



**Maxfield**  
Research & Consulting



# City of Bloomington Comprehensive Housing Needs

Presented to: Bloomington HRA

Presented by: | Maxfield Research & Consulting LLC

June 13, 2017

# Maxfield Research & Consulting, LLC

## Overview

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

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



# Project Scope

## OBJECTIVE

Provide a comprehensive analysis of housing needs for Bloomington

## APPROACH

Analyze secondary published data and compile and analyze primary market data to understand current needs and project future needs

## PROJECT DELIVERABLES

- Short (2017-2025) and long-term (to 2030) housing needs
- Recommendations to guide future housing development

## KEY DATES

- Data collection: December 2016 through March 2017
- Draft: April 2017
- Final: May 2017



# Housing Study Objective

- Identify current and future housing needs for Bloomington that will assist the City in quantifying, managing and attracting new housing development.
- Develop a basis for community leaders, stakeholders, and decision-makers to guide future housing needs initiatives in Bloomington.



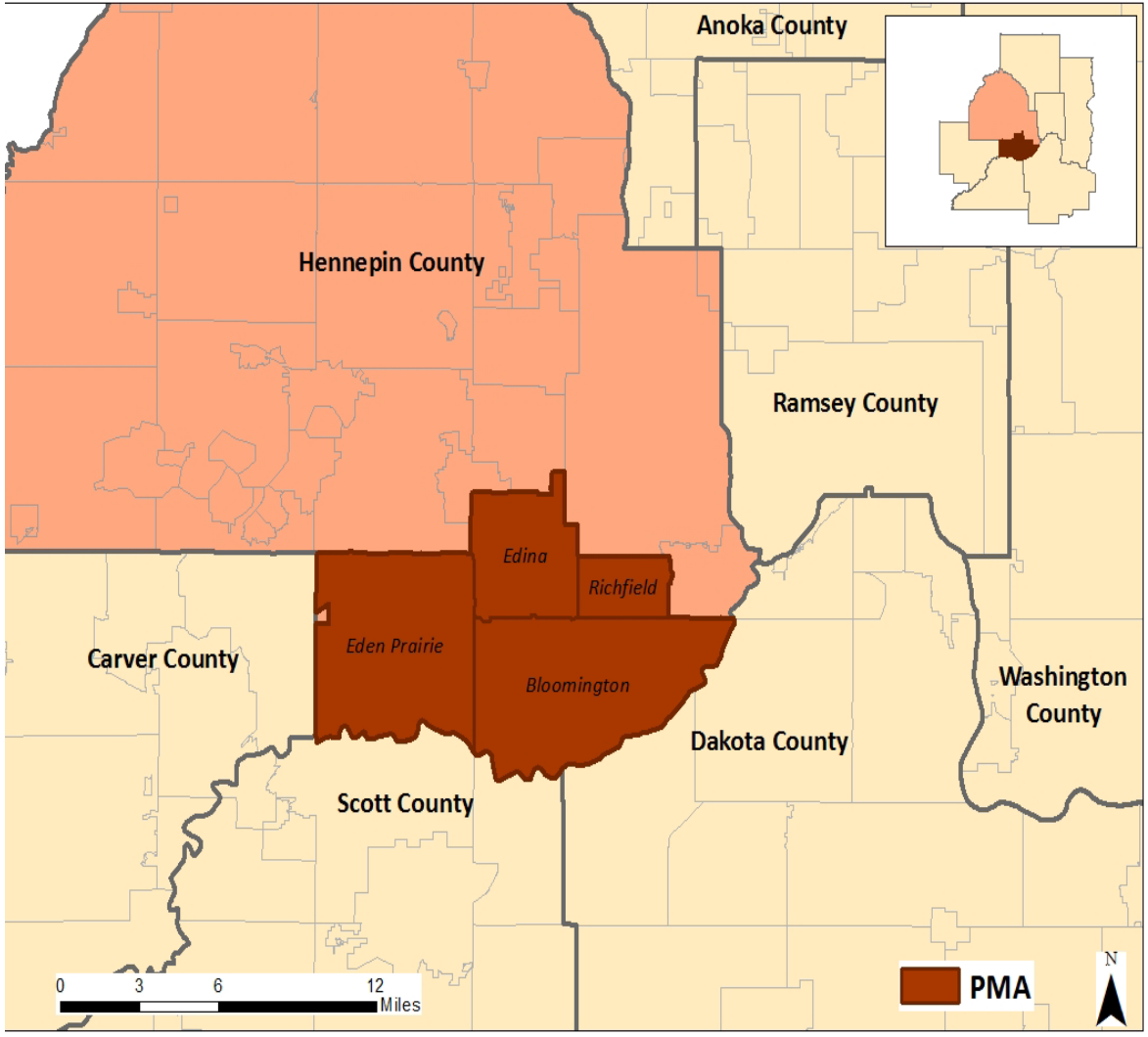
# End User Benefits

- Guide policy making decisions
- Assists in the Comprehensive Planning process
- Assists area banks and lending-institutions to streamline the financial component
- Solicit interest from builders/developers for various housing product types across the county
- Help raise funding for housing and community development programs
- Better define the relationship between housing and economic development
- Create framework for accommodating future growth
- Help deliver strategic housing priorities



# Primary Market Area

## Bloomington Primary Market Area



➤ Focus on Bloomington, but considers adjacent communities as part of the Bloomington influence area

- Bloomington
- Edina
- Richfield
- Eden Prairie

➤ Other adjacent communities will also contribute to demand in Bloomington

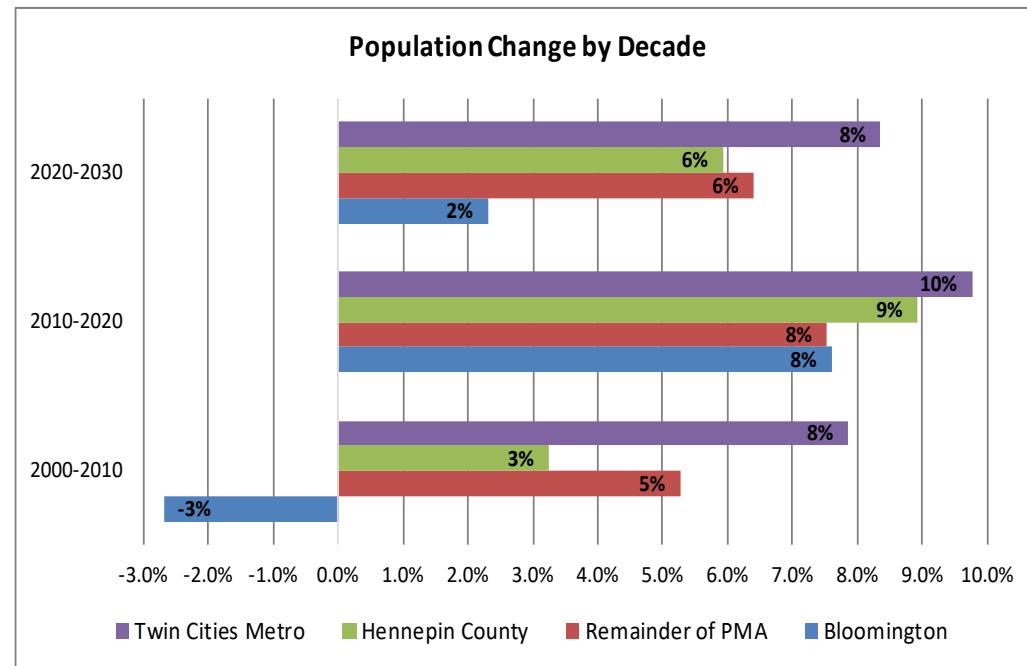
# Growth has rebounded from the previous decade

## Historic Findings

- Bloomington– 2000-2010
  - Population - (-2,279) (-2.7%)
  - Households - (-495) (-1.4%)

## Projections

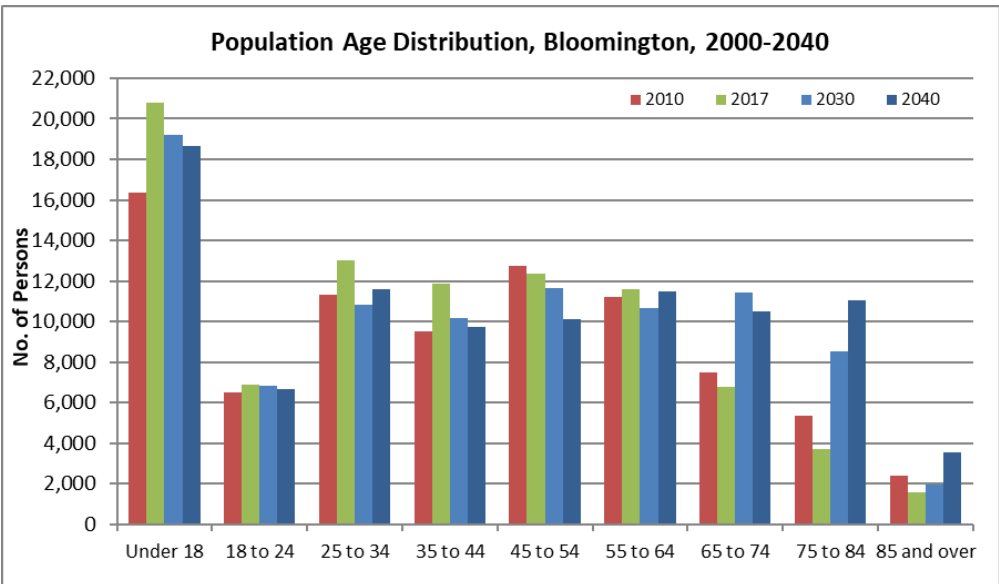
- Growth in pop/hh growth projected in each decade to 2040
- 2010-2020
  - Population +6,297 (+7.6%)
  - Households +2,760 (+7.7%)
- 2020-2030
  - Population +2,055 (+2.3%)
  - Households +1,315 (+3.4%)
- 2030-2040
  - Population +2,055 (+2.3%)
  - Households +1,320 (+3.3%)



# Projected growth in most age cohorts

- Bloomington to experience the greatest growth among people ages 55+ between 2020 and 2030 with modest growth in 45 to 54 cohort.
  - 65 to 74 and 75 to 84 cohorts will account for the most adult population growth over the next 13 years
  - Baby boomers are 21% of the population in Bloomington as of 2017 and by 2030 will account for 23% of the population.

- Household types:
  - Increase in all HH types except roommates
  - 32% of households are Living Alone in Bloomington (2017) followed by Married with Children (31%)
  - Most rapid increases occurred among Living Alone (9%) and Married Couples w/Children (6%)

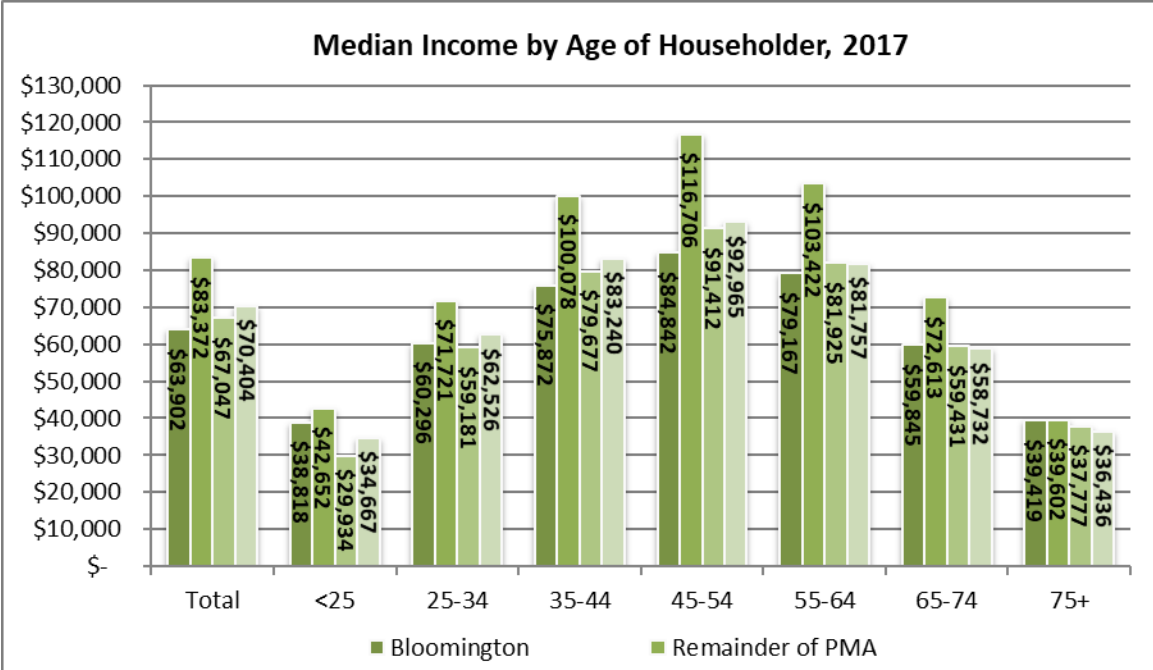


- Household size anticipated to remain stable between 2010 and 2020 (2.31), but decrease slightly after that as population ages
- Home ownership rate (2017)
  - 68% Bloomington
  - 70% Remainder of PMA
  - 68% Twin Cities Metro



# Household Incomes

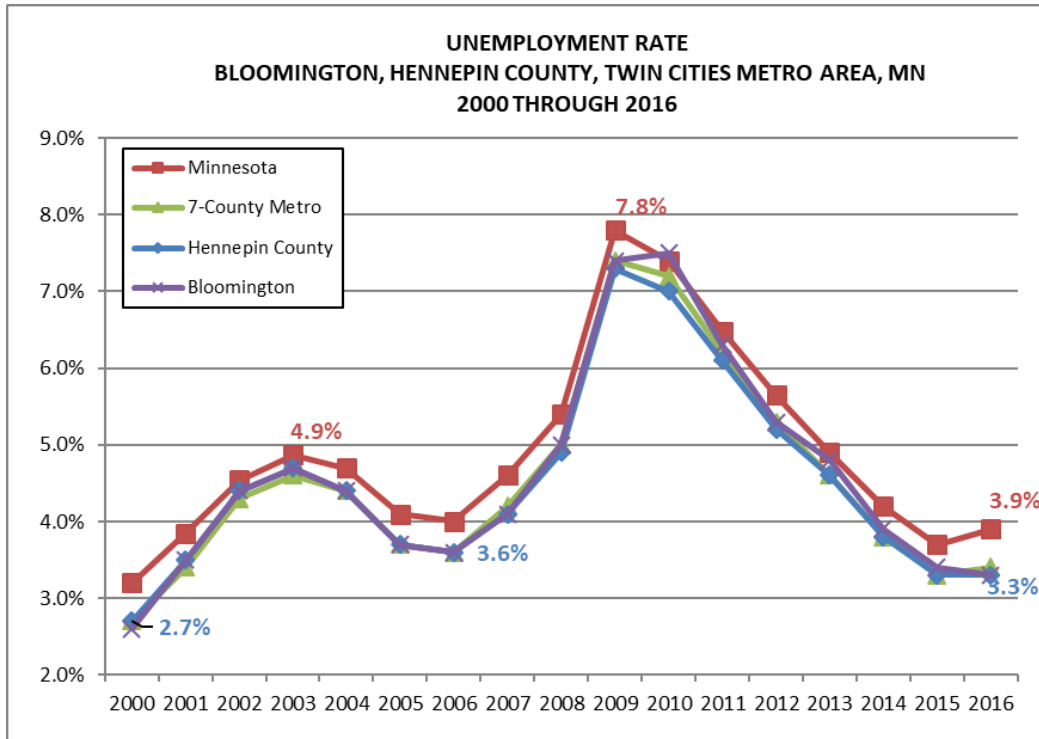
- Median Income (2017):
  - \$63,902 – Bloomington
  - \$70,404 – Twin Cities Metro
- Highest earners (2017)
  - \$84,842 – Bloomington 45-54 age cohort
  - \$102,802 – Twin Cities 45-54 age cohort
- Projected increase by 2022:
  - +16% to \$74,100 (Bloomington)
  - +13% to \$79,964 (Twin Cities Metro)
- 2015 Income disparity by tenure (Blmgtn.)
  - \$79,511 (owner) vs. \$41,978 (renter)



# Commuting Patterns

## Employment

- Bloomington unemployment rate: 3.3%, equal to Metro Area (3.3%)
- Job growth has been more rapid than labor force growth causing continued decreases in the unemployment rate



- Bloomington is a net importer of workers
  - 80,370 workers come into the city, while 31,000 workers leave the city daily, +49,370 daily inflow
- Avg. weekly wages (2016)
  - \$1,280 in Blmgtn. vs. \$1,171 in Twin Cities Metro
  - Highest avg. weekly wage in Blmgtn. in the Mfg. sector: \$1,817, followed by Prof., Business and Technical Services: \$1,772



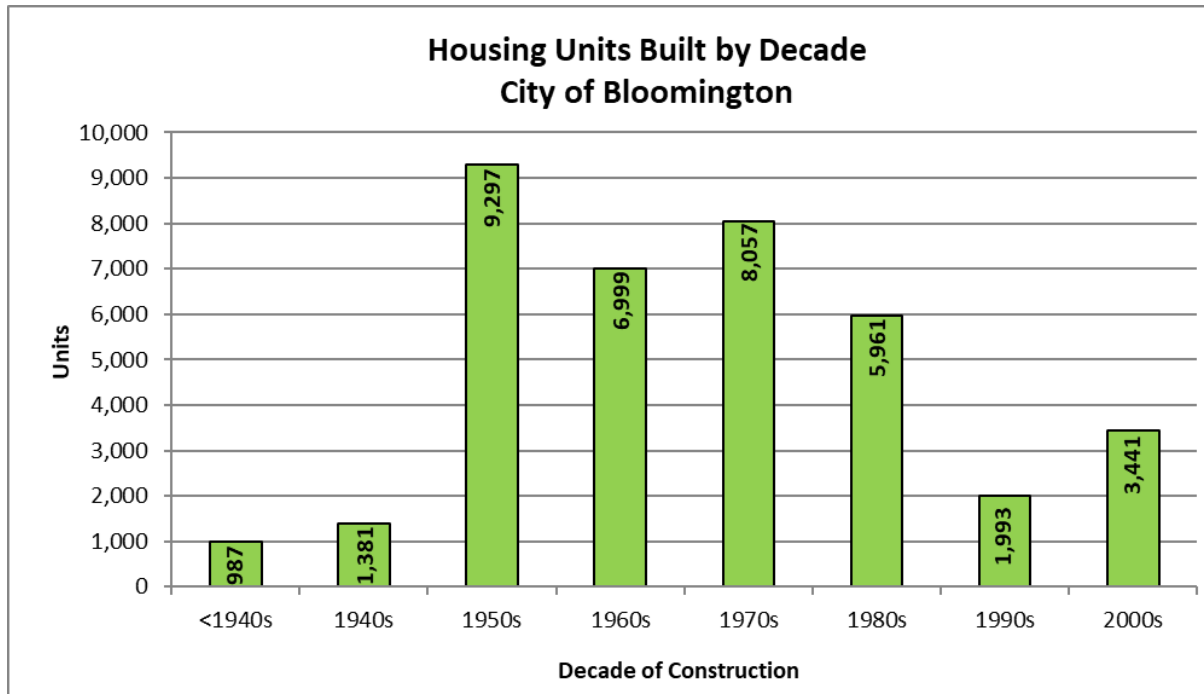
# Housing Starts Increasing

## New Construction Activity

- 1,620 housing units constructed in Blmgt. (2010 through 2016)
  - Avg. 194 units/year (SF & MF)
  - 2005 through 2009: 165 units/year (SF & MF)
  - Single-Family: 7% of all units
  - Multifamily: 91% of all units

## Housing Stock (2017)

- Housing stock:
  - 64% built 1950s through 1970s
  - 9% built 2000 or later
- Single-Family Detached comprises 80% of all owner-occupied housing structures



# Rental Housing vacancy rates very low

## Overall-January-March 2017

- 8,806 units
- 1.3% vacancy rate

## Market Rate

- 8,413 units
- 1.3% vacancy rate
- Average Rents range:
  - Built prior to 1980
    - \$1,027 (\$1.16 psf)
  - Built 1980 to 2000
    - \$1,166 (\$1.24 psf)
  - Built after 2000
    - \$1,639 (\$1.82 psf)

## Affordable/Subsidized

- 197 Affordable units | 0% vacant
- 192 Subsidized units | 0% vacant



5% Vacancy = Market Equilibrium



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# Naturally Occurring Affordable Rental

## Summary of Affordable Rents from Survey of Market Rate Properties in Bloomington

- 1,334 units affordable between 41% and 50% of Area Median Income (AMI)
- 4,241 units affordable between 51% and 60% of AMI
- 2,310 units affordable between 61% and 80% of AMI
- 558 units affordable between 81% and 100% of AMI
- 372 units affordable between 101% and 120% of AMI



# Senior housing vacancy rates low

## Market Area Overall

- 2,277 units
- 0.8% vacancy rate

## Market Rate

- 495 units active adult ownership
- 144 units active adult rental
- 297 units continuing care community
- 236 units congregate (independent living)
- 361 units assisted living
- 267 units memory care

## Affordable/Subsidized

- 477 units active adult
- 0.0% vacancy rate



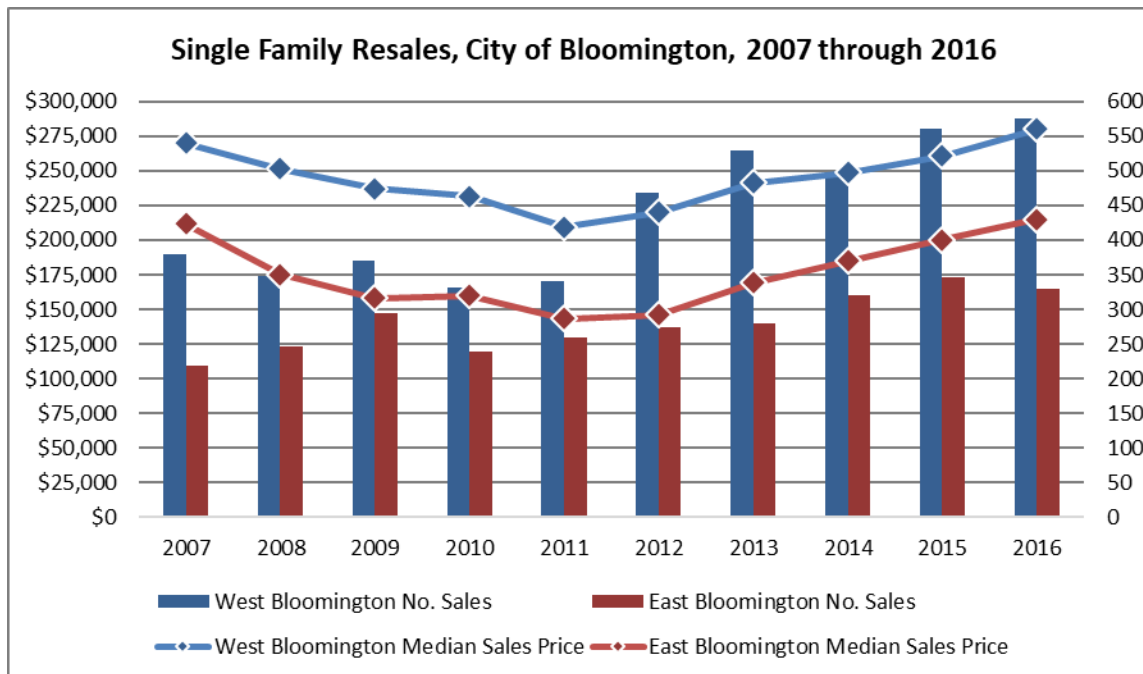
# Home resales prices continue to rebound...

## Overall

- Market activity improving
- New construction demand, but challenging to accomplish in Bloomington
- Lender-mediated proportions down substantially (5% - Blmgtn.)

## Resales

- Median resale price (SF):
  - Highest in 2016: \$232,000
  - Lowest in 2011: \$157,000
  - Resale activity:
    - 1,271 resales in 2015
    - 1,263 resales in 2016



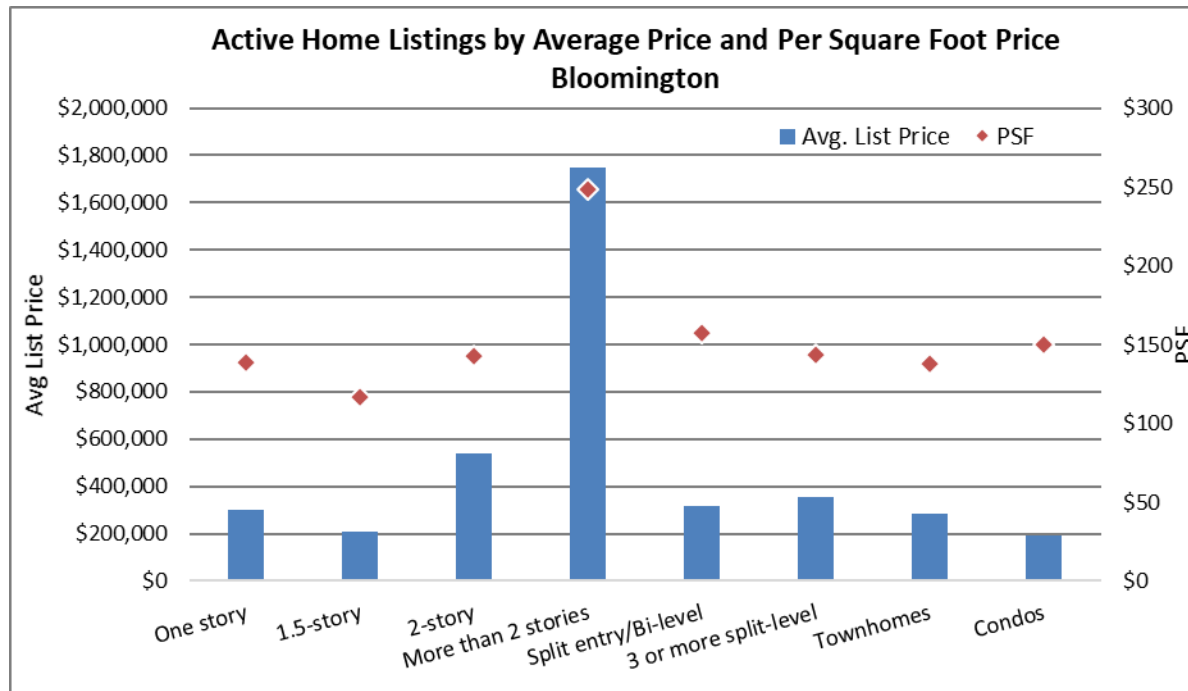
# Supply Side-Bloomington

## Active Listings (February 2017)

- 79 SF listings | 45 MF listings
- Average Price (Resales)
  - SF: \$319,000
  - MF: \$176,000

## Avg. Price Per Sq. Ft.-Resales

- Sold
  - SF: \$135 psf
  - MF: \$124 psf
- Active
  - SF: \$143 psf
  - MF: \$138 psf





# New Construction

## Lot Inventory/Supply

- Very limited lot supply
- 13 future lots – Dwan Bluff
- Less than a two-year lot supply, but community is essentially fully-developed
- New construction
  - ❑ Avg. SF lot widths '75 to '80 feet wide
  - ❑ Avg. new construction SF: \$172 PSF
  - ❑ Avg. new construction MF: \$240 PSF



## New Construction Market

- Housing Starts - 2016
  - 15 SF | 1 MF (owned)
- Average Pricing (includes upgrades)
  - SF - \$699,900
  - MF - \$762,900 (Det. Villa)



# Demand Summary

## Demand Overview

- Household growth & tenure
- Turnover
- Income-qualified households
- Demand by product | Preferences



### Demand Driver Examples

- Demographics
- Economy & Job Growth
- Consumer Choice | Preferences
- Turnover/Mobility
- Supply (i.e. Existing Hsg. Stock)
- Replacement need (i.e. functionally /physically obsolete)
- Financing

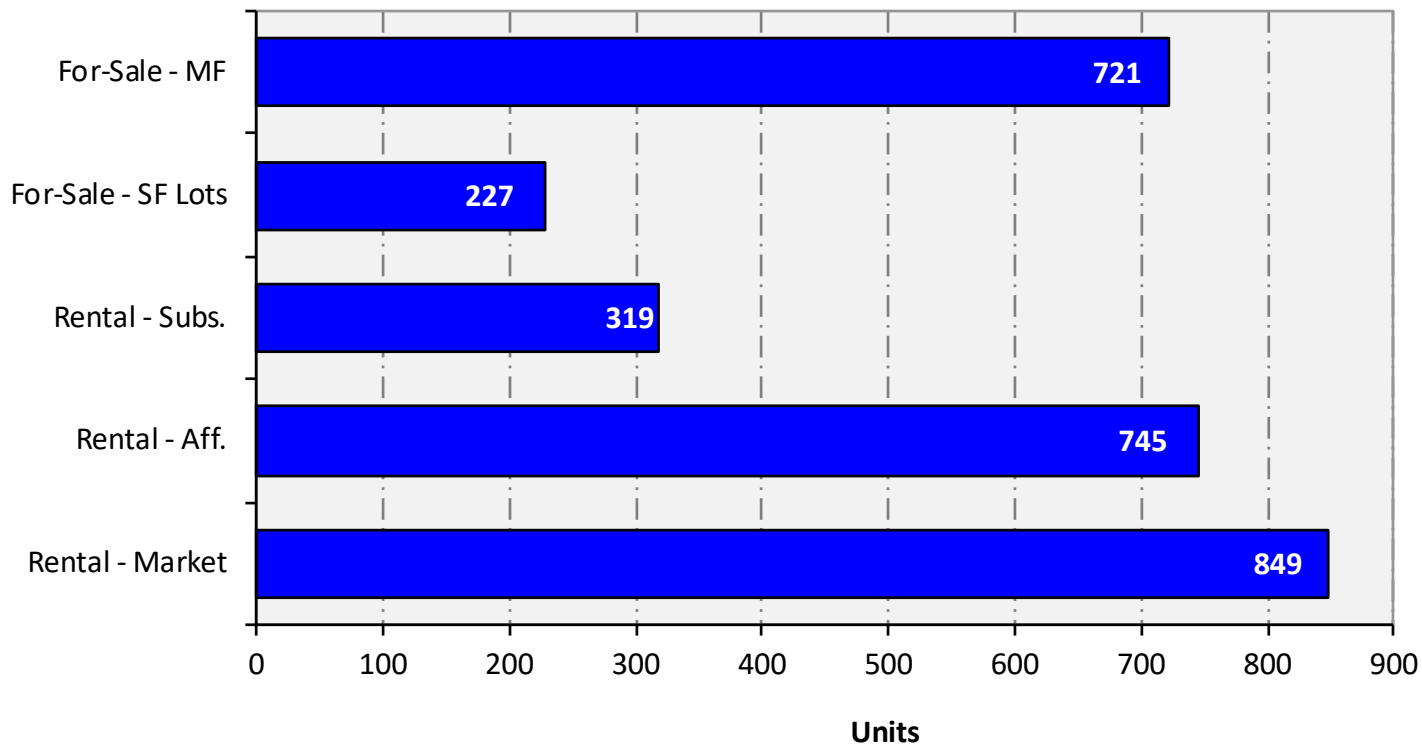
## Demand Assumptions/Methodology

- Household growth adjusted for local factors (i.e. building permits, etc.)

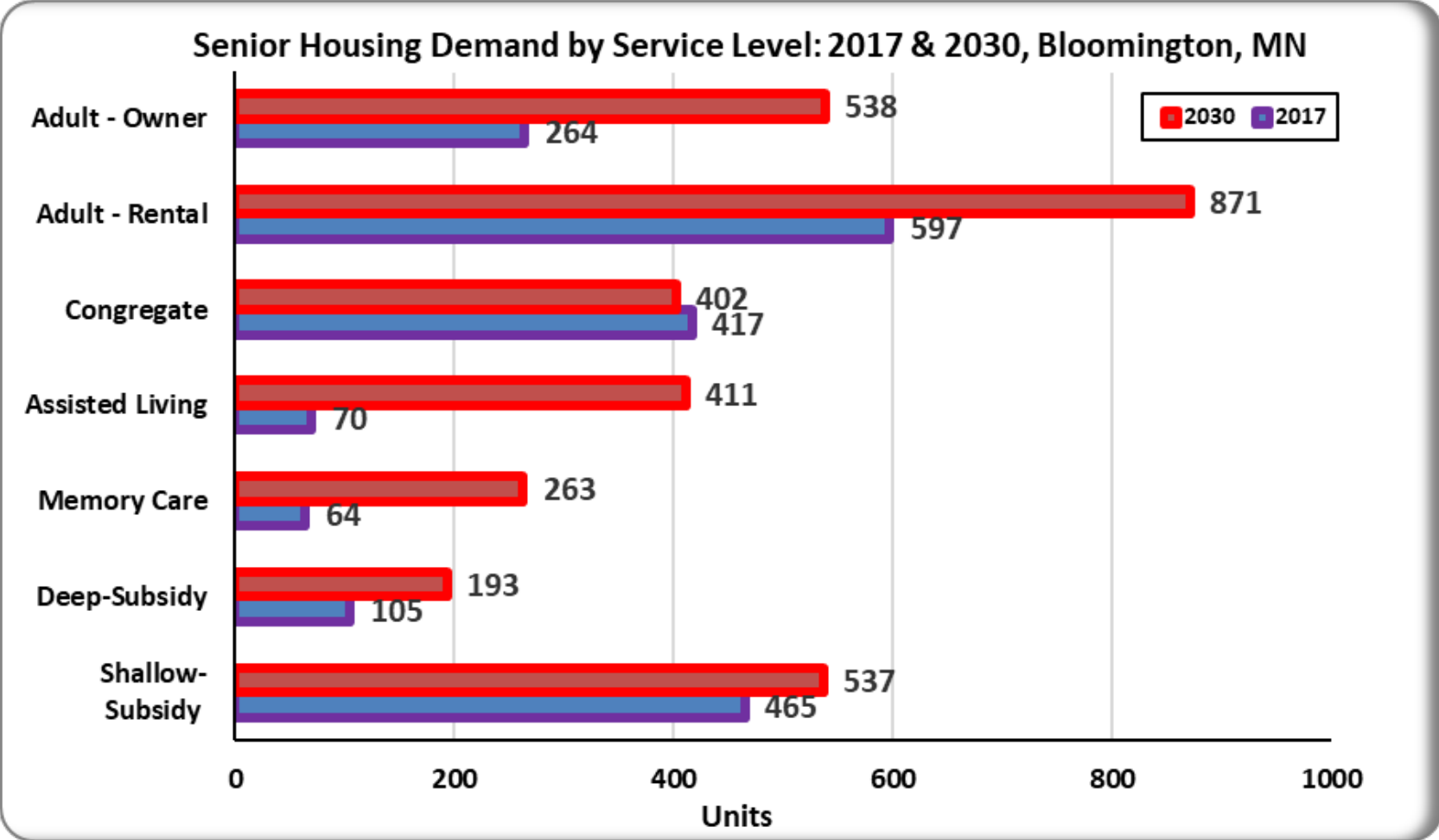


# Housing Demand by Segment - Bloomington

General-Occupancy Demand by Type, Bloomington, MN  
2017 to 2030

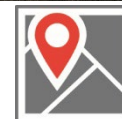


# GO Rental Senior Housing Demand – Bloomington



# Single-Family Demand

- Very limited supply of vacant SF lots; primarily in-fill and redevelopment
  - Previous sale of commercial properties
  - Redevelopment of larger homesteaded properties
- Demand for SF attached (villa-style); price points \$400,000 and above
- Will not be able to satisfy demand for single-family detached or attached
- Months of supply for resales are very low – 1.6 for SF and 1.6 for Owned MF



# Multifamily For-Sale Demand

- Demand for 721 units
- Potential housing types:
  - Detached villas
  - Twinhomes
  - Row Homes
- Demand by price point:
  - Entry-level (<\$250k)
  - Move-up (\$250k - \$500k)
  - Executive (\$500K+)
- Key challenge
  - Current 10-year construction defect warranty (development community shying away)



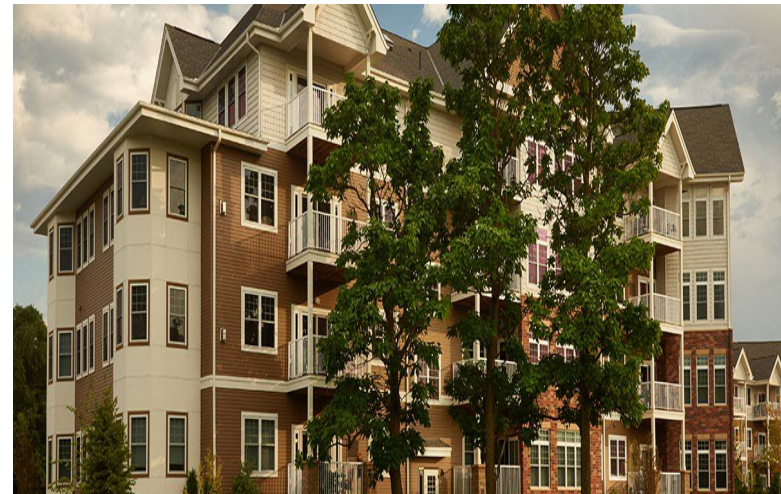
# Rental Housing Demand

- Demand for 1,913 units
  - 849 market rate
  - 745 shallow-subsidy
  - 319 deep-subsidy
- Clear need for new, shallow-subsidy rental units (primarily funded through LIHTC (Low-Income Housing Tax Credit Program))
- Recommend the following types:
  - Market rate rental (100%+ AMI)
  - Affordable (40% to 60% of AMI)
  - Mixed income (20% affordable/80% market rate)



# Senior Housing Demand

- Demand for 2,485 units by 2030 assuming no additional construction
- Demand across all service levels.
- Independent living is currently in highest demand and experiencing the most rapid absorptions.
- Recommend the following:
  - Senior demand projected to increase rapidly beginning 2025, due to increase in baby boomers.
  - Some facilities are expanding to meet demand (Friendship Village)
  - Affordable senior





# Key Takeaways...

- Population and household growth has rebounded from the 2000s due to increase in redevelopment and development of high-density multifamily (including senior).
- Older adults (55+) growth will drive demand for multifamily products to the greatest degree; current high demand for single-level owned multifamily, but difficult to satisfy
- Low 3.3% unemployment rate in Bloomington, equal to TCMA; anticipated worker shortages in some industries which is likely to increase as baby boom retires
- New market rate rental has generally absorbed well, but increasing rental construction in Edina may begin to impact luxury rental demand in Bloomington in the short-term
- Growing senior housing demand, ramping up after 2025; significant demand for affordable senior.
- Home resale prices increasing, months of supply for resales is very low (1.6 SF & MF); virtually no supply of new construction (SF and Owned MF)
- Vacant developed lot inventory very low; new construction very limited and focused on high end buyers; HRA in-fill vacant lots (moderate-price)
- Continued demand for all housing types; development of some products will necessitate public-private partnerships



# Questions & Comments

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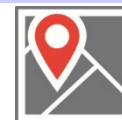
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