BR	600 - 600 800 - 920	\$700 - \$700 \$850 - \$885	\$1.17 - \$1.17 \$0.96 - \$1.06	Surface and detached garage parking, dishwasher, common area laundry facilities, playground, and walk-in closets in select units.
Parkwood Apartments 45 N High Dr	1977	24	0 0.0%	8 - 1BR 16 - 2BR	N/A - N/A N/A - N/A	\$515 - \$515 \$610 - \$610	N/A - N/A N/A - N/A	Could not connect with property management - rents reflect 2021 apt. guide survey.
Southview Terrace Apartments 901 MN-15	1975	18	0 0.0%	18 - 2BR	900 - 900	\$725 - \$725	\$0.81 - \$0.81	Common area laundry facilities, dishwashers, patio/balconies, and surface parking. Heat/water/sewer/trash included in rent.
South Dale Apartments 907 Dale Street SW	1974	40	0 0.0%	2 - Studio 7 - 1BR 30 - 2BR 1 - 3BR	400 - 400 650 - 650 850 - 850 975 - 975	\$550 - \$550 \$600 - \$600 \$700 - \$700 \$750 - \$750	\$1.38 - \$1.38 \$0.92 - \$0.92 \$0.82 - \$0.82 \$0.77 - \$0.77	Could not connect with property management - rents reflect 2021 apt. guide survey. Surface and detached garage parking (\$50/mo.), patios/balconies, common area laundry facilities, dishwasher. Heat/water/garbage included in rent.
Valley View Apartments 215 4th Ave NE	1971	36	1 2.8%	2 - 1BR 32 - 2BR 2 - 3BR	575 - 575 865 - 865 1,050 - 1,050	\$613 - \$613 \$678 - \$678 \$733 - \$733	\$1.07 - \$1.07 \$0.78 - \$0.78 \$0.70 - \$0.70	All utilities included in rent. Income restricted units available. Playground, surface parking, wall AC unit, common area laundry facilities, and dishwasher.
Freemont Apartments 221-231 Freemont Ave SW	1971	24	0 0.0%	2 - 1BR 22 - 2BR	800 - 800 950 - 950	\$600 - \$600 \$700 - \$700	\$0.75 - \$0.75 \$0.74 - \$0.74	Surface parking, wall AC units, and common area laundry facilities.
Twin Apartments 965-975 Jefferson St	1963	14	0 0.0%	14 - 1BR	550 - 550	\$500 - \$525	\$0.91 - \$0.95	Surface parking, common area laundry facilities, . Heat/water/garbage/sewer included in rent.
Mansard Apartments 345 Jefferson St SE	1960	12	0 0.0%	1 - 1BR 11 - 2BR	N/A - N/A N/A - N/A	\$475 - \$475 \$550 - \$550	N/A - N/A N/A - N/A	Wall AC units, common area laundry facilities, and surface and detached garage parking.
Jefferson Apartments 565 Jefferson St	1960	12	0 0.0%	1 - 1BR 11 - 2BR	550 - 550 775 - 775	\$605 - \$605 \$725 - \$725	\$1.10 - \$1.10 \$0.94 - \$0.94	Common area laundry facilities, wall AC units, and surface and detached garage parking.
Total Units / Vacancy:			1,092	11 1.0%				
Source: Maxfield Research & Consulting, LLC								

RENTAL MARKET ANALYSIS

TABLE R-3 AFFORDABLE / SUBSIDIZED GENERAL OCCUPANCY RENTAL BUILDINGS IN HUTCHINSON JULY / AUGUST 2022								
Property Name / Location	Year Built	Total Units	Vacant / Vac. Rate	Unit Mix	Unit Size (Sq. Ft.)	Monthly Rents	Rent Per Sq. Ft. (PSF)	Amenities / Notes
Affordable Properties								
Highfield Apartments 96 Denver Ave SE	2017/ 2019	18	0 0.0%	4 - 1BR 9 - 2BR 5 - 3BR	612 - 612 864 - 970 1,118 - 1,165	\$795 - \$795 \$905 - \$905 \$1,000 - \$1,000	\$1.30 - \$1.30 \$0.93 - \$1.05 \$0.86 - \$0.89	Heat/sewer/water/garbage included. Fitness room, surface and detached parking garage available (\$50+/mo.), playground, BBQ grill, dishwasher, common area laundry services.
Century Court Townhomes (East) 705 Century Ave SW	1999	16	0 0.0%	8 - 2BR 8 - 3BR	977 - 977 1,190 - 1,190	\$936 - \$936 \$1,078 - \$1,078	\$0.96 - \$0.96 \$0.91 - \$0.91	Dishwasher, playground, in-unit washer and dryer, patio/balcony, and attached garage parking. Est. two to three month waitlist.
Huski Townhomes 890 Texas Ave N	1997	32	0 0.0%	32 - 3BR	1,250 - 1,250	\$875 - \$875	\$0.70 - \$0.70	In-unit washer and dryer, playground, surface and attached garage parking, and walk-in closets. Water/sewer/trash included in rent. Est. three month waitlist.
North Place 415 School Rd N	1988	24	2 8.3%	15 - 1BR 9 - 2BR	N/A - N/A	30% AGI	N/A - N/A	Surface parking, common area laundry facilities, and heat/water/sewer/garbage included in rent. Vouchers accepted. Market rents range from \$520 - \$570.
South Place 1220 Bradford St	1985 Reno. 2010	24	1 4.2%	16 - 1BR 7 - 2BR 1 - 3BR	N/A - N/A	30% AGI	N/A - N/A	Surface parking, common area laundry facilities, and heat/water/sewer/garbage included in rent. Vouchers accepted. Market rents range from \$557 - \$617.
Affordable Subtotal		114	3 2.6%					
Subsidized Properties								
Clinton House 550 Clinton Ave	1978	52	1 1.9%	16 - 1BR 24 - 2BR 12 - 3BR	648 - 648 963 - 963 N/A - N/A	30% AGI 30% AGI 30% AGI	N/A - N/A N/A - N/A N/A - N/A	Community room, common area laundry facilities, and playground. Heat/sewer/water/trash included in rent.
Park Towers 133 3rd Ave SW	1974	101	7 6.9%	100 - 1BR 1 - 2BR	530 - 530 N/A - N/A	30% AGI 30% AGI	N/A - N/A N/A - N/A	Community room, outdoor grill, patio, . Heat/electric/water/refuse included in rent. Market rents range from \$641 - \$842.
Valley View Apartments 215 4th Ave NE	1971	24	0 0.0%	6 - 1BR 14 - 2BR 4 - 3BR	575 - 575 865 - 865 1,050 - 1,050	30% AGI 30% AGI 30% AGI	N/A - N/A N/A - N/A N/A - N/A	All utilities included in rent. Playground, surface parking, wall AC unit, common area laundry facilities, and dishwasher.
Subsidized Subtotal		177	8 4.5%					
Total		291	11 3.8%					
Source: Maxfield Research & Consulting, LLC								

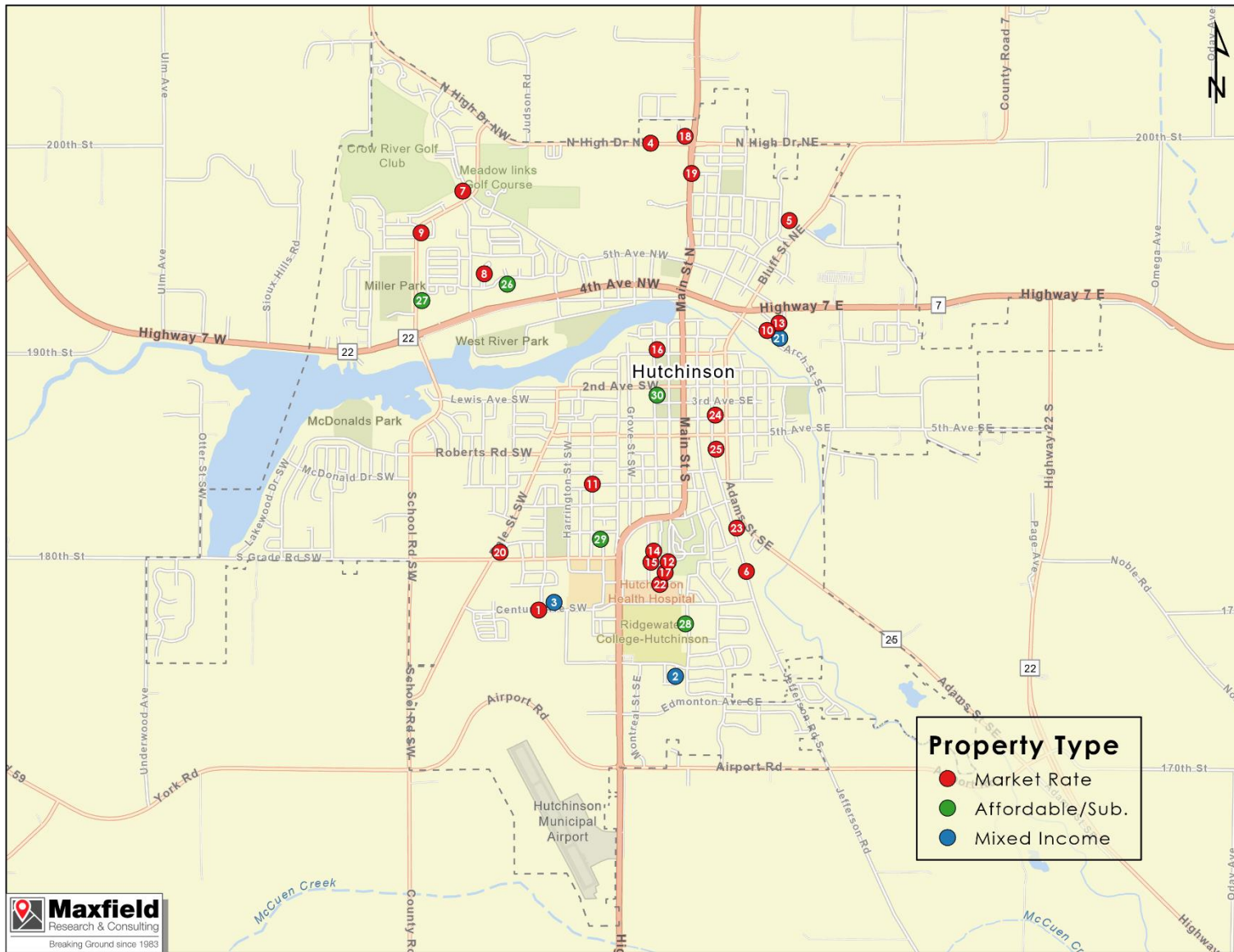
Affordable/Subsidized

- There are a total of eight properties that have income-restricted units in Hutchinson. These properties total 291 income restricted units, including 114 affordable units and 177 subsidized units. Combined, 11 units were vacant as of July / August 2022, posting a vacancy rate of 3.8%. Typically, subsidized and affordable rental properties should be able to maintain vacancy rates of 3% or less in most housing markets. It should be noted that this slightly elevated vacancy rate is in part due to the time-consuming nature of processing resident applications, furthermore many properties noted lengthy wait lists.
- *Highfield Apartments* (built in 2017/2019) is the newest affordable housing development in Hutchinson. Project amenities include dishwasher, common area laundry facilities, surface and detached garage parking, a fitness center, and patio/balconies.



- Information on the maximum allowable incomes by household size to qualify for affordable housing and maximum gross rents that can be charged by bedroom size in McLeod County can be found in the *Housing Affordability* section, found later in this report.

Hutchinson Rental Projects



MAP KEY GENERAL OCCUPANCY RENTAL HOUSING DEVELOPMENTS CITY OF HUTCHINSON JULY / AUGUST 2022	
1	Century Court THs (W)
2	Highfield Apts.
3	Century Court THs (E)
4	Deer Park Apts.
5	Ridgedale Square Apts.
6	River Ridge Apts.
7	Country Club Manor
8	Twin Oaks THs
9	Golfview Apts.
10	Parkview Terrace
11	Heritage Square
12	Regency Apts.
13	Fairlane Apts.
14	Hutchinson Apts.
15	Cedar Acres Apts.
16	Gateway Central
17	Echo Manor
18	Parkwood Apts.
19	Southview Terrace Apts.
20	South Dale Apts.
21	Valley View Apts.
22	Freemont Apts.
23	Twin Apts.
24	Mansard Apts.
25	Jefferson Apts.
26	Huski THs
27	North Place
28	South Place
29	Clinton House
30	Park Towers
Source: Maxfield Research & Consulting, LLC	

Select General Occupancy Rental Housing Properties in Hutchinson



Country Club Manor Apartments



Deer Park Apartments



Highfield Apartments



Century Court (West)



Gateway Apartments



Heritage Square

Select General Occupancy Rental Housing Properties in Hutchinson



South Place Apartments



Freemont Apartments



Regency Apartments



Cedar Acres Apartments

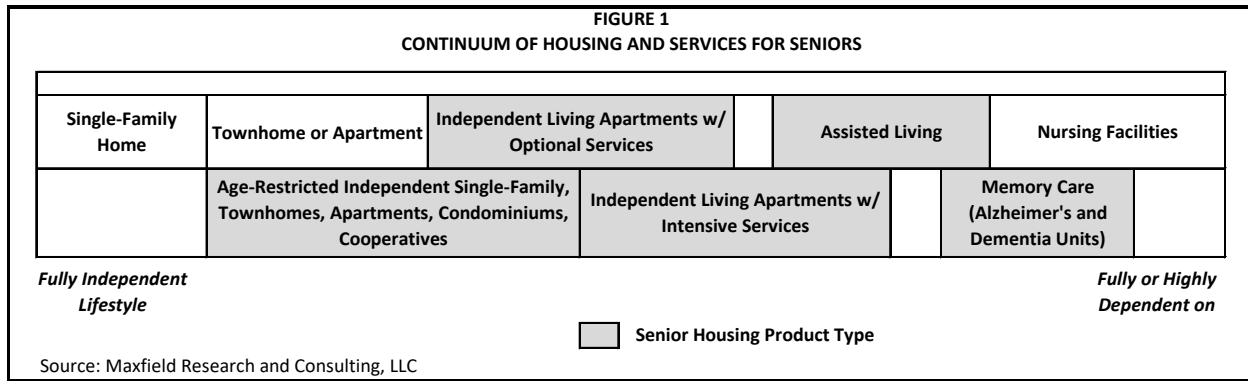
Senior Housing Defined

The term “senior housing” refers to any housing development that is restricted to people age 55 or older. Today, senior housing includes an entire spectrum of housing alternatives, which occasionally overlap, thus making the differences somewhat ambiguous. However, the level of support services offered best distinguishes them. Maxfield Research and Consulting LLC classifies senior housing projects into five categories based on the level of support services offered:

- ▶ **Active Adult** properties (or independent living without services available) are similar to a general-occupancy building, in that they offer virtually no services but have age-restrictions (typically 55 or 62 or older). Organized activities and occasionally a transportation program are usually all that are available at these properties. Because of the lack of services, active adult properties typically do not command the rent premiums of more service-enriched senior housing. Active adult properties can have a rental or owner-occupied (condominium or cooperative) format.
- ▶ **Independent Living** properties (or senior living with services available) offer support services such as meals and/or housekeeping, either on an optional basis or a limited amount included in the rents. These properties typically dedicate a larger share of the overall building area to common areas, in part, because the units are smaller than in adult housing and in part to encourage socialization among residents. Independent living properties attract a slightly older target market than adult housing, typically seniors age 75 or older. Rents are also above those of the active adult buildings, even excluding the services. Sponsorship by a nursing home, hospital or other health care organization is common.
- ▶ **Assisted Living** properties come in a variety of forms, but the target market for most is generally the same: very frail seniors, typically age 80 or older (but can be much younger, depending on their particular health situation), who are in need of extensive support services and personal care assistance. Absent an assisted living option, these seniors would otherwise need to move to a nursing facility. At a minimum, assisted living properties include two meals per day and weekly housekeeping in the monthly fee, with the availability of a third meal and personal care (either included in the monthly fee or for an additional cost). Assisted living properties also have either staff on duty 24 hours per day or at least 24-hour emergency response.
- ▶ **Memory Care** properties, designed specifically for persons suffering from Alzheimer’s disease or other dementias, is one of the newest trends in senior housing. Properties consist mostly of suite-style or studio units or occasionally one-bedroom apartment-style units, and large amounts of communal areas for activities and programming. In addition, staff typically undergoes specialized training in the care of this population. Because of the greater amount of individualized personal care required by residents, staffing ratios are much higher than traditional assisted living and thus, the costs of care are also higher. Unlike conventional assisted living, however, which deals almost exclusively with widows or

widowers, a higher proportion of persons afflicted with Alzheimer’s disease are in two-person households. That means the decision to move a spouse into a memory care facility involves the caregiver’s concern of incurring the costs of health care at a special facility while continuing to maintain their home.

- **Skilled Nursing Care**, or long-term care facilities, provides a living arrangement that integrates shelter and food with medical, nursing, psychosocial and rehabilitation services for persons who require 24-hour nursing supervision. Residents in skilled nursing homes can be funded under Medicare, Medicaid, Veterans, HMOs, insurance as well as use of private funds.



The senior housing products available today, when combined with long-term care facilities form a full continuum of care, extending from virtually a purely residential model to a medically intensive one. Often the services available at these properties overlap with another making these definitions somewhat ambiguous. In general, active adult properties tend to attract younger active seniors, who merely wish to rid themselves of home maintenance; independent living properties serve independent seniors that desire support services (i.e., meals, housekeeping, transportation, etc.) while assisted living properties tend to attract older, frail seniors who need assistance with daily activities, but not the skilled medical care available only in a nursing facility.

Senior Housing in the City of Hutchinson

As of July /August 2022, Maxfield Research and Consulting, LLC identified 11 senior housing developments in Hutchinson. Combined, these projects contain a total of 363 units. Two of the projects are subsidized, while the remaining nine are market rate/private pay. Table S-1 provides information on all inventoried senior housing projects in Hutchinson. Information in the table includes year built, number of units, unit mix, number of vacant units, rents/sales price, and general notes and amenities about each project. Table S-2 illustrate identifies services at each of the projects, while Table S-3 shows select amenities at these projects.

The following are key points from our survey of the senior housing supply.

Subsidized Senior Housing Properties

- Subsidized senior housing offers affordable rents to qualified lower income seniors and handicapped/disabled persons. Typically, rents are tied to residents' incomes and based on 30 percent of adjusted gross income (AGI), or a rent that is below the fair market rent. For those households meeting the age and income qualifications, subsidized senior housing is usually the most affordable rental option available.
- There are a total of 77 units in two subsidized senior projects. As of July/August 2022, no vacant units were identified indicating pent-up demand for affordable/subsidized senior rental units.
- All of the surveyed units are one-bedroom units, with the exception of a single two-bedroom unit at *Evergreen Apartments*. Typically units sizes at subsidize senior projects are smaller than many of the market rate senior rental projects. One-bedrooms average 618 square feet.
- Although *Park Towers* (see Table R-3 in the Rental Market Analysis section) is technically a general occupancy property, it should be noted that a larger proportion of the residents at *Park Towers* are seniors.
- Typically subsidized senior housing offers limited to no amenities. Some identified amenities include a community room, common area laundry services, and balconies with select units.

For-Sale Active Adult Properties

- There are three owner-occupied senior housing developments, which account for 101 total units. Combined the three Hutchinson projects have three openings, resulting in a vacancy factor of 3%. 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.
- At the time of survey there were three active listings among the senior for-sale properties in Hutchinson. Two listings were at *Greencastle Condominiums* and ranged from \$124,999 for a one-bedroom unit to \$159,000 for a two-bedroom unit. *Community at Lakeridge* had one active listing for a two-bedroom unit priced at \$199,900.
- Village Cooperative is a limited equity cooperative. Cooperative products involve purchasing a unit (or share) and then paying monthly fees which includes all utilities, of property and commons areas, and future building maintenance. Share costs range from \$26,000 to \$52,027 with monthly rents ranging from about \$646 to \$1,329.

Independent Living Properties

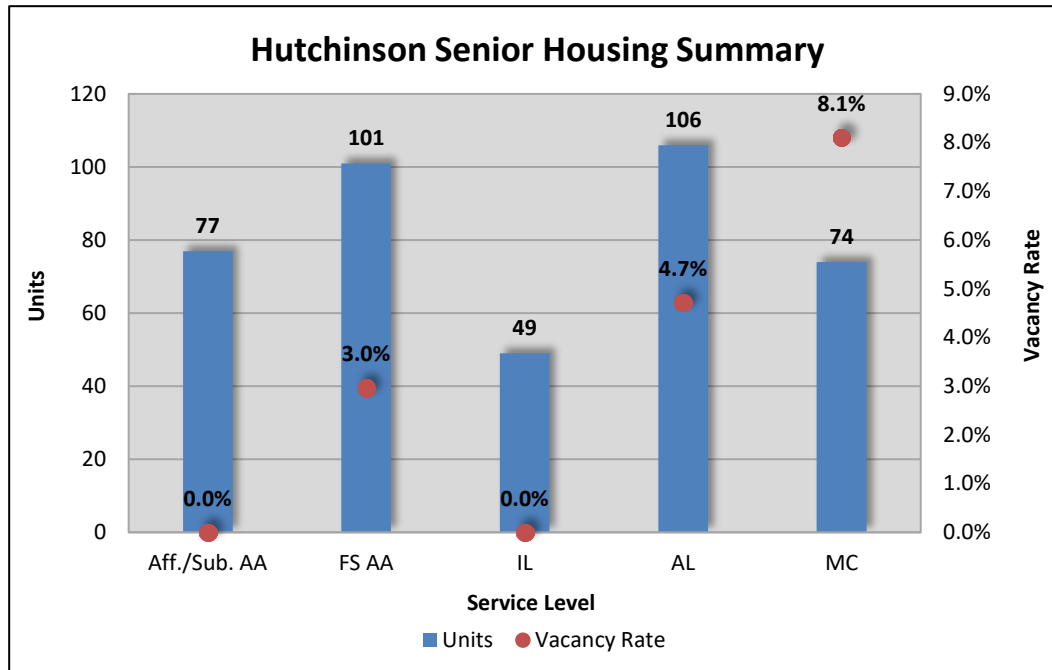
- There are two independent living property in Hutchinson, totaling 87 units. *Prince of Peace* was built in 1995 and includes 49 units, all of which are occupied. Additionally, a new 38-unit building at *Woodstone Senior Living* was constructed in 2020 and at the time of survey, four units were available. Overall, the vacancy rate among independent living units is 4.6%, which is slightly below the market equilibrium of 5% to 7%.
- Rents ranged from \$924 for a one-bedroom up to \$1,479 for a two-bedroom at *Prince of Peace*, while rent at *Woodstone Senior Living* ranged from \$1,700 for a one-bedroom unit to \$1,950 for a two-bedroom unit. Both facilities offer optional services for an additional fee.

Assisted Living Properties

- In the City of Hutchinson, there are a total of three assisted living facilities with 106 units with a vacancy rate of 4.7%. This is below 7.0%, which is consider the market equilibrium vacancy rate for assisted living and memory care housing.
- The newest project in Hutchinson is *Woodstone Senior Living*. The project was built in 2012 and includes 24 units. Additionally, the other two assisted living properties are the *Oaks and the Pines*, which are located adjacent to one another. These properties offer apartment-style units with one- and two-bedroom units ranging from 510 to 1,000 square feet. The assisted living design preference today is apartment-style units versus suite-style units that tend to cater to more frail seniors.
- All of the assisted living projects include scheduled activities, weekly housekeeping, laundry, 24-hour staff, and at least one meal daily. Base monthly fees vary from project to project, depending largely on the personal care package and health services that are included in the monthly rent. The Oaks and Pines include one meal per day, but offer additional meals and services in a variety of care packages. Base monthly rents at the Oaks and Pines ranges from \$2,568 to \$3,263 with additional care packages ranging from \$280 to \$3,675. Total cost with care packages factored in range from \$6,739 to \$8,038 at *Woodstone Senior Living*.

Memory Care Properties

- A total of four memory care facilities with 74 units are located in the City of Hutchinson. The memory care vacancy rate is approximately 9.5% as of July / August 2022.
- Woodstone Senior Living and Harmony River opened in 2012 and are the newest senior housing development in Hutchinson.
- Among the surveyed facilities in Hutchinson, average base monthly fees range from \$5,075 for a studio unit to \$5,568 for a shared suite.



SENIOR HOUSING ANALYSIS

TABLE S-1 SENIOR HOUSING PROPERTIES CITY OF HUTCHINSON JULY / AUGUST 2022							
Property Name	Year Built	No. of Units	No. Vac.	Unit Mix	Unit Sizes (Sq. Ft.)	Entry Fee/Sales Price/ Monthly Rents/Fees	Notes / Amenities
Subsidized Active Adult							
Leona Apartments 225 Echo Circle	1982	15	0 0.0%	15 - 1BR	N/A - N/A	30% of Income	Balconies, surface parking, wall AC unit, and common area laundry facilities.
Evergreen Apartments 115 Jefferson St SE	1982	62	0 0.0%	61 - 1BR 1 - 2BR	618 - 618 800 - 800	30% of Income	Community room, two elevators, surface parking, and common area laundry facilities. Three 1BR units are handicap accessible. Heat/water/sewer/trash included in rent.
Total Subsidized Active Adult		77	0 0.0%				
For-Sale Active Adult							
Community at Lakeridge 1085 Dale St SW (1060 Dale St SW)	2005	33	1 3.0%	33 - 2BR	1,255 - 1,533	\$154,900 - \$204,900	Community room, courtyard, surface and garage parking, and library.
Village Cooperative of Hutchinson 1300 Sherwood St SE	1994	33	0 0.0%	11 - 1 BR 22 - 2 BR	670 - 747 932 - 1,375	\$26,000 - \$29,120 \$33,904 - \$52,027	Community room, guest suite, common area laundry facilities, craft room, surface and garage parking, community garden, library, and patio. Mo. payments range from \$646-\$721 (1BR) and \$900-\$1,329 (2BR).
Greencastle Condominiums 250 Freemont Avenue SE	1986	35	2 5.7%	20 - 1BR 15 - 2BR	780 - 812 1,102 - 1,410	\$114,000 - \$124,999 \$130,000 - \$162,900	Courtyard, gazebo, surface parking and attached garage, community room, fitness room, library, and crafts room.
Total For-Sale Active Adult Units		101	3 3.0%				
Independent Living							
Woodstone Senior Living 1025 Dale St SW	2020	38	4 10.5%	14 - 1BR 24 - 2BR	681 - 773 987 - 998	\$1,700 - \$1,700 \$1,950 - \$1,950	Pub/game room, health and wellness center, dining room, movie theater, planned activities, and in-unit washer and dryer. Additional services available.
Prince of Peace 301 Glen St SW	1995	49	0 0.0%	37 - 1BR 12 - 2BR	517 - 730 833 - 833	\$924 - \$1,322 \$1,479 - \$1,479	Common area laundry facilities, community room, fitness center, game room, craft room, and salon. Optional services available. 20 person waitlist.
Total Independent Living Units		87	4 4.6%				
Continued							

SENIOR HOUSING ANALYSIS

TABLE S-1 SENIOR HOUSING PROJECTS CITY OF HUTCHINSON JULY / AUGUST 2022							
Property Name	Year Built	No. of Units	No. Vac.	Unit Mix	Unit Sizes (Sq. Ft.)	Entry Fee/Sales Price/ Monthly Rents/Fees	Notes / Amenities
Assisted Living							
Woodstone Senior Living 1025 Dale St SW	2012	24	0 0.0%	24 - 1BR	681 - 682	\$6,739 - \$8,038	Community room, dining room, fireplace, planned activities, patio, and barber shop / beauty salon. Pricing includes care level (I -
The Pines 1015 Century Ave SW	2005	50	3 6.0%	36 - 1BR 14 - 2BR	510 - 640 851 - 980	\$2,568 - \$2,728 \$3,049 - \$3,263	Surface and detached garage parking, patio, gazebo, community room, and beauty salon/barber shop. Additional care services available and range from \$280-\$3,675/mo.
The Oaks 945 Century Ave SW	1999	32	2 6.3%	29 - 1 BR 3 - 2 BR	528 - 780 1,000 - 1,000	\$2,568 - \$2,942 \$3,263 - \$3,263	Surface and detached garage parking, patio, gazebo, community room, and beauty salon/barber shop. Additional care services available and range from \$280-\$3,675/mo.
Total Assisted Living Units		106	5	4.7%			
Memory Care							
Woodstone Senior Living 1025 Dale St SW	2012	20	1 5.0%	20 - Studio	328 - 343	\$3,175 - \$3,915	Community room, dining room, fireplace, planned activities, patio, and barber shop / beauty salon.
Harmony River 1555 Sherwood St SE	2012	18	2 11.1%	1 - Semi Pvt 17 - Studio	651 - 651 337 - 379	\$3,350 - \$3,350 \$3,595 - \$3,725	Beauty salon/barber shop, community room, therapy room, chapel, and lounge. Additional care packages range from Lvl. I (\$1,645/mo.) to Lvl. III (\$2,685/mo.).
The Oaks 945 Century Ave SW	2010	24	1 4.2%	24 - 1BR	396 - 422	\$4,550 - \$4,850	Patio, gazebo, community room, and beauty salon/barber shop. Additional care packages available.
Prairie Senior Cottages 1310 Bradford St SE	1998	12	2 16.7%	4 - Semi Pvt 8 - Studio	192 - 208 145 - 203	\$5,566 - \$10,007 \$6,175 - \$10,615	Courtyard, patio, community room, . Accepts Elderly Waivers. Pricing includes service level packages.
Total Memory Care Units		74	6	8.1%			
Source: Maxfield Research & Consulting, LLC							

SENIOR HOUSING ANALYSIS

TABLE S-2
SERVICES COMPARISON
SENIOR HOUSING PROPERTIES
CITY OF HUTCHINSON
JULY / AUGUST 2022

	Age Qualif.	Utilities	Transportation	Activities	Meal Program	Hskpg.	Health/Misc.
Active Adult							
Leona Apartments	62+	Resident pays elect., phone, & cable	None	None	None	None	None
Evergreen Apartments	62+	Resident pays elect., phone, & cable	None Dial-a-ride or taxi	Arranged by residents	None - Noon meal on-site through senior dining program	None	None
Community at Lakridge	55+	Resident pays elect., phone, & cable	None	Arranged by residents	None	None	None
Village Cooperative of Hutchinson	62+	Resident pays elect., phone, & cable	None	Resident Committee	None - 1 catered meal per month	None	None
Greencastle Condominiums	55+	Resident pays elect., phone, & cable	None	Arranged by residents	None	None	None
Independent Living							
Woodstone Senior Living	55+	All except water & electric	Shuttle available	Resident services director	Breakfast included	Weekly light housekeeping	Additional assistance available through Adara Home Health
Prince of Peace	55+	All except phone & cable	Shuttle to grocery store	Resident services director	Optional noon meal \$5 Cont'l. Breakfast optional	Weekly light housekeeping	Home health available through ConnectCare
Assisted Living							
Woodstone Senior Living	55+	All except phone	Transportation can be arranged	Resident services director	Three meal and daily snack included	Weekly housekeeping	24-hour staff on-site, Medical assistance included.
The Oaks	62+	All included, Resident pays phone	Transportation can be arranged to medical appts.	Planned activities	One meal and daily snack included; 3 meals offered on an optional basis	Weekly light housekeeping	24-hour staff on-site, Medical assistance is available for additional fees
The Pines	62+	All included, Resident pays phone	Transportation can be arranged to medical appts.	Planned activities	One meal included daily - 3 meals offered on an optional basis	Weekly light housekeeping	24-hour staff on-site, Medical assistance is available for additional fees
Memory Care							
Woodstone Senior Living	55+	All except phone	Transportation can be arranged	Resident services director	Three meal and daily snack included	Weekly housekeeping	24-hour staff on-site, Medical assistance included.
Harmony River	55+	All included - Resident pays phone	Transportation can be arranged to medical appts.	Resident services director	Three meals daily plus snacks daily included	Weekly hskpg. & linen service included	24-hour staff on-site
The Oaks	62+	All included, Resident pays phone	Transportation can be arranged to medical appts.	Planned activities	One meal and daily snack included; 3 meals offered on an optional basis	Weekly light housekeeping	24-hour staff on-site, Medical assistance is available for additional fees
Prairie Senior Cottages	62+	All included except phone & cable	Scheduled	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

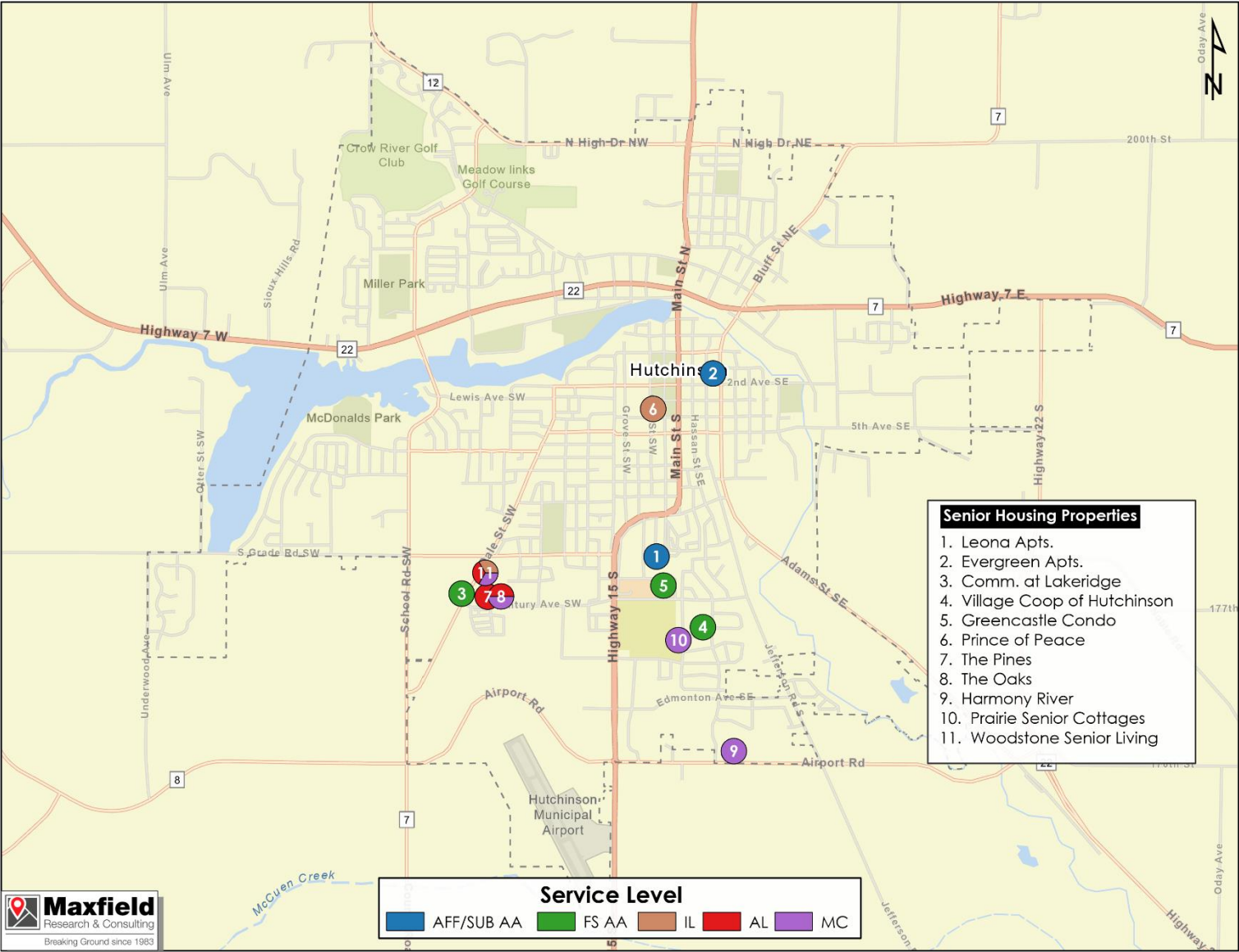
Source: Maxfield Research & Consulting, LLC

SENIOR HOUSING ANALYSIS

TABLE S-3
AMENITY COMPARISON
SENIOR HOUSING PROPERTIES
CITY OF HUTCHINSON
JULY / AUGUST 2022

	Amenities/Features:																	
	Emer. Call	A/C	Dishwasher	Disposals	Balc./Patio	Walk-in Closet	In Unit Laundry	Storage	Comm. Rm.	Exercise Rm.	Activity Rm.	Salon	Library	Game Rm.	Terrace/porch	Guest Suites	Parking	Other
Leona Apartments	No	Unit	No	No	No	No	No	No	No	No	No	No	No	No	No	No	Surface	
Evergreen Apartments	No	Unit	No	No	Yes	Some	No	No	Yes	No	Yes	No	No	No	No	No	Surface	Patio, fireplace room, raised garden
Community at Lakeridge	No	Cent.	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	No	Yes	Attached & surface	
Village Cooperative of Hutchinson	No	Cent.	Yes	Yes	No	Some	No	Yes	Yes	Yes	Yes	No	No	No	No	Yes	Attached & detached	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
Prince of Peace	No	Unit	No	Yes	No	Yes	No	No	Yes	Yes	Yes	Yes	Yes	No	No	Yes	14 underground \$50/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 \$50/month	Fireplace room
The Pines	Yes	Unit	No	No	Some	No	No	No	Yes	Yes	Yes	Yes	No	No	No	Yes	6 garage stalls \$50/month	Fireplace room
Woodstone Senior Living	Yes	Cent.	Yes	Yes	Some	Yes	Some	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	Surface & Detached garages	Separate IL building from AL/MC building
Harmony River	Yes	Cent.	No	No	No	No	No	No	Yes	No	Yes	Yes	No	No	Yes	No	Surface	Attached to SNF
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 and Consulting, LLC																		

Hutchinson Senior Projects



Select Senior Housing Properties in Hutchinson



Leona Apartments



Prairie Senior Cottages



Woodstone Senior Living



Harmony River Living Center



Community of Lakeridge



The Oaks

Introduction

Maxfield Research & Consulting, LLC analyzed the for-sale housing market in Hutchinson by analyzing data on single-family and multifamily home sales, active listings, lot supply, and the actively marketing subdivisions in Hutchinson.

Overview of For-Sale Housing Market Conditions

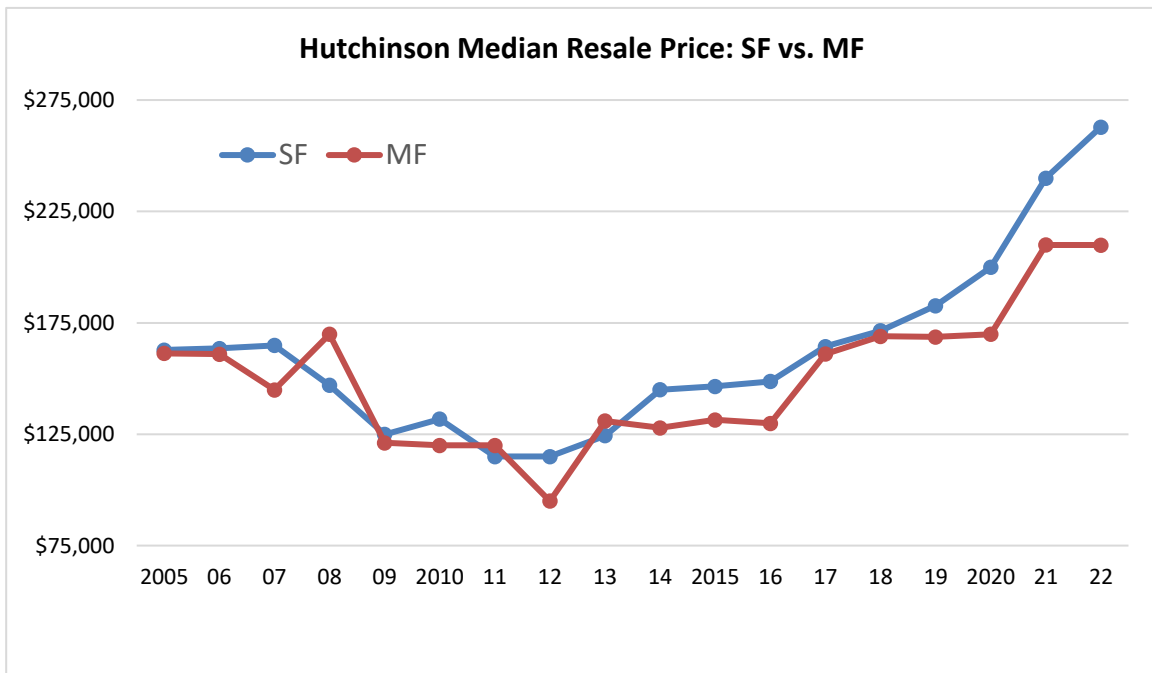
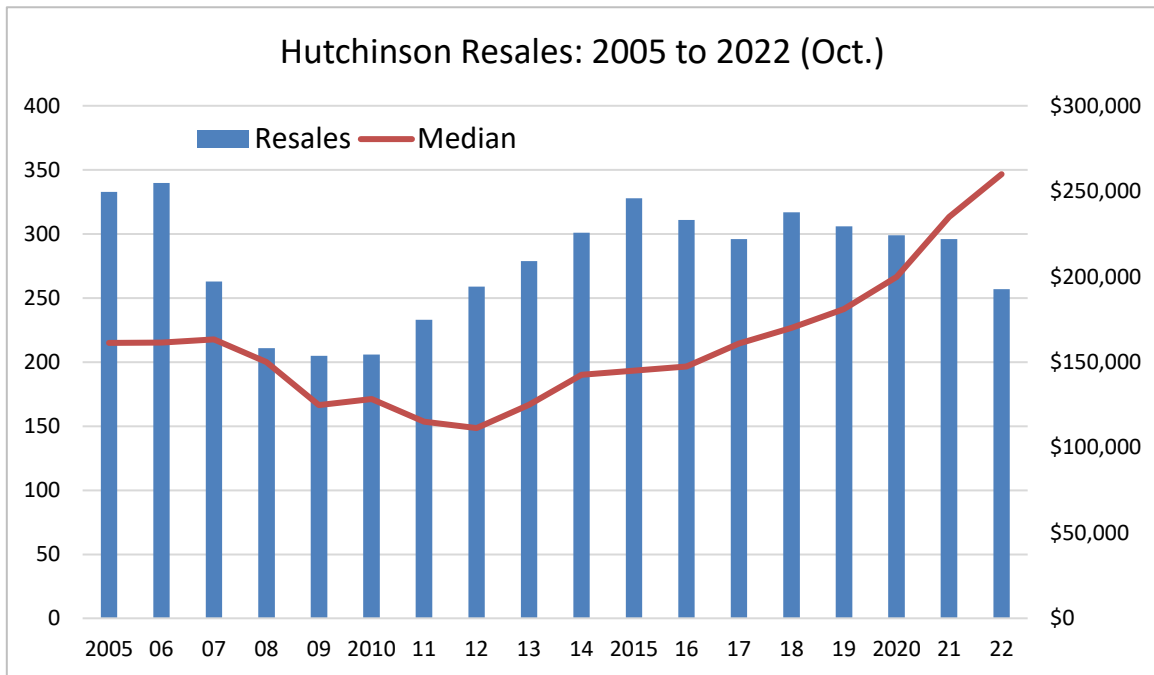
Table FS-1 presents home resale data on single-family and multifamily housing in Hutchinson from 2000 through October 2022. The data was obtained from the Regional Multiple Listing Services of Minnesota and shows annual number of sales, median and average pricing, and sales distribution by single-family and multifamily housing.

The following are key points observed from our analysis of this data.

- Like across the Twin Cities Metro Area and the nation, pricing in Hutchinson reached a high point between 2005 and 2007 at the height of the real estate boom. The median sales price reached a high of \$163,385 in 2007 before significantly falling to \$111,500 in 2012. Since 2012, pricing has been steadily recovering and the median sales price in Hutchinson reached a new peak of \$259,950 through October 2022.
- Since the valley in 2011, pricing has increased annually through 2022 and is up 133% over the past decade. Home prices began strong appreciation in 2013 and 2014 averaging about +13% annual appreciation after the low in 2021.
- Since the pandemic in 2020, home prices in Hutchinson are up +39% between 2000 and 2022. Each year has averaged double digit appreciation, however during 2021 prices increased by 17.5% year-over-year.
- Over the past 15 years, Hutchinson has averaged about 280 resales annually. However, single family housing units dominate and average over 230 homes annually compared to about 27 multifamily homes. Resales peaked at the housing peak in 2005 and 2006 while posting strong years in 2015 and 2018. In 2009, only 205 homes sold.
- Traditionally single-family homes have higher median sales prices compared to multifamily homes. ON average, multifamily homes are priced about 10% less than single-family homes, however in 2022 the spread was about 20% higher for single-family homes.

TABLE FS-1
RESALE TRENDS
CITY OF HUTCHINSON
2005 to 2022 (Oct.)

Year	RESALES			SINGLE FAMILY		MULTIFAMILY		ALL HOMES (SF + MF)	
	SF	MF	TOTAL	Avg.	Median	Avg.	Median	Avg.	Median
2005	309	24	333	\$181,437	\$162,805	\$154,237	\$161,293	\$177,962	\$161,293
2006	305	35	340	\$178,638	\$163,500	\$157,637	\$160,938	\$175,879	\$161,450
2007	238	25	263	\$178,556	\$164,900	\$146,866	\$144,900	\$176,208	\$163,385
2008	188	23	211	\$154,836	\$147,000	\$164,171	\$169,900	\$156,926	\$150,000
2009	191	14	205	\$142,044	\$124,950	\$124,367	\$121,154	\$140,403	\$124,950
2010	185	21	206	\$144,180	\$131,825	\$121,139	\$120,000	\$141,737	\$128,450
2011	216	17	233	\$128,533	\$115,000	\$118,959	\$120,000	\$127,574	\$115,250
2012	229	30	259	\$123,187	\$115,000	\$104,200	\$95,000	\$120,520	\$111,500
2013	249	30	279	\$136,769	\$124,400	\$126,024	\$130,950	\$136,306	\$125,000
2014	259	42	301	\$160,455	\$145,000	\$133,600	\$127,900	\$155,867	\$142,700
2015	290	38	328	\$159,923	\$146,475	\$138,391	\$131,500	\$157,419	\$145,000
2016	282	29	311	\$166,831	\$148,700	\$143,419	\$129,900	\$164,551	\$147,400
2017	264	32	296	\$175,802	\$164,400	\$163,909	\$161,000	\$173,300	\$161,000
2018	289	28	317	\$188,912	\$171,500	\$172,355	\$168,950	\$187,527	\$170,000
2019	278	28	306	\$198,081	\$182,750	\$170,893	\$168,700	\$195,629	\$181,000
2020	274	25	299	\$221,842	\$200,000	\$171,276	\$169,900	\$216,843	\$200,000
2021	271	25	296	\$248,671	\$240,000	\$218,942	\$210,000	\$245,148	\$235,000
2022*	240	17	257	\$284,924	\$262,900	\$213,506	\$209,900	\$279,111	\$259,950
* Through Oct. 2022									
Sources: RMLS and Maxfield Research & Consulting, LLC.									

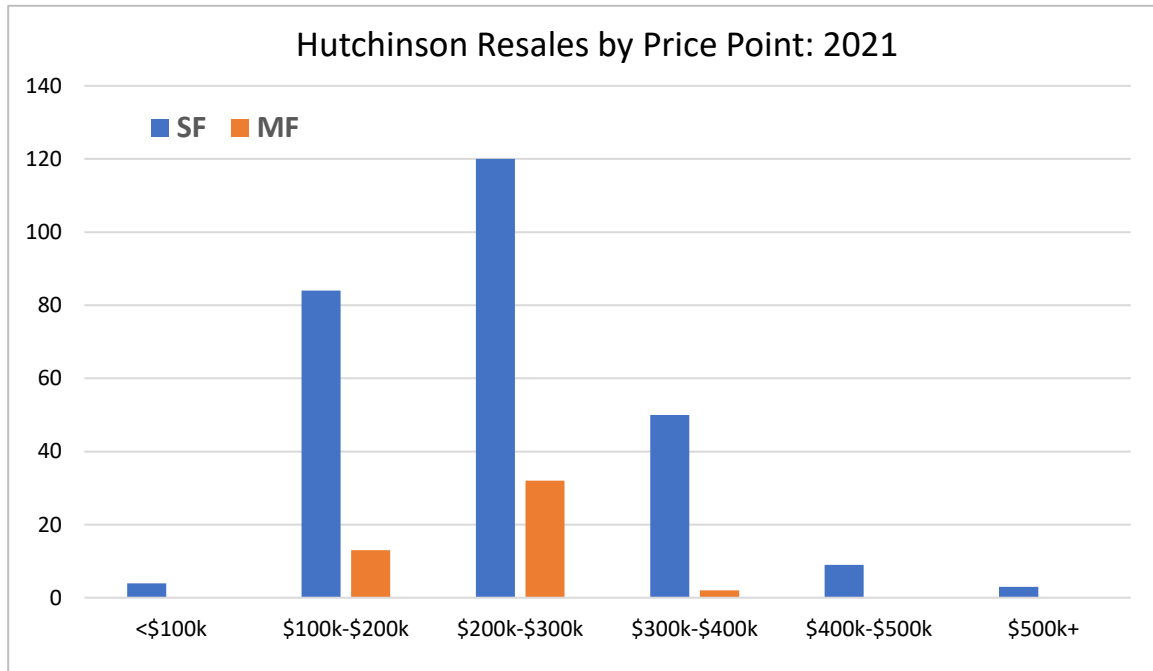


Home Resales by Price Point

Table FS-2 shows the distribution of sales within nine price ranges from resales in 2021. The graph on the following page visually displays the sales data.

- About 32% of sales in Hutchinson sold in 2021 were priced under \$200,000. However, nearly 48% of homes were sold between \$200,000 and \$300,00. Combined, about 80% of sales were priced under \$300,000.
- About 96% of multifamily housing units sold in 2021 were priced between \$100,000 and \$300,000. Only 4% of sales were priced higher than \$300,000.
- April to June are the peak selling months in Hutchinson. November through March are the slowest months averaging about 20 sales monthly compared to 30 to 40 monthly sales between April and June.

TABLE FS-2 HOME RESALES BY SALES PRICE & PRODUCT TYPE CITY OF HUTCHINSON 2021						
Price Range	Single-family		Multifamily		Combined	
	No.	Pct.	No.	Pct.	No.	Pct.
<\$100,000	4	1.5%	0	0.0%	4	1.3%
\$100,000 to \$200,000	84	31.1%	13	27.7%	97	30.6%
\$200,000 to \$300,000	120	44.4%	32	68.1%	152	47.9%
\$300,000 to \$400,000	50	18.5%	2	4.3%	52	16.4%
\$400,000 to \$500,000	9	3.3%	0	0.0%	9	2.8%
\$500,000 to \$749,999	3	1.1%	0	0.0%	3	0.9%
\$750,000 to \$999,999	0	0.0%	0	0.0%	0	0.0%
\$1,000,000 or More	0	0.0%	0	0.0%	0	0.0%
Total	270	100.0%	47	100.0%	317	100.0%
Median	\$240,000		\$215,400		\$235,000	
Average	\$248,671		\$224,912		\$245,148	
Sources: Regional Multiple Listing Service of Minnesota, Maxfield Research & Consulting, LLC						



Existing vs. New Construction Median Sales Price Comparison

Table FS-3 shows historical median sales pricing of existing homes versus new construction homes from 2005 to October 2022. The table compares Hutchinson to McLeod County and the Twin Cities Metro Area. The graphs on the following page visually displays the sales data.

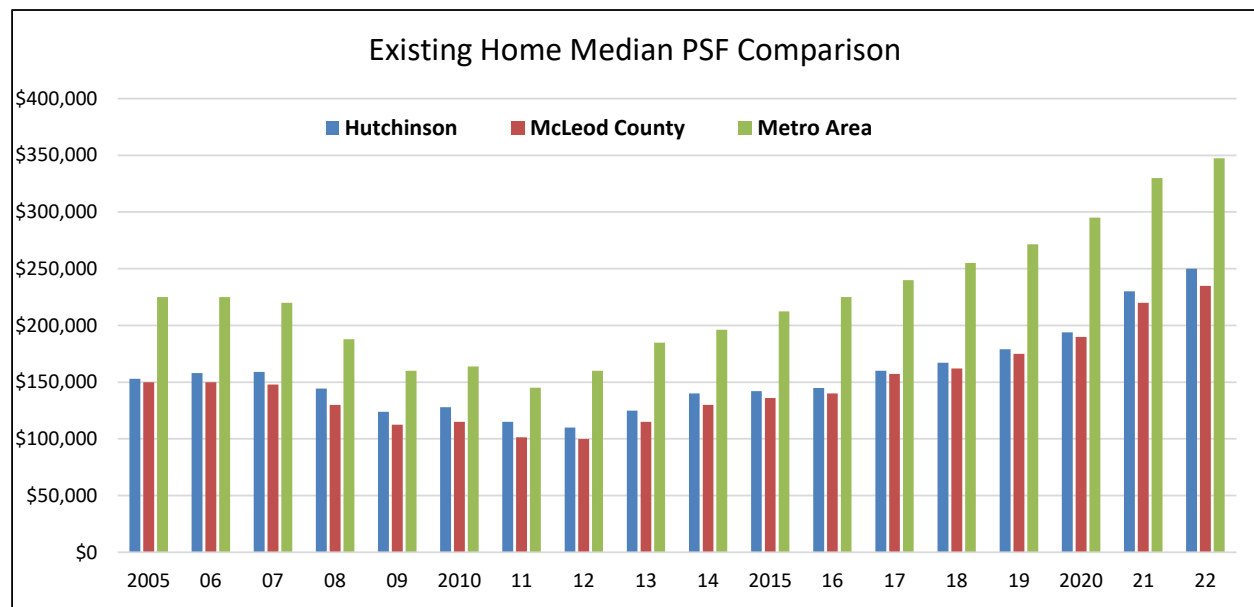
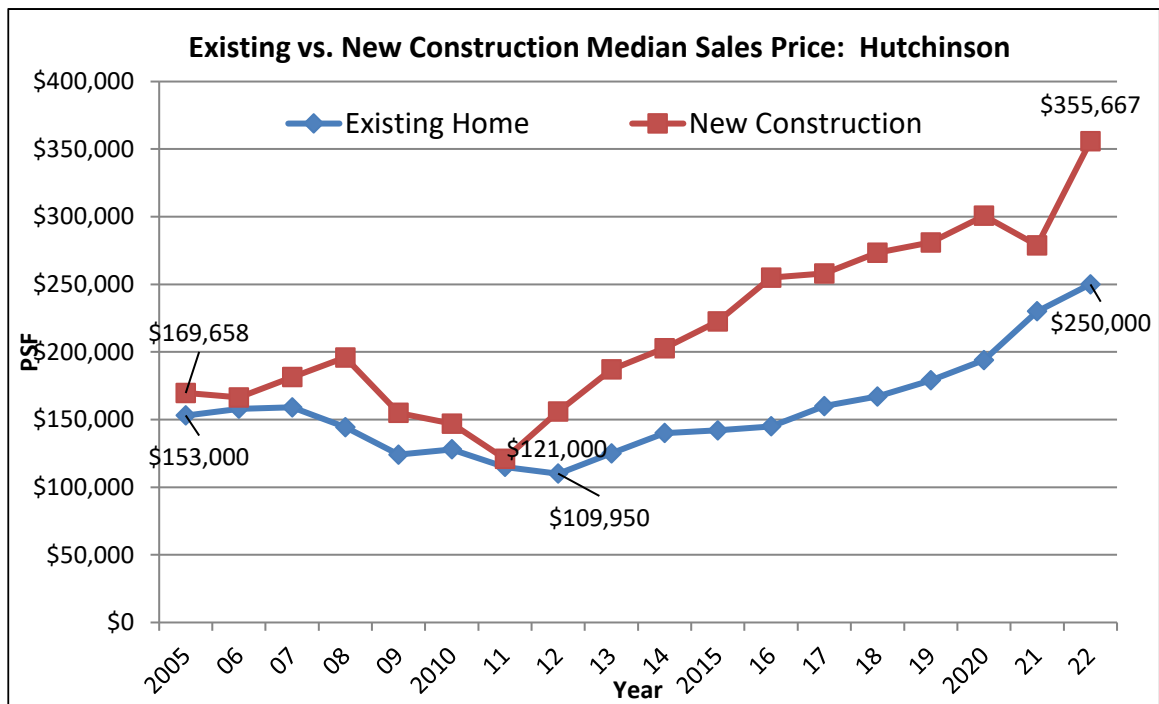
- In 2022, the price of an existing home sale topped \$230,000 compared to over \$355,000 for new construction. New construction commanded a premium of about 35%, compared to the historical average of 30%. New construction in the Twin Cities commanded a premium of 42% in 2022.
- Compared to the Metro Area, new construction in Hutchinson is about 30% less whereas existing homes are about 28% than Metro Area home prices.
- New construction pricing in Hutchinson jumped significantly between 2021 and 2022 having increased by about \$77,000 or 28%.

TABLE FS-3
MEDIAN SALES PRICE COMPARISON
EXISTING HOME VS. NEW CONSTRUCTION
HUTCHINSON, MCLEOD COUNTY, AND TWIN CITIES METRO AREA
2005 to 2022 (Oct.)

Year	Hutchinson		McLeod County		Twin Cities Metro Area	
	Existing Home	New Const.	Existing Home	New Const.	Existing Home	New Const.
2005	\$153,000	\$169,658	\$150,000	\$178,997	\$225,000	\$253,350
2006	\$158,000	\$166,324	\$150,000	\$179,900	\$225,000	\$263,200
2007	\$159,000	\$181,300	\$148,000	\$181,300	\$220,000	\$265,000
2008	\$144,350	\$195,850	\$130,000	\$189,250	\$187,900	\$262,000
2009	\$124,000	\$154,900	\$112,500	\$145,750	\$160,000	\$239,000
2010	\$128,000	\$147,000	\$114,950	\$147,000	\$163,900	\$250,000
2011	\$115,000	\$121,000	\$101,282	\$120,000	\$145,000	\$280,000
2012	\$109,950	\$156,000	\$99,950	\$155,450	\$160,000	\$305,000
2013	\$125,000	\$187,000	\$115,000	\$185,500	\$184,900	\$337,418
2014	\$140,000	\$202,682	\$130,000	\$200,464	\$196,158	\$370,776
2015	\$142,000	\$222,500	\$136,000	\$221,500	\$212,400	\$388,646
2016	\$144,950	\$254,900	\$140,000	\$249,900	\$225,000	\$387,036
2017	\$160,000	\$258,000	\$157,350	\$198,150	\$239,900	\$394,995
2018	\$167,075	\$273,350	\$162,000	\$267,700	\$255,000	\$399,500
2019	\$179,025	\$280,900	\$175,000	\$254,650	\$271,500	\$407,787
2020	\$194,000	\$300,650	\$189,900	\$284,200	\$295,000	\$413,000
2021	\$230,000	\$278,742	\$220,000	\$280,621	\$330,000	\$447,635
2022*	\$250,000	\$355,667	\$235,000	\$349,950	\$347,500	\$494,990

Note: Twin Cities Metro Area = Twin Cities MSA

Source: 10K Research & Marketing, Maxfield Research & Consulting, LLC



Home Resales per Square Foot (“PSF”)

Table FS-4 shows the distribution of sales by sales price per square foot (“PSF”) from 2005 to October 2022. The sales per square foot metric is simply the sales price of the home divided by the finished square footage. Table FS-5 illustrates PSF pricing between existing homes and new construction in Hutchinson, McLeod County, and the Twin Cities Metro Area. The graphs on the following page visually displays the sales data.

- The median and average price per square foot declined significantly between 2005 and 2012. Hutchinson’s median price per square foot was \$97 in 2006 before declining to its lowest point in 2012 at \$93 per square foot (-35%). Since 2012 the price per square foot has steadily increase to \$138 per square foot (+119%) as of 2022.
- Hutchinson housings costs on a median PSF basis are about 30% lower than the Twin Cities Metro Area average. However, Hutchinson is priced about 5% higher than McLeod County.
- On average, the price of an existing home in Hutchinson is about 50% less than the cost of new construction. The gap between existing housing and new construction continues to grow since the last housing downturn that bottomed out in 2012. In 2022, there is a 40% premium for new construction in Hutchinson compared to a 15% premium in the Metro Area.
- New construction in Hutchinson has historically been lower than the Metro Area. In 2022, new construction in Hutchinson is priced about 6% lower. Historically, new construction in Hutchinson is priced nearly 20% lower than the Metro Area.

TABLE FS-4
AVERAGE & MEDIAN SALES PRICE PER SQUARE FOOT (PSF)
HUTCHINSON, MCLEOD COUNTY, AND TWIN CITIES METRO AREA
2005 to 2022 (Oct. 2022)

Year	Hutchinson		McLeod County		Twin Cities Metro Area	
	Avg.	Median	Avg.	Median	Avg.	Median
2005	\$102	\$93	\$103	\$94	\$150	\$138
2006	\$101	\$97	\$102	\$96	\$150	\$138
2007	\$98	\$93	\$95	\$91	\$143	\$132
2008	\$91	\$89	\$84	\$84	\$120	\$113
2009	\$74	\$73	\$69	\$69	\$104	\$98
2010	\$72	\$74	\$67	\$67	\$104	\$97
2011	\$66	\$67	\$60	\$58	\$93	\$86
2012	\$64	\$63	\$60	\$60	\$101	\$93
2013	\$70	\$71	\$64	\$64	\$113	\$106
2014	\$79	\$78	\$75	\$74	\$122	\$112
2015	\$79	\$79	\$77	\$76	\$127	\$117
2016	\$86	\$83	\$83	\$81	\$134	\$124
2017	\$92	\$91	\$91	\$89	\$143	\$132
2018	\$99	\$98	\$99	\$97	\$154	\$142
2019	\$104	\$99	\$105	\$100	\$161	\$149
2020	\$112	\$107	\$111	\$107	\$170	\$159
2021	\$129	\$125	\$129	\$123	\$190	\$178
2022*	\$142	\$138	\$141	\$136	\$202	\$190

* Through Oct. 2022

Note: Twin Cities Metro Area = Twin Cities MSA

Source: 10K Research & Marketing, Maxfield Research & Consulting, LLC

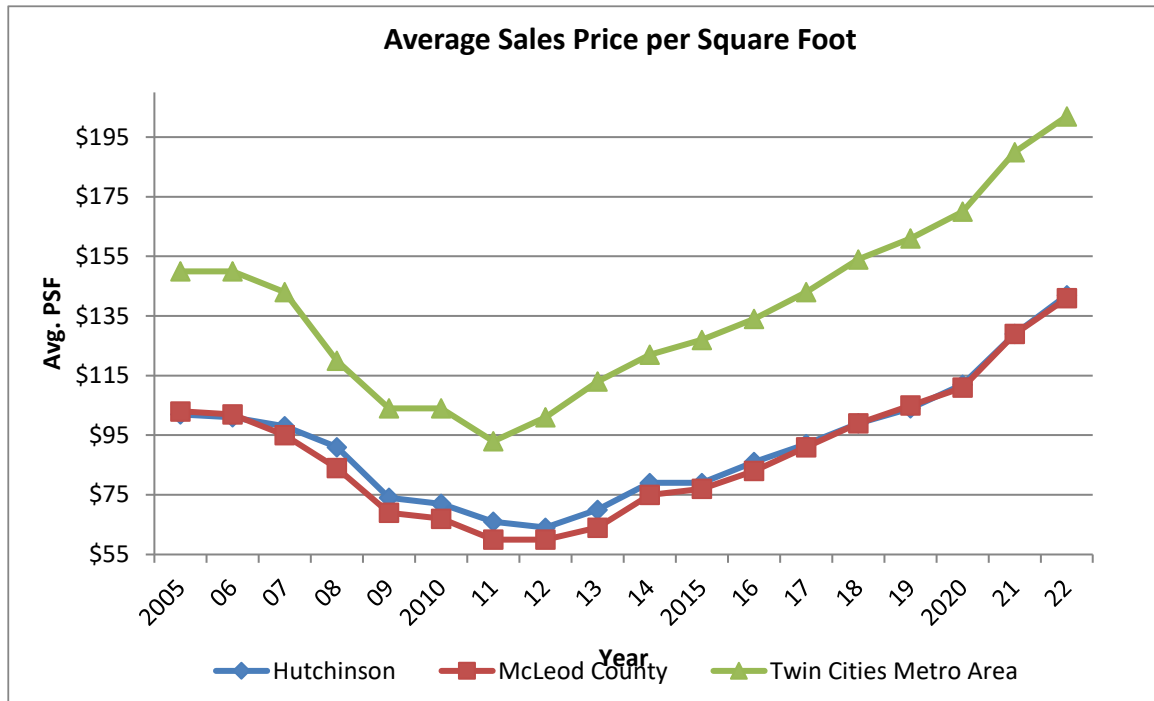


TABLE FS-5
MEDIAN SALES PRICE PER SQUARE FOOT (PSF) COMPARISON
EXISTING HOME VS. NEW CONSTRUCTION
HUTCHINSON, MCLEOD COUNTY, AND TWIN CITIES METRO AREA
2005 to 2022 (Oct.)

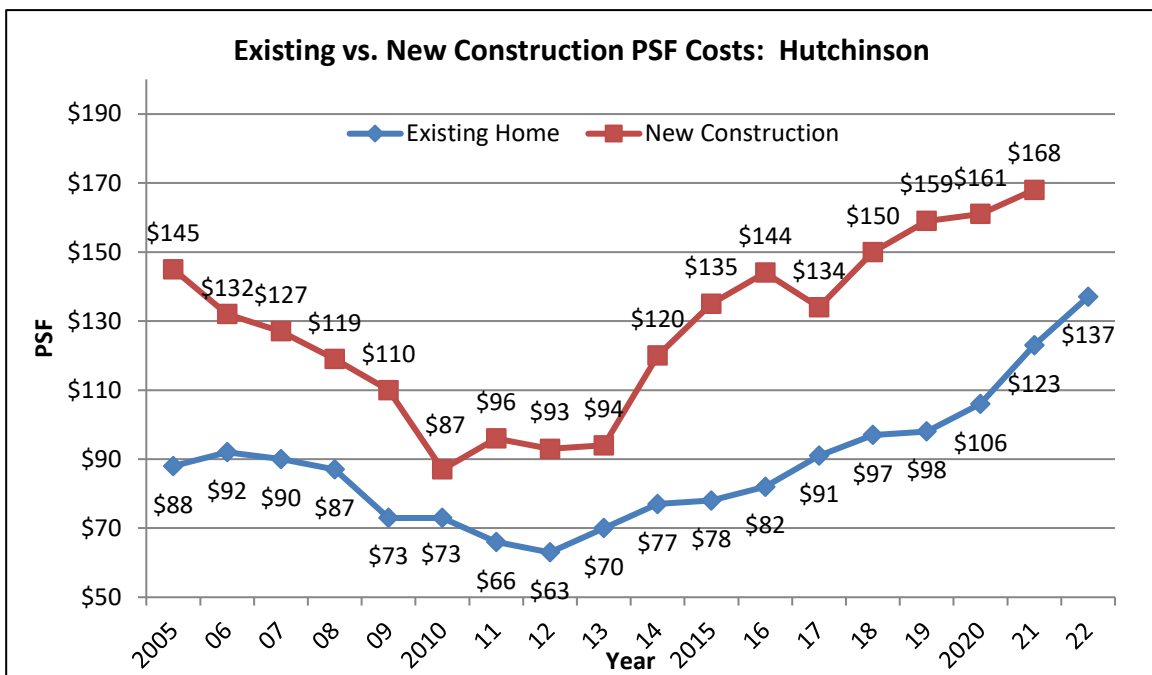
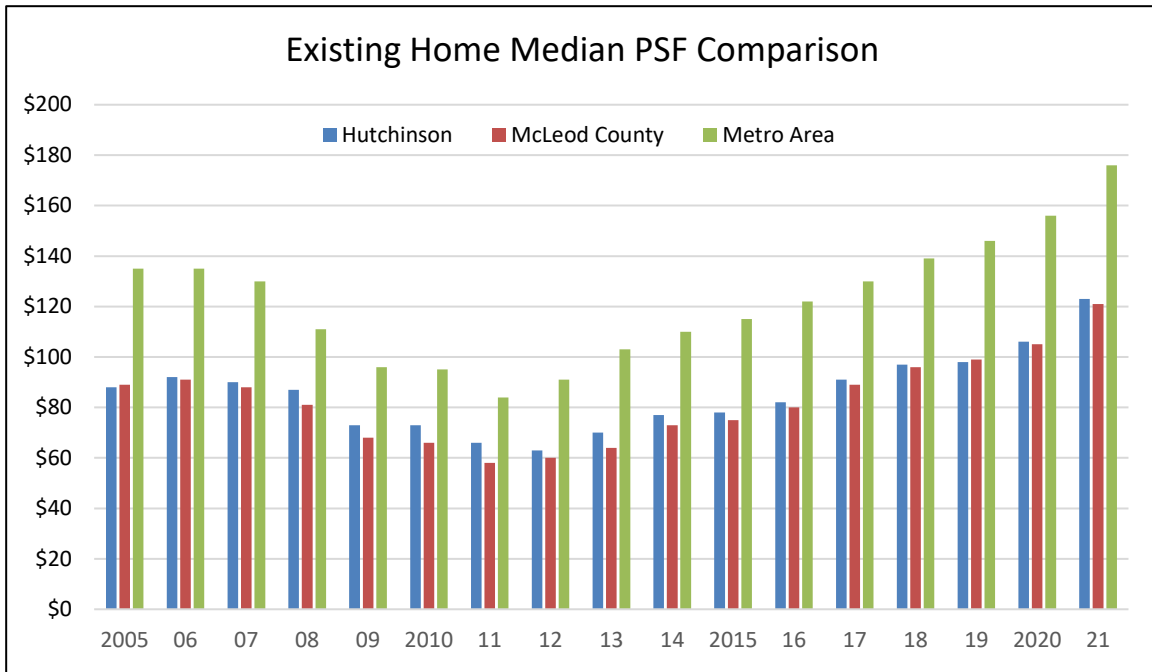
Year	Hutchinson		McLeod County		Twin Cities Metro Area	
	Existing Home	New Const.	Existing Home	New Const.	Existing Home	New Const.
2005	\$88	\$145	\$89	\$151	\$135	\$168
2006	\$92	\$132	\$91	\$152	\$135	\$169
2007	\$90	\$127	\$88	\$128	\$130	\$161
2008	\$87	\$119	\$81	\$119	\$111	\$146
2009	\$73	\$110	\$68	\$102	\$96	\$128
2010	\$73	\$87	\$66	\$85	\$95	\$129
2011	\$66	\$96	\$58	\$96	\$84	\$125
2012	\$63	\$93	\$60	\$87	\$91	\$131
2013	\$70	\$94	\$64	\$94	\$103	\$140
2014	\$77	\$120	\$73	\$115	\$110	\$151
2015	\$78	\$135	\$75	\$133	\$115	\$154
2016	\$82	\$144	\$80	\$141	\$122	\$157
2017	\$91	\$134	\$89	\$131	\$130	\$163
2018	\$97	\$150	\$96	\$153	\$139	\$172
2019	\$98	\$159	\$99	\$150	\$146	\$176
2020	\$106	\$161	\$105	\$161	\$156	\$180
2021	\$123	\$168	\$121	\$166	\$176	\$197
2022	\$137	\$204	\$134	\$216	\$187	\$216

* Through Oct. 2022

Includes both single family and multifamily homes.

Note: Twin Cities Metro Area = Twin Cities MSA

Source: 10K Research & Marketing, Maxfield Research & Consulting, LLC



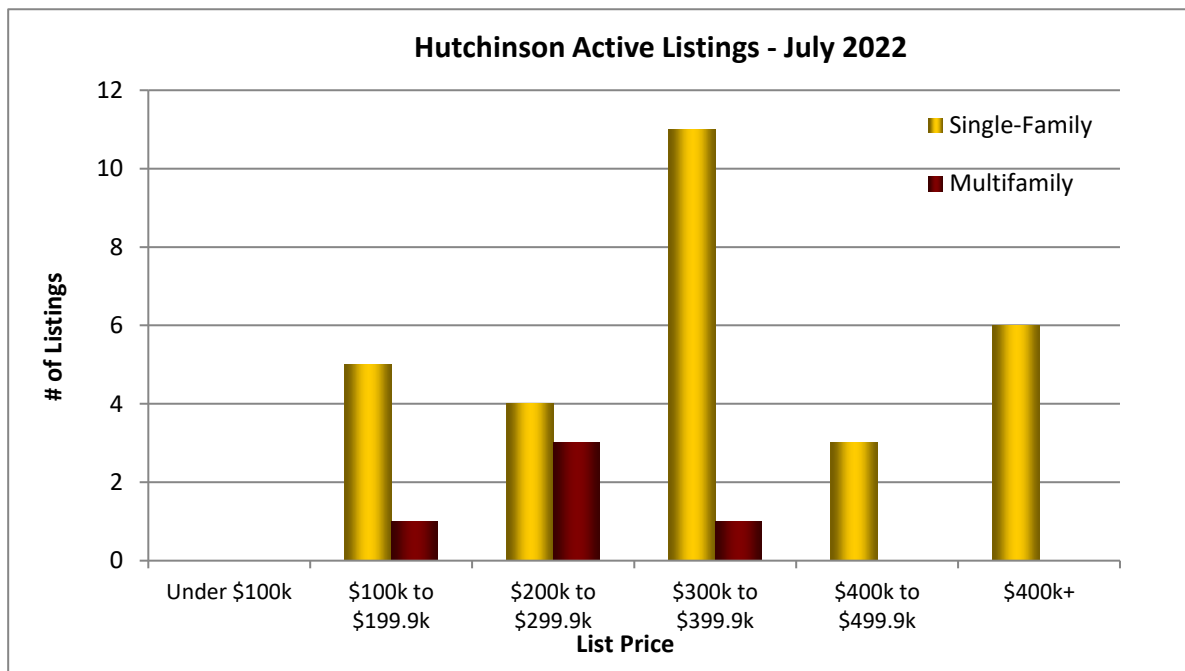
Current Supply of Homes on the Market

To more closely examine the current market for available owner-occupied housing in Hutchinson, we reviewed the current supply of homes on the market (listed for sale). Tables FS-6 through FS-9 homes shows currently listed for sale in the Hutchinson. The data was provided by the Regional Multiple Listing Services of Minnesota and is based on active listings in the summer of 2022. MLS listings generally account for the vast majority of all residential sale listings in a given area.

Table FS-6 shows the number of listings by price point, while Table FS-7 and FS-8 shows listings by home style. Table FS-9 shows the historic supply of actively marketing properties. The following points are key findings from our assessment of the active single-family and multifamily homes listed in the Hutchinson.

- About 35 homes were listed for sale in Hutchinson as of July 2022. Single-family homes accounted for 85% of all active listings. Multifamily units consisted of only a few town-homes/twinhomes and condominiums.
- The median list price skewed higher for single-family homes due to the number of new construction listings marketing. The median list price in Hutchinson was about \$380,000 for single-family homes and \$266,400 for multifamily homes; combined the median sales price across all housing types is about \$240,000. The median sale price is generally a more accurate indicator of housing values in a community than the average sale price. Average sale prices can be easily skewed by a few very high-priced or low-priced home sales in any given year, whereas the median sale price better represents the pricing of a majority of homes in a given market.
- Based on a median list price of \$359,412 for both single-family and multifamily listings, a household would need an income of about \$109,000 in order to afford to make monthly housing payments of about \$2,732 (assuming a 10% down payment, 6.75% 30-year fixed mortgage, property taxes, insurance, and PMI). A household with significantly more equity (in an existing home and/or savings) could put more than 10% down and afford a higher priced home. However, the income back in early 2022 would have been only \$79,000 to afford the same house based on interest rates of 3.0% back in early 2022, this is \$30,000 less than today's rates.

TABLE FS-6 HOMES CURRENTLY LISTED FOR-SALE CITY OF HUTCHINSON July 2022				
Price Range	Single-Family		Multifamily ¹	
	No.	Pct.	No.	Pct.
< \$99,999	0	0.0%		
\$100,000 to \$149,999	2	6.9%	1	20.0%
\$150,000 to \$199,999	3	10.3%		
\$200,000 to \$249,999	1	3.4%	2	40.0%
\$250,000 to \$299,999	3	10.3%	1	20.0%
\$300,000 to \$349,999	3	10.3%		
\$350,000 to \$399,999	8	27.6%	1	20.0%
\$400,000 to \$449,999	1	3.4%		
\$450,000 to \$499,999	2	6.9%		
\$500,000 and Over	6	20.7%		
	29	100%	5	100%
Minimum	\$114,900		\$124,999	
Maximum	\$1,195,000		\$375,000	
Median	\$379,900		\$239,900	
Average	\$412,924		\$244,940	
¹ Includes townhomes, twinhomes, and condominiums				
Sources: Regional Multiple Listing Service of MN Maxfield Research & Consulting				



- About 18% of Hutchinson’s homes for sale are priced less than \$250,000. About 21% of the listings are priced between \$200,000 and \$300,000 and the largest category is priced between \$300,000 and \$400,000 (35%).
- One story home styles comprise about 55% of the active single-family listings in Hutchinson. One and one-half story homes make-up 21% while split-levels make-up 14% of the homes for sale in Hutchinson. Two-story homes and modified two-stories have the highest cost but represent only 7% of the active listings.

TABLE FS-7 ACTIVE LISTINGS BY HOUSING TYPE July 2022		
Property Type	Listings	Pct.
Single-family	29	85.3%
Townhome/Twinhome	3	8.8%
Condominium	2	5.9%
Total	34	100.0%
Sources: Regional MLS of MN; Maxfield Research & Consulting		

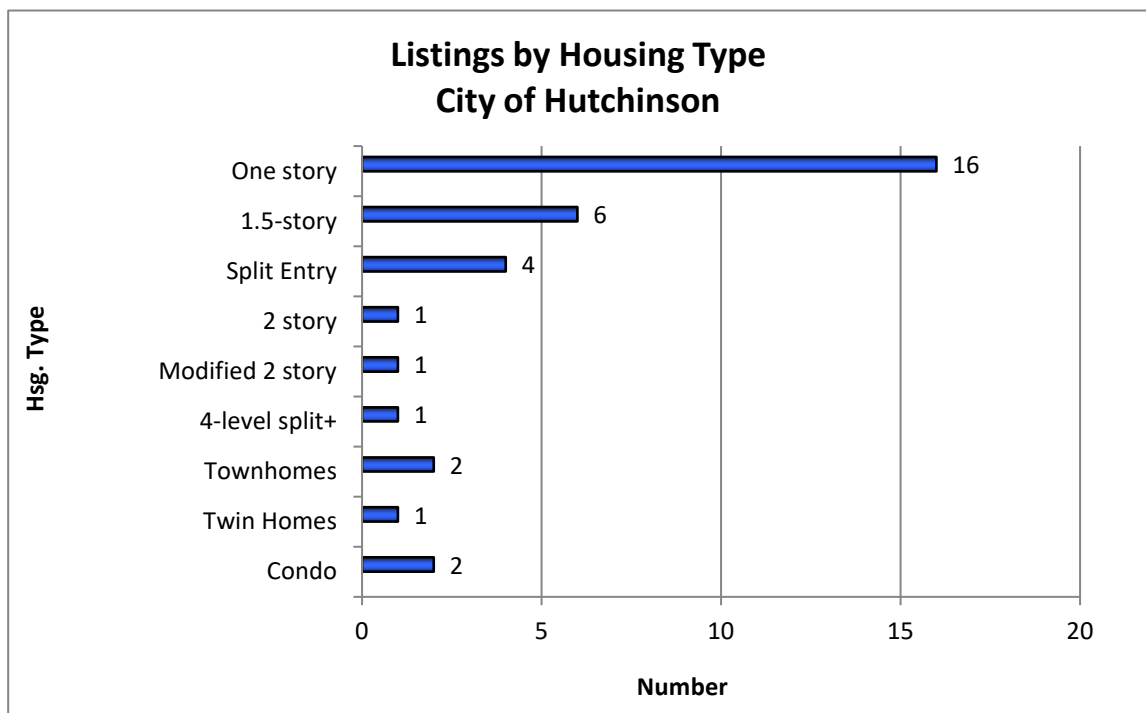
- One and one-half story homes are the most “affordable” housing type with a list price averaging just over \$250,000 or \$133 PSF. These homes are the oldest homes located in established neighborhoods near Downtown Hutchinson.
- There are only two condominiums for-sale; but they have the lowest list price averaging about \$165,000. Condos often serve the first-time home buyer market.

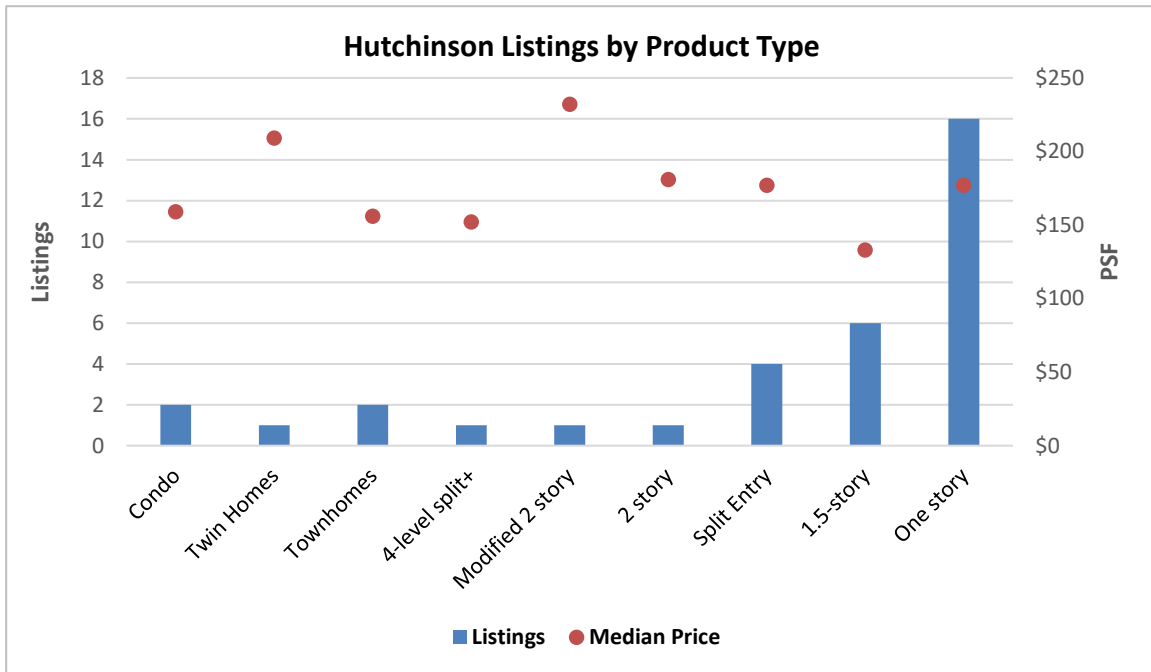
FOR-SALE HOUSING ANALYSIS

TABLE FS-8
ACTIVE LISTINGS BY HOUSING TYPE
July 2022

Property Type	Listings	Pct.	Avg. List Price	Avg. List Price Per Sq. Ft.	Avg. Age of Home
Single-Family					
One story	16	55.2%	\$432,419	\$177	2004
1.5-story	6	20.7%	\$250,733	\$133	1933
2-story	1	3.4%	\$699,900	\$181	2003
Modified 2-story	1	3.4%	\$1,195,000	\$232	2006
Split entry/Bi-level	4	13.8%	\$311,700	\$177	1982
4 or more split-level	1	3.4%	\$410,000	\$152	1994
Total	29	100.0%			
Townhomes/Twinhomes					
Twin Home	1	33.3%	\$239,900	\$209	1998
Side-by-Side	2	66.7%	\$327,450	\$156	1987
Total	3	100.0%			
Condominiums/Cooperatives					
Manor/Village	2	100.0%	\$164,950	\$159	1996
Total	2	100.0%			

Source: Regional Multiple Listing Service of MN; Maxfield Research & Consulting, LLC





Tables FS-9 illustrates the historic supply of actively marketed properties in the Twin Cities Metro Area, McLeod County, and Hutchinson from 2005 to October 22022. The table depicts the number of months' supply by housing product type. The months of supply metric calculates the number of months it would take for all the current homes for sale to sell given the monthly sales absorption. Generally, a balanced supply is considered four to six months. The higher the months of supply indicates there are more sellers than buyers; and the lower the months of supply indicates there are more buyers than sellers.

TABLE FS-9
ACTIVE SUPPLY OF HOMES FOR SALE
HUTCHINSON , MCLEOD COUNTY, & METRO AREA
2005 to 2022 (Oct.)

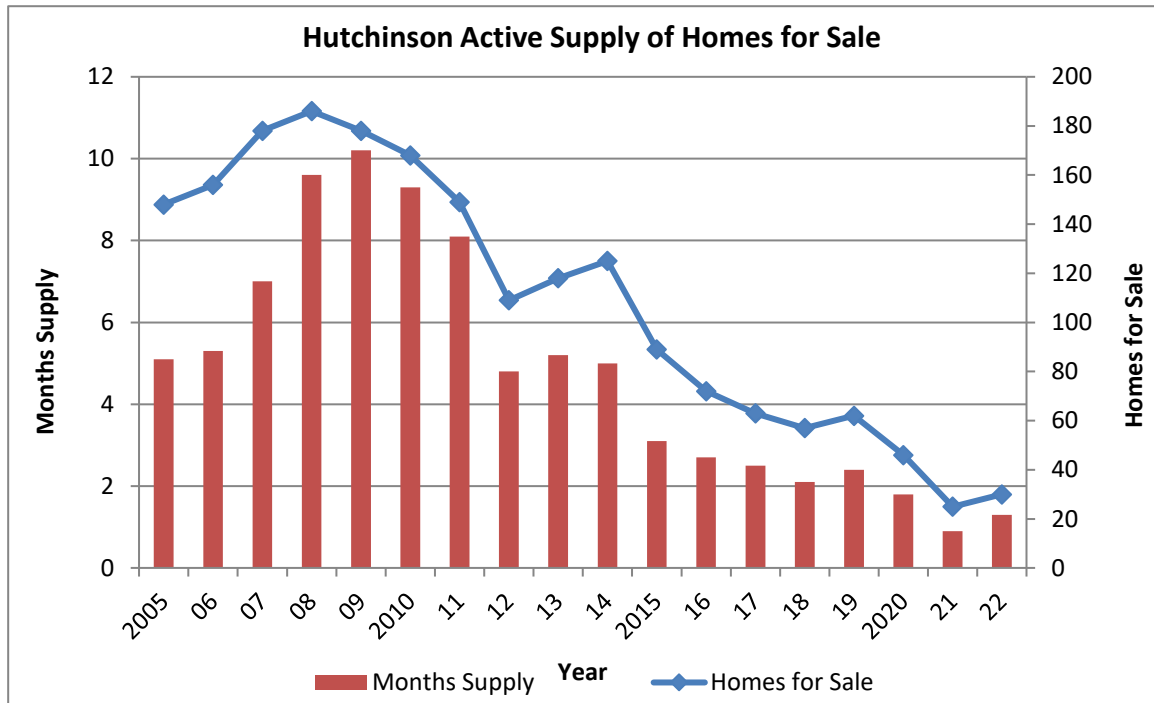
Year	Months Supply			Homes for Sale		
	City of Hutchinson	McLeod County	Twin Cities Metro	City of Hutchinson	McLeod County	Twin Cities Metro
2005	5.1	5.7	4.2	148	312	22,706
2006	5.3	6.7	6.6	156	341	29,366
2007	7.0	9.0	8.8	178	390	32,373
2008	9.6	11.4	9.7	186	393	31,557
2009	10.2	11.3	7.3	178	371	26,156
2010	9.3	9.8	7.4	168	342	26,498
2011	8.1	8.6	7.1	149	293	22,712
2012	4.8	5.5	4.5	109	231	17,217
2013	5.2	5.8	3.5	118	242	15,029
2014	5.0	5.6	3.9	125	245	16,178
2015	3.1	4.0	3.4	89	191	15,037
2016	2.7	2.9	2.6	72	144	12,985
2017	2.5	2.6	2.3	63	116	11,457
2018	2.1	2.4	2.2	57	110	10,530
2019	2.4	2.5	2.2	62	116	10,790
2020	1.8	1.6	1.8	46	73	9,035
2021	0.9	1.1	1.2	25	50	6,692
2022*	1.3	1.2	1.4	30	53	7,041

* Through Oct. 2022

Note: Homes for sale based on rolling 12-month data at end of year

Source: 10K Research & Marketing, Maxfield Research & Consulting, LLC

- The supply of homes in Hutchinson has mirrored the Twin Cities since 2015; however over the past few years supply in Hutchinson has been slightly lower than the Metro Area.
- After the housing downturn, the supply of homes in Hutchinson skyrocketed between 2008 and 2011 when there were over nine months of inventory. Since 2011 the inventory of supply has dwindled annually as lender-mediated properties were absorbed. At the end of 2021, there was only a 0.9 months' supply of homes for sale in Hutchinson.



Vacant Lot Inventory & Active Subdivisions

Maxfield Research & Consulting inventoried vacant lots in newer subdivisions (i.e. non infill lots) and identified actively marketing subdivisions in Hutchinson. Table FS-9 summarizes vacant lots by subdivision while Table FS-10 provides details on the active new construction subdivisions in Hutchinson.

Lot Supply

- Among the most active subdivisions, there are 106 vacant lots across 20 subdivisions as of 3rd Quarter 2022. This compares to over 300 vacant lots in the previously completed housing study in 2012.

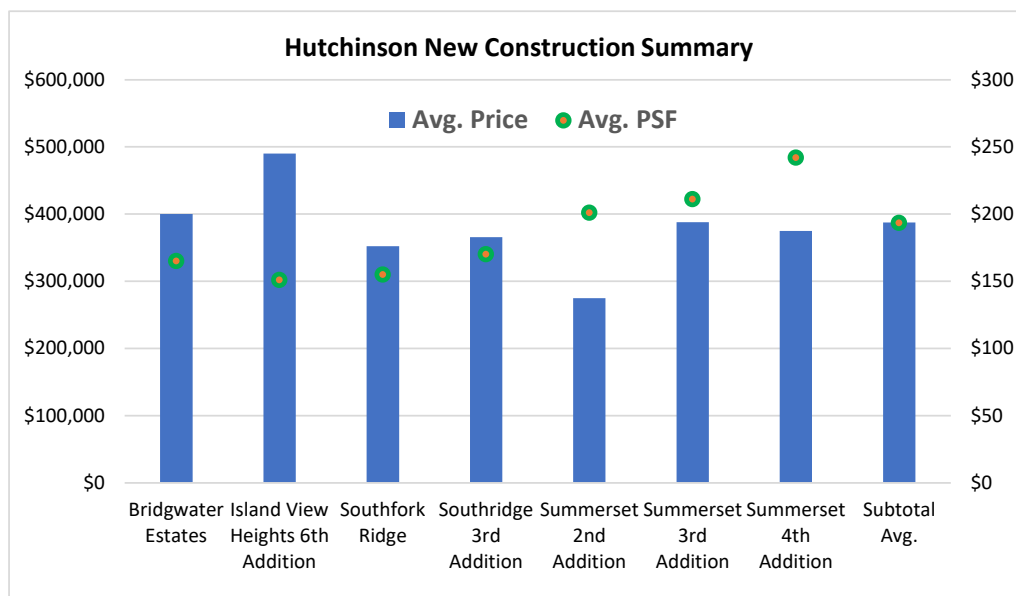
TABLE FS-9 LOT AVAILABILITY - ACTIVE SUBDIVISIONS CITY OF HUTCHINSON 3rd Quarter 2022						
	Year Platted	No. of Lots	Developed Lots	Vacant/ Avail. Lots	Lot Type	
Subdivision					SF	TH
Bridgewater Estates 2nd & 3rd Addition	2002/2006	55	42	13	x	
Excelsior Addition	2007	7	4	3	x	
Fairwood Estates 2nd & 3rd Addition	1999	63	60	3	x	
Fraser Subdivision	2005	2	1	1		x
Hellands 6th Addition	1984/2009	42	38	4	x	
Island View Heights 6th Addition	2004	21	14	7	x	
Ravenwood West/1st Add.	2005	23	20	3	x	
Riverpointe Villas (Kottke Court Replat)	2008	15	5	10		x
Santelman's 3rd Addition	2001	20	17	3	x	
Southfork Ridge	2004	28	25	3	x	
Southridge 3rd Addition	2004	27	21	6	x	
Stearns Wood	2004	7	4	3	x	
Summerset 2nd Addition	2003	35	30	5	x	
Summerset 3rd Addition	2005	90	59	31	x	
Summerset 4th Addition	2005	22	15	7	x	
Westridge Shores	1995	9	8	1	x	
Other - Misc (3 subdivisions with 1 lot)	n/a	3		3	x	
Total available and developed lots		469	363	106		
Sources: City of Hutchinson; McLeod County GIS; Maxfield Research & Consulting, LLC						

FOR-SALE HOUSING ANALYSIS

- Nearly all the lots were platted during the last housing boom in the early 2000s. No new platted subdivisions have moved forward since 2009.
- Nearly one-third of vacant lots are within the Summerset 3rd Addition. The subdivision with the second highest vacant lot count is the Bridgewater Estates subdivision with only 13 vacant lots.

Actively Marketing Subdivisions

- The seven actively marketing subdivisions have 72 vacant lots or nearly 70% of the vacant lot inventory in Hutchinson.
- The average lot size among the inventoried subdivision is just under one-quarter of an acre. Lot widths vary from 40' wide at the low end to around 90' wide for larger lots.
- The average market value (building plus land) among the inventoried subdivisions is approximately \$321,300 compared to actively marketing sales prices around \$387,500.
- The price per square foot (including land) varies considerably based on design, amenities, square footage, type of lot, etc. New construction is priced from approximately \$141 to \$242 per square foot; averaging \$193 among all the inventoried new construction. New construction averaged about \$144 PSF in the 2012 study, an increase of +34% over the past decade.
- Lot costs vary considerably based on subdivision, product type, and timing of the new construction. Many recent lot sales have averaged between \$20,000 and \$30,000, however can reach \$40,000 to \$50,000 for more desirable lots.



FOR-SALE MARKET ANALYSIS

TABLE FS-10
ACTIVELY MARKETING NEW CONSTRUCTION SUBDIVISIONS
HUTCHINSON
4TH QUARTER 2022

Subdivision	Year Platted	No. of Lots	Vacant Lots	Avg. Lot Size (Acres)	Typical Lot Size	Avg. Assessed/Market Values			Avg. Marketing Costs		Builders
						Land	Bldg.	Total	Home Price	PSF	
Bridgewater Estates 2nd & 3rd Addition	2000	55	13	0.26	70 x 148	\$82,405	\$292,763	\$375,168	\$400,000	\$165	Betker Builders
Island View Heights 6th Addition	2004	21	7	0.28	60 x 121	\$42,400	\$197,845	\$240,245	\$489,900	\$151	4 Square Builders
Southfork Ridge	2004	28	3	0.20	88 x 152	\$108,330	\$252,252	\$360,583	\$352,000	\$155	Castle Gate Construction
Southridge 3rd Addition	2004	27	6	0.12	42 x 120	\$76,805	\$199,929	\$276,733	\$365,400	\$170	Castle Gate Construction
Summerset 2nd Addition	2003	35	5	0.25	70 x 153	\$70,255	\$249,928	\$320,183	\$274,900	\$201	Betker Builders, First Class Builders
Summerset 3rd Addition	2005	90	31	0.23	73 x 124	\$79,411	\$250,982	\$330,393	\$387,835	\$211	Betker Builders, First Class Builders, Jbetco
Summerset 4th Addition	2005	22	7	0.22	50 x 178	\$57,380	\$226,980	\$284,360	\$375,000	\$242	First Class Builders
Subtotal/Averages		278	72	0.23		\$74,563	\$246,751	\$321,315	\$387,501	\$193	

Lot value, building value, and total market value based on McLeod County Assessor data. Lot value based on market value with a home on the property (i.e. not vacant)

Avg. Marketing costs of new construction actively marketing and closed in 2022.

Source: McLeod County GIS, City of Hutchinson, RMLS, Maxfield Research & Consulting LLC

Select New Construction Properties



New Construction – Island View Add.

New patio homes



New Patio Homes

Twin Homes

Introduction

Affordable housing is a term that has various definitions according to different people and is a product of supply and demand. According to the U.S. Department of Housing and Urban Development (HUD), the definition of affordability is for a household to pay no more than 30% of its annual income on housing (including utilities). Families who pay more than 30% of their income for housing (either rent or mortgage) are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care.

Generally, housing that is income-restricted to households earning at or below 80% of Area Median Income (AMI) is considered affordable. However, many individual properties have income restrictions set anywhere from 30% to 80% of AMI. Rent is not based on income but instead is a contract amount that is affordable to households within the specific income restriction segment. Moderate-income housing, often referred to as “workforce housing,” refers to both rental and ownership housing. Hence the definition is broadly defined as housing that is income-restricted to households earning between 50% and 120% AMI. Figure 1 below summarizes income ranges by definition.

FIGURE 1 AREA MEDIAN INCOME (AMI) DEFINITIONS	
Definition	AMI Range
Extremely Low Income	0% - 30%
Very Low Income	31% - 50%
Low Income	51% - 80%
Moderate Income Workforce Housing	80% - 120%
Note: McLeod County 4-person AMI = \$88,800 (2022)	

Naturally-Occurring Affordable Housing (i.e. Unsubsidized Affordable)

Although affordable housing is typically associated with an income-restricted property, there are other housing units in communities that indirectly provide affordable housing. Housing units that were not developed or designated with income guidelines (i.e. assisted) yet are more affordable than other units in a community are considered “naturally-occurring” or “unsubsidized affordable” units. This rental supply is available through the private market, versus assisted housing programs through various governmental agencies. Property values on these units are lower based on a combination of factors, such as: age of structure/housing stock, location, condition, size, functionally obsolete, school district, etc. Because of these factors, housing costs tend to be lower.

According to the *Joint Center for Housing Studies of Harvard University*, the privately unsubsidized housing stock supplies three times as many low-cost affordable units than assisted

projects nationwide. Unlike assisted rental developments, most unsubsidized affordable units are scattered across small properties (one to four unit structures) or in older multifamily structures. Many of these older developments are vulnerable to redevelopment due to their age, modest rents, and deferred maintenance.

Because many of these housing units have affordable rents, project-based and private housing markets cannot be easily separated. Some households (typically those with household incomes of 50% to 60% AMI) income-qualify for both market rate and project-based affordable housing.

Rent and Income Limits

Table HA-1 shows the maximum allowable incomes by household size to qualify for affordable housing and maximum gross rents that can be charged by bedroom size in McLeod County. These incomes are published and revised annually by the Department of Housing and Urban Development (HUD) and also published separately by the Minnesota Housing Finance Agency based on the date the project was placed into service. Fair market rent is the amount needed to pay gross monthly rent at modest rental housing in a given area. This table is used as a basis for determining the payment standard amount used to calculate the maximum monthly subsidy for families at financially assisted housing.

Table HA-2 shows the maximum rents by household size and AMI based on income limits illustrated in Table HA-1. The rents on Table HA-2 are based on HUD's allocation that monthly rents should not exceed 30% of income. In addition, the table reflects maximum household size based on HUD guidelines of number of persons per unit. For each additional bedroom, the maximum household size increases by two persons.

HOUSING AFFORDABILITY

TABLE HA-1
MHFA/HUD INCOME AND RENT LIMITS
MCLEOD COUNTY - 2022

Income Limits by Household Size								
Area Median Income (AMI)								
	30%	40%	50%	60%	70%	80%	100%	120%
1 pph	\$18,660	\$24,880	\$31,100	\$37,320	\$43,540	\$49,760	\$62,200	\$74,640
2 pph	\$21,330	\$28,440	\$35,550	\$42,660	\$49,770	\$56,880	\$71,100	\$85,320
3 pph	\$24,000	\$32,000	\$40,000	\$48,000	\$56,000	\$64,000	\$80,000	\$96,000
4 pph	\$26,640	\$35,520	\$44,400	\$53,280	\$62,160	\$71,040	\$88,800	\$106,560
5 pph	\$28,800	\$38,400	\$48,000	\$57,600	\$67,200	\$76,800	\$96,000	\$115,200
6 pph	\$30,930	\$41,240	\$51,550	\$61,860	\$72,170	\$82,480	\$103,100	\$123,720
7 pph	\$33,060	\$44,080	\$55,100	\$66,120	\$77,140	\$88,160	\$110,200	\$132,240
8 pph	\$35,190	\$46,920	\$58,650	\$70,380	\$82,110	\$93,840	\$117,300	\$140,760
Maximum Gross Rent								
	30%	40%	50%	60%	70%	80%	100%	120%
EFF	\$466	\$622	\$777	\$933	\$1,088	\$1,244	\$1,555	\$1,866
1BR	\$499	\$666	\$833	\$999	\$1,166	\$1,333	\$1,666	\$1,999
2BR	\$600	\$800	\$1,000	\$1,200	\$1,400	\$1,600	\$2,000	\$2,400
3BR	\$693	\$924	\$1,155	\$1,386	\$1,617	\$1,848	\$2,310	\$2,772
4BR	\$773	\$1,031	\$1,288	\$1,546	\$1,804	\$2,062	\$2,577	\$3,093
Fair Market Rent								
Fair Market Rent	EFF	1BR	2BR	3BR	4BR			
	\$606	\$624	\$821	\$1,166	\$1,405			

Sources: MHFA, HUD, Novogradac, Maxfield Research & Consulting, LLC

HOUSING AFFORDABILITY

TABLE HA-2
MAXIMUM RENT BASED ON HOUSEHOLD SIZE AND AREA MEDIAN INCOME
MCLEOD COUNTY - 2022

Unit Type ¹	HHD Size		Maximum Rent Based on Household Size (@30% of Income)											
	Min	Max	30%		50%		60%		80%		100%		120%	
			Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.
Studio	1	1	\$467	- \$467	\$778	- \$778	\$933	- \$933	\$1,244	- \$1,244	\$1,555	- \$1,555	\$1,866	- \$1,866
1BR	1	2	\$467	- \$533	\$778	- \$889	\$933	- \$1,067	\$1,244	- \$1,422	\$1,555	- \$1,778	\$1,866	- \$2,133
2BR	2	4	\$533	- \$666	\$889	- \$888	\$1,067	- \$1,332	\$1,422	- \$1,776	\$1,778	- \$2,220	\$2,133	- \$2,664
3BR	3	6	\$600	- \$773	\$800	- \$1,289	\$1,200	- \$1,547	\$1,600	- \$2,062	\$2,000	- \$2,578	\$2,400	- \$3,093
4BR	4	8	\$666	- \$880	\$888	- \$1,466	\$1,332	- \$1,760	\$1,776	- \$2,346	\$2,220	- \$2,933	\$2,664	- \$3,519
¹ One-bedroom plus den and two-bedroom plus den units are classified as 1BR and 2BR units, respectively. To be classified as a bedroom, a den must have a window and closet. Note: McLeod County 4-person AMI = \$88,800 (2022)														
Sources: HUD, MHFA, Novogradac, Maxfield Research & Consulting, LLC														

Housing Cost Burden

Table HA-3 shows the number and percentage of owner and renter households in the Hutchinson Market Area that pay 30% or more of their gross income for housing. This information was compiled from the American Community Survey 2020 estimates. This information is different than the 2000 Census which separated households that paid 35% or more in housing costs. As such, the information presented in the tables may be overstated in terms of households that may be “cost burdened.” The Federal standard for affordability is 30% of income for housing costs. Without a separate break out for households that pay 35% or more, there are likely a number of households that elect to pay slightly more than 30% of their gross income to select the housing that they choose. Moderately cost-burdened is defined as households paying between 30% and 50% of their income to housing; while severely cost-burdened is defined as households paying more than 50% of their income for housing.

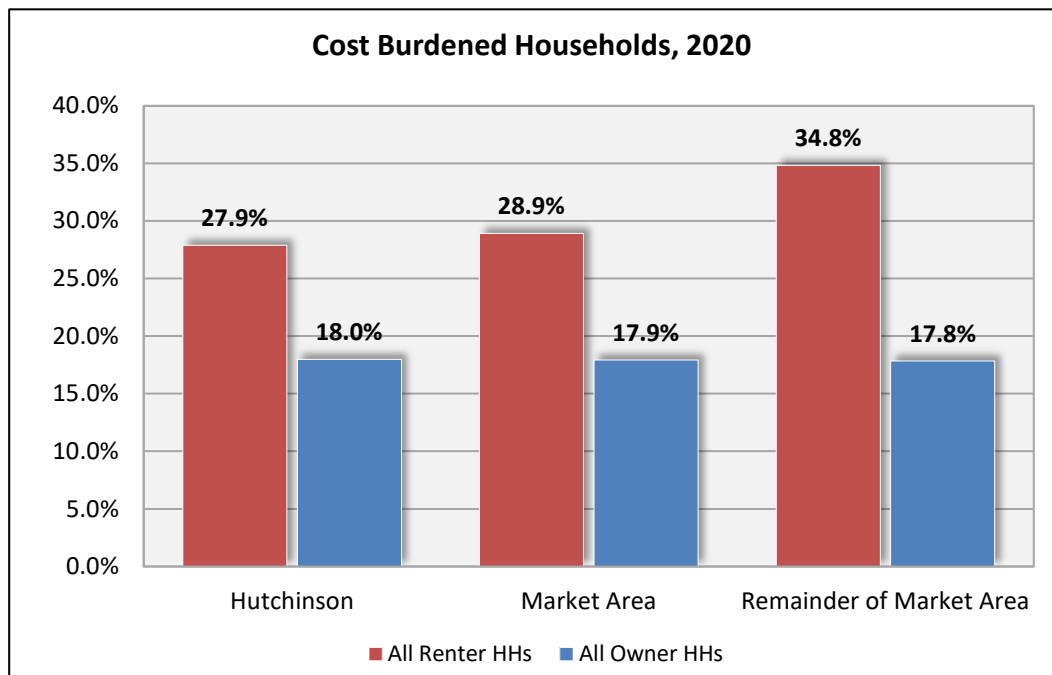
Higher-income households that are cost-burdened may have the option of moving to lower priced housing, but lower-income households often do not. The figures focus on owner households with incomes below \$50,000 and renter households with incomes below \$35,000.

Key findings from Table HA-3 follow.

- About 18% of owner households and 28% of renter householders are estimated to be paying more than 30% of their income for housing costs in the City of Hutchinson. Compared to the Remainder of the Market Area, the percentage of cost burdened owner and renter households is on par with owner households but higher for renter households in Hutchinson. The Remainder of the Market Area cost burdened households are 18% for owner households and 35% for renter households.
- The number of cost burdened households in Hutchinson increases proportionally based on income level. About 63% of renters with incomes below \$35,000 are cost burdened and 43% of owners with incomes below \$50,000 are cost burdened.
- By comparison, in the Remainder of the Market Area, 48% of owners with incomes below \$50,000 and 74% of renters with incomes below \$35,000 are cost burdened.

HOUSING AFFORDABILITY

TABLE HA-3 HOUSING COST BURDEN HUTCHINSON MARKET AREA 2020								
	City of Hutchinson		Market Area		Remainder of MA		Minnesota	
Community	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Owner Households								
All Owner Households	4,330		8,369		4,039		1,588,611	
Cost Burden 30% or greater	767	18.0%	1,486	17.9%	719	17.8%	284,842	17.9%
Owner Households w/ incomes <\$50,000	1,415		2,413		998		377,372	
Cost Burden 30% or greater	581	43.0%	1,057	45.2%	476	48.2%	187,517	49.7%
Renter Households								
All Renter Households	2,130		2,575		445		619,377	
Cost Burden 30% or greater	570	27.9%	695	28.9%	125	34.8%	265,967	42.9%
Renter Households w/ incomes <\$35,000	877		1,059		182		264,370	
Cost Burden 30% or greater	519	62.7%	626	64.3%	107	73.8%	195,122	73.8%
Note: Calculations exclude households not computed.								
Sources: U.S. Census Bureau; American Community Survey; Maxfield Research & Consulting, LLC								



Housing Costs as Percentage of Household Income

Housing costs are generally considered affordable at 30% of a households' adjusted gross income. Table HA-4 on the following page illustrates key housing metrics based on housing costs and household incomes in the Hutchinson Market Area. The table estimates the percentage of Hutchinson Market Area householders that can afford rental and for-sale housing based on a 30% allocation of income to housing. Housing costs are based on averages in Hutchinson.

The housing affordability calculations assume the following:

For-Sale Housing

- 10% down payment with good credit score
- Closing costs rolled into mortgage
- 30-year mortgage at 6.75% interest rate
- Private mortgage insurance (equity of less than 20%)
- Homeowners insurance for single-family homes and association dues for townhomes
- Owner household income per 2020 ACS

Rental Housing

- Background check on tenant to ensure credit history
- 30% allocation of income
- Renter household income per 2020 ACS

Because of the down payment requirement and strict underwriting criteria for a mortgage, not all households will meet the income qualifications as outlined above.

- About 77% of the Hutchinson PMA households could afford to buy an entry-level home (\$150,000) in Hutchinson. Furthermore, about 50% of existing owner households could afford to purchase a home of \$250,000.
- About 66% of existing renter households can afford to rent a one-bedroom unit in Hutchinson (approx. \$700/month). The percentage of renter income-qualified households decreases to roughly 55% that can afford an existing three-bedroom unit (approx. \$1,000/month). Furthermore, about 55% of renters could afford to rent a one-bedroom apartment at \$1,000 per month within a new development.

HOUSING AFFORDABILITY

TABLE HA-4 HOUSING AFFORDABILITY - BASED ON HOUSEHOLD INCOME HUTCHINSON MARKET AREA						
For-Sale (Assumes 10% down payment and good credit)						
	Single-Family			Townhome/Twinhome/Condo		
	Entry-Level	Move-Up	Executive	Entry-Level	Move-Up	Executive
Price of House	\$150,000	\$250,000	\$450,000	\$125,000	\$200,000	\$250,000
Pct. Down Payment	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Total Down Payment Amt.	\$15,000	\$25,000	\$45,000	\$12,500	\$20,000	\$25,000
Estimated Closing Costs (rolled into mortgage)	\$4,500	\$7,500	\$13,500	\$3,750	\$6,000	\$7,500
Cost of Loan	\$139,500	\$232,500	\$418,500	\$116,250	\$186,000	\$232,500
Interest Rate	6.750%	6.750%	6.750%	6.750%	6.750%	6.750%
Number of Pmts.	360	360	360	360	360	360
Monthly Payment (P & I)	-\$905	-\$1,508	-\$2,714	-\$754	-\$1,206	-\$1,508
(plus) Prop. Tax	-\$125	-\$208	-\$375	-\$104	-\$167	-\$208
(plus) HO Insurance/Assoc. Fee for TH	-\$50	-\$83	-\$150	-\$100	-\$100	-\$100
(plus) PMI/MIP (less than 20%)	-\$60	-\$101	-\$181	-\$50	-\$81	-\$101
Subtotal monthly costs	-\$1,140	-\$1,900	-\$3,421	-\$1,009	-\$1,554	-\$1,917
Housing Costs as % of Income	30%	30%	30%	30%	30%	30%
Minimum Income Required	\$45,610	\$76,016	\$136,829	\$40,341	\$62,146	\$76,683
Pct. of ALL Market Area HHDS who can afford ¹	76.9%	49.7%	17.1%	80.3%	62.6%	49.2%
No. of Market Area HHDS who can afford ¹	8,447	5,458	1,879	8,818	6,875	5,404
Pct. of Market Area owner HHDS who can afford ²	74.5%	46.8%	17.8%	78.6%	59.6%	46.4%
No. of Market Area owner HHDS who can afford ²	6,238	3,919	1,486	6,577	4,992	3,885
No. of Market Area owner HHDS who cannot afford ²	2,131	4,450	6,883	1,792	3,377	4,484
Rental (Market Rate)						
	Existing Rental			New Rental		
	1BR	2BR	3BR	1BR	2BR	3BR
Monthly Rent	\$700	\$850	\$1,000	\$1,000	\$1,200	\$1,350
Annual Rent	\$8,400	\$10,200	\$12,000	\$12,000	\$14,400	\$16,200
Housing Costs as % of Income	30%	30%	30%	30%	30%	30%
Minimum Income Required	\$28,000	\$34,000	\$40,000	\$40,000	\$48,000	\$54,000
Pct. of ALL Market Area HHDS who can afford ¹	88.2%	84.4%	80.5%	80.5%	75.4%	70.3%
No. of Market Area HHDS who can afford ¹	9,686	9,265	8,842	8,842	8,278	7,721
Pct. of Market Area renter HHDS who can afford ²	65.8%	59.9%	54.8%	54.8%	48.4%	42.0%
No. of Market Area renter HHDS who can afford ²	1,695	1,542	1,412	1,412	1,246	1,081
No. of Market Area renter HHDS who cannot afford ²	880	1,033	1,163	1,163	1,329	1,494
¹ Based on 2020 household income for ALL households						
² Based on 2020 ACS household income by tenure (i.e. owner and renter incomes. Owner incomes = \$71,792 vs. renter incomes = \$48,478)						
Source: Maxfield Research & Consulting, LLC						

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 the Hutchinson Market Area from 2022 through 2030.

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 in their early 20's without children
 - 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, in their mid-20's or 30's, some with children, but most are without children
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

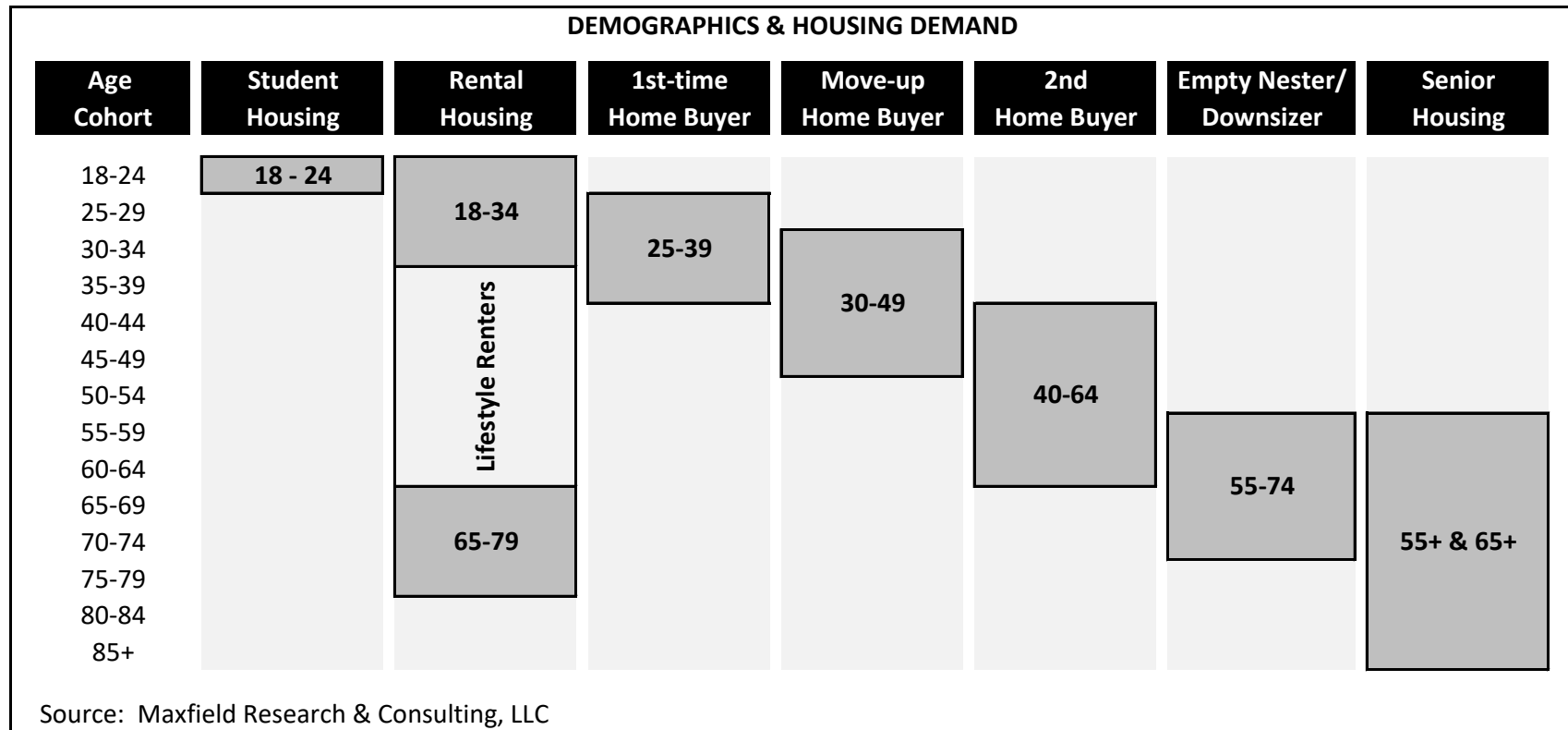
Demand for housing can come from several sources including: household growth, changes in housing preferences, and replacement need. Household growth necessitates building new housing unless there is enough desirable vacant housing available to absorb the increase in households. Demand is also affected by shifting demographic factors such as the aging of the population, which dictates the type of housing preferred. New housing to meet replacement need is required, even in the absence of household growth, when existing units no longer meet the needs of the population and when renovation is not feasible because the structure is physically or functionally obsolete.

The graphic on the following page provides greater detail of various housing types supported within each housing life cycle. Information on square footage, average bedrooms/bathrooms, and lot size is provided on the subsequent graphic.

Housing Demand Overview

The previous sections of this assessment focused on demographic and economic factors driving demand for housing in the Hutchinson Market Area. In this section, we utilize findings from the economic and demographic analysis to calculate demand for new general occupancy housing units in Hutchinson.

Housing markets are driven by a range of supply and demand factors that vary by location and submarket. The following points outline several of the key variables driving housing demand.



TYPICAL HOUSING TYPE CHARACTERISTICS				
	Housing Types	Target Market/ Demographic	Unit/Home Characteristics	Lot Sizes/ Units Per Acre ¹
For-Sale Housing	Entry-level single-family	First-time buyers: Families, couples w/no children, some singles	1,200 to 2,200 sq. ft. 2-4 BR 2 BA	80'+ wide lot 2.5-3.0 DU/Acre
	Move-up single-family	Step-up buyers: Families, couples w/no children	2,000 sq. ft.+ 3-4 BR 2-3 BA	80'+ wide lot 2.5-3.0 DU/Acre
	Executive single-family	Step-up buyers: Families, couples w/no children	2,500 sq. ft.+ 3-4 BR 2-3 BA	100'+ wide lot 1.5-2.0 DU/Acre
	Small-lot single-family	First-time & move-down buyers: Families, couples w/no children, empty nesters, retirees	1,700 to 2,500 sq. ft. 3-4 BR 2-3 BA	40' to 60' wide lot 5.0-8.0 DU/Acre
	Entry-level townhomes	First-time buyers: Singles, couples w/no children	1,200 to 1,600 sq. ft. 2-3 BR 1.5BA+	6.0-12.0 DU/Acre
	Move-up townhomes	First-time & step-up buyers: Singles, couples, some families, empty-nesters	1,400 to 2,000 sq. ft. 2-3 BR 2BA+	6.0-8.0 DU/Acre
	Executive townhomes/twinhomes	Step-up buyers: Empty-nesters, retirees	2,000+ sq. ft. 3 BR+ 2BA+	4.0-6.0 DU/Acre
	Detached Townhome	Step-up buyers: Empty-nesters, retirees, some families	2,000+ sq. ft. 3 BR+ 2BA+	4.0-6.0 DU/Acre
	Condominiums	First-time & step-up buyers: Singles, couples, empty-nesters, retirees	800 to 1,700 sq. ft. 1-2 BR 1-2 BA	Low-rise: 18.0-24.0 DU/Acre Mid-rise: 25.0+ DU/Acre Hi-rise: 75.0+ DU/Acre
	Apartment-style rental housing	Singles, couples, single-parents, some families, seniors	675 to 1,250 sq. ft. 1-3 BR 1-2 BA	Low-rise: 18.0-24.0 DU/Acre Mid-rise: 25.0+ DU/Acre Hi-rise: 75.0+ DU/Acre
Rental Housing	Townhome-style rental housing	Single-parents, families w/children, empty nesters	900 to 1,700 sq. ft. 2-4 BR 2BA	8.0-12.0 DU/Acre
	Student rental housing	College students, mostly undergraduates	550 to 1,400 sq. ft. 1-4BR 1-2 BA	Low-rise: 18.0-24.0 DU/Acre Mid-rise: 25.0+ DU/Acre Hi-rise: 50.0+ DU/Acre
Both	Senior housing	Retirees, Seniors	550 to 1,500 sq. ft. Suites - 2BR 1-2 BA	Varies considerably based on senior product type

¹ Dwelling units(DU) per acre expressed in net acreage (minus right-of-way)

Source: Maxfield Research & Consulting, LLC

Demographics

Demographics are major influences that drive housing demand. Household growth and formations are critical (natural growth, immigration, etc.), as well as household types, size, age of householders, incomes, etc.

Economy and Job Growth

The economy and housing market are intertwined; the health of the housing market affects the broader economy and vice versa. Housing market growth depends on job growth (or the prospect of); jobs generate income growth which results in the formation of more households and can stimulate household turnover. Historically low unemployment rates have driven both existing home purchases and new-home purchases. Lack of job growth leads to slow or diminishing

household growth, which in-turn relates to reduced housing demand. Additionally, low income growth results in fewer move-up buyers which results in diminished housing turnover across all income brackets.

Consumer Choice/Preferences

A variety of factors contribute to consumer choice and preferences. Many times a change in family status is the primary factor for a change in housing type (i.e. growing families, empty-nest families, etc.). However, housing demand is also generated from the turnover of existing households who decide to move for a range of reasons. Some households may want to move-up, downsize, change their tenure status (i.e. owner to renter or vice versa), or simply move to a new location.

Supply (Existing Housing Stock)

The stock of existing housing plays a crucial component in the demand for new housing. There are a variety of unique household types and styles, not all of which are desirable to today's consumers. The age of the housing stock is an important component for housing demand, as communities with aging housing stocks have higher demand for remodeling services, replacement new construction, or new home construction as the current inventory does not provide the supply that consumers seek.

Pent-up demand may also exist if supply is unavailable as householders postpone a move until new housing product becomes available.

Housing Finance

Household income is the fundamental measure that dictates what a householder can afford to pay for housing costs. According to the U.S. Department of Housing and Urban Development (HUD), the definition of affordability is for a household to pay no more than 30% of its annual income on housing (including utilities). Families who pay more than 30% of their income for housing (either rent or mortgage) are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care.

The ability of buyers to obtain mortgage financing has recently been challenging as interest rate hikes in 2022 by the Federal Reserve has decreased affordability for buyers. Although still historically low, rising interest rates combined with rising housing costs has decreased affordability in the 2nd half of 2022.

Mobility

It is important to note that demand is somewhat fluid between Hutchinson and the surrounding areas and will be impacted by development activity in nearby areas, including other communities outside of the Market Area. Much of the housing demand in a community is

generated by the turnover of existing households. Satisfying future demand will be highly dependent on the availability of suitable housing options in the community.

Estimated Demand for For-Sale Housing

Table HD-1 presents our demand calculations for general occupancy for-sale housing in the Hutchinson Market Area between 2022 and 2030.

The 65 and older cohort is typically not a target market for new general occupancy for-sale housing, therefore, we limit demand from household growth to only those households under the age of 65. According to our projections, the Hutchinson Market Area is expected to increase for households under the age of 65 by 190 households between 2022 and 2030, which produces demand 140 units from new household growth.

Demand is forecast to emerge from existing Market Area householders through turnover. An estimated 5,647 owner-occupied households under age 65 are located in the Hutchinson Market Area in 2022. Based on mobility data from the Census Bureau, an estimated 36% of owner households will turnover in an eight-year period, resulting in 2,047 existing households projected to turnover. Finally, we estimate 10% of the existing owner households will seek new for-sale housing, resulting in demand for 205 for-sale units through 2030.

Next, we estimate that 20% of the total demand for new for-sale units in the Hutchinson Market Area will come from people currently living outside of the Market Area. A portion of this market will be former residents of the area, such as “snow-birds” heading south for the winters. Adding demand from outside the Hutchinson Market Area to the existing demand potential, results in a total estimated demand for 430 for-sale housing units by 2030.

Based on land available, building trends, and demographic shifts (increasing older adult population), we project 70% of the for-sale owners will prefer traditional single-family product types while the remaining 30% will prefer a maintenance-free multi-family product (i.e. townhomes, townhomes, detached townhomes, condominiums, etc.).

We then subtract the current identified platted lots that are available, under construction or approved. After subtracting the current lot supply in subdivisions (107 total single-family lots) we find total demand through 2030 resulting in 194 single-family lots and 129 multifamily lots.

Finally, we estimate that 65% of the excess single-family demand and 85% of the excess multifamily demand from the Hutchinson Market Area demand could be captured in Hutchinson. **Therefore, total for-sale demand in Hutchinson through 2030 is about 126 new single-family lots and 110 multifamily units.**

HOUSING DEMAND ANALYSIS

TABLE HD-1 FOR-SALE HOUSING DEMAND HUTCHINSON MARKET AREA 2022 to 2030			
Demand from Projected Household Growth			
Projected HH growth under age 65 in the Market Area 2022 to 2030 ¹			190
(times) % propensity to own ²	x	74%	
(equals) Projected demand from new HH growth	=		140
Demand from Existing Owner Households			
Number of owner households (age 64 and younger) in the Market Area (2022) ³			5,647
(times) Estimated percent of owner turnover ⁴	x	36%	
(equals) Total existing households projected to turnover	=		2,047
(times) Estimated percent desiring new housing	x	10%	
(equals) Demand from existing households			205
(equals) Total demand from HH growth and existing HHs 2022 to 2030	=		344
(times) Demand from outside the Market Area			20%
(equals) Total demand potential for ownership housing, 2022 to 2030			430
		Single Family	Multi-Family*
(times) Percent desiring for-sale single-family vs. multifamily ⁵	x	70%	30%
(equals) Total demand potential for new single-family & multifamily for-sale housing	=	301	129
(minus) Units under construction or approved platted lots (undeveloped and developed lots) ⁶	-	107	0
(equals) Excess demand for new general occupancy for-sale housing	=	194	129
(times) Percent of Market Area demand capturable by the Market Area	x	65%	85%
(equals) number of units supportable by the Market Area		126	110
¹ Estimated household growth based on projections as adjusted by Maxfield Research and Consulting LLC			
² Pct. of owner households under the age of 65 (U.S. Census - 2020).			
³ Estimate based on 2020 owner households (under age 65).			
⁴ Based on on turnover from 2020 American Community Survey for households moving over a 8-year period.			
⁵ Based on preference for housing type and land availability			
⁶ Approved platted lot data does not account for the scattered lot supply which includes individual lots and lots in older non-marketing subdivisions.			
* Multi-family demand includes demand for townhomes, twinhomes, and condominium units.			
Source: Maxfield Research and Consulting LLC			

Estimated Demand for General-Occupancy Rental Housing

Table HD-2 presents our calculation of general-occupancy rental housing demand in the Hutchinson Market Area. This analysis identifies potential demand for rental housing that is generated from both new households and turnover households. A portion of the demand will be drawn from existing households in the Hutchinson Market Area that want to upgrade their housing situations.

The 65 and older cohort is typically not a target market for new general occupancy rental housing, therefore, we limit demand from household growth to only those households under the age of 65. According to our projections, the Hutchinson Market Area is expected to increase by 190 households that are under the age of 65 between 2022 and 2030. After multiplying

household growth by the estimated rental rate, the Market Area is projected to produce demand for 35 households from household growth.

Demand is forecast to emerge from existing Market Area householders through turnover. An estimated 2,036 renter-occupied households under age 65 are located in the Hutchinson Market Area in 2022. Based on mobility data from the Census Bureau, an estimated 81% of renter households will turnover in a eight-year period, resulting in 1,653 existing households projected to turnover. Finally, we estimate 15% of the existing renter households will seek new rental housing, resulting in demand for 298 rental units through 2030.

Next, we estimate that 25% of the total demand for new rental units in the Hutchinson Market Area will come from people currently living outside of the Market Area. Adding demand from outside the Hutchinson Market Area to the existing demand potential, results in a total estimated demand for 398 rental housing units by 2030.

Based on a review of rental household incomes and sizes and monthly rents at existing projects, we estimate that approximately 15% of the total demand will be for subsidized housing (30% AMI), 15% will be for affordable housing (40% to 60% AMI), and 70% will be for market rate housing (non-income restricted).

Next we subtract housing projects that are under construction or pending, since these projects will satisfy some of the calculated demand for general occupancy rental housing. Currently, there is a pending 16-unit apartment development that is planned.

Finally, we estimate that a site in Hutchinson can capture 80% to 95% of the total Market Area demand, resulting in demand for 57 subsidized units, 57 affordable units, and 211 market rate units in Hutchinson.

HOUSING DEMAND ANALYSIS

TABLE HD-2 RENTAL HOUSING DEMAND HUTCHINSON MARKET AREA 2022 to 2030			
Demand from Projected Household Growth			
Projected HH growth under age 65 in the Market Area 2022 to 2030 ¹			190
(times) Estimated % to be renting their housing ²	x		27%
(equals) Projected demand from new HH growth	=		50
Demand from Existing Renter Households			
Number of renter HHs (age 64 and younger) in the Market Area (2022) ³			2,036
(times) Estimated percent of renter turnover ⁴	x		81%
(equals) Total existing households projected to turnover	=		1,653
(times) Estimated percent desiring new rental housing	x		15%
(equals) Demand from existing households			248
(equals) Total demand from HH growth and existing HHs 2022 to 2030	=		298
(times) Demand from outside the Market Area			25%
(equals) Total demand potential for rental housing, 2022 to 2030			398
		Subsidized	Affordable
(times) Percent of rental demand by product type ⁵	x	15%	15%
(equals) Total demand potential for general-occupancy rental housing units	=	60	60
(minus) Units under construction or pending ⁶	-	0	15
(equals) Excess demand for new general occupancy rental housing	=	60	263
(times) Percent of Market Area demand capturable by the Market Area	x	95%	80%
(equals) number of units supportable by the Market Area		57	211
¹ Estimated household growth based on projections as adjusted by Maxfield Research and Consulting LLC			
² Pct. of renter households under the age of 65 (U.S. Census - 2020).			
³ Estimate based on 2020 renter households (under age 65).			
⁴ Based on on turnover from 2020 American Community Survey for households moving over 8-year period.			
⁵ Based on the combination of current rental product and household incomes of area renters (non-senior households)			
⁶ Pending/proposed/under construction at 95% occupancy.			
Source: Maxfield Research & Consulting, LLC			

Estimated Demand for Market Rate Active Adult Senior Housing

Table HD-3 presents our demand calculations for market rate active adult senior housing in the Hutchinson Market Area in 2022 and 2027.

In order to determine demand for active adult senior housing, the potential market is reduced to those households that are both age and income qualified. The age-qualified market is defined as seniors age 55 and older, although active adult living projects will primarily attract seniors age 65 and older.

We calculate that the minimum income needed to afford monthly rents is \$35,000 or more plus homeowner households with incomes between \$25,000 and \$34,999 who would be able to supplement their incomes with the proceeds from a home sale. We estimate the number of age/income-qualified senior households in the Hutchinson Market Area in 2022 to be 4,627 households.

Adjusting to include appropriate long-term capture rates for each age cohort (1.5% of households age 55 to 64, about 8.5% of households age 65 to 74, and 15% of households age 75 and over) results in a market rate demand potential for 328 active adult senior rental units in 2022.

Some additional demand will come from outside of the Hutchinson Market Area. We estimate that 25% of the long-term demand for active adult senior housing will be generated by seniors currently residing outside the Hutchinson Market Area. This demand will consist primarily of parents of adult children living in the Hutchinson Market Area, individuals who live just outside of the Hutchinson Market Area and have an orientation to the area, as well as former residents who desire to return. Together, the demand from the Hutchinson Market Area seniors and demand from seniors who would relocate to the Hutchinson Market Area results in a demand for 438 market rate active adult units in 2022.

Active adult demand in the Hutchinson Market Area is apportioned between ownership and rental housing. Based on the age distribution, homeownership rates and current product available in the Hutchinson Market Area, we project that 60% of the Hutchinson Market Area's demand will be for adult ownership housing (263 units) and 40% will be for rental housing (175 units).

Next, we subtract existing competitive market rate units (minus a vacancy factor of 5% to allow for sufficient consumer choice and turnover) from the owner and rental demand. Subtracting the existing competitive market rate units results in total demand potential for 167 adult owner-occupied units and 175 active adult rental units.

Adjusting for inflation, we have estimated that households with incomes of \$40,000 or more and homeowners with incomes of \$30,000 to \$34,999 would income qualify for market rate independent senior housing in 2027. Considering the growth in the older adult base and the income distribution of the older adult population in 2027, the methodology projected that demand will be 196 adult owner-occupied units and 195 adult rental units in the Hutchinson Market Area.

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TABLE HD-3 MARKET RATE ACTIVE ADULT HOUSING DEMAND HUTCHINSON MARKET AREA 2022 & 2027						
	2022			2027		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of >\$35,000 ¹	1,882	1,430	936	1,708	1,625	1,127
# of Households w/ Incomes of \$25,000 to \$34,999 ¹	+ 94	134	235	+ 69	118	195
(times) Homeownership Rate	x 86%	91%	75%	x 86%	91%	75%
(equals) Total Potential Market Base	= 1,962	1,552	1,112	= 1,767	1,732	1,273
(times) Potential Capture Rate	x 1.5%	8.5%	15.0%	x 1.5%	8.5%	15.0%
(equals) Demand Potential	= 29	132	167	= 27	147	191
Potential Demand from Residents	= 328			= 365		
(plus) Demand from Outside of the Market Area (25%)	+ 109			+ 122		
(equals) Total Demand Potential	= 438			= 486		
	Owner-Occupied		Renter-Occupied	Owner-Occupied		Renter-Occupied
(times) % by Product Type	x 60%		x 40%	x 60%		x 40%
(equals) Demand Potential by Product Type	= 263		= 175	= 292		= 195
(minus) Existing and Pending MR Active Adult Units ²	- 96		- 0	- 96		- 0
(equals) Excess Demand for MR Active Adult Units	= 167		= 175	= 196		= 195
¹ 2027 calculations define income-qualified households as all households with incomes greater than \$40,000 and homeowner households with incomes between \$30,000 and \$39,999. ² Existing and pending are deducted at market equilibrium (95% occupancy).						
Source: Maxfield Research & Consulting, LLC						

Estimated Demand for Subsidized/Affordable Active Adult Senior Housing

Table HD-4 presents our demand calculations for subsidized/affordable active adult senior housing in the Hutchinson Market Area in 2022 and 2027.

In order to arrive at the potential age and income qualified base for low income and affordable housing, we exclude all senior (65+) households with incomes more than \$35,000. We exclude homeowner households with incomes between \$30,000 and \$34,999, as these households would have additional equity that could be converted to monthly income following the sales of their single-family homes.

Households in a need-based situation (either requiring services or financial assistance) more readily move to housing alternatives than those in non-need-based situations. Hence, the capture rate among each age group is higher than for market rate housing. Capture rates are employed at 1.5% for households age 55 to 64, 10.0% for households age 65 to 74 and 20.0% for households age 75 and older. This results in demand for 133 units in 2022.

An additional proportion is added for senior households that would move into affordable active adult housing in the Market Area who currently reside outside of the Market Area. Typically,

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the Market Area for affordable active adult is larger than that of market rate active adult. As a result, we estimate that seniors currently residing outside the Market Area will generate 35% of the demand for shallow/deep-subsidy active adult senior housing, increasing demand to 204 units.

Seniors in need-based situations are less selective when securing housing than those in non-need-based situations. We estimate that a high-quality site would capture a greater proportion of total demand for financially-assisted housing than for market rate housing.

Using the methodology described above results in a demand potential for 204 total subsidized or affordable senior units. However, after subtracting existing affordable/subsidized active adult housing and adjusted for household incomes demand results for 7 subsidized units and 122 affordable units.

Adjusting for inflation, we estimate that households with incomes up to \$40,000 would be candidates for financially-assisted independent housing in 2027. We reduce the potential market by homeowner households earning between \$35,000 and \$39,999 that would exceed income-restrictions once equity from their home sales is converted to monthly income.

Following the same methodology, we project demand in the Hutchinson Market Area for 13 subsidized units and 131 affordable units in 2027.

TABLE HD-4 DEEP-SUBSIDY/SHALLOW SUBSIDY ACTIVE ADULT HOUSING DEMAND HUTCHINSON MARKET AREA 2022 & 2027						
	2022			2027		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of <\$35,000 ¹	273	330	600	204	330	633
Less Households w/ Incomes of \$30,000 to \$34,999 ¹	- 47	- 67	- 118	- 39	- 66	- 94
(times) Homeownership Rate	x 86%	x 91%	x 75%	x 86%	x 91%	x 75%
(equals) Total Potential Market Base	= 233	= 269	= 512	= 171	= 270	= 563
(times) Potential Capture Rate	x 1.5%	x 10.0%	x 20.0%	x 1.5%	x 10.0%	x 20.0%
(equals) Demand Potential	= 3	= 27	= 102	= 3	= 27	= 113
(equals) Potential Demand from Residents	= 133			= 142		
(plus) Demand from outside of the Market Area (35%)	+ 71			+ 76		
(equals) Total Demand Potential	= 204			= 219		
	Deep-Subsidy		Shallow-Subsidy	Deep-Subsidy		Shallow-Subsidy
(times) % by Product Type	x 40%		x 60%	x 40%		x 60%
(equals) Demand Potential by Product Type	= 82		= 122	= 87		= 131
(minus) Existing and Pending Sub./Aff. Active Adult Units ²	- 75	-	- 0	- 75	-	- 0
(equals) Excess Demand for Sub./Aff. Units	= 7	=	122	= 13	=	131
¹ 2027 calculations define income-qualified households as all households with incomes less than \$40,000. Homeowner households with incomes between \$35,000 and \$39,999 are excluded from the market potential for financially-assisted housing.						
² Existing units are deducted at market equilibrium, or 97% occupancy.						
Source: Maxfield Research & Consulting, LLC						

Estimated Demand for Independent Living Senior Housing

Table HD-5 presents our demand calculations for independent living housing in the Hutchinson Market Area in 2022 and 2027.

The potential age- and income-qualified base for independent living senior housing includes all senior (65+) households with incomes of \$35,000 as well as homeowner households with incomes between \$30,000 and \$34,999 who would qualify with the proceeds from the sales of their homes. The proportion of eligible homeowners is based on the 2020 ACS homeownership rates of the Hutchinson Market Area seniors. The number of age, income, and asset-qualified households in the Hutchinson Market Area is estimated to be 2,515 households in 2022.

Demand for independent living is need-drive, which reduces the qualified market to only the portion of seniors who need some assistance. Adjusting to include appropriate capture rates for each age cohort (1.5% of households age 65 to 74 and 15.0% of households age 75 and older) results in a local demand potential for 176 independent living units in 2022.

We estimate that seniors currently residing outside of the Hutchinson Market Area will generate 25% of the demand for independent living senior housing. Together, the demand from the Hutchinson Market Area seniors and demand from seniors who are willing to locate to the Hutchinson Market Area totals 235 independent living units in 2022.

Currently, there are no under construction or approved senior housing projects with independent living units, however there are currently 87 independent living units at 95% occupancy rate, which reduces the overall demand for 152 independent living units in 2022.

Adjusting for inflation, we estimate that households with incomes of \$40,000 or more and senior homeowners with incomes between \$35,000 and \$39,999 would qualify for independent living housing in 2027. Following the same methodology, demand is calculated to increase to 191 units through 2027.

TABLE HD-5					
MARKET RATE INDEPENDENT LIVING RENTAL HOUSING DEMAND					
HUTCHINSON MARKET AREA					
2022 & 2027					
	2022		2027		
	Age of Householder		Age of Householder		
	65-74	75+	65-74	75+	
# of Households w/ Incomes of >\$35,000 ¹	1,430	936	1,625	1,127	
# of Households w/ Incomes of \$30,000 to \$34,999 ¹	+ 67	118	+ 66	94	
(times) Homeownership Rate	x 91%	75%	x 91%	75%	
(equals) Total Potential Market Base	= 1,491	1,025	= 1,685	1,198	
(times) Potential Capture Rate ²	x 1.5%	15.0%	x 1.5%	15.0%	
(equals) Potential Demand	= 22	+ 154	= 25	+ 180	
Potential Demand from Market Area Residents	=	176	=	205	
(plus) Demand from Outside of the Market Area (25%)	+ 59		+ 68		
(equals) Total Demand Potential	=	235	=	273	
(minus) Existing and Pending Independent Living Units ³	- 83		- 83		
(equals) Total Independent Living Demand Potential	=	152	=	191	

¹ 2027 calculations define income-qualified households as all households with incomes greater than \$40,000 and homeowner households with incomes between \$35,000 and \$39,999.

² The potential capture rate is derived from data from the Summary Health Statistics for the U.S. Population: National Health Interview Survey, 2018 by the U.S. Department of Health and Human Services. The capture rate used is the percentage of seniors needing assistance with IADLs, but not ADLs (seniors needing assistance with ADLs typically need assistance with multiple IADLs and are primary candidates for service-intensive assisted living).

³ Competitive units include Independent Living units at 95% occupancy (market equilibrium).

Source: Maxfield Research and Consulting LLC

Estimated Demand for Assisted Living Housing

Table HD-6 presents our demand calculations for assisted living senior housing in the Hutchinson Market Area in 2022 and 2027. This analysis focuses on the potential *private pay/market rate* demand for assisted living units.

The availability of more intensive support services such as meals, housekeeping and personal care at assisted living facilities usually attracts older, frailer seniors. According to the 2009 Overview of Assisted Living (which is a collaborative research project by the American Association of Homes and Services for the Aging, the American Seniors Housing Association, National Center for Assisted Living, and National Investment Center for the Seniors Housing and Care Industry), the average age of residents in freestanding assisted living facilities was 87 years in 2008. Hence, the age-qualified market for assisted living is defined as seniors ages 75 and over, as we estimate that of the half of demand from seniors under age 87, almost all would be from seniors over age 75. In 2022, there are a projected 2,319 seniors age 75 and older in the Hutchinson Market Area.

Demand for assisted living housing is need-driven, which reduces the qualified market to only the portion of seniors who need assistance. According to a study completed by the U.S. Census Bureau (1999 panels of the Survey of Income and Program Participation (SIPP) files), 30% of seniors needed assistance with everyday activities (from 25.5% of 75-to-79-year-olds, to 33.6% of 80-to-84-year-olds and 51.6% of 85+ year olds). Applying these percentages to the senior population yields a potential assisted living market of 835 seniors in the Hutchinson Market Area.

Due to the supportive nature of assisted living housing, most daily essentials are included in monthly rental fees, which allow seniors to spend a higher proportion of their incomes on housing with basic services. Therefore, the second step in determining the potential demand for assisted living housing in the Hutchinson Market Area is to identify the income-qualified market based on a senior's ability to pay the monthly rent. We consider seniors in households with incomes of \$40,000 or greater to be income-qualified for assisted living senior housing in the Hutchinson Market Area. Households with incomes of \$40,000 could afford monthly assisted living fees of \$3,000 by allocating 90% of their income toward the fees.

According to the 2009 Overview of Assisted Living, the average arrival income of assisted living residents in 2008 was \$27,260, while the average annual assisted living fee was \$37,281 (\$3,107/month). This data highlights that seniors are spending down assets to live in assisted living and avoid institutional care. Thus, in addition to households with incomes of \$40,000 or greater, there is a substantial base of senior households with lower incomes who income-qualify based on assets – their homes, in particular.

For each age group in Table HD-5, we estimate the income-qualified percentage to be all seniors in households with incomes above \$40,000 (who could afford monthly rents of \$3,000+ per month) plus 40% of the estimated seniors in homeowner households with incomes below \$40,000 (who will spend down assets, including home-equity, in order to live in assisted living housing). This results in a total potential market of 571 units in 2022.

Because the vast majority of assisted living residents are single (88% according to the 2009 Overview of Assisted Living), our demand methodology multiplies the total potential market by the percentage of seniors age 75+ in the Hutchinson Market Area living alone. Based on 2020 ACS data, only 55% of age 75+ households in the Hutchinson Market Area lived alone. Applying this percentage results in a total base of 314 age/income-qualified singles. The 2009 Overview of Assisted Living found that 12% of residents in assisted living were couples. There is a total of 357 age/income-qualified seniors needing assistance in the Hutchinson Market Area including both couples and singles.

We estimate that roughly 60% of the qualified market needing significant assistance with Activities of Daily Living (“ADLs”) would either remain in their homes or less service-intensive senior housing with the assistance of a family member or home health care, or would need greater care provided in a skilled care facility. The remaining 40% could be served by assisted

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living housing. Applying this potential market penetration rate of 40% results in demand for 143 assisted living units in 2022.

TABLE HD-6 MARKET RATE ASSISTED LIVING DEMAND HUTCHINSON MARKET AREA 2022 and 2027						
Age group	2022			2027		
	People	Percent Needing Assistance ¹	Number Needing Assistance ¹	People	Percent Needing Assistance ¹	Number Needing Assistance ¹
75 - 79	961	25.5%	245	1,110	25.5%	283
80 - 84	617	33.6%	207	803	33.6%	270
85+	741	51.6%	382	760	51.6%	392
Total	2,319		835	2,673		945
Percent Income-Qualified²			68%			71%
Total potential market			571			672
(times) Percent living alone			x 55%			55%
(equals) Age/income-qualified singles needing assistance			= 314			370
(plus) Proportion of demand from couples (12%) ³			+ 43			50
(equals) Total age/income-qualified market needing assistance			= 357			421
(times) Potential penetration rate ⁴			x 40%			40%
(equals) Potential demand from MA residents			= 143			168
(plus) Proportion from outside MA (25%)			+ 48			56
(equals) Total potential assisted living demand			= 191			224
(minus) Existing market rate assisted living units ⁵			- 99			99
(equals) Total excess market rate assisted living demand			= 92			126
¹ The percentage of seniors unable to perform or having difficulty with ADLs, based on the 2018 State of Aging in America published by the Centers for Disease Control and Prevention and the National Center for Health Statistics.						
² Includes households with incomes of \$40,000 or more, plus a portion of estimated owner households with incomes below \$40,000 (who will spend down assets, including home-equity, in order to live in assisted living housing). \$45,000+ in 2027.						
³ The 2009 Overview of Assisted Living (a collaborative project of AAHSA, ASHA, ALFA, NCAL & NIC) found that 12% of assisted living residents are couples.						
⁴ We estimate that 60% of the qualified market needing assistance with ADLs could either remain in their homes or reside at less advanced senior housing with the assistance of a family member or home health care, or would need greater care provided in a skilled care facility.						
⁵ Existing and pending units at 93% occupancy.						
Source: Maxfield Research & Consulting, LLC						

We estimate that a portion of demand for assisted living units (25%) will come from outside of the Hutchinson Market Area. Applying this figure results in total potential demand for 191 market rate assisted living units in the Hutchinson Market Area.

There is a total of 99 market rate assisted living units in the Hutchinson Market Area. After deducting these competitive units (minus a 93% occupancy rate) from the total demand potential, we calculate that there is current demand for 92 assisted living units in the Hutchinson Market Area in 2022. After applying the aforementioned calculations to the age/income-qualified base in 2027, resulting in demand for 126 units.

Additional demand could come from seniors that will need to receive supplemental income in order to afford assisted living or memory care housing. While some of these seniors will

receive income from the sales of their homes, others will need to rely on other sources of public aid. The Elderly Waiver program has provided public funding for seniors who wish to receive “alternative” care that allows them to stay in the community as opposed to receiving similar care at a nursing home.

Most assisted living developments require residents to have lived in their facility for a certain amount of time before they can use a waiver, and many try to limit the number of waivers accepted within the community to around roughly 10% to 20%. Some facilities accept higher amounts of residents on waivers and many newer facilities do not accept any waivers.

Estimated Demand for Memory Care Senior Housing

Table HD-7 presents our demand calculations for market rate memory care senior housing in the Hutchinson Market Area in 2022 and 2027.

Demand is calculated by starting with the estimated Hutchinson Market Area senior (age 65+) population in 2022 and multiplying by the incidence rate of Alzheimer’s/dementia among this population’s age cohorts. According to the Alzheimer’s Association (Alzheimer’s Disease Facts and Figures, 2007), 2% of seniors ages 65 to 74, 19% of seniors ages 75 to 84, and 42% of seniors ages 85+ are inflicted with Alzheimer’s Disease. This yields a potential market of 670 seniors in the Hutchinson Market Area in 2022.

Because of the staff-intensive nature of dementia care, typical monthly fees for this type of housing are at least \$4,000 and range upwards of \$5,000 to \$6,000 when including service packages. Based on our review of senior household incomes in the Hutchinson Market Area, homeownership rates and home sale data, we estimate that 58% of seniors in the Hutchinson Market Area would have incomes and/or assets to sufficiently cover the costs of memory care housing. This figure takes into account 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 number of seniors with Alzheimer’s/dementia (670 seniors) by the income-qualified percentage results in a total of 390 age/income-qualified seniors in the Hutchinson Market Area in 2022.

According to data from the National Institute of Aging, about 25% of all individuals with memory care impairments comprise the market for memory care housing units. This figure considers that seniors in the early stages of dementia will be able to live independently with the care of a spouse or other family member, while those in the later 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 about 97 seniors in the Hutchinson Market Area.

We estimate that 25% of the overall demand for memory care housing would come from outside of the Hutchinson Market Area. Together, demand totals 130 memory care units in 2022.

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We reduce the demand potential by accounting for the existing memory care product in the Hutchinson Market Area. There is a total of 74 units; however, we reduce the competitive units to include memory care units at a 7% vacancy rate. Subtracting these competitive units results in a demand for 61 units.

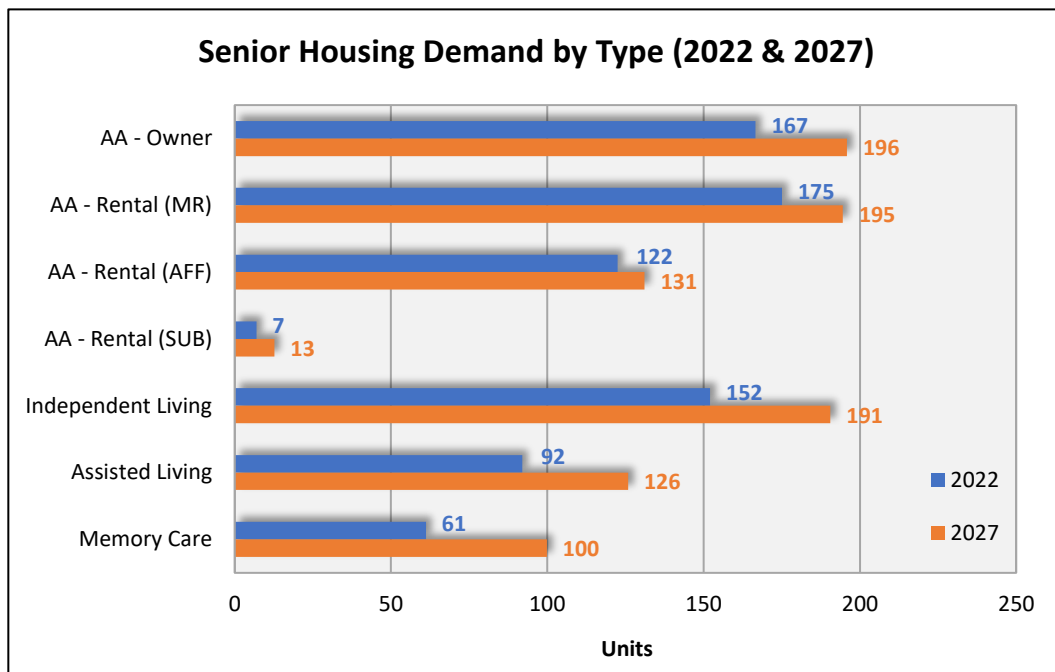
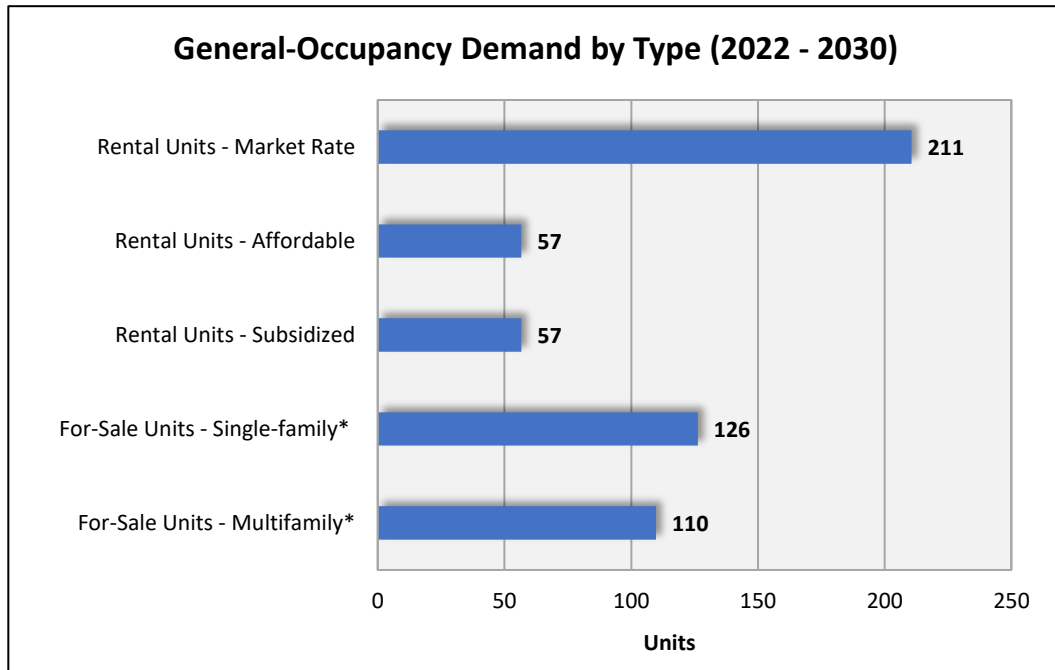
The same calculations are applied to the age/income-qualified base in 2027. Following the same methodology, potential demand for market rate memory care units is expected to increase to 100 units in the Hutchinson Market Area through 2027.

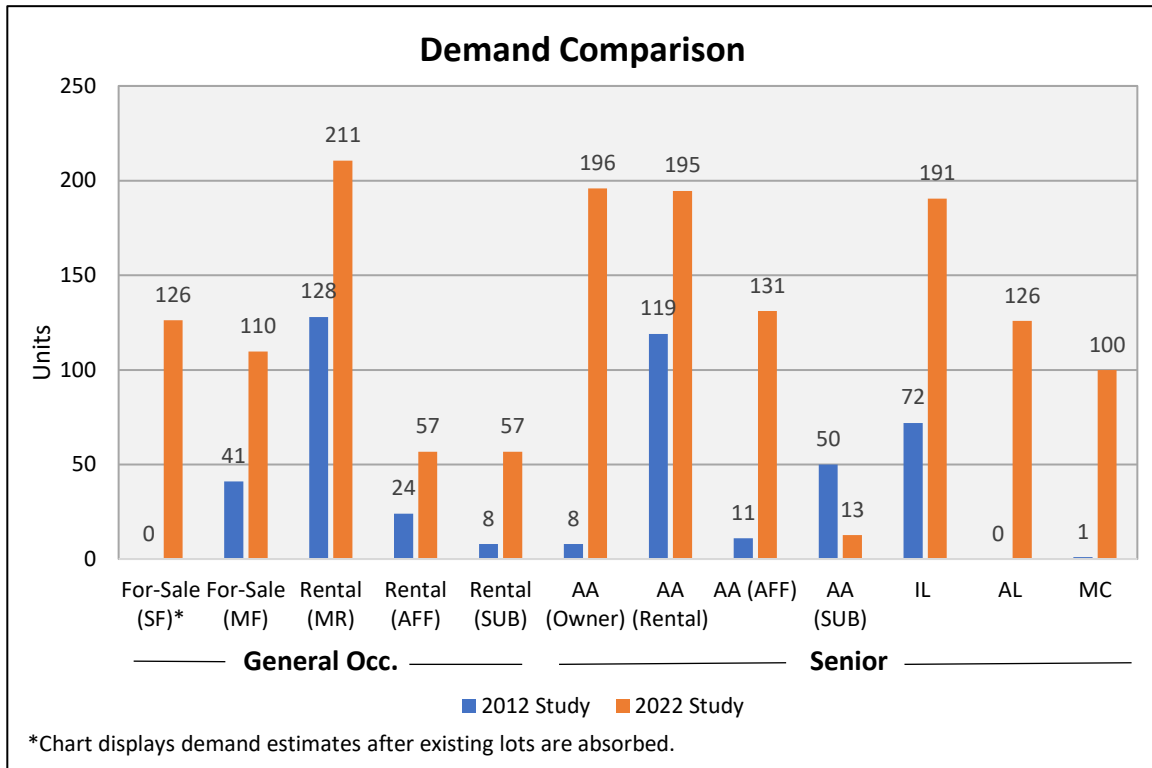
TABLE HD-7 MARKET RATE MEMORY CARE DEMAND HUTCHINSON MARKET AREA 2022 & 2027		
	2022	2027
65 to 74 Population	2,942	3,293
(times) Dementia Incidence Rate ¹	x 2%	x 2%
(equals) Estimated Age 65 to 74 Pop. with Dementia	= 59	= 66
75 to 84 Population	1,578	1,913
(times) Dementia Incidence Rate ¹	x 19%	x 19%
(equals) Estimated Age 75 to 84 Pop. with Dementia	= 300	= 363
85+ Population	741	760
(times) Dementia Incidence Rate ¹	x 42%	x 42%
(equals) Estimated Age 85+ Pop. with Dementia	= 311	= 319
(equals) Total Senior Population with Dementia	= 670	= 749
(times) Percent Income/Asset-Qualified ²	x 58%	x 68%
(equals) Total Income-Qualified Market Base	= 390	= 506
(times) Percent Needing Specialized Memory Care Assistance	x 25%	x 25%
(equals) Total Need for Dementia Care	= 97	= 127
(plus) Demand from Outside of the Market Area (25%)	+ 32	+ 42
Total Demand for Memory Care Units	= 130	= 169
(minus) Existing and Pending Memory Care Units ³	- 69	- 69
(equals) Excess Demand Potential	= 61	= 100
¹ Alzheimer's Association: Alzheimer's Disease Facts & Figures (2007)		
² Includes seniors with income at \$60,000 or above (\$65,000 in 2027) plus a portion of homeowners with incomes below this threshold (who will spend down assets, including home-equity, in order to live in memory care housing).		
³ Existing memory care units at 7% vacancy rate.		
Source: Maxfield Research & Consulting, LLC		

Introduction/Overall Housing Recommendations

This section summarizes demand calculated for specific housing products in Hutchinson and recommends development concepts to meet the housing needs forecast for the City. All recommendations are based on findings of the *Comprehensive Housing Market Analysis*. The following table and charts illustrate calculated demand by product type. It is important to recognize that housing demand is highly contingent on projected household growth; household growth could be higher should increased job growth ensue and the overall economy improves.

TABLE CR-1 SUMMARY OF HOUSING DEMAND HUTCHINSON MARKET AREA 2022 - 2030		
Type of Use	2022 - 2030	
General-Occupancy		
Rental Units - Market Rate	211	
Rental Units - Affordable	57	
Rental Units - Subsidized	57	
For-Sale Units - Single-family*	126	
For-Sale Units - Multifamily	110	
Total General Occupancy Supportable	560	
	2022	2027
Age-Restricted (Senior)		
Market Rate		
Active Adult	342	390
Ownership	167	196
Rental	175	195
Independent Living	152	191
Assisted Living	92	126
Memory Care	61	100
Total Market Rate Senior Supportable	647	807
Affordable/Subsidized		
Active Adult - Subsidized	7	13
Active Adult - Affordable	122	131
Total Affordable Senior Supportable	129	144
* Demand estimate after existing lots have been absorbed.		
Source: Maxfield Research and Consulting LLC		





Based on the finding of our analysis and demand calculations, Table CR-2 provides a summary of the recommended development concepts by product type for the City of Hutchinson. It is important to note that these proposed concepts are intended to act as a development guide to most effectively meet the housing needs of existing and future households in Hutchinson. The recommended development types do not directly coincide with total demand as illustrated in Table CR-1 due primarily to shifts in the housing market and recovery of the economy.

CONCLUSIONS AND RECOMMENDATIONS

TABLE CR-2 RECOMMENDED HOUSING DEVELOPMENT HUTCHINSON MARKET AREA 2022 - 2027/2030				
	Purchase Price/ Monthly Rent Range¹	No. of Units	Development Timing	
Owner-Occupied Homes (2022 to 2030)				
Single Family²				
Move-up	\$250,000 - \$400,000	125 - 135	Ongoing	
Executive	\$450,000+	50 - 60	Ongoing	
Total		175 - 195		
Townhomes/Twinhomes²				
Attached Townhomes	\$200,000 - \$275,000	45 - 50	2023+	
Twinhomes / Detached Townhomes	\$285,000+	25 - 30	2023+	
Total		70 - 80		
Total Owner-Occupied		245 - 275		
General Occupancy Rental Housing (2022 to 2030)				
Market Rate Rental Housing				
Apartment-style	\$950/1BR - \$1,300/3BR	125 - 150	2023+	
Townhomes	\$1,200/2BR - \$1,400/3BR	65 - 75	2023+	
Total		190 - 225		
Affordable Rental Housing				
Apartment-style	Moderate Income ³	50 - 60	2023+	
Townhomes	Moderate Income ³	20 - 30	2023+	
Total		70 - 90		
Total Renter-Occupied		260 - 315		
Senior Housing (i.e. Age Restricted) (2022 to 2027)				
Active Adult Ownership / Co-op ⁴	\$150,000+	60 - 70	2023+	
Active Adult Rental	\$1,000/1BR - \$1,200/2BR	100 - 120	2023+	
Active Adult Affordable Rental	Moderate Income ³	100 - 120	2023+	
Independent Living	\$1,600+ per month	80 - 100	2023+	
Assisted Living	\$3,500+ per month	50 - 60	2023+	
Memory Care	\$5,500+ per month	30 - 40	2023+	
Total		420 - 510		
Total - All Units		925 - 1,100		
¹ Pricing in 2022 dollars. Pricing can be adjusted to account for inflation. ² Recommendations include the absorption of existing previously platted lots. Most entry-level demand will be accommodated through the resale market. ³ Affordability subject to income guidelines per Minnesota Housing Finance Agency (MHFA). ⁴ Senior Cooperative assumption cost is based on share cost = 40% of its actual value.				
Note - Recommended development does not coincide with total demand. The City of Hutchinson may not be able to accommodate all recommended housing types based on a variety of factors (i.e. development constraints, land availability, etc.)				
Source: Maxfield Research and Consulting, LLC				

For-Sale Housing Recommendations

Table HD-1 identified demand for about 301 single-family units in the Hutchinson Market Area through 2030. However, after accounting for the vacant lots in Hutchinson (see Table FS-10) new lot demand was reduced down to 126 new lots. Additionally, we find demand for 110 for-sale multifamily units through 2030.

The lot supply benchmark for growing communities is a three- to five-year lot supply, which ensures adequate consumer choice without excessively prolonging developer-carrying costs. Given the number of existing platted lots in Hutchinson (i.e. *Bridgewater Estates, Southfork Ridge, and Summerset*) and the number of homes constructed annually, the current lot supply is able to meet historical demand in the short-term (about three years). Although there are several scattered, infill lots throughout the City of Hutchinson, many of these lots are undesirable to today's buyers as they are unable to accommodate specific product types (i.e. ranch-style homes with large main-levels).

Due to the age and price of the existing housing stock in Hutchinson, most of the existing older housing stock appeals to entry-level buyers. Entry-level homes, which we generally classify as homes priced under \$200,000 will be mainly satisfied by existing single-family homes as residents of existing homes move into newer housing products built in the Hutchinson Area, such as move-up single-family homes, twinhomes, rental housing and senior housing. A move-up buyer or step-up buyer is typically one who is selling one house and purchasing another one, usually a larger and more expensive home. Usually the move is desired because of a lifestyle change, such as a new job or a growing family. Based on our interviews with real estate professionals, move-up homes are generally priced from \$250,000 to \$350,000; however it will be difficult to construct new homes for much less than \$300,000 given today's development costs. Executive-level homes are loosely defined as those homes priced above \$450,000. Most of these homes would be build-to-suit new construction in one of the city's newer subdivisions are on larger acreages located outside or near city limits.

Much of the new single-family construction in Hutchinson and the surrounding townships has targeted move-up and executive buyers (pricing \$350,000+); in part because of the high infrastructure costs in developing new subdivisions and increasing construction, material, and labor costs. However, through our research we find demand for a variety of price points of new single-family homes.

Although there would be substantial demand for a new single-family housing product priced under \$200,000, financially it will be extremely difficult to develop even with public assistance due to infrastructure costs and rising labor and material costs. Based on land and building costs, it is very difficult to build new single-family homes for less than \$275,000 in most out-state Minnesota communities.

Because there are 107 vacant lots in the four active subdivisions identified in Table FS-10, there are nearly enough vacant lots to meet most of the demand over the next few years. Once those lots are absorbed new lots will need to be platted to meet the additional demand.

In the short-term, new construction may be slower given the ever increasing pricing of construction since the pandemic and ever rising interest rates. Costs are up substantially while builders experience material shortages and labor challenges. Many builders are unable to quote pricing given the volatile market; hence many buyers are on the sidelines as pricing concerns are resulted in significant delays. Therefore, new construction could be constrained in until pricing levels out and inflation is under control and mortgage rates settle down.

General Occupancy Rental Housing Recommendations

Our competitive inventory identified that the vacancy rates for all types of general occupancy rental product are below market equilibrium as of July / August 2022. Due to the age and positioning of most of the existing rental supply, a significant portion of units are priced at or below guidelines for affordable housing, which indirectly satisfies demand from households that income-qualify for financially assisted housing. However, the growing renter base is seeking newer rental properties with additional and updated amenities that are not offered in older developments. Although ownership housing in Hutchinson is generally affordable for first-time home buyers, some are choosing to rent due to fears of past housing market performance.

Maxfield Research calculated demand for 211 market rate, 57 affordable, and 57 subsidized rental housing units in Hutchinson through 2030. Based on our analysis, Hutchinson can accommodate 190 to 225 new market rate rental housing units and up to 90 affordable units through 2030.

- **Market Rate Rental** – Despite some newer construction recently, the existing market rate rental supply in Hutchinson is older as over 74% of the units are at least 20 years of age or older. We recommend new middle- to upper-market rental project with roughly 125 to 150 units (across several projects) that will attract a diverse resident profile; including young to mid-age professionals as well as singles and couples across all ages. To appeal to a wide target market, we suggest a market rate apartment project with a unit mix consisting of one-bedroom units, one-bedroom plus den units, two-bedroom units, and two-bedroom plus den or three-bedroom units. Larger three-bedroom units would be attractive to households with children.

Monthly rents (in 2022 dollars) should range from \$950 for a one-bedroom unit to \$1,300 for a three-bedroom unit. Average rents in Hutchinson are approximately \$0.80 per square foot, however monthly rents should range from about \$1.20 to \$1.40 per square foot to be financially feasible. Monthly rents can be trended up by 2.5% annually prior to occupancy to account for inflation depending on overall market conditions. Because of construction and development costs, it may be difficult for a market rate apartment to be financially

CONCLUSIONS AND RECOMMENDATIONS

feasible with rents lower than the suggested per square foot price. Thus, for this type of project to become a reality, there may need to be a public – private partnership to reduce development costs and bring down the rents or the developer will need to provide smaller unit sizes.

New market rate rental units should be designed with contemporary amenities that include open floor plans, higher ceilings, in-unit washer and dryer, full appliance package, central air-conditioning, and garage parking.

- *Market Rate General Occupancy Rental Townhomes*– 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 65 to 75 rental townhome units could be supported in Hutchinson over the decade. We recommend a project with rents of approximately \$1,200 for two-bedroom units to \$1,400 for three-bedroom units. Units should feature contemporary amenities (i.e. in-unit washer/dryer, high ceilings, etc.) and an attached two car garage.
- *Affordable General Occupancy Rental Townhomes*– We find that demand exists for 57 affordable units through 2030. Although we find additional demand for another 57 subsidized units, subsidized housing is virtually impossible to develop today given the lack of funding programs. As such, we recommend 50 to 60 units of moderate-income affordable apartment-style rental and a 20- to 30-unit townhome-style development to meet the affordable demand in Hutchinson. Affordable rentals have been found to be very popular throughout other markets similar to Hutchinson, as many projects in Hutchinson is fully leased.

We recommend a project with two- and three-bedroom units. Units should feature central air conditioning, full appliance package, in-unit washer/dryer, an attached one/two car garage. Such development could assist in drawing more families to the community that cannot find affordable housing options through ownership or market rate rental in the surrounding area.

We believe the addition of the rental developments suggested above will further provide sufficient housing choices in the City and will continue to serve the needs of households that live and/or currently work in Hutchinson.

Senior Housing Recommendations

As illustrated in Table CR-2, demand exists for all senior housing product types in the City of Hutchinson. Development of additional senior housing is recommended in order to provide housing opportunity to these aging residents in their stages of later life. The development of additional senior housing serves a two-fold purpose in meeting the housing needs in Hutchinson: older adult and senior residents are able to relocate to new age-restricted housing in Hutchinson, and existing homes and rental units that were occupied by seniors become available to other new households. Hence, development of additional senior housing does not mean the housing needs of younger households are neglected; it simply means that a greater percentage of housing need is satisfied by housing unit turnover. The types of housing products needed to accommodate the aging population base are discussed individually in the following section.

- *Market Rate Active Adult Rental* – Demand was projected for 195 market rate active adult rental units in Hutchinson through 2027. Currently, there are no market rate rental active adult products in Hutchinson; the entire active adult product is either in a for-sale condominium or cooperative format. It is very likely there are seniors who currently reside in general-occupancy housing that would consider a newer active adult rental product.

Development of this product could be in a separate stand-alone facility or in a mixed-income project. A mixed-income building could include a portion of units that would be affordable to seniors with incomes established the Minnesota Housing Finance Agency. Across Minnesota and the U.S., many markets have experienced delays in realizing demand for market rate active adult housing. These delays are the result of seniors who choose not to sell their homes or find they are unable to sell their homes along with the fact that active adult rental housing is not need-based. Increasing mortgage rates may affect the sales time a seniors home remains on the market.

- *Affordable (shallow-subsidy) Rental* – Demand was calculated for about 130 units of affordable senior housing in Hutchinson through 2027. There are currently no affordable developments in Hutchinson that are age restricted. Presently, a senior renter has to find units at the limited supply of general occupancy rental units in Hutchinson or look elsewhere in other communities in the surrounding area.

Affordable senior housing will likely be a low-income tax credit project through the Minnesota Housing Finance Agency. Affordable senior housing products can also be incorporated into a mixed income building which may increase the projects financial feasibility.

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- *For-Sale Active Adult* – There are three senior age-restricted for-sale development in Hutchinson at this time – *Community at Lakeridge* which has 33 units, *Village Cooperative of Hutchinson* which has 33 units, and *Greencastle Condominiums* which has 35 units. Collectively there was three units available to purchase in July / August 2022. Maxfield Research and Consulting, LLC projected demand for 196 active adult ownership units through 2027. Due to the healthy number of for-sale senior housing options in Hutchinson and one-level living patio homes being constructed in Hutchinson, we recommend developing 60 to 70 units of owner-occupied senior housing.

Maxfield Research & Consulting, LLC recommends a cooperative development with a mix of two- and three-bedroom units with share costs starting around \$45,000 (unit value started at about \$150,000). The cooperative model, in particular, appeals to a larger base of potential residents in that it has characteristics of both rental and ownership housing. Cooperative developments allow prospective residents an ownership option and homestead tax benefits without a substantial upfront investment as would be true in a condominium development or life care option. Maxfield Research & Consulting, LLC has found the cooperative model to be very well-accepted in rural communities across the Midwest.

- *Independent Living*– Demand was calculated for about 190 independent living units through 2027 in Hutchinson. Although the newest independent living facility, *Woodstone Senior Living*, was built in 2020 and has a vacancy rate of 10.5%, we believe the Market Area could support a 80 to 100 unit independent living facility in the future. A new independent living senior housing could be developed as part of a continuum of care project or in a stand-alone development. We also suggest that a new independent living project would a mix of one-bedroom, one-bedroom plus den, and two-bedroom units would be successful.

Meals and other support and personal care services will be available to independent living residents on a fee-for-service basis, such as laundry, housekeeping, etc. When their care needs increase, residents also have the option of receiving assisted living packages in their existing units.

Due to economies of scale needed for independent living housing, other service levels may have to be combined to the project to increase density to be financially feasible. Alternatively, the concept called “Catered Living” may be viable as it combines independent and assisted living residents and allows them to age in place in their unit versus moving to a separate assisted living facility. (See the following for definition of Catered Living).

- I’m OK program;
- Daily noon meal;
- Regularly scheduled van transportation;
- Social, health, wellness and educational programs;
- 24-hour emergency call system; and
- Complimentary use of laundry facilities.

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In addition, meals and other support and personal care services will be available to congregate residents on a fee-for-service basis, such as laundry, housekeeping, etc. When their care needs increase, residents also have the option of receiving assisted living packages in their existing units.

- *Assisted Living and Memory Care Senior Housing* – Based on our analysis, we project demand to support an additional 126 assisted living units and 100 memory care units in Hutchinson through 2027. However, as the senior market is still rebounding from the pandemic; we recommend new projects after vacancy rates decline in the assisted living and memory care existing stock.

We recommend assisted living units include a mix of studio, and one-bedroom, and a few two-bedroom units with base monthly rents ranging from \$3,000 to \$5,000. Memory care unit mix should be studios and one-bedroom units with base monthly rents ranging from \$4,000 to \$6,000. Memory care units should be located in a secured, self-contained wing located on the first floor of a building and should feature its own dining and common area amenities including a secured outdoor patio and wandering area.

The base monthly fees should include all utilities (except telephone and basic cable/satellite television) and the following services:

- Three meals per day;
- Weekly housekeeping and linen service;
- Two loads of laundry per week;
- Weekly health and wellness clinics;
- Meal assistance;
- Regularly scheduled transportation;
- Professional activity programs and scheduled outings;
- Nursing care management;
- I'm OK program;
- 24-hour on site staffing;
- Personal alert pendant with emergency response; and
- Nurse visit every other month.

Additional personal care packages should also be available for an extra monthly charge above the required base care package. A care needs assessment is recommended to be conducted to determine the appropriate level of services for prospective residents.

Given the service-intensive nature of memory care housing and staffing ratios, typically most memory care facilities are attached to either an assisted living development or are a component of a skilled nursing facility. As a result, it will be very difficult to build a stand-alone memory care facility that can be financially feasible on its own. Therefore, new memory care units would be best suited if they were attached to an assisted living complex.

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Alternatively, memory care could also be associated with a skilled nursing facility; however we stress the residential approach to memory care versus the institutional feel from a nursing home.

The assisted living units could be incorporated into an existing senior housing facility or could be designed in a “Catered Living” concept outlined below.

- Service-Enhanced Senior Housing or “Catered Living” – Due to economies of scale, it can be difficult to develop stand-alone facilities in out-state Minnesota communities like Hutchinson for service enhanced senior housing products that are financially feasible. Therefore, we recommend senior facilities that allow seniors to “age in place” and remain in the same facility in the stages of later life. Catered living is a “hybrid” senior housing concept where demand will come from independent seniors interested in congregate housing as well as seniors in need of a higher level of care (assisted living). In essence, catered living provides a permeable boundary between congregate and assisted living care. The units and spatial allocations are undistinguishable between the two senior housing products, but residents will be able to select an appropriate service level upon entry to the facility and subsequently increase service levels over time. Additionally, catered living not only appeals to single seniors but also to couples; each resident is able to select a service level appropriate for his or her level of need, while still continuing to reside together.

The catered living concept trend is a newer concept but tends to be developed in smaller cities in rural areas that cannot support stand-alone facilities for each product type. Monthly rents should include a base rent and service package with additional services provided either a la carte or within care packages. Monthly rents should start at about \$1,800 for independent living care and \$3,000 for assisted living care.

Challenges and Opportunities

Table CR-2 identified and recommended housing types that would satisfy the housing needs in Hutchinson through 2030. The following were identified as the greatest challenges and opportunities for developing the recommended housing types (in no particular order).

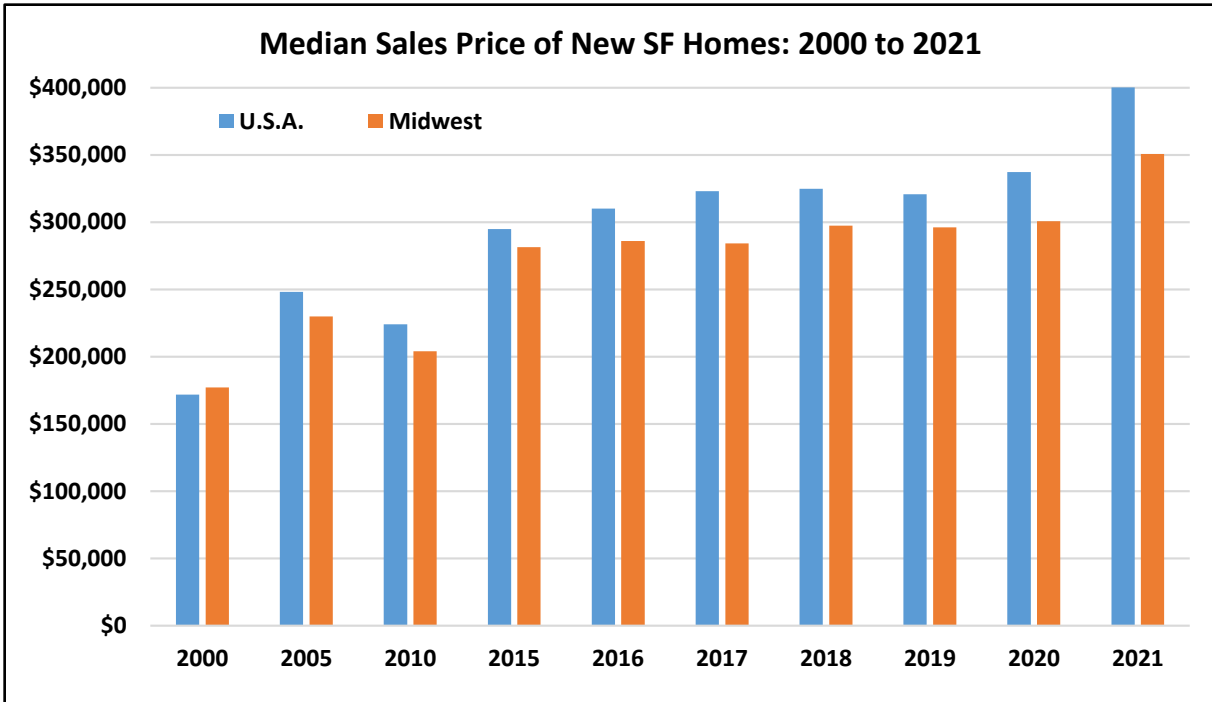
- **Accessory Dwelling Units (“ADU”):** Accessory dwelling units (“ADUs”) go by several different names such as: In-law suites, garage apartments, backyard cottages, granny flats, guest houses, etc. An ADU is simply a small, stand-alone residential dwelling unit located on the same property as a detached single-family home. However, in some cases an ADU could include an addition on an existing home, apartment over a garage, or be locating within an attic or basement within the home. Legally, however, an ADU is still a part of the original parcels PID number and title is with the property owner. The most common reason for building an ADU is generating rental income for the homeowner or housing a family member (often for free).

Because of increased density on the property and smaller sized units, ADUs have the potential to increase housing affordability and create a wider range of housing options. Many communities that permit ADUs in their zoning code limit the number of accessory structures to just one; however, some cities have recently revised their zoning code to allow up to two accessory structures. Some communities monitor ADU construction by limiting new construction to only owner-occupied housing units (main structure is owned), minimum lot size, setbacks, and number of occupants or bedrooms in the accessory structure.

Maxfield Research recommends that local planning departments review their existing zoning code and if not already permitted, revise zoning codes to ensure ADUs can be a permitted use. Demand for ADUs has increased significantly since the COVID-19 pandemic as homeowners sought to move family members together in a multi-generational environment. Also, many homeowners will design the ADU as a multifunctional space as a home office and living space away from the main home. Finally, ADUs offer another solution for meeting rental housing demand and/or short-term housing needs.

- **Affordable Housing/Naturally Occurring Affordable Housing (NOAH).** Tables HA-1 and HA-2 identified the City of Hutchinson and PMA median Incomes (“AMI”) and the fair market rents by bedroom type. Based on the monthly rates of market rate rental projects in the PMA, we estimate that nearly all of the market rate rental stock is affordable to households below 50% to 60% AMI. In fact, the most expensive rental project in Hutchinson has rents falling in at the 80% AMI range. Because NOAH housing provides the vast majority of affordable housing to renters; we recommend a proactive approach to maintaining affordability within the existing housing stock. Dollar for dollar, preservation of NOAH units yields a much higher number of affordable units vs. new construction under the LIHTC program.

- **Aging Population/Aging Boomers.** As illustrated in Table D-4, there is significant growth in the senior population in Hutchinson, especially among seniors ages 65 to 74 (9%) and 75 to 84 (22%). In addition, Table D-9 shows homeownership rates among seniors 65+ is approximately 77% in 2020 and 84% in the PMA. High homeownership rates among seniors indicate there could be lack of senior housing options, or simply that many seniors prefer to live in their home and age in place. Aging in place tends to be higher in rural vs. urban settings as many rural seniors do not view senior housing as an alternative retirement destination but a supportive living option only when they can no longer live independently. Rural areas also tend to have healthier seniors and are also more resistant to change. Because of these demographic and social dimensions, new senior housing development (specifically active adult and independent living) in Hutchinson could experience a longer lease-up period as seniors in the region are less reluctant to move from their home to senior housing living.
- **Construction & Development Costs.** The cost to build and develop new single-family housing has increased significantly over the past decade and since the Great Recession in all markets across the U.S.A., as seen in the chart below. New construction pricing peaked last decade between 2005 and 2007 before falling during the recession. Pricing in nearly every market across the United States decreased between 2008 and 2011 before starting to rebound in 2012 and beyond. However, since the Great Recession it has become increasingly difficult for builders to construct entry-level new homes due to a number of constraints – rising land costs, rising material and labor costs, lack of construction labor, and increasing regulation and entitlement fees. As a result, affordable new construction homes have become rare as builders are unable to pencil-out modestly priced new construction. New construction in Hutchinson is difficult to achieve under \$250,000 to \$300,000. At the same time, new construction pricing is at an all-time high coming out of the pandemic due to strong demand and supply and labor constraints for builders that are driving up housing costs. However, with continued interest rate hikes from the Federal Reserve in 2022, construction costs could come down as labor is loosening.



- COVID-19.** The COVID-19 pandemic has had both direct and indirect effects on the housing industry. The senior housing industry was directly impacted as the virus affected older adults at a much higher rate. Senior properties hit record high vacancy rates and many seniors continue to age in place as long as possible as they have avoided living in a shared space. At the beginning of the pandemic there were permitting delays from public agencies; however, at this time most public agencies have adopted, and city council and planning commission meetings have gone virtual or a combination of virtual and in-person.

Economically, the unemployment rate in Hutchinson was considerably low compared to the rest of the country during the pandemic. In early 2020, the unemployment rates were about 4.9% before peaking at 9.4% in May 2020. Unemployment was back down even lower than prior to the pandemic at 4.2% by November 2020 but ticked up again to 5.0% in early 2021 before falling to 1.9% by October 2022.

Despite the pandemic over the past two years, the local real estate market has performed above expectations and strong demand remains for housing. Supply remains at an all-time low and there are more buyers than sellers, however that is leveling-out now with elevated mortgage rates. The pandemic has changed buyer preferences; both internally and externally. Buyers have a greater desire for outdoor features, green space, more square footage, flexible spaces for home offices, and healthy living conditions. Buyers are also trading location for more home by locating further from their place of employment. There is also a preference toward new construction and the new home market has been strong since 2020 as builders have not kept the pace with demand.

On the rental side, social distancing initially had an impact on common corridor apartment buildings as all communal areas were shut down and tenants could not utilize amenities. Since the pandemic, the demand for smaller unit sizes has waned as renters desire larger spaces as they work from home, utilize for fitness, etc. With telecommuting and work from home being the norm tenants are seeking a separation of work and live spaces as well as access to balconies and patios to provide fresh air and extra space. There has been strong demand for townhome-style rentals or a building that has been designed with a separate entrance to eliminate the possible of interacting with others and catching the virus. These trends and preferences will likely continue as the pandemic has waned.

- **Housing Programs.** Many communities and local Housing and Redevelopment Authorities (HRAs) offer programs to promote and preserve the existing housing stock. In addition, there are various regional and state organizations that assist local communities enhance their housing stock. Generally, we find very few housing programs available across the region. We recommend implementing even a few housing programs to assist new development or enhance the existing housing stock. The following is a sampling of potential programs that could be explored.
 - Architectural Design Services - The local government authority (City, HRA, etc.) partners with local architects to provide design consultation with homeowners. Homeowner pays a small fee for service, while the City/public entity absorbs the majority of the cost. No income restriction.
 - Construction Management Services – Assist homeowners regarding local building codes, reviewing contractor bids, etc. Typically provided as a service by the building department. This type of service could also be rolled into various remodeling related programs.
 - Density Bonuses – Since the cost of land is a significant barrier to housing affordability, increasing densities can result in lower housing costs by reducing the land costs per unit. Municipalities can offer density bonuses as a way to encourage higher-density residential development while also promoting an affordable housing component.
 - Fast Track Permitting – Program designed to reduce delays during the development process that ultimately add to the total costs of housing development. By expediting the permitting process costs can be reduced to developers while providing certainty into the development process. Typically, no-cost to the local government jurisdiction.
 - Heritage/Historic Preservation – Encourage residents to preserve historic housing stock in neighborhoods with homes with character through restoring and preserving architectural and building characteristics. Typically funded with low interest rates on loans for preservation construction costs.

- Home Improvement Area (HIA) - HIAs allow a townhome or condo association low interest loans to finance improvements to communal areas. Unit owners repay the loan through fees imposed on the property, usually through property taxes. Typically, a "last resort" financing tool when associations are unable to obtain traditional financing due to the loss of equity from the real estate market or deferred maintenance on older properties.
- Home-Building Trades Partnerships – Partnership between local Technical Colleges or High Schools that offer building trades programs. Affordability is gained through reduced labor costs provided by the school. New housing production serves as the “classroom” for future trades people to gain experience in the construction industry.
- Home Sale Point of Sale - City ordinance requiring an inspection prior to the sale or transfer of residential real estate. The inspection is intended to prevent adverse conditions and meet minimum building codes. Sellers are responsible for incurring any costs for the inspection. Depending on the community, evaluations are completed by either city inspectors or third-party licensed inspectors.
- Housing Fair - Free seminars and advice for homeowners related to remodeling and home improvements. Most housing fairs offer educational seminars and "ask the expert" consulting services. Exhibitors include architects, landscapers, building contractors, home products, city inspectors, financial services, among others.
- Home Energy Loans – Offer low interest home energy loans to make energy improvements in their homes.
- Household and Outside Maintenance for the Elderly (H.O.M.E.) – Persons 60 and over receive homemaker and maintenance services. Typical services include house cleaning, grocery shopping, yard work/lawn care, and other miscellaneous maintenance requests.
- Infill Lots – The City or HRA purchase blighted or substandard housing units from willing sellers. After the home has been removed, the vacant land is placed into the program for future housing redevelopment. Future purchasers can be builders or the future owner-occupant who has a contract with a builder. Typically, all construction must be completed within an allocated time period (one year in most cases).
- Land Banking – Land Banking is a program of acquiring land with the purpose of developing at a later date. After a holding period, the land can be sold to a developer (often at a price lower than market) with the purpose of developing affordable housing.
- Land Trust - Utilizing a long-term 99-year ground lease, housing is affordable as the land is owned by a non-profit organization. Subject to income limits and targeted to workforce families with low-to-moderate incomes. If the family chooses to sell their home, the selling price is lower as land is excluded.

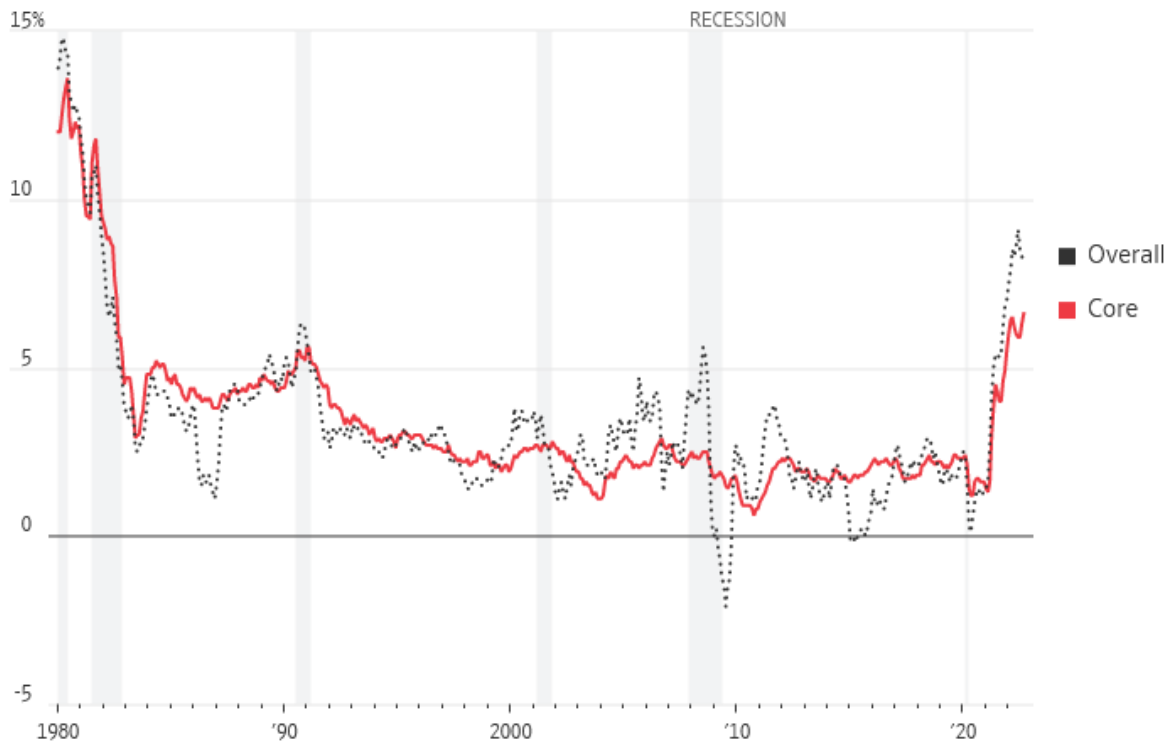
- Realtor Forum - Typically administered by City with partnership by local school board. Inform local Realtors about school district news, current development projects, and other marketing factors related to real estate in the community. In addition, Realtors usually receive CE credits.
- Remodeling Tours - City-driven home remodeling tour intended to promote the enhancement of the housing stock through home renovations/additions. Homeowners open their homes to the public to highlight home improvements.
- Rental Collaboration - City organizes regular meetings with owners, property managers, and other stakeholders operating in the rental housing industry. Collaborative, informational meetings that includes city staff, updates on economic development and real estate development, and updates from the local police, fire department, and building inspection departments.
- Rent to Own - Income-eligible families rent for a specified length of time with the end-goal of buying a home. The HRA saves a portion of the monthly rent that will be allocated for a down payment on a future house.
- Shallow Rent Subsidy: The HRA funds a shallow rent subsidy program to provide program participants living in market rate rentals a rent subsidy (typically about \$100 to \$300 per month).
- Tax Abatement: A temporary reduction in property taxes over a specific time period on new construction homes or home remodeling projects. Encourages new construction or rehabilitation through property tax incentives.
- Tax Increment Financing (TIF): Program that offers communities a flexible financing tool to assist housing projects and related infrastructure. TIF enables communities to dedicate the incremental tax revenues from new housing development to help make the housing more affordable or pay for related costs.
- Transfer of Development Rights – Transfer of Development Rights (TDR) is a program that shifts the development potential of one site to another site or different location, even a different community. TDR programs allow landowners to sever development rights from properties in government-designated low-density areas and sell them to purchasers who want to increase the density of development in areas that local governments have selected as higher density areas.
- Waiver or Reduction of Development Fees – There are several fees’ developers must pay including impact fees, utility and connection fees, park land dedication fees, etc. To help facilitate affordable housing, some fees could be waived or reduced to pass the cost savings onto the housing consumer.

- **Infill Lots.** Infill refers to a parcel(s) of land which is surrounded by land that has already been developed. Infill development is new construction located on underutilized or vacant lots usually located in established neighborhoods of a community. Infill development can be challenging as enough parcels of land that are permissible land uses are typically required to be assembled to allow for a feasible building. Typically, the challenge is assembling all of the parcel owners to agree to sell and in a time period that makes economic sense to the buyer. Although Hutchinson may have some infill lots available; however, many have tighter lot widths which require lot combinations in order to achieve a buildable lot. Many of these lots are priced lower than lots marketing in new subdivisions. As such, these lots are typically among the lowest price in a community.

Many communities have infill programs that are designed to enhance older neighborhoods or provide affordable homes for low- and moderate-income households. Infill programs are designed to facilitate the development of vacant lots in older neighborhoods that suit the character of the neighborhood. Some cities provide pre-approved floor plans that meet building criteria on smaller lots sizes. Other communities have infill programs that provide incentives to encourage developers to build affordable housing within targeted neighborhoods. Such incentives include free land for qualified builders/developers, deferred or waived impact fees, and funding assistance.

- **Inflation.** U.S. inflation rates hit a new 40-year high of nearly 9% in 2022, the biggest yearly increase since December 1981. Rampant price increased for nearly every good and service and specifically energy and food costs are having an impact on American consumers and will eventually affect housing affordability. As a result, the Federal Reserve is implementing interest rate hikes and increasing borrowing costs to hopefully offset a recession. As interest rates have increased for-sale housing demand has slowed and demand for rental housing has increased. This has resulted in higher housing costs for both buyers and renters. Housing assets are in higher demand during inflationary times as real estate values tend to hedge inflation and investors seek out rental housing assets as equity continues to grow. In the short term, household balance sheets will continue to be stretched as rising costs affect regional residents. This could hinder housing production in the near term as new construction will be difficult to pencil.

Consumer-price index, change from a year earlier



Source: Labor Department

- Job Growth/Employment.** The Covid-19 pandemic created a number of new challenges for businesses, workers, and government. As depicted earlier, the unemployment rate in Hutchinson has historically been under 4.0% before shortly rising to over 6% during the peak shutdowns in spring 2020. These unprecedented challenges had an economic ripple effect across the country as thousands of Americans found themselves out of work with increases in unemployment. However, Hutchinson employers weathered the pandemic much better than most of the country as the unemployment rate has stayed low and the area brought back lost jobs from the initial shutdowns earlier in 2020.

The Hutchinson unemployment rate has declined to a low of 2.3%, but the labor force has not come back to pre-pandemic levels and although a low unemployment rate is generally considered positive news, an extremely low unemployment rate can be challenging for employers looking to add additional staff. Although additional job creation supports the need for housing, a lack of housing, and especially, affordable housing, can place pressure on attracting workers and new jobs.

- **Land/Lot Supply.** Tables FS-9 inventoried active subdivisions with available lots. Based on our research there are just over 100 vacant lots, not included scattered lots throughout the city. The majority of subdivisions have less than ten lots remaining; only three subdivisions have 10 or more lots remaining. Since 2010, about 21 lots have been absorbed annually. However, over the past four years Hutchinson is averaging lot absorption of about 32 lots per year. Although the past few years have been exceptionally strong from the post-pandemic housing boom, the existing lot supply is about a 3-year supply based on recent lot takedowns. As a result, new lots will need to be platted soon as recommend a vacant lot supply of about 3- to 5-years for a balanced market.
- **Lifestyle Renters.** Historically, householders rented because they couldn't afford to buy or didn't have the credit to qualify for a mortgage. Today that is no longer the case, and many householders are renting by choice. High-income renters represent the fastest growing market segment of the rental market today; having grown 48% over the past decade. Demand is being driven by the Millennials, would-be buyers on the side-line, and empty nesters. As a result, rental housing is one of the preferred real estate asset classes today across country. Lifestyle renters are attracted to developments offering excellent finishing quality, extensive common area facilities, and typically focus on an environment providing a more social experience. Although Hutchinson has some newer rental developments, many do not have the higher-end amenities many of today's renters desire.
- **Mobility/Rural Lifestyle and Image:** The COVID-19 pandemic fundamentally changed the housing industry and mobility has been at all-time highs over the past two years. According to Pew Research, 20% of American's moved during the pandemic. Housing suddenly became more than a place to sleep, but the home office, school, gym, and place of entertainment. Generally, households used the pandemic and the work-from-home movement to flee high-cost housing markets and relocated to more affordable housing markets. Mobility trends showed the movement away from urban core neighborhoods or Metro Areas to the suburbs, exurbs, and rural areas. Households moved to lesser denser populated areas, lower tax states, sought larger homes and yards, and traded-up due to the lower cost of housing.

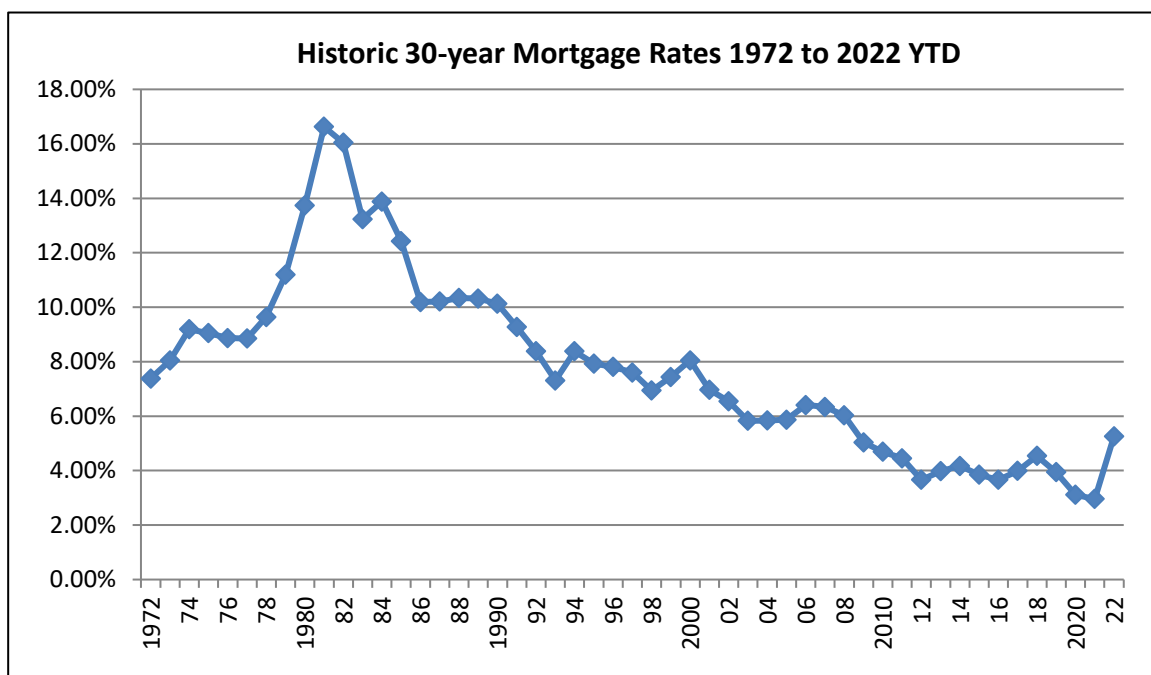
Many smaller communities have experienced a "rural resurgence" as remote work made the movement to small towns and the "country" viable which was once led by proximity to the office. Rural returnees are often motivated to live closer to family and friends, smaller schools to raises children, slower pace of life, outdoor activities, and finally more affordable housing stock compared to their previous place of residence. It is estimated that families with children accounted for the highest percentage of household types that have moved to smaller cities.

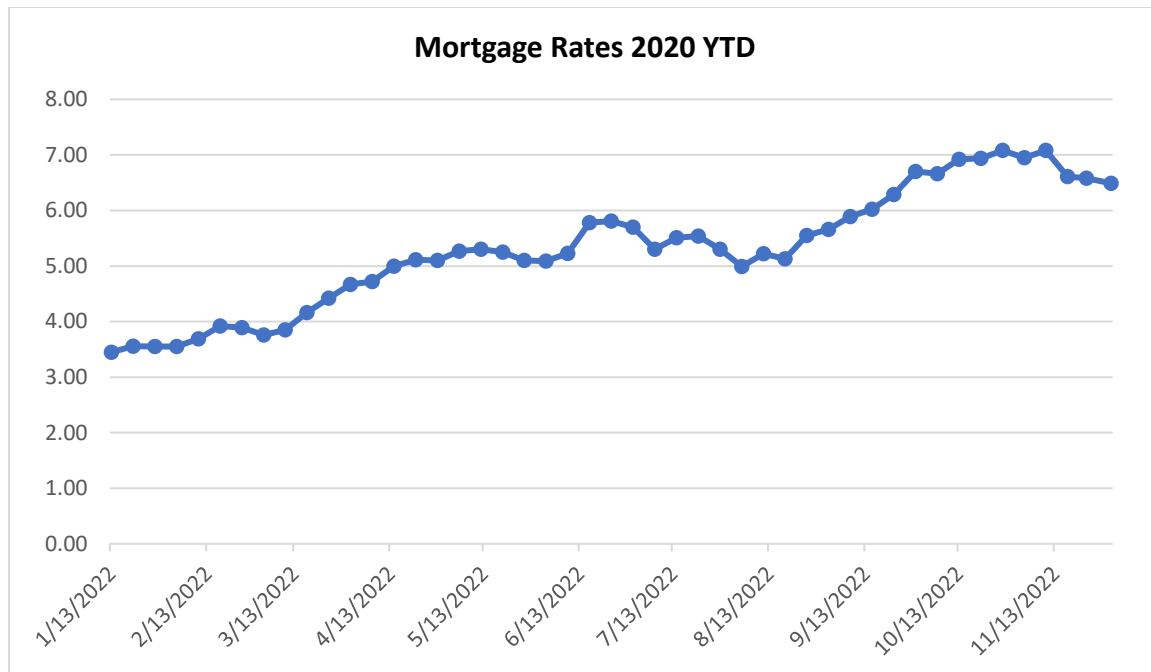
Many economic development agencies are working to lure residents back to rural areas through recruitment strategies via social media. Some communities are offering incentives to help entice relocation to smaller communities. Economic development professionals are marketing communities as "Zoom Towns" and in some cases offering reimbursements for

relocation fees and are offering perks such as free co-working memberships, golf course memberships, gym memberships, park passes, and even home buying programs to income-qualified home buyers on lower salaries. We recommend exploring marketing options with the local chamber of commerce or other economic development agencies on a branding initiative to sell Hutchinson and lifestyle while attracting remote talent.

- **Mortgage Rates.** Mortgage rates play a crucial part in housing affordability. Lower mortgage rates result in a lower monthly mortgage payment and buyers receiving more home for their dollar. Rising interest rates often require homebuyers to raise their down payment in order to maintain the same housing costs. Mortgage rates have stayed at historic lows for most of the past decade trending under 4.5% (30-year fixed) since around 2010. At the on-set of the COVID-19 pandemic, rates plummeted to at or near an all-time low under 3% for part of 2020 and most of 2021. However, due to a 40-year high inflation the Federal Reserve began hiking rates in 2022 to slow the economy and curtail inflation. The Federal Reserve has implemented five rate hikes to date in 2022 and is expected to be aggressive throughout the end of year into 2023. As a result, the cost of for-sale housing has increased significantly this year and many would-be-buyers are on the sidelines and have been priced out of the market. Compared to early 2022, mortgage payments in the Fall of 2022 are on average about 60% higher than the beginning of 2022 (3.25% vs. 6.75%). As a result, affordability has been crushed and a housing market reset is in play.

The following charts illustrates historical mortgage rate averages as compiled by Freddie Mac. The Freddie Mac Market Survey (PMMS) has been tracking mortgage rates since 1972 and is the most relied upon benchmark for evaluating mortgage interest market conditions. The Freddie Mac survey is based on 30-year mortgages with a loan-to-value of 80%.





APPENDIX

Definitions

Absorption Period – The period of time necessary for newly constructed or renovated properties to achieve the stabilized level of occupancy. The absorption period begins when the first certificate of occupancy is issued and ends when the last unit to reach the stabilized level of occupancy has signed a lease.

Absorption Rate – The average number of units rented each month during the absorption period.

Active Adult (or independent living without services available) – Active Adult properties are similar to a general-occupancy apartment building, in that they offer virtually no services but have age-restrictions (typically 55 or 62 or older). Organized activities and occasionally a transportation program are usually all that are available at these properties. Because of the lack of services, active adult properties typically do not command the rent premiums of more service-enriched senior housing.

Adjusted Gross Income “AGI” – Income from taxable sources (including wages, interest, capital gains, income from retirement accounts, etc.) adjusted to account for specific deductions (i.e. contributions to retirement accounts, unreimbursed business and medical expenses, alimony, etc.).

Affordable Housing – The general definition of affordability is for a household to pay no more than 30% of their income for housing. For purposes of this study we define affordable housing that is income-restricted to households earning at or below 80% AMI, though individual properties can have income-restrictions set at 40%, 50%, 60% or 80% AMI. Rent is not based on income but instead is a contract amount that is affordable to households within the specific income restriction segment. It is essentially housing affordable to low or very low-income tenants.

Amenity – Tangible or intangible benefits offered to a tenant in the form of common area amenities or in-unit amenities. Typical in-unit amenities include dishwashers, washer/dryers, walk-in showers and closets and upgraded kitchen finishes. Typical common area amenities include detached or attached garage parking, community room, fitness center and an outdoor patio or grill/picnic area.

Area Median Income “AMI” – AMI is the midpoint in the income distribution within a specific geographic area. By definition, 50% of households earn less than the median income and 50% earn more. The U.S. Department of Housing and Urban Development (HUD) calculates AMI annually and adjustments are made for family size.

Assisted Living – Assisted Living properties come in a variety of forms, but the target market for most is generally the same: very frail seniors, typically age 80 or older (but can be much younger, depending on their particular health situation), who are in need of extensive support

services and personal care assistance. Absent an assisted living option, these seniors would otherwise need to move to a nursing facility. At a minimum, assisted living properties include two meals per day and weekly housekeeping in the monthly fee, with the availability of a third meal and personal care (either included in the monthly fee or for an additional cost). Assisted living properties also have either staff on duty 24 hours per day or at least 24-hour emergency response.

Building Permit – Building permits track housing starts, and the number of housing units authorized to be built by the local governing authority. Most jurisdictions require building permits for new construction, major renovations, as well as other building improvements. Building permits ensure that all the work meets applicable building and safety rules and is typically required to be completed by a licensed professional. Once the building is complete and meets the inspector's satisfaction, the jurisdiction will issue a "CO" or "Certificate of Occupancy." Building permits are a key barometer for the health of the housing market and are often a leading indicator in the rest of the economy as it has a major impact on consumer spending.

Capture Rate – The percentage of age, size, and income-qualified renter households in a given area or "Market Area" that the property must capture to fill the units. The capture rate is calculated by dividing the total number of units at the property by the total number of age, size and income-qualified renter households in the designated area.

Comparable Property – A property that is representative of the rental housing choices of the designated area or "Market Area" that is similar in construction, size, amenities, location and/or age.

Concession – Discount or incentives given to a prospective tenant to induce signature of a lease. Concessions typically are in the form of reduced rent or free rent for a specific lease term, or free amenities, which are normally charged separately, such as parking.

Congregate (or independent living with services available) – Congregate properties offer support services such as meals and/or housekeeping, either on an optional basis or a limited amount included in the rents. These properties typically dedicate a larger share of the overall building area to common areas, in part, because the units are smaller than in adult housing and in part to encourage socialization among residents. Congregate properties attract a slightly older target market than adult housing, typically seniors age 75 or older. Rents are also above those of the active adult buildings, even excluding the services.

Contract Rent – The actual monthly rent payable by the tenant, including any rent subsidy paid on behalf of the tenant, to the owner, inclusive of all terms of the lease.

Demand – The total number of households that would potentially move into a proposed new or renovated housing project. These households must be of appropriate age, income, tenure and size for a specific proposed development. Components vary and can include, but are not

limited to turnover, people living in substandard conditions, rent over-burdened households, income-qualified households and age of householder. Demand is project specific.

Density – Number of units in a given area. Density is typically measured in dwelling units (DU) per acre – the larger the number of units permitted per acre the higher the density; the fewer units permitted results in lower density. Density is often presented in a gross and net format:

Gross Density – The number of dwelling units per acre based on the gross site acreage.

Gross Density = Total residential units/total development area

Net Density - The number of dwelling units per acre located on the site, but excludes public right-of-ways (ROW) such as streets, alleys, easements, open spaces, etc.

Net Density = Total residential units/total residential land area (excluding ROWs)

Detached Housing – a freestanding dwelling unit, most often single-family homes, situated on its own lot.

Effective Rents – Contract rent less applicable concessions.

Elderly or Senior Housing – Housing where all the units in the property are restricted for occupancy by persons age 62 years or better, or at least 80% of the units in each building are restricted for occupancy by households where at least one household member is 55 years of age or better and the housing is designed with amenities, facilities and services to meet the needs of senior citizens.

Extremely Low-Income – Person or household with incomes below 30% of Area Median Income, adjusted for respective household size.

Fair Market Rent – Estimates established by HUD of the Gross Rents needed to obtain modest rental units in acceptable conditions in a specific geographic area. The amount of rental income a given property would command if it were open for leasing at any given moment and/or the amount derived based on market conditions that is needed to pay gross monthly rent at modest rental housing in a given area. This figure is used as a basis for determining the payment standard amount used to calculate the maximum monthly subsidy for families on at financially assisted housing.

Fair Market Rent McLeod County - 2021					
Bedroom Type / Rent	Fair Market Rent				
	EFF	1BR	2BR	3BR	4BR
	\$606	\$624	\$821	\$1,166	\$1,405

Floor Area Ratio (FAR) Ratio of the floor area of a building to area of the lot on which the building is located.

Foreclosure – A legal process in which a lender or financial institute attempts to recover the balance of a loan from a borrower who has stopped making payments to the lender by using the sale of the house as collateral for the loan.

Gross Rent – The monthly housing cost to a tenant which equals the Contract Rent provided for in the lease, plus the estimated cost of all utilities paid by tenants. Maximum Gross Rents are shown in the figure below.

Gross Rent McLeod County – 2021								
	Maximum Gross Rent							
	30%	40%	50%	60%	70%	80%	100%	120%
EFF	\$466	\$622	\$777	\$933	\$1,088	\$1,244	\$1,555	\$1,866
1BR	\$499	\$666	\$833	\$999	\$1,166	\$1,333	\$1,666	\$1,999
2BR	\$600	\$800	\$1,000	\$1,200	\$1,400	\$1,600	\$2,000	\$2,400
3BR	\$693	\$924	\$1,155	\$1,386	\$1,617	\$1,848	\$2,310	\$2,772
4BR	\$773	\$1,031	\$1,288	\$1,546	\$1,804	\$2,062	\$2,577	\$3,093

Household – All persons who occupy a housing unit, including occupants of a single-family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

Household Trends – Changes in the number of households for any particular areas over a measurable period of time, which is a function of new household formations, changes in average household size, and net migration.

Housing Choice Voucher Program – The federal government's major program for assisting very low-income families, the elderly, and the disabled to afford decent, safe, and sanitary housing in the private market. A family that is issued a housing voucher is responsible for finding a suitable housing unit of the family's choice where the owner agrees to rent under the program. Housing choice vouchers are administered locally by public housing agencies. They receive federal funds from the U.S. Department of Housing and Urban Development (HUD) to administer the voucher program. A housing subsidy is paid to the landlord directly by the public housing agency on behalf of the participating family. The family then pays the difference between the actual rent charged by the landlord and the amount subsidized by the program.

Housing Unit – House, apartment, mobile home, or group of rooms used as a separate living quarters by a single household.

HUD Project-Based Section 8 – A federal government program that provides rental housing for very low-income families, the elderly, and the disabled in privately owned and managed rental units. The owner reserves some or all of the units in a building in return for a Federal government guarantee to make up the difference between the tenant's contribution and the rent. A tenant who leaves a subsidized project will lose access to the project-based subsidy.

HUD Section 202 Program – Federal program that provides direct capital assistance and operating or rental assistance to finance housing designed for occupancy by elder household who have incomes not exceeding 50% of Area Median Income.

HUD Section 811 Program – Federal program that provides direct capital assistance and operating or rental assistance to finance housing designed for occupancy of persons with disabilities who have incomes not exceeding 50% Area Median Income.

HUD Section 236 Program – Federal program that provides interest reduction payments for loans which finance housing targeted to households with income not exceeding 80% Area Median Income who pay rent equal to the greater or market rate or 30% of their adjusted income.

Income Limits – Maximum household income by a designed geographic area, adjusted for household size and expressed as a percentage of the Area Median Income, for the purpose of establishing an upper limit for eligibility for a specific housing program. See income-qualifications.

Inflow/Outflow – The Inflow/Outflow Analysis generates results showing the count and characteristics of worker flows in to, out of, and within the defined geographic area.

Low-Income – Person or household with gross household incomes below 80% of Area Median Income, adjusted for household size.

Low-Income Housing Tax Credit – A program aimed to generate equity for investment in affordable rental housing authorized pursuant to Section 42 of the Internal Revenue Code. The program requires that a certain percentage of units built be restricted for occupancy to households earning 60% or less of Area Median Income, and rents on these units be restricted accordingly.

Market Analysis – The study of real estate market conditions for a specific type of property, geographic area or proposed (re)development.

Market Rent – The rent that an apartment, without rent or income restrictions or rent subsidies, would command in a given area or “Market Area” considering its location, features and amenities.

Market Study – A comprehensive study of a specific proposal including a review of the housing market in a defined market or geography. Project specific market studies are often used by

developers, property managers or government entities to determine the appropriateness of a proposed development, whereas market specific market studies are used to determine what housing needs, if any, existing within a specific geography.

Market Rate Rental Housing – Housing that does not have any income-restrictions. Some properties will have income guidelines, which are minimum annual incomes required in order to reside at the property.

Memory Care – Memory Care properties, designed specifically for persons suffering from Alzheimer’s disease or other dementias, is one of the newest trends in senior housing. Properties consist mostly of suite-style or studio units or occasionally one-bedroom apartment-style units, and large amounts of communal areas for activities and programming. In addition, staff typically undergoes specialized training in the care of this population. Because of the greater amount of individualized personal care required by residents, staffing ratios are much higher than traditional assisted living and thus, the costs of care are also higher. Unlike conventional assisted living, however, which deals almost exclusively with widows or widowers, a higher proportion of persons afflicted with Alzheimer’s disease are in two-person households. That means the decision to move a spouse into a memory care facility involves the caregiver’s concern of incurring the costs of health care at a special facility while continuing to maintain their home.

Migration – The movement of households and/or people into or out of an area.

Mixed-Income Property – An apartment property contained either both income-restricted and unrestricted units or units restricted at two or more income limits.

Mobility – The ease at which people move from one location to another. Mobility rate is often illustrated over a one-year time frame.

Moderate Income – Person or household with gross household income between 80% and 120% of the Area Median Income, adjusted for household size.

Multifamily – Properties and structures that contain more than two housing units.

Naturally Occurring Affordable Housing – Although affordable housing is typically associated with an income-restricted property, there are other housing units in communities that indirectly provide affordable housing. Housing units that were not developed or designated with income guidelines (i.e. assisted) yet are more affordable than other units in a community are considered “naturally-occurring” or “unsubsidized affordable” units. This rental supply is available through the private market, versus assisted housing programs through various governmental agencies. Property values on these units are lower based on a combination of factors, such as: age of structure/housing stock, location, condition, size, functionally obsolete, school district, etc.

Net Income – Income earned after payroll withholdings such as state and federal income taxes, social security, as well as retirement savings and health insurance.

Net Worth – The difference between assets and liabilities, or the total value of assets after the debt is subtracted.

Pent-Up Demand – A market in which there is a scarcity of supply and as such, vacancy rates are very low or non-existent.

Population – All people living in a geographic area.

Population Density – The population of an area divided by the number of square miles of land area.

Population Trends – Changes in population levels for a particular geographic area over a specific period of time – a function of the level of births, deaths, and in/out migration.

Project-Based Rent Assistance – Rental assistance from any source that is allocated to the property or a specific number of units in the property and is available to each income eligible tenant of the property or an assisted unit.

Redevelopment – The redesign, rehabilitation or expansion of existing properties.

Rent Burden – Gross rent divided by adjusted monthly household income.

Restricted Rent – The rent charged under the restriction of a specific housing program or subsidy.

Saturation – The point at which there is no longer demand to support additional market rate, affordable/subsidized, rental, for-sale, or senior housing units. Saturation usually refers to a particular segment of a specific market.

Senior Housing – The term “senior housing” refers to any housing development that is restricted to people age 55 or older. Today, senior housing includes an entire spectrum of housing alternatives. Maxfield Research Consulting, LLC. classifies senior housing into four categories based on the level of support services. The four categories are: Active Adult, Congregate, Assisted Living and Memory Care.

Short Sale – A sale of real estate in which the net proceeds from selling the property do not cover the sellers’ mortgage obligations. The difference is forgiven by the lender, or other arrangements are made with the lender to settle the remainder of the debt.

Single-Family Home – A dwelling unit, either attached or detached, designed for use by one household and with direct street access. It does not share heating facilities or other essential electrical, mechanical or building facilities with another dwelling.

Stabilized Level of Occupancy – The underwritten or actual number of occupied units that a property is expected to maintain after the initial lease-up period.

Subsidized Housing – Housing that is income-restricted to households earning at or below 30% AMI. Rent is generally based on income, with the household contributing 30% of their adjusted gross income toward rent. Also referred to as extremely low-income housing.

Subsidy – Monthly income received by a tenant or by an owner on behalf of a tenant to pay the difference between the apartment's contract/market rate rent and the amount paid by the tenant toward rent.

Substandard Conditions – Housing conditions that are conventionally considered unacceptable and can be defined in terms of lacking plumbing facilities, one or more major mechanical or electrical system malfunctions, or overcrowded conditions.

Target Population – The market segment or segments of the given population a development would appeal or cater to.

Tenant – One who rents real property from another individual or rental company.

Tenant-Paid Utilities – The cost of utilities, excluding cable, telephone, or internet necessary for the habitation of a dwelling unit, which are paid by said tenant.

Tenure – The distinction between owner-occupied and renter-occupied housing units.

Turnover – A measure of movement of residents into and out of a geographic location.

Turnover Period – An estimate of the number of housing units in a geographic location as a percentage of the total house units that will likely change occupants in any one year.

Unrestricted Units – Units that are not subject to any income or rent restrictions.

Vacancy Period – The amount of time an apartment remains vacant and is available on the market for rent.

Workforce Housing – Housing that is income-restricted to households earning between 80% and 120% AMI; however, some government agencies define workforce housing from 50% to 120% AMI. Also referred to as moderate-income housing.

Zoning – Classification and regulation of land use by local governments according to use categories (zones); often also includes density designations and limitations.