

## **Council Study Session Minutes, July 28, 2015**

### **Call to Order**

The Ely City Council Study Session was called to order by Mayor Novak at 5:30pm on June 30, 2015 at the City Hall Council Chambers.

PRESENT: Council members A.Forsman, Kess, Debeltz, Omerza, Polyner, D.Forsman, Mayor Novak (7)

**ADDITIONS OR OMISSIONS:** None

### **NEW BUSINESS**

Maxfield Housing Study:

Mary Bujold presented the comprehensive housing needs analysis for the City of Ely.

The population in the City of Ely declined by 264 people (-7.1%) between 2000 and 2010 to total 3460 people in 2010. Similarly, the Market Area overall declined by 679 people (-6.2%) over the same time period.

The average household size is decreasing and the age of households is increasing. People are moving to more rural area and working from home. Empty nesters (ages 55-70) are moving away from the city and coming to smaller cities like Ely.

Age Distribution Trends:

The 18-24 year old cohort, which consists of renters and first-time homebuyers, declined between 2000 and 2010 (-140 people, -23.3%), but decreases are projected to stabilize somewhat as new student housing is added to Vermillion Community College and the school seeks to increase its enrollment base in Ely.

As of 2010, baby boomers accounted for approximately 34% of the Market Area's population. An influx of workers to the area tied to the construction of the proposed mining operations has the potential to shift these proportions somewhat toward working base.

Under low growth or generally stable growth scenario, the 65-74 age cohort is projected to have the greatest increase in the Market Area between 2010 and 2020, an estimated 523 people (35.4%). The growth in this age cohort can be primarily attributed to the baby boomer generation aging into their young senior years.

Tenure by Household Incomes:

The City of Ely has approximately 55% of total renter households in the Market Area even though it represents less than one-third of the Market Area household base. Comparatively, approximately 69% of households in the City of Ely are homeowners compared to 87% in the Remainder of the Market Area.

The pattern of home ownership in the City of Ely is somewhat dissimilar to the Market Area as a whole due to the influence of the Remainder of the Market Area which has high homeownership.

In Ely, approximately 72% of renters comprise the market for deep-subsidy and shallow-subsidy rental housing whereas in the Remainder of the Market Area, this proportion is only 44%.

Omerza asked what the definition of a renter household is. Mary Bujold stated that in a renter occupied unit you are paying rent on a unit you do not own and you are occupying the unit for at least 6 months.

#### Tenure by Household Age:

In 2010, 14.4% of the Market Area's households between the ages of 15-24 rented their housing, compared to 53.9% of households between the ages of 25-34 and 78.3% between the ages of 35-44. Householders between 45-84 were overwhelmingly homeowners, with no more than 15% of the householders in each 10 year age cohort renting their housing.

The rate of homeownership is lower for every age cohort in the City of Ely relative to the Market Area overall.

#### School Enrollment Trends:

Enrollment has dropped modestly over the past ten years from September 2005 through May 2015 at the Ely Public Schools. In September 2005, enrollment totaled 645 students and in May of 2015 enrollment had dropped to 554 students with some fluctuations in between.

Vermillion Community College enrollment has dropped slightly from 2006-2015. In 2006, enrollment totaled 625 and in 2015 enrollment had dropped to 575. Full time enrollment at the College is estimated at about 70% of the actual enrollment. Full-time enrollment includes students most likely to reside in the community in student housing or in rental apartments or rooms while they are attending school. Those attending part-time would be more likely to reside at home or may reside in the community, but would be working either part-time or full-time and attending school part-time.

#### Employment Trends:

Resident employment in St. Louis County increased by 12.2% from 2000 through 2014. The unemployment rate increased, however from 4.4% (2000) to 5.0% (2014). The 5.0% unemployment rate at the end of 2014 however, reflects a significant decrease from a peak of 9.1% in 2009 during the height of the recession. Since 2009, the unemployment rate in St. Louis County has gradually decreased each year.

#### Housing Characteristics

In total, The Market Area is estimated to have 4,946 housing units, of which 1,572 units (31.8%) are located in the City of Ely.

The overall median year built for a home in Ely is 1946, which is older than the median year built of 1963 in the Market Area overall. Median year built for renter-occupied housing was notably older than for owner-occupied housing in Ely (1939 versus 1959) but relatively similar in the Market Area overall (1963 versus 1962).

The median contract rent in Ely and the Remainder of the Market Area was \$399 and \$449, respectively. Based on a 30% allocation of income to housing, a household in Ely would need an

income of about \$15,960 to afford an average monthly rent of \$399 and an income of \$17,960 in the Remainder of the Market Area to afford an average monthly rent of \$449. About 47% of Ely Renters have monthly rents ranging from \$250 to \$499 and 36% have rents that range from \$500 to \$749 per month. Only 3.4% of renters have rents of \$750 to \$1000, which may include single-family homes converted into rental properties.

#### Senior Housing Market Conditions

The term “senior housing” refers to any housing development that is restricted to people age 55 or older. Maxfield Research Inc classifies senior housing developments into four categories based on the level of support services: Adult/Few Services, where few, if any support services are provided, Congregate, where support services such as meals and light housekeeping are provided, Assisted Living, where two or three daily meals as well as basic support services such as transportation, and housekeeping are provided, and Memory Care where more service-intensive personal care is required for people with dementia and Alzheimer’s disease. In the Ely area there are very few vacancies for senior housing.

#### For Sale Housing Analysis

The median sales price of single family homes was \$228,000 in 2006 in the City of Ely. By 2010, the median sales price had decreased to a low of \$90,000 in 2010(-60.5% over the interval). The median resale price of single-family homes in Ely has made some recovery, increasing to just greater than \$149,000 in 2012 before dropping again to \$124,000 in 2014. This is similar to other areas in Minnesota where sales prices increased, then decreased again.

Ely’s housing market is highly cyclical and seasonal. People flock to Ely during the warm summer months, but market activity slows down considerably during the winter and a number of snowbirds head back to the south leaving their properties vacant, to be managed or looked after by a caretaker or neighbor. A number of older homes in the City of Ely have been converted over to rental units to meet a growing demand for vacation and short term rentals in the Ely market during peak seasons. This reduces the number of homes affordable to first-time homebuyers that may have been willing to purchase these homes and upgrade them.

Young households may initially prefer to rent their housing because they may want to try out the area, but are not necessarily committed to residing in Ely permanently. These households may be interested in purchasing housing at some time in the future, but may want to wait until they are more secure in their employment.

#### For Sale Market Analysis:

There are no sizable actively marketing subdivisions in Ely at this time. Market activity appears to be greater outside of the City than in-town. However, there is more land available in the townships and on lakes which typically has attracted retirees and those that prefer to live in a more rural setting. Most of the new housing currently being built is move-up housing or custom homes being built for those that want to retire to northern Minnesota and live on lakefront property.

Based on Maxfield Research Inc population and household growth projections, they estimate that Ely will capture 30% of the PMA’s demand for new for-sale housing between 2015 and 2025, equating to demand for 67 units between 2015 and 2025. They anticipate that there will be a

demand for approximately 47 general occupancy single-family homes and 20 multifamily units in Ely between 2015 and 2025.

**Conclusions and Recommendations:**

In total, they find demand to support 117 general occupancy housing units between 2015 and 2025. Demand is expected to be 67 units of owned housing and 50 units of rental housing. They also found excess demand for a total of 189 market rate senior housing units in 2020.

**For Sale Housing:**

Demand is estimated at 67 units of new for-sale housing in the City by 2025. There is a consensus that there is likely a need for some units in Ely, but that the cost of new construction is high and incomes are relatively modest. There are very few lots available for development in the City. While the existing lot supply would be adequate to meet demand, additional choice should be considered.

**Rental Housing:**

They recommend a new middle-market rental building with about 12 units that will attract a diverse resident profile; including young to mid-age professionals as well as singles and couples across all ages. Additional rental townhomes could also be developed, they recommend 8 units. In addition to the recommended apartment project, they found that demand exists for some townhome units for families- including those that are new to the community and want to rent until they find a home to purchase. About 8 rental townhome units could be supported by 2025. They estimate that demand exists for about 18 shallow-subsidy units through 2025. Shallow-subsidy housing attracts households that cannot afford market rate housing units but do not income-qualify for deep-subsidy housing. Subsidized housing receives financial assistance from government agencies in order to make the rent affordable to low-to moderate income households. They found a demand for 13 deep-subsidy rental housing units through 2025; this housing is very difficult to develop financially.

**Senior Housing:**

Demand exists primarily for independent living units in Ely as demand for addicted living and memory care senior housing is largely satisfied at the present time. Development of additional senior housing could occur to provide housing opportunity to aging residents that are still active.

Demand was projected for about 24 market rate active adult rental units in Ely in 2020. Currently, there is one active adult rental property. They recommend that the new product not be developed until the housing market strengthens. They found a demand for a total of 33 service enhanced units in Ely to 2020 (20 congregate units, 5 assisted living units, and 6 memory care units). They do not recommend developing any additional service-enriched senior housing at this time.

Mayor Novak adjourned the meeting at 6:47pm.

Casey Velcheff  
Deputy Clerk