



A Comprehensive Housing Needs Analysis For the City of Ely, Minnesota

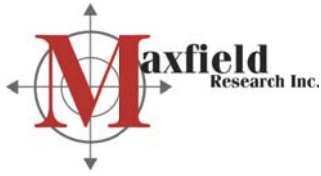
Prepared for:

Ely Economic Development Authority
Ely, Minnesota

May 2015



7575 Golden Valley Road
Suite 385
Golden Valley, MN 55427
612.338.0012



May 15, 2015

Mr. Harold Langowski
Executive Director
Ely Economic Development Authority
209 East Chapman Street
Ely, MN 55731

Mr. Langowski:

Attached is the analysis titled, "***A Comprehensive Housing Needs Analysis for the City of Ely, Minnesota.***" The market analysis examines current housing market conditions and determines the market potential for developing different types of owned and rented housing to 2025 in the City.

The scope of this study includes: an analysis of the demographic and economic characteristics of the City and surrounding area; a review of existing housing stock characteristics; an analysis of the for-sale housing market; an evaluation of rental market conditions in the City; a senior housing supply and demand analysis; an overview of special needs housing; and, an assessment of housing affordability in Ely. Detailed recommendations are provided for the housing types identified as being needed in Ely to 2025 as well as projections for future employment growth. Housing demand is incorporated for low, medium and high growth scenarios which depend on the opening and operation of proposed mining companies near Ely. An assessment of other challenges associated with housing development in the City is also provided.

Please contact us if you have questions or require additional information.

Sincerely,

MAXFIELD RESEARCH INC.

A handwritten signature in black ink that reads 'Mary C. Bujold'. The signature is written in a cursive style with a large, looped 'M' and 'B'.

Mary C. Bujold
President

Attachment

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Purpose and Scope of Study

Maxfield Research Inc. was engaged by the Ely Economic Development Authority to provide a Comprehensive Housing Needs Analysis for the City. The Housing Needs Analysis provides recommendations on the amount and types of housing that should be developed in order to meet the needs of current and future households residing in the City.

The scope of this study includes: an analysis of the demographic and economic characteristics of the City and surrounding area; a review of existing housing stock characteristics; an analysis of the for-sale housing market; an evaluation of rental market conditions in the City; a senior housing supply and demand analysis; and an assessment of housing affordability in Ely. Detailed recommendations are provided for the housing types identified as being needed in Ely to 2025. Projections are provided for low, medium and high household growth scenarios as they may impact the demand for housing in Ely. An assessment of other challenges associated with housing development in the City is also provided.

Introduction

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

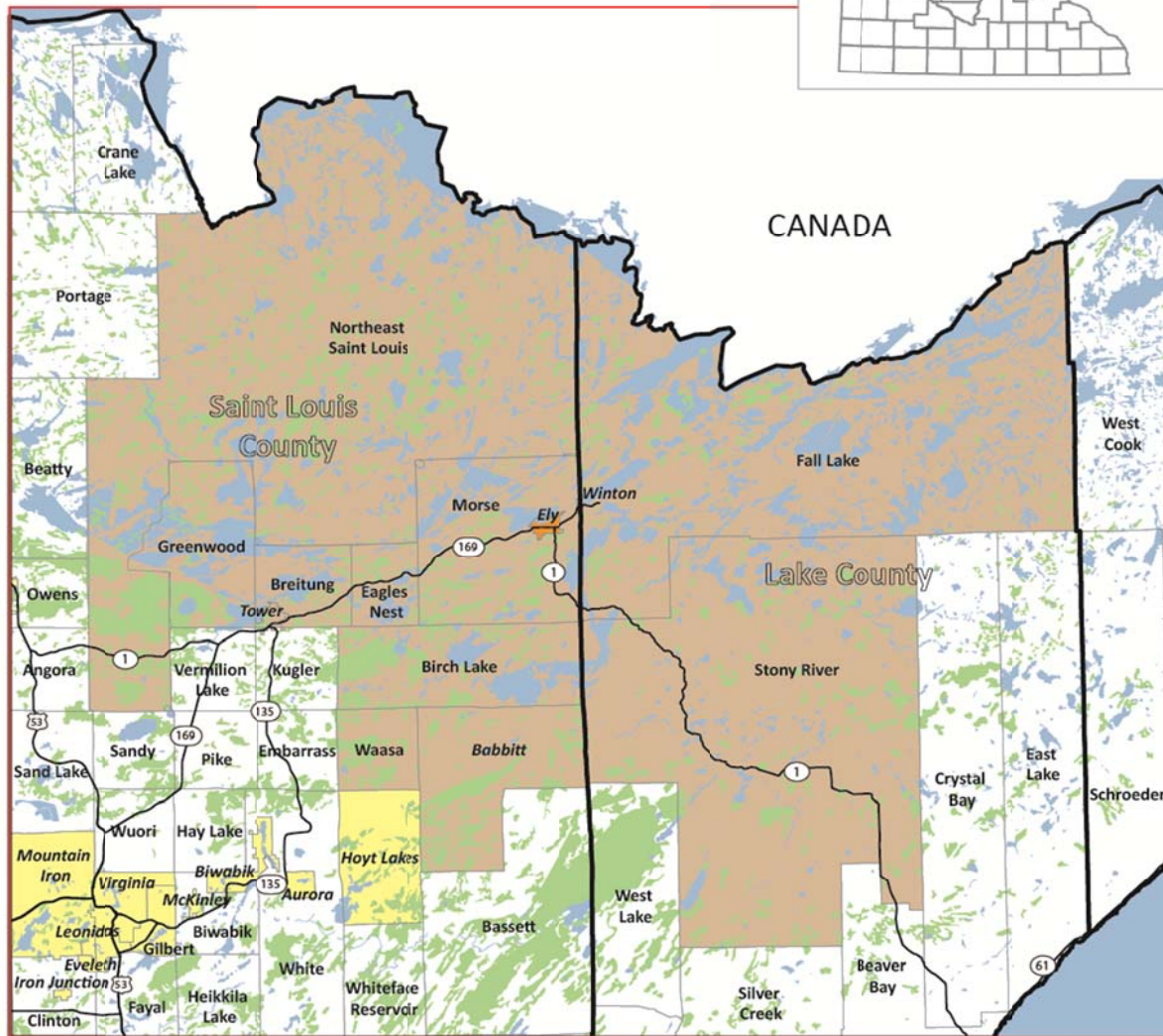
Market Area Definition









The primary draw area (Market Area) for housing in Ely was defined based on traffic patterns, community and school district boundaries, geographic factors, and our general knowledge of housing draw areas across Minnesota. The Market Area is comprised of subdivisions located in St. Louis and Lake Counties as summarized in Table D-1. The boundaries of these subdivisions were reapportioned between the 2000 and 2010 Census but represent the same combined geographical area.

TABLE D-1 MARKET AREA GEOGRAPHIES ELY MARKET AREA 2000 and 2010	
2000	2010
ST. LOUIS COUNTY	
Angleworm Lake UT	Babbitt city
Babbitt city	Birch Lake UT
Bear Head Lake UT	Breitung township
Birch Lake UT	Eagles Nest township
Breitung township	Ely city
Crab Lake UT	Greenwood township
Eagles Nest township	Morse township
Ely city	NE St Louis UT
Greenwood township	Tower city
Morse township	Waasa township
NE St. Louis UT	Winton city
Pfeiffer Lake UT	
Picket Lake UT	
Slim Lake UT	
Sunday Lake UT	
Tower city	
Waasa township	
Winton city	
LAKE COUNTY	
Fall Lake township	Fall Lake township
Stony River township	Stony River township

Source: Maxfield Research Inc

Ely Minnesota Housing Study Market Area



-  Counties
-  Ely
-  Wetlands
-  Market Area
-  Cities
-  City, Townships, Unorganized Territories
-  Highways
-  Water



Population and Household Growth from 2000 to 2010

Table D-2 presents population and household growth in 2000 and 2010. The data is from the U.S. Census Bureau.

Population

- The population in the City of Ely declined by 264 people (-7.1%) between 2000 and 2010 to total 3,460 people in 2010. Similarly, the Market Area overall declined by 679 people (-6.2%) over the same time period.
- Population decline in the City of Ely accounted for 39% of the total population loss in the Market Area over the decade, which is proportional to the percentage of the total Market Area population accounted for by Ely.

	U.S. Census		Change 2000-2010	
	2000	2010	No.	Pct.
Population				
Ely city	3,724	3,460	-264	-7.1%
Remainder of Market Area	7,285	6,870	-415	-5.7%
Market Area Total	11,009	10,330	-679	-6.2%
<i>St. Louis County</i>	200,528	200,226	-302	-0.2%
Households				
Ely city	1,694	1,681	-13	-0.8%
Remainder of Market Area	3,245	3,325	80	2.5%
Market Area Total	4,939	5,006	67	1.4%
<i>St. Louis County</i>	82,619	84,783	2,164	2.6%
Sources: U.S. Census Bureau; Maxfield Research Inc.				

- A significant contributing factor to the population declines in the 2000s is the housing market downturn and economic challenges faced locally and nationally. The Market Area communities were more affected than other portions of St. Louis County as the population in the County as a whole lost 302 people (-0.2%) compared to the Market Area loss of 679 people (-6.2%).
- As of 2010, the Market Area included roughly 5% of the total population in St. Louis County.

Households

- Household growth trends are usually a more accurate indicator of housing needs than population growth since a household is, by definition, an occupied housing unit. However, additional housing demand can come from changing demographics of the population base, which results in demand for different housing products.
- Ely lost 13 households (-0.8%) during the 2000s, resulting in a household base of 1,681 in 2010. However, the Remainder of the Market Area gained 80 households (+2.5%), during the decade, increasing the total Market Area household base to 5,006 (+1.4%).
- As mentioned, the Market Area experienced household growth although the population decreased. The disparate growth rates for population and households represent a trend toward fewer people per household, which is driven by demographic and social trends such as increasing divorce rates, a growing senior base, and couples' decisions to have fewer children or no children at all.

Population and Household Estimates and Projections

Table D-3 presents population and household growth estimates and projections for the Market Area through 2025. Estimates for 2015 and projections through 2025 are based on information from ESRI (a national demographics service provider) and the Minnesota State Demographer with adjustments calculated by Maxfield Research Inc. The adjustments are intended to reflect growth that will likely be realized after considering the impact of the housing market slowdown and recession as well as the subsequent recoveries and economic development. Building permit data and trends are also incorporated into household growth estimates.

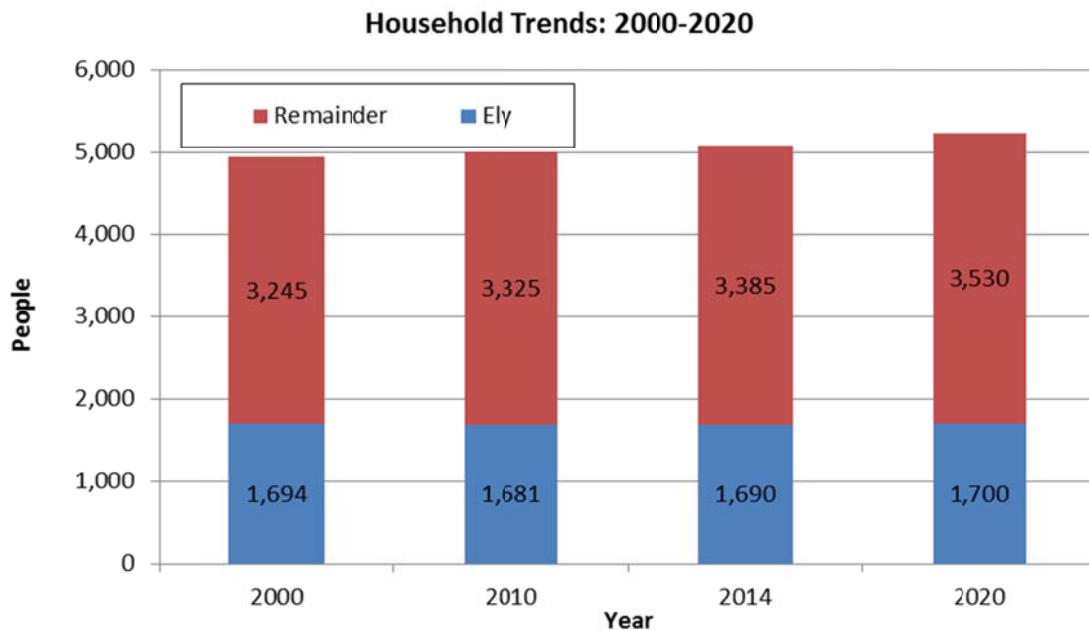
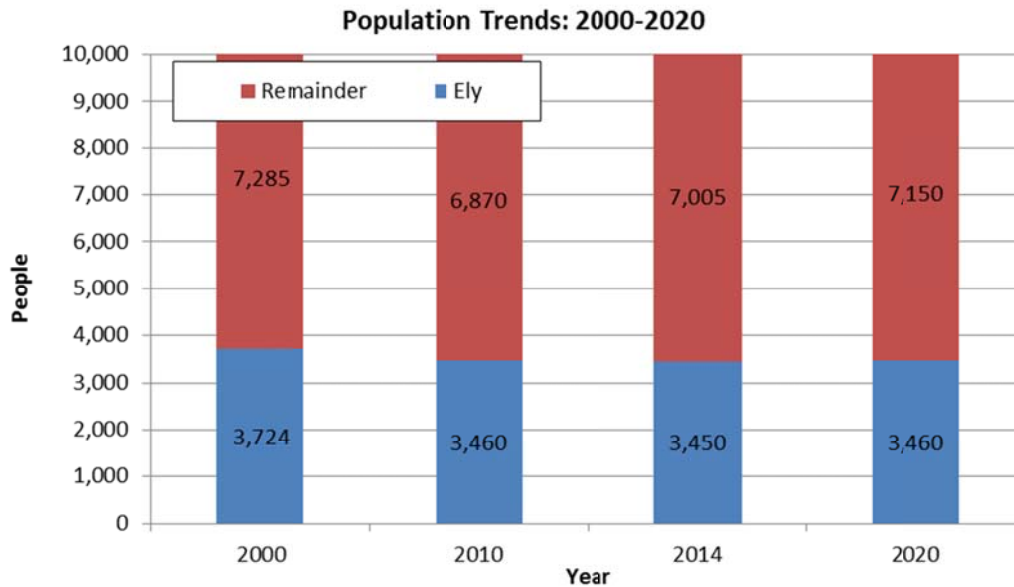
It is important to note that the growth forecasts do not consider any pending changes in the local employment market, such as the proposed Polymet and the Twin Metals projects. These are discussed in a separate section of the report. Table D-3 presents population and household estimates without these projects. Table D-4 however, presents projected population and household growth with the proposed Polymet plant. Table D-5 presents population and household growth with the proposed Polymet plant and the proposed Twin Metals development. If these projects proceed, additional economic development is likely to create more jobs in Ely and in surrounding communities, spurring construction of housing and other employment opportunities to serve additional households that would locate in the area.

Projected Population and Household Growth w/o Polymet and Twin Metals – Low Growth

- From 2010 to 2020, we project that Ely will have a stable household base with a slight increase in total households. Between 2010 and 2020, we estimate that 19 households (+1.1%) would be added in the City to total 1,700 households in 2020.
- The Remainder of the Market Area is projected to increase by 205 households (+6.2%) between 2010 and 2020, a more rapid rate of growth than the prior decade during which 80 households (+2.5%) were added.

DEMOGRAPHIC ANALYSIS

- Population growth is expected to slow slightly relative to household growth due to continued decline in the number of persons per household. There is no change projected in the population base for Ely between 2010 and 2020. Over the same interval, the Remainder of the Market Area is projected to increase by 280 people (+4.1%) as households locate in some of the rural township areas surrounding the City.



**TABLE D-3
POPULATION & HOUSEHOLDS
ELY MARKET AREA
LOW-GROWTH SCENARIO - WITHOUT ADDITIONAL MINING OPERATIONS
2000 to 2020**

	Number of People					Change			
	U.S. Census		Projections						
	2000	2010	2015	2020	2025	2000-2010		2010-2020	
Population	No.	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Ely	3,724	3,460	3,485	3,510	3,540	-264	-7.1%	50	1.4%
Remainder of PMA	7,285	6,902	7,002	7,178	7,210	-383	-5.3%	276	4.0%
PMA Total	11,009	10,362	10,487	10,688	10,750	-647	-5.9%	326	3.1%
<i>St. Louis County</i>	<i>200,528</i>	<i>200,226</i>	<i>200,500</i>	<i>200,800</i>	<i>201,500</i>	<i>-302</i>	<i>-0.2%</i>	<i>574</i>	<i>0.3%</i>
Households	No.	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Ely	1,694	1,681	1,706	1,736	1,770	-13	-0.8%	55	3.3%
Remainder of PMA	3,245	3,315	3,413	3,514	3,610	70	2.2%	199	6.0%
PMA Total	4,939	4,996	5,119	5,250	5,380	57	1.2%	254	5.1%
<i>St. Louis County</i>	<i>82,619</i>	<i>84,783</i>	<i>85,651</i>	<i>86,500</i>	<i>87,250</i>	<i>2,164</i>	<i>2.6%</i>	<i>1,717</i>	<i>2.0%</i>
Persons per Household									
Ely	2.20	2.06	2.04	2.02	2.00				
Remainder of PMA	2.24	2.08	2.05	2.04	2.00				
PMA Total	2.23	2.07	2.05	2.04	2.00				
<i>St. Louis County</i>	<i>2.43</i>	<i>2.36</i>	<i>2.44</i>	<i>2.35</i>	<i>2.34</i>				

Source: U.S. Census Bureau, ESRI, MN Demographer, Maxfield Research Inc.

**TABLE D-4
POPULATION & HOUSEHOLDS
ELY MARKET AREA
(WITH POLYMET MINE-MEDIUM GROWTH SCENARIO)
2000 to 2025**

	Number of People					Change			
	U.S. Census		Projections						
	2000	2010	2015	2020	2025	2000-2010		2010-2020	
Population	No.	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Ely	3,724	3,460	3,485	3,650	3,750	-264	-7.1%	190	5.5%
Remainder of PMA	7,285	6,870	7,002	7,238	7,450	-415	-5.7%	368	5.4%
PMA Total	11,009	10,330	10,487	10,888	11,200	-679	-6.2%	558	5.4%
<i>St. Louis County</i>	<i>200,528</i>	<i>200,226</i>	<i>200,500</i>	<i>201,170</i>	<i>201,850</i>	<i>-302</i>	<i>-0.2%</i>	<i>944</i>	<i>0.5%</i>
Households	No.	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Ely	1,694	1,681	1,706	1,836	1,886	-13	-0.8%	155	9.2%
Remainder of PMA	3,245	3,325	3,413	3,514	3,639	80	2.5%	189	5.7%
PMA Total	4,939	5,006	5,119	5,350	5,525	67	1.4%	344	6.9%
<i>St. Louis County</i>	<i>82,619</i>	<i>84,783</i>	<i>85,651</i>	<i>86,710</i>	<i>87,760</i>	<i>2,164</i>	<i>2.6%</i>	<i>1,927</i>	<i>2.3%</i>
Persons per Household									
Ely	2.20	2.06	2.04	1.99	1.99				
Remainder of PMA	2.24	2.07	2.05	2.06	2.05				
PMA Total	2.23	2.06	2.05	2.04	2.03				
<i>St. Louis County</i>	<i>2.43</i>	<i>2.36</i>	<i>2.34</i>	<i>2.32</i>	<i>2.30</i>				

Sources: U.S. Census Bureau, ESRI, MN Demographer, Maxfield Research Inc.

**TABLE D-5
POPULATION & HOUSEHOLDS
ELY MARKET AREA
(WITH POLYMET AND TWIN METALS-HIGH GROWTH SCENARIO)
2000 to 2025**

	Number of People					Change			
	U.S. Census		Projections						
	2000	2010	2015	2020	2025	2000-2010		2010-2020	
Population	No.	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Ely	3,724	3,460	3,485	4,150	5,000	-264	-7.1%	690	19.9%
Remainder of PMA	7,285	6,870	7,002	7,738	8,075	-415	-5.7%	868	12.6%
PMA Total	11,009	10,330	10,487	11,888	13,075	-679	-6.2%	1,558	15.1%
<i>St. Louis County</i>	<i>200,528</i>	<i>200,226</i>	<i>200,500</i>	<i>202,670</i>	<i>202,650</i>	<i>-302</i>	<i>-0.2%</i>	<i>2,444</i>	<i>1.2%</i>
Households	No.	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Ely	1,694	1,681	1,706	2,336	2,386	-13	-0.8%	655	39.0%
Remainder of PMA	3,245	3,325	3,413	4,014	3,294	80	2.5%	689	20.7%
PMA Total	4,939	5,006	5,119	6,350	5,680	67	1.4%	1,344	26.8%
<i>St. Louis County</i>	<i>82,619</i>	<i>84,783</i>	<i>85,651</i>	<i>87,770</i>	<i>88,760</i>	<i>2,164</i>	<i>2.6%</i>	<i>2,987</i>	<i>3.5%</i>
Persons per Household									
Ely	2.20	2.06	2.04	1.78	2.10				
Remainder of PMA	2.24	2.07	2.05	1.93	2.45				
PMA Total	2.23	2.06	2.05	1.87	2.30				
<i>St. Louis County</i>	<i>2.43</i>	<i>2.36</i>	<i>2.34</i>	<i>2.31</i>	<i>2.28</i>				

Note: Under this scenario, changes between 2020 and 2015 reflect increase due to construction and then slight decrease to permanent employment figures.

Sources: U.S. Census Bureau, ESRI, MN Demographer, Maxfield Research Inc.

DEMOGRAPHIC ANALYSIS

- Growth expectations by percent in the Market Area surpass those for St. Louis County. Between 2010 and 2020, the household base in the Market Area is forecast to grow by +4.5% compared to the County's +2.3% projected growth. Numerically, although the Market Area accounts for about 6% of the County's total household base, it is projected to capture nearly 12% of the County's total projected household growth under the Low Growth scenario through 2020.

Projected Population and Household Growth with Polymet, but excluding Twin Metals – Medium Growth

Table D-4 presents population and household growth trends and projections to 2025 under a medium growth scenario which includes the opening of the Polymet mining operations.

Note: For the purpose of these projections, Polymet is assumed to begin construction in 2016 with an opening of the plant and mining operations in 2018 for an estimated period of 20 years.

Projected Population and Household Growth w/Polymet, and including Twin Metals – High Growth Scenario

Table D-5 presents population and household growth trends and projections to 2025 under a high growth scenario which includes the operation of the Polymet mine and the Twin Metals mining operation.

Note: For the purpose of these projections, Polymet is assumed to begin construction in 2016 with an opening of the plant and mining operations in 2018 for an estimated period of 20 years. Twin Metals is assumed to begin development in 2023 with construction of a period of at least 3 years with operations extending for a period of 30 years. The Twin Metals development is likely to change names after a Chilean mining firm, Antofagasta, purchased Duluth Metals, the company spearheading the project in the area.

Age Distribution Trends

Age distribution affects demand for different types of housing since needs and desires change at different stages of the life cycle. Table D-4 shows the distribution of the population in nine age cohorts for Ely and the Market Area in 2000 and 2010 with estimates for 2015 and projections for 2020. The 2000 and 2010 age distribution is from the U.S. Census Bureau and the 2015 figures are an estimate based on 2010 Census data combined with growth projections calculated by ESRI Inc. Maxfield Research Inc. derived the 2015 and 2020 projections by adjustments made to data obtained from ESRI Inc. The following are key points from the table.

DEMOGRAPHIC ANALYSIS

	Number of People				Change			
	U.S. Census		Projections		2000-2010		2010-2020	
	2000	2010	2015	2020	No.	Pct.	No.	Pct.
Ely	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Under 18	663	555	557	565	-108	-16.3%	10	1.8%
18 to 24	602	462	425	367	-140	-23.3%	-95	-20.5%
25 to 34	353	373	429	435	20	5.7%	62	16.5%
35 to 44	452	329	334	355	-123	-27.2%	26	7.8%
45 to 54	496	472	402	346	-24	-4.8%	-126	-26.8%
55 to 64	355	477	520	490	122	34.4%	13	2.8%
65 to 74	300	359	394	478	59	19.7%	119	33.1%
75 to 84	357	232	225	302	-125	-35.0%	70	30.2%
85+	146	201	198	172	55	37.7%	-29	-14.4%
Total	3,724	3,460	3,485	3,510	-264	-7.1%	50	1.4%
Remainder of PMA	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Under 18	1,339	1,031	1,038	1,027	-308	-23.0%	-4	-0.4%
18 to 24	356	309	316	284	-47	-13.2%	-25	-8.2%
25 to 34	526	464	458	430	-62	-11.8%	-34	-7.2%
35 to 44	1,022	631	614	620	-391	-38.3%	-11	-1.7%
45 to 54	1,225	1,157	1,097	983	-68	-5.6%	-174	-15.0%
55 to 64	1,145	1,458	1,499	1,517	313	27.3%	59	4.0%
65 to 74	1,007	1,118	1,243	1,537	111	11.0%	419	37.4%
75 to 84	512	595	581	616	83	16.2%	21	3.6%
85+	153	139	156	165	-14	-9.2%	26	18.3%
Total	7,285	6,902	7,002	7,178	-383	-5.3%	276	4.0%
Primary Market Area	No.	No.	No.	No.	No.	Pct.	No.	Pct.
Under 18	2,002	1,586	1,595	1,592	-416	-20.8%	6	0.4%
18 to 24	958	771	740	651	-187	-19.5%	-120	-15.6%
25 to 34	879	837	887	865	-42	-4.8%	28	3.3%
35 to 44	1,474	960	948	975	-514	-34.9%	15	1.6%
45 to 54	1,721	1,629	1,500	1,329	-92	-5.3%	-300	-18.4%
55 to 64	1,500	1,935	2,019	2,007	435	29.0%	72	3.7%
65 to 74	1,307	1,477	1,636	2,015	170	13.0%	538	36.4%
75 to 84	869	827	806	918	-42	-4.8%	91	11.0%
85+	299	340	355	337	41	13.7%	-3	-1.0%
Total	11,009	10,362	10,487	10,688	-647	-5.9%	326	3.1%

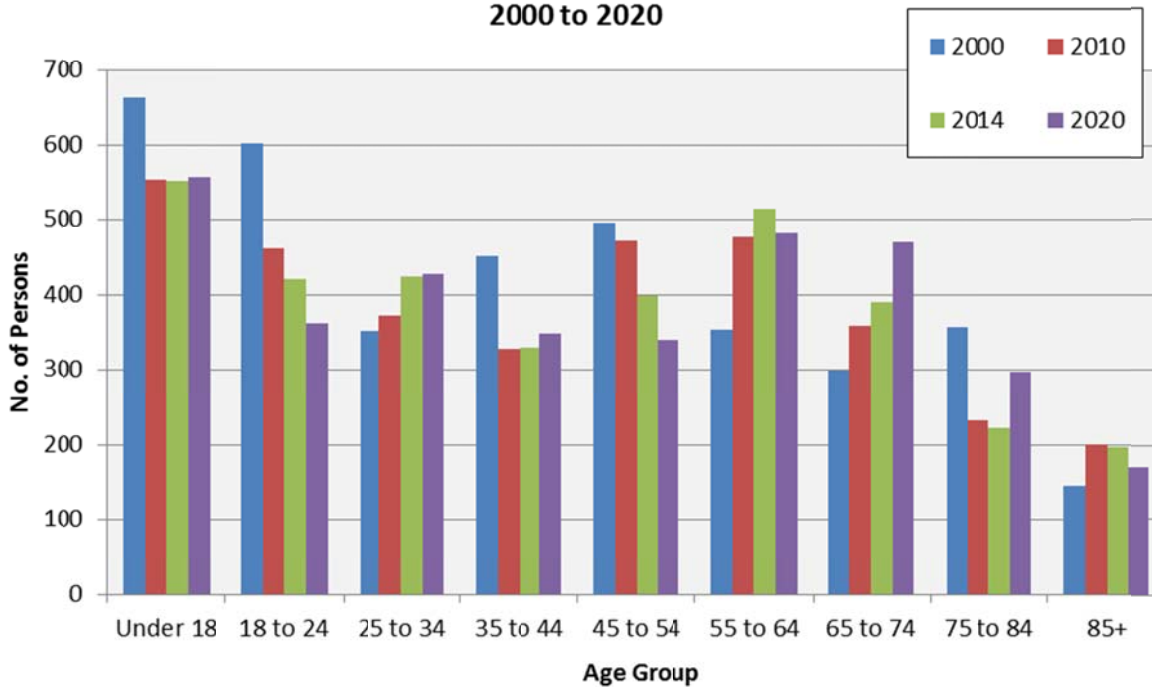
Sources: U.S. Census, Maxfield Research Inc., ESRI, Inc.

- Between 2000 and 2010, the majority of the growth in the City of Ely occurred in the older adult and young senior population (ages 55 to 74). Through 2020, numerical growth in the City is expected to be most robust among the 65 to 74 year old (119 people, +33.1%) and 75 to 84 year old (70 people, +30.2%) cohorts. This could shift somewhat if mining operations open nearby between the period 2015 and 2020 with additional young to mid-age workers locating in the Ely area employed in mining operations. Types of jobs that would be provided are discussed in the employment section.

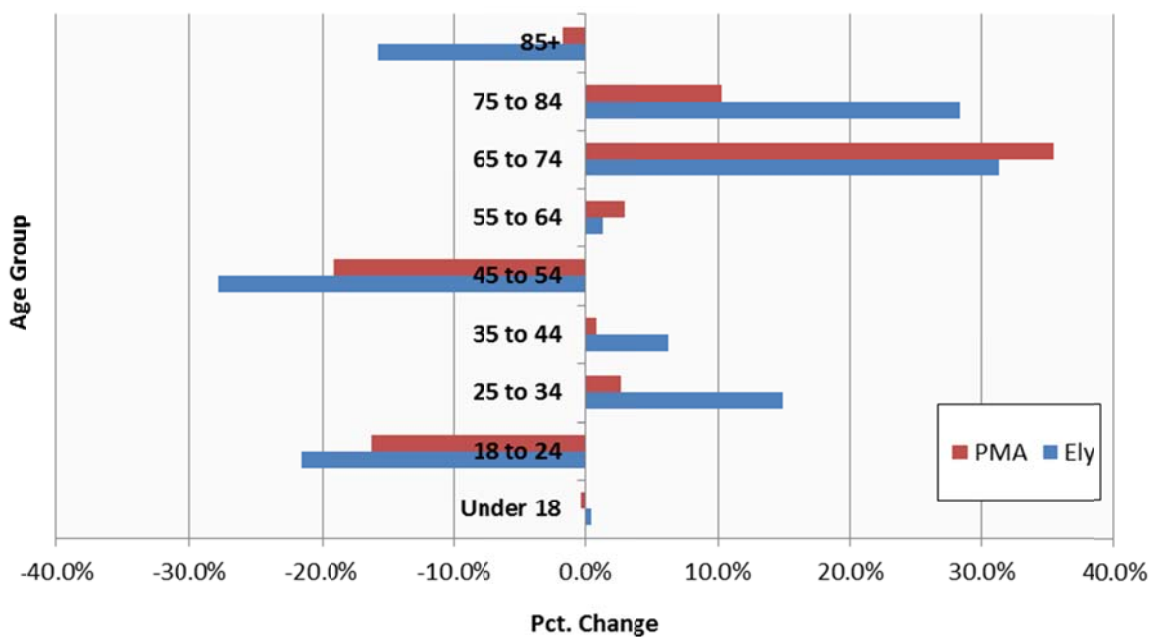
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- The 18 to 24 year old cohort, which consists of renters and first-time homebuyers, declined between 2000 and 2010 (-140 people, -23.3%), but decreases are projected to stabilize somewhat as new student housing is added to Vermillion Community College and the school seeks to increase its enrollment base in Ely.
- Mirroring trends observed across the Nation, the aging baby boomer generation is substantially impacting the composition of the Market Area's population. Born between 1946 and 1964, these individuals comprised the 45 to 54 and 55 to 64 year old cohorts in 2010. 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 a younger working base.
- Under a low growth or generally stable growth scenario, the 65 to 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.
- The social changes that occurred with the aging of the baby boomer generation, such as higher divorce rates, higher levels of education, and lower birth rates has led to a greater variety of lifestyles than existed in the past – not only among the baby boomers, but also among their parents and children. The increased variety of lifestyles has fueled demand for alternative housing products to the single-family homes. Seniors, in particular, and middle-aged persons tend to do more traveling and participate in more activities than previous generations, and they increasingly prefer maintenance-free housing that enables them to spend more time on activities outside the home. While lower maintenance housing products have been more popular in urban areas, these product types are increasing gradually in other locations in Greater Minnesota. In particular, areas that have higher visitor and seasonal traffic have often experienced development of condominium and townhomes targeted toward the second home buyer.

Population Age Distribution
City of Ely
2000 to 2020



Percent Change by Age Cohort
City of Ely and Market Area
2010 to 2020

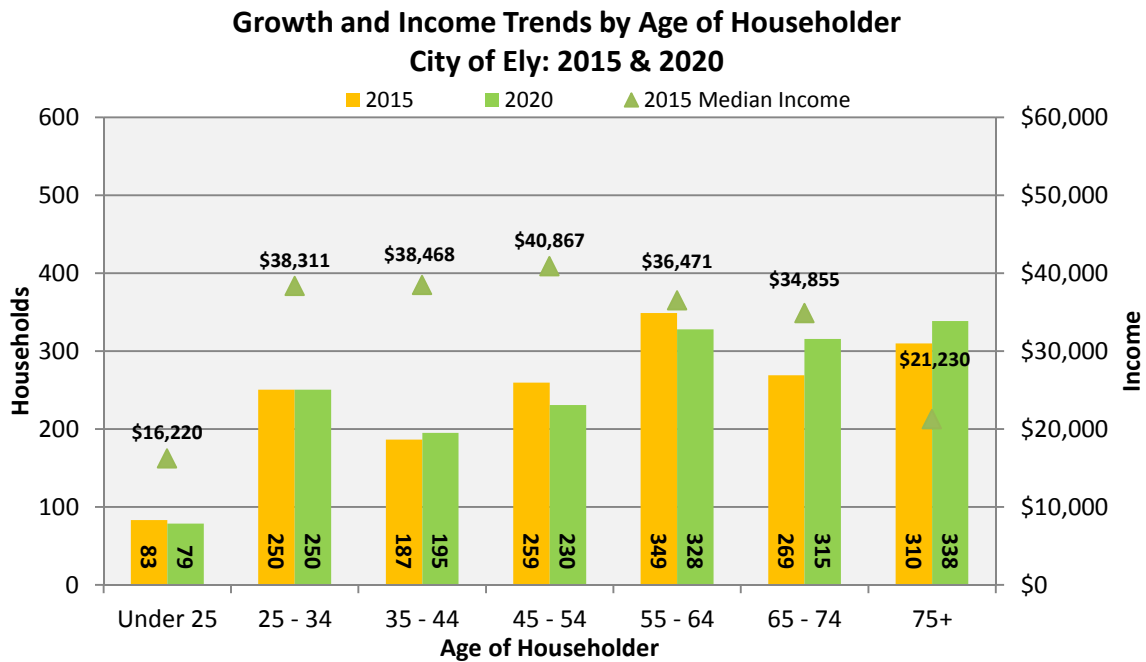


Household Income by Age of Householder

The estimated distribution of household incomes in Ely and the Market Area for 2015 and 2020 are shown in Tables D-7 and D-8. The data was estimated by Maxfield Research Inc. based on income trends provided by ESRI, Inc. 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 Inc. uses a figure of 30% for households under the age of 65 and 40% or more for households age 65 or older, since seniors generally have lower living expenses and can often sell their homes and use the proceeds toward rent payments or to purchase a lower maintenance housing product.

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 and closing costs, but does not include savings or equity in an existing home which would allow them to purchase a home above the upper end of the range.



City of Ely Trends

- Ely had an estimated median household income of \$33,389 in 2015. It is projected to increase to \$36,359 (+11.4%) by 2020.
- With a household income of \$38,311, a younger household (the median household income for the 25 to 34 cohort in Ely) could afford a monthly housing cost of about \$955, based on an allocation of 30% of income toward housing.
- A younger senior household with an income of \$34,855 (the median household income for the 65 to 74 age cohort in Ely) could afford a monthly housing cost of about \$1,160, based on an allocation of 40% of income toward housing. Older seniors (age 75+) would be able to afford a monthly housing cost of about \$705 based on the same income allocation.

Market Area Non-Senior Household Trends

- As of 2015, 14% of the non-senior (under age 65) households in the Market Area are estimated to have incomes of less than \$15,000 (453 households). All of these households would be eligible for subsidized rental housing. An additional 9.3% of the Market Area's non-senior households have incomes between \$15,000 and \$25,000 (302 households). A portion of these households could qualify for subsidized housing, but those with incomes at the higher end of the range could also qualify for "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 between \$375 and \$625 per month.
- Median incomes for households in the Market Area peak at \$53,509 for the 45 to 54 age group in 2015. Households in this age group are in their peak earning years. By 2020, the median income for the 45 to 54 age group is projected to increase to \$57,212, an increase of 6.9%.
- The median resale price of homes in Ely was roughly \$138,900 through 2013 (see Table FS-1). The income required to afford a home at this price would be about \$39,685 to \$46,300, based on the standard of 3.0 to 3.5 times the median income (and assuming households within this income range would not have a high level of debt).
- Overall median incomes are expected to increase by 9.8% between 2015 and 2020 in the Market Area and 8.9% in the City of Ely. By 2020, the median income is projected to be \$47,244 in the Market Area and \$36,359 in the City of Ely. An increase in the number of households working in the mining industry could cause the median household income to rise, increasing the level of housing affordability for a larger portion of the household base.

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TABLE D-5 HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER CITY OF ELY 2015 & 2020								
	Age of Householder							
	Total	<25	25-34	35-44	45-54	55-64	65 -74	75+
2015								
Less than \$15,000	387	37	55	29	46	93	42	84
\$15,000 to \$24,999	315	23	31	34	38	36	55	98
\$25,000 to \$34,999	189	6	18	21	13	37	39	54
\$35,000 to \$49,999	419	11	72	39	71	88	86	52
\$50,000 to \$74,999	228	3	52	34	56	48	22	12
\$75,000 to \$99,999	84	1	11	17	18	24	8	4
\$100,000 or more	85	2	10	13	16	23	16	4
Total	1,706	83	250	187	259	349	269	310
Median Income	\$33,389	\$16,220	\$38,311	\$38,468	\$40,867	\$36,471	\$34,855	\$21,230
2020								
Less than \$15,000	399	37	53	29	40	84	56	101
\$15,000 to \$24,999	259	16	27	31	25	26	48	85
\$25,000 to \$34,999	153	4	15	17	9	26	32	49
\$35,000 to \$49,999	426	12	68	41	61	80	98	67
\$50,000 to \$74,999	256	5	61	38	52	48	31	20
\$75,000 to \$99,999	111	3	14	23	21	28	15	7
\$100,000 or more	132	2	13	16	22	36	35	9
Total	1,736	79	250	195	230	328	315	338
Median Income	\$36,359	\$16,090	\$39,935	\$40,864	\$43,591	\$38,835	\$37,056	\$22,244
Change 2015 - 2020								
Less than \$15,000	13	-0	-2	1	-6	-9	13	17
\$15,000 to \$24,999	-56	-7	-4	-2	-13	-10	-7	-14
\$25,000 to \$34,999	-36	-2	-4	-4	-4	-11	-6	-5
\$35,000 to \$49,999	7	0	-4	2	-10	-9	12	15
\$50,000 to \$74,999	28	2	8	4	-4	0	10	8
\$75,000 to \$99,999	27	2	2	6	2	5	6	3
\$100,000 or more	47	0	2	2	6	13	18	5
Total	30	-4	0	8	-29	-21	47	29
Median Income	\$2,970	-\$130	\$1,624	\$2,396	\$2,724	\$2,364	\$2,201	\$1,014

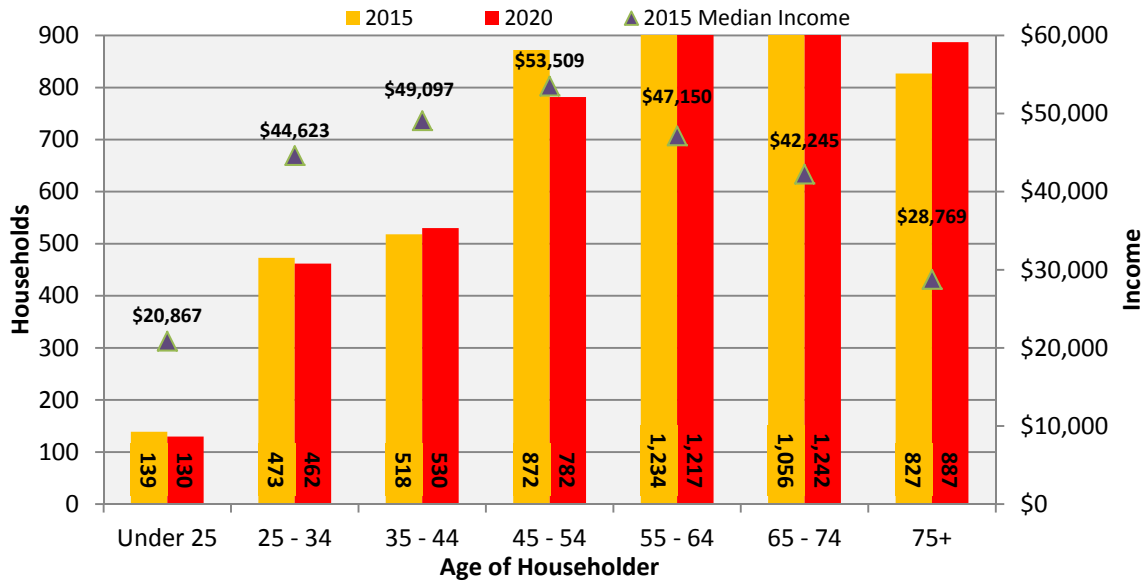
Sources: ESRI; US Census Bureau; Maxfield Research Inc.

DEMOGRAPHIC ANALYSIS

TABLE D-6 HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER ELY MARKET AREA 2015 & 2020								
	Age of Householder							
	Total	<25	25-34	35-44	45-54	55-64	65 -74	75+
2015								
Less than \$15,000	724	49	73	50	95	186	133	138
\$15,000 to \$24,999	679	31	41	51	69	110	151	226
\$25,000 to \$34,999	519	8	40	49	53	102	125	142
\$35,000 to \$49,999	1,136	26	121	118	177	281	240	173
\$50,000 to \$74,999	947	18	109	128	250	211	173	58
\$75,000 to \$99,999	531	3	45	70	110	162	85	56
\$100,000 or more	583	4	44	52	118	182	149	34
Total	5,119	139	473	518	872	1,234	1,056	827
Median Income	\$43,028	\$20,867	\$44,623	\$49,097	\$53,509	\$47,150	\$42,245	\$28,769
2020								
Less than \$15,000	713	46	62	50	79	165	154	156
\$15,000 to \$24,999	538	23	37	46	47	75	123	186
\$25,000 to \$34,999	412	6	30	39	35	74	106	122
\$35,000 to \$49,999	1,119	25	112	113	137	253	272	207
\$50,000 to \$74,999	1,022	19	118	136	227	213	227	81
\$75,000 to \$99,999	653	6	50	88	113	193	124	79
\$100,000 or more	793	4	52	58	143	242	237	55
Total	5,250	130	462	530	782	1,217	1,242	887
Median Income	\$47,244	\$22,310	\$48,004	\$51,907	\$57,212	\$53,365	\$47,523	\$32,902
Change 2015 - 2020								
Less than \$15,000	-11	-3	-11	0	-16	-21	21	18
\$15,000 to \$24,999	-141	-8	-4	-5	-22	-35	-28	-40
\$25,000 to \$34,999	-107	-2	-10	-10	-18	-28	-19	-20
\$35,000 to \$49,999	-17	-1	-9	-5	-40	-28	32	34
\$50,000 to \$74,999	75	1	9	8	-23	2	54	23
\$75,000 to \$99,999	122	3	5	18	3	31	39	23
\$100,000 or more	210	0	8	6	25	60	88	21
Total	131	-9	-11	12	-90	-17	186	60
Median Income	\$4,216	\$1,443	\$3,381	\$2,810	\$3,703	\$6,215	\$5,278	\$4,133

Sources: ESRI; US Census Bureau; Maxfield Research Inc.

**Growth and Income Trends by Age of Householder
Ely Market Area: 2015 & 2020**



Market Area Senior Household Trends

- The oldest householders in the Market Area (65+) tend to have lower median household incomes because many are retired and are more likely to have fixed incomes. As shown on Table D-8, 12.6% of households ages 65 to 74 and 16.7% of households age 75 and over have incomes less than \$15,000. 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 2015 median incomes for Market Area householders age 65 to 74 and 75+ are \$42,245 and \$28,769, respectively.
- Generally, senior households with incomes of \$30,000 or higher can afford market rate active adult senior housing. Based on a 40% allocation of income for housing, this translates to monthly rents of at least \$1,000. About 1,092 senior households in the Market Area (58.5% of age 65+ households) are estimated to have incomes of \$30,000 or more in 2015.
- Seniors who require a higher level of assistance with activities of daily living and who are able and willing to pay 80% or more of their income for housing and care services would likely need an annual income of \$35,000 or high to afford monthly rents of \$2,300, which is roughly the starting level for market rate assisted living in the Market Area. Typically, seniors age 75 and over are the primary market for assisted living housing. There are an estimated 321 older senior households (ages 75 and over) with incomes greater than \$35,000 in 2015.

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- The median income for all seniors (age 65 to 74 and age 75+ cohorts) is a weighted average of \$36,326 in 2015, projected to increase to \$41,434 by 2020 (17.9%).

Net Worth

Table D-7 shows household net worth in the City of Ely and Market Area in 2014. 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 Inc. based on the Survey of Consumer Finances and data compiled by the Federal Reserve Board.

According to data released by the National Association of Realtors in 2012, the average American homeowner has a net worth about 34 times greater than that of a renter. This research was based on the 2007 to 2010 Federal Reserve survey that showed the average net worth of homeowner households was \$174,500, whereas the average net worth of renter households was \$5,100.

- The Market Area had an average net worth of \$502,197 in 2014 and a median net worth of \$123,014. 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 like the Market Area tend to have higher average and median net worth as a result of these assets. As a comparison, the Twin Cities Metro Area had an average net worth of \$586,479 and median net worth of \$111,991.
- 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 55 to 64 age cohort; however, in the Ely Market Area the median net worth peaks at \$227,520 among the 75+ year olds. Average net worth peaks among age 65 to 74 year olds at \$892,629, which is likely due to farm equipment and land assets being primarily retained by households in this age cohort.
- Households often delay purchasing homes and instead choose to rent until they acquire sufficient net worth to cover the costs of a down payment and closing costs associated with home ownership. This will be especially true in the short-term as tightening lending requirements make mortgages with little or no down payments more difficult to obtain. Thus, in the younger age cohorts especially, households at or below the median net worth will likely delay their entries into home ownership due to inadequacy of funds.

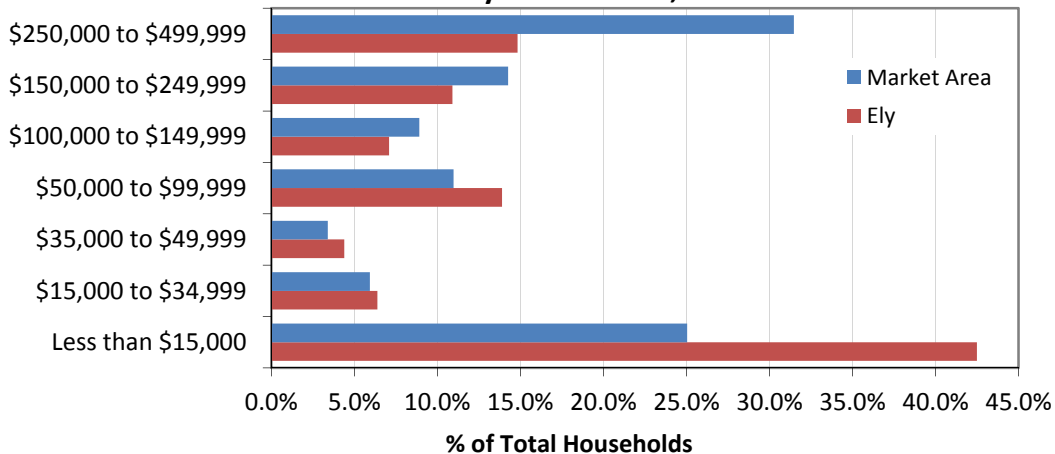
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	Total	% of Total	Age of Householder						
			<25	25-34	35-44	45-54	55-64	65-74	75+
CITY OF ELY									
Less than \$15,000	725	42.5%	65	166	99	106	143	54	92
\$15,000 to \$34,999	109	6.4%	5	22	19	15	19	15	14
\$35,000 to \$49,999	75	4.4%	1	6	14	17	19	13	5
\$50,000 to \$99,999	237	13.9%	3	40	27	48	36	38	45
\$100,000 to \$149,999	121	7.1%	0	8	14	14	24	35	26
\$150,000 to \$249,999	186	10.9%	5	2	8	31	53	34	53
\$250,000 or more	253	14.8%	4	5	6	28	55	80	75
Total	1,706	100%	83	249	187	259	349	269	310
Median Net Worth	\$38,159		\$9,346	\$11,091	\$14,072	\$41,137	\$44,660	\$119,438	\$100,000
MARKET AREA									
Less than \$15,000	1,282	25.0%	106	241	184	224	284	123	120
\$15,000 to \$34,999	304	5.9%	10	73	64	49	53	38	17
\$35,000 to \$49,999	174	3.4%	3	17	35	37	45	30	7
\$50,000 to \$99,999	562	11.0%	6	82	91	100	107	101	75
\$100,000 to \$149,999	456	8.9%	5	30	65	72	92	122	70
\$150,000 to \$249,999	730	14.3%	5	14	50	154	206	153	148
\$250,000 or more	1,611	31.5%	4	16	28	236	447	489	391
Total	5,119	100%	139	473	517	872	1,234	1,056	828
Median Net Worth	\$123,014		\$9,835	\$14,751	\$38,946	\$115,502	\$161,958	\$218,236	\$227,520

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, Inc.

**Net Worth by Pct. Total Households
Ely Market Area, 2015**



Tenure by Household Income

Table D-10 shows estimated household tenure by income in the Market Area according to data from the 2009-2013 American Community Survey.

As stated earlier, the Department of Housing and Urban Development determines housing as affordable if total housing costs do not exceed 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 on housing, while middle-aged households in their prime earning years typically allocate 20% to 25% of their income to housing.

- Typically, as income increases, so does the rate of homeownership. This can be seen in the Market Area, where the homeownership rate increases from about 36% of households with incomes below \$15,000 to 100% of households with incomes above \$75,000.
- 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 and rent newer apartments (about 18% of Market Area renter households). A smaller segment of lifestyle renters could also have lower incomes and be living in older apartments.
- Households with incomes below \$15,000 are typically a market for deep subsidy rental housing (approximately 33% of renter households in the Market Area) whereas those with incomes between \$15,000 and \$35,000 usually fall within the range of shallow-subsidy rental housing (34% of renter households in the Market Area).
- The City of Ely has approximately 55% of the total renter households in the Market Area even though it represents less than one-third of the Market Area household base. This reflects the trend toward high homeownership in rural or peripheral communities due to household preference and lack of infrastructure to support higher density rental housing. 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 homeownership 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%.

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**TABLE D-10
TENURE BY HOUSEHOLD INCOME
ELY MARKET AREA
2013**

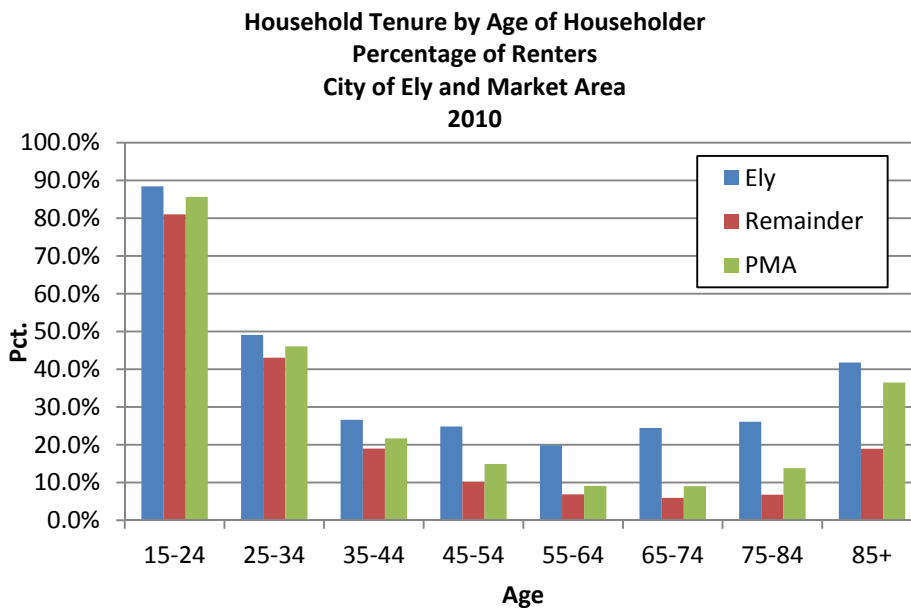
Income	ELY				REMAINDER				MARKET AREA TOTAL			
	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.
Less than \$15,000	118	36.2%	208	63.8%	177	65.1%	95	34.9%	295	49.3%	303	50.7%
\$15,000 to \$24,999	131	45.6%	156	54.4%	344	79.6%	88	20.4%	475	66.1%	244	33.9%
\$25,000 to \$34,999	173	84.8%	31	15.2%	305	81.8%	68	18.2%	478	82.8%	99	17.2%
\$35,000 to \$49,999	191	76.1%	60	23.9%	496	89.9%	56	10.1%	687	85.6%	116	14.4%
\$50,000 to \$74,999	242	83.2%	49	16.8%	579	88.4%	76	11.6%	821	86.8%	125	13.2%
\$75,000 to \$99,999	132	100.0%	0	0.0%	417	94.8%	23	5.2%	549	96.0%	23	4.0%
\$100,000 to \$149,999	99	100%	0	0.0%	346	98.6%	5	1.4%	445	98.9%	5	1.1%
\$150,000+	25	100.0%	0	0.0%	155	100.0%	0	0.0%	180	100.0%	0	0.0%
Total	1,111	68.8%	504	31.2%	2,819	87.3%	411	12.7%	3,930	81.1%	915	18.9%
Median Income	\$45,994		\$16,571		\$54,646		\$31,743		\$51,167		\$30,568	

Sources: U.S. Census Bureau - American Community Survey; Maxfield Research Inc.

Tenure by Age of Householder

Table D-11 shows the number of owner and renter households in the Market Area by age group in 2000 and 2010. This data is useful in determining demand for certain types of housing since housing preferences change throughout an individual’s life cycle. The following are key findings from the table.

- In most markets, the housing market downturn contributed to a decrease in the homeownership rate during the late 2000s 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. This was true in the true in the Ely Market Area as homeownership declined from 83.9% to 80.1% over the decade.
- The net total of owner households in the Market Area decreased by -3.2% compared to a +25.3% increase in renter households between 2000 and 2010.
- 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. The figure below visually illustrates the dip in renter households during the middle aged cohorts with a gradual increase in senior aged cohorts.



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TABLE D-11 TENURE BY AGE OF HOUSEHOLDER ELY MARKET AREA 2000 & 2010						
	2000			2010		
	Owners	Renters	H.O.R.	Owners	Renters	H.O.R.
Ely						
Householder 15 to 24 years	16	114	12.3%	11	84	11.6%
Householder 25 to 34 years	98	97	50.3%	110	106	50.9%
Householder 35 to 44 years	199	52	79.3%	135	49	73.4%
Householder 45 to 54 years	255	52	83.1%	230	76	75.2%
Householder 55 to 64 years	181	24	88.3%	141	35	80.1%
Householder 65 to 74 years	169	35	82.8%	108	35	75.5%
Householder 75 to 84 years	203	71	74.1%	181	64	73.9%
Householder 85 years and over	88	40	68.8%	184	132	58.2%
Total	1,209	485	71.4%	1,100	581	65.4%
Remainder of PMA						
Householder 15 to 24 years	25	36	41.0%	11	47	19.0%
Householder 25 to 34 years	178	60	74.8%	123	93	56.9%
Householder 35 to 44 years	481	64	88.3%	273	64	81.0%
Householder 45 to 54 years	633	51	92.5%	574	65	89.8%
Householder 55 to 64 years	608	31	95.1%	787	58	93.1%
Householder 65 to 74 years	633	21	96.8%	666	42	94.1%
Householder 75 to 84 years	320	37	89.6%	398	29	93.2%
Householder 85 years and over	56	11	83.6%	77	18	81.1%
Total	2,934	311	90.4%	2,909	416	87.5%
PMA						
Householder 15 to 24 years	41	150	21.5%	22	131	14.4%
Householder 25 to 34 years	276	157	63.7%	233	199	53.9%
Householder 35 to 44 years	680	116	85.4%	408	113	78.3%
Householder 45 to 54 years	888	103	89.6%	804	141	85.1%
Householder 55 to 64 years	789	55	93.5%	928	93	90.9%
Householder 65 to 74 years	802	56	93.5%	774	77	91.0%
Householder 75 to 84 years	523	108	82.9%	579	93	86.2%
Householder 85 years and over	144	51	73.8%	261	150	63.5%
Total	4,143	796	83.9%	4,009	997	80.1%

Sources: U.S. Census Bureau, Maxfield Research Inc.

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

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- The rate of homeownership is lower for every age cohort in the City of Ely relative to the Market Area overall. In 2010, 65.4% of households in the City were homeowners compared to 80.1% in the Market Area. In general, high rates of homeownership are common in areas with a rural character where traditional agricultural land use and lack of infrastructure typically cannot support higher-density rental housing; this is especially true in the Remainder of the Market Area. Also, homeownership in outlying rural areas may be more affordable because the cost of owning a single-family home in communities located in the Market Area is typically lower relative to larger, more population-dense cities.

Tenure by Household Size

Table D-12 shows household tenure by size of household in the Market Area during 2000 and 2010 from the U.S. Census Bureau. The tables show the number and percent of renter- and owner-occupied housing units in the Market Area. All data excludes unoccupied units and group quarters such as nursing homes.

- 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 less likely to be married with children, as well as older adults and seniors who choose to downsize from their single-family homes.
- In 2000, the average size of renter households in the Market Area was 1.89 people, while the average size of owner households was 2.20 people. By 2010, the average household size decreased slightly to 1.78 people in renter households, while the average owner household size decreased to 2.07 people. The decline in owner household sizes can be attributed, in large part, to a shift toward older households and fewer married couple families with children.
- In 2010, 43% of all Market Area households were comprised of two people while 36% were one-person households. Approximately 10% were three-person households, 6.7% of the households consisted of four persons, 2.9% were five-person households, and less than 2% were 6+ person households.
- Smaller households comprised the greatest proportion of renter households in the Market Area in 2010. In the Market Area, 59% of all renter households were one-person households and 20% were two-person households.
- The majority of growth in renter households over the decade occurred in the number of one-person renter households, which gained 168 households (+40%, accounting for 84% of all growth in the renter households Market Area overall).
- Among homeowners, only one-person and two-person households experienced an increase in homeownership with the addition of 86 households (+7.5%) and 14 households (+0.7%), respectively. All other age cohorts had declines among owner households.

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TABLE D-12 TENURE BY HOUSEHOLD SIZE ELY MARKET AREA 2000 & 2010													
HH Size		City of Ely				Remainder				Market Area Total			
		2000		2010		2000		2010		2000		2010	
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
1-person	Own	401	60.7	380	49.9	744	82.4	851	80.6	1,145	73.2	1,231	67.7
	Rent	260	39.3	382	50.1	159	17.6	205	19.4	419	26.8	587	32.3
	Total	661	100.0	762	100.0	903	100.0	1,056	100.0	1,564	100.0	1,818	100.0
2-person	Own	492	80.1	448	81.9	1,436	94.7	1,494	93.4	1,928	90.5	1,942	90.5
	Rent	122	19.9	99	18.1	80	5.3	105	6.6	202	9.5	204	9.5
	Total	614	100.0	547	100.0	1,516	100.0	1,599	100.0	2,130	100.0	2,146	100.0
3-person	Own	140	69.3	135	68.2	321	93.3	249	84.1	461	84.4	384	77.7
	Rent	62	30.7	63	31.8	23	6.7	47	15.9	85	15.6	110	22.3
	Total	202	100.0	198	100.0	344	100.0	296	100.0	546	100.0	494	100.0
4-person	Own	121	81.8	84	79.2	265	92.3	199	86.5	386	88.7	283	84.2
	Rent	27	18.2	22	20.8	22	7.7	31	13.5	49	11.3	53	15.8
	Total	148	100.0	106	100.0	287	100.0	230	100.0	435	100.0	336	100.0
5-person	Own	37	77.1	39	83.0	129	90.2	80	81.6	166	86.9	119	82.1
	Rent	11	22.9	8	17.0	14	9.8	18	18.4	25	13.1	26	17.9
	Total	48	100.0	47	100.0	143	100.0	98	100.0	191	100.0	145	100.0
6+ person	Own	18	85.7	14	66.7	39	75.0	36	78.3	57	18.3	50	74.6
	Rent	3	14.3	7	33.3	13	25.0	10	21.7	16	5.1	17	25.4
	Total	21	100.0	21	100.0	52	100.0	46	100.0	311	23.5	67	100.0
TOTAL	Own	1,209	71.4	1,100	65.4	2,934	90.4	2,909	87.5	4,143	83.9	4,009	80.1
	Rent	485	28.6	581	34.6	311	9.6	416	12.5	796	16.1	997	19.9
	Total	1,694	100.0	1,681	100.0	3,245	100.0	3,325	100.0	4,939	100.0	5,006	100.0
Average HH Size		2.20		2.06		2.24		2.08		2.23		2.07	

Sources: U.S. Census Bureau; Maxfield Research Inc.

Ethnicity and Diversity

Table D-13 summarizes the population by race in the City of Ely and Market Area as well as compares this to St. Louis County as a whole. Data is provided from the 2000 and 2010 U.S. Census.

- As of 2000, 3.8% of the total population in the City of Ely was minorities, which increased to 5.2% by 2010. The greatest percentage of minorities in the City was in the Other & Two Races designation (1.7% of the total population in 2010).

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TABLE D-13
ETHNICITY AND DIVERSITY
ELY MARKET AREA
2000 and 2010

Ely	2000		2010	
	No.	Pct.	No.	Pct.
Non-Hispanic	3,699	99.3%	3,421	98.9%
White	3,582	96.2%	3,280	94.8%
Black or African American	32	0.9%	33	1.0%
American Indian and Alaska Native	20	0.5%	26	0.8%
Asian	7	0.2%	23	0.7%
Native Hawaiian and Other Pacific Islander	0	0.0%	0	0.0%
Other & two or more races	58	1.6%	59	1.7%
Hispanic	25	0.7%	39	1.1%
Total Population	3,724	100.0%	3,460	100.0%
Percent Minority	--	3.8%	--	5.2%
Market Area	No.	Pct.	No.	Pct.
Non-Hispanic	11,251	99.5%	10,256	99.3%
White	10,833	95.8%	9,718	94.1%
Black or African American	39	0.3%	48	0.5%
American Indian and Alaska Native	231	2.0%	298	2.9%
Asian	18	0.2%	40	0.4%
Native Hawaiian and Other Pacific Islander	1	0.0%	0	0.0%
Other & two or more races	129	1.1%	152	1.5%
Hispanic	59	0.5%	74	0.7%
Total Population	11,310	100.0%	10,330	100.0%
Percent Minority	--	4.2%	--	5.9%
St. Louis County				
Total Population	200,528	--	200,226	--
Minority Population & Pct. Minority	11,914	5.9%	16,423	8.2%

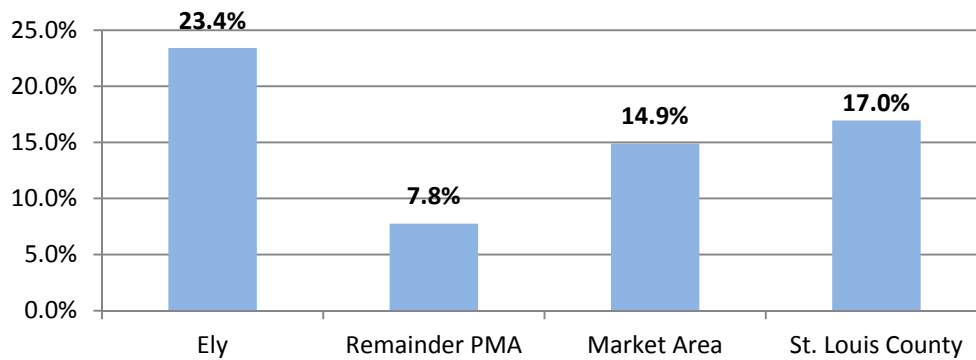
Sources: U.S. Census, Maxfield Research Inc.

- Compared to the Market Area and St. Louis County, the City had a smaller percentage of minorities in both 2000 and 2010; as of 2010, 5.2% of the total population was among minority groups in the City compared to 5.9% in the Market Area and 8.2% in St. Louis County.

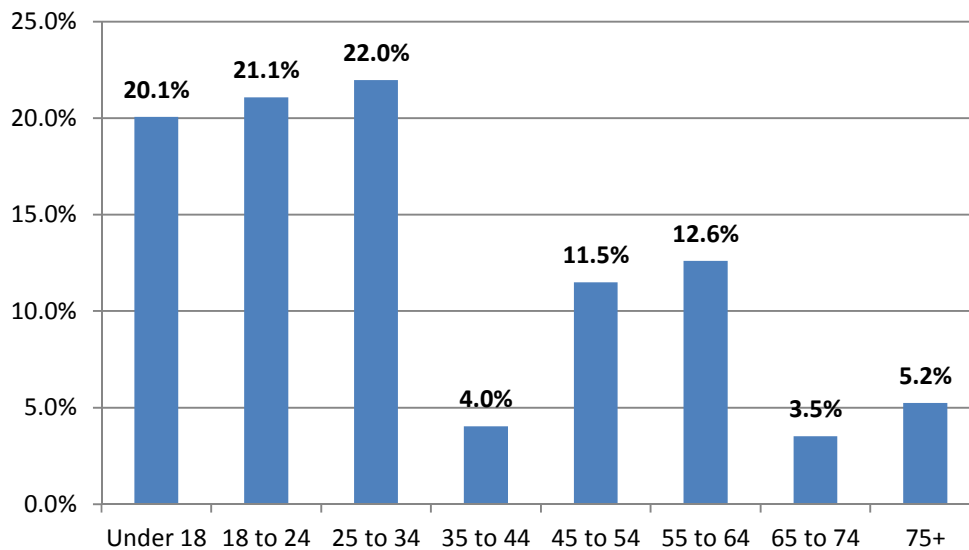
Mobility

Tables D-14 and D-15 present data on the mobility of Market Area residents according to the American Community Survey. The tables show the number and percent of area residents who moved within the past year and to what locations. The data is presented both by geography of origin as well as by age cohort.

**Percentage of Total Population that Moved in One Year
Ely Market Area - 2013**



**Percentage of People that Moved in One Year by Age Cohort
Ely Market Area - 2013**



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- The youngest cohorts tend to be the most mobile. Of the total 1,284 people in the Market Area who moved in the past year, 34.4% were 18 to 24 years old, 18.3% were 25 to 34 years old, and 14.3% were under age 18. Other age cohorts moved at a rate of less than 10%, dipping to the lowest or least mobile percentage of 4.0% among the 75+ age cohort.
- By percentage within the same age cohort, the most mobile group was 18 to 24 years old with only 41% staying within the same home over the interval compared to the overall rate of 87.6% among all age cohorts.
- An estimated 79.7% of Ely residents did not move in the past year compared to 87.6% in the Market Area overall and 83.4% in St. Louis County.

	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.
Ely	2,653	76.7%	533	15.4%	152	4.4%	125	3.6%	0	0.0%
Remainder Market Area	6,153	89.3%	334	4.8%	112	1.6%	75	1.1%	13	0.2%
Market Area Total	8,806	85.1%	867	8.4%	264	2.6%	200	1.9%	13	0.1%
St. Louis County	165,324	83.0%	22,235	11.2%	8,140	4.1%	2,779	1.4%	596	0.3%

Sources: U.S. Census Bureau - American Community Survey; Maxfield Research Inc.

- Among Market Area residents, 1,284 moved within the past year, the majority of which moved within the same county (65.3% of households that moved, or 8.1% of all households). An additional 19.4% of households that moved relocated from counties within the state and 14.5% relocated from a different state. Less than 1% moved abroad.

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**TABLE D-15
MOBILITY IN THE PAST YEAR BY AGE FOR CURRENT RESIDENCE
ELY MARKET AREA
2013**

Market Area Age	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.
Under 18	1,284	86.6%	180	12.1%	16	1.1%	3	0.2%	0	0.0%
18 to 24	549	72.4%	89	11.7%	65	8.6%	55	7.3%	0	0.0%
25 to 34	676	75.6%	165	18.5%	37	4.1%	14	1.6%	2	0.2%
35 to 44	849	95.5%	35	3.9%	5	0.6%	0	0.0%	0	0.0%
45 to 54	1,339	92.2%	60	4.1%	48	3.3%	6	0.4%	0	0.0%
55 to 64	1,926	93.9%	53	2.6%	25	1.2%	47	2.3%	0	0.0%
65 to 74	1,338	97.5%	18	1.3%	6	0.4%	11	0.8%	0	0.0%
75+	1,152	95.7%	36	3.0%	3	0.2%	13	1.1%	0	0.0%
Total	9,113	90.2%	636	6.3%	205	2.0%	149	1.5%	2	0.0%

St. Louis County Age	Not Moved		Moved							
	Same House		Within Same		Different County		Different State		Abroad	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under 18	31,360	84.0%	4,399	19.9%	1,125	13.9%	316	21.3%	123	8.3%
18 to 24	12,136	32.5%	7,793	35.3%	4,318	53.2%	1,099	145.0%	204	26.9%
25 to 34	17,169	46.0%	4,310	19.5%	1,211	14.9%	489	54.7%	116	13.0%
35 to 44	18,853	50.5%	1,623	7.3%	576	7.1%	278	31.3%	21	2.4%
45 to 54	26,838	71.9%	1,544	7.0%	466	5.7%	233	16.0%	58	4.0%
55 to 64	27,884	74.7%	1,028	4.7%	264	3.3%	176	8.6%	29	1.4%
65 to 74	15,874	42.5%	546	2.5%	66	0.8%	66	4.8%	0	0.0%
75+	14,837	39.8%	861	3.9%	96	1.2%	128	10.6%	16	1.3%
Total	164,951	83.1%	22,104	100.0%	8,122	100.0%	2,785	27.6%	567	5.6%

Sources: U.S. Census Bureau - American Community Survey; Maxfield Research Inc.

Public School Enrollment Trends

D-16 shows the number of students enrolled at the Ely Public Schools. Enrollment has dropped modestly over the past ten years from September 2005 through May 2015. In September 2005, enrollment in Ely Public Schools totaled 645 students. By May 2015, the enrollment had dropped to 554 students with some fluctuations in between. This was the lowest level of enrollment during the ten-year period. The downward trend in exhibited during this period reflects similar trends throughout this age group in St. Louis County and in Minnesota. Enrollments are generally anticipated to experience a modest increase after 2020 depending on location in the State. Also, we note that increases in employment in the area as a result of new companies opening may have an impact on public school enrollment if families relocate to the area.

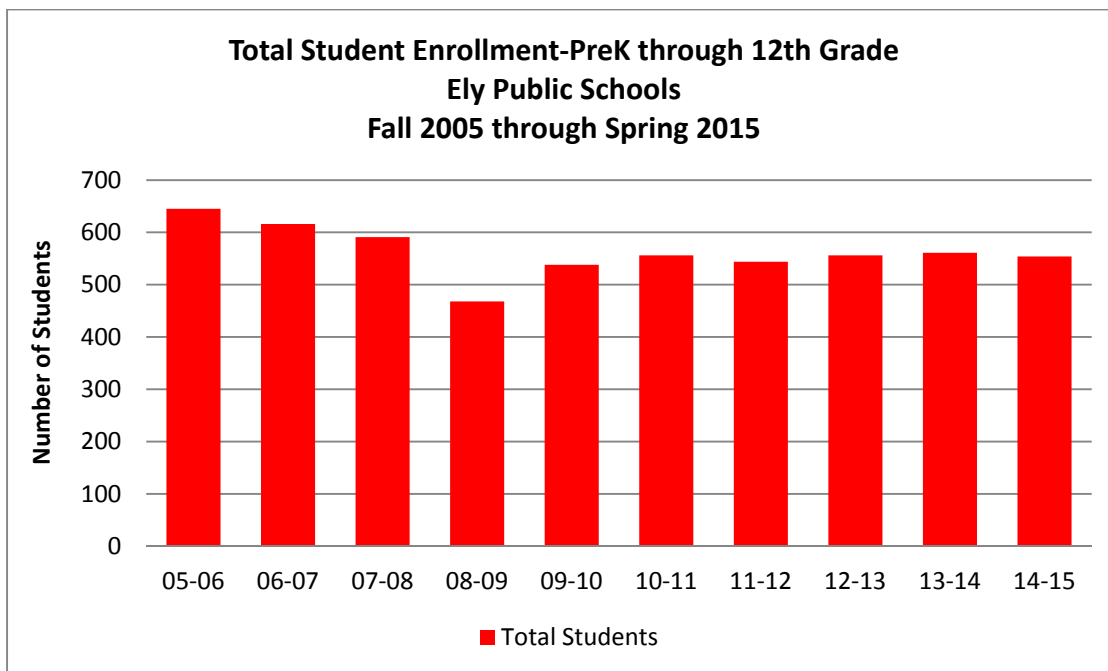
DEMOGRAPHIC ANALYSIS

**TABLE D-16
STUDENT ENROLLMENT
ISD #696-Ely Public Schools
Fall 2005 through Spring 2015**

<u>School Year</u>	<u>Total Males</u>	<u>Total Females</u>	<u>Total Minority</u>	<u>Total Students*</u>
05-06	338	307	54	645
06-07	323	293	46	616
07-08	311	280	41	591
08-09	208	260	40	468
09-10	286	252	41	538
10-11	304	252	33	556
11-12	300	244	33	544
12-13	301	255	32	556
13-14	310	251	39	561
14-15	292	262	39	554

* Total minority students are included in the figures for total males and total females.

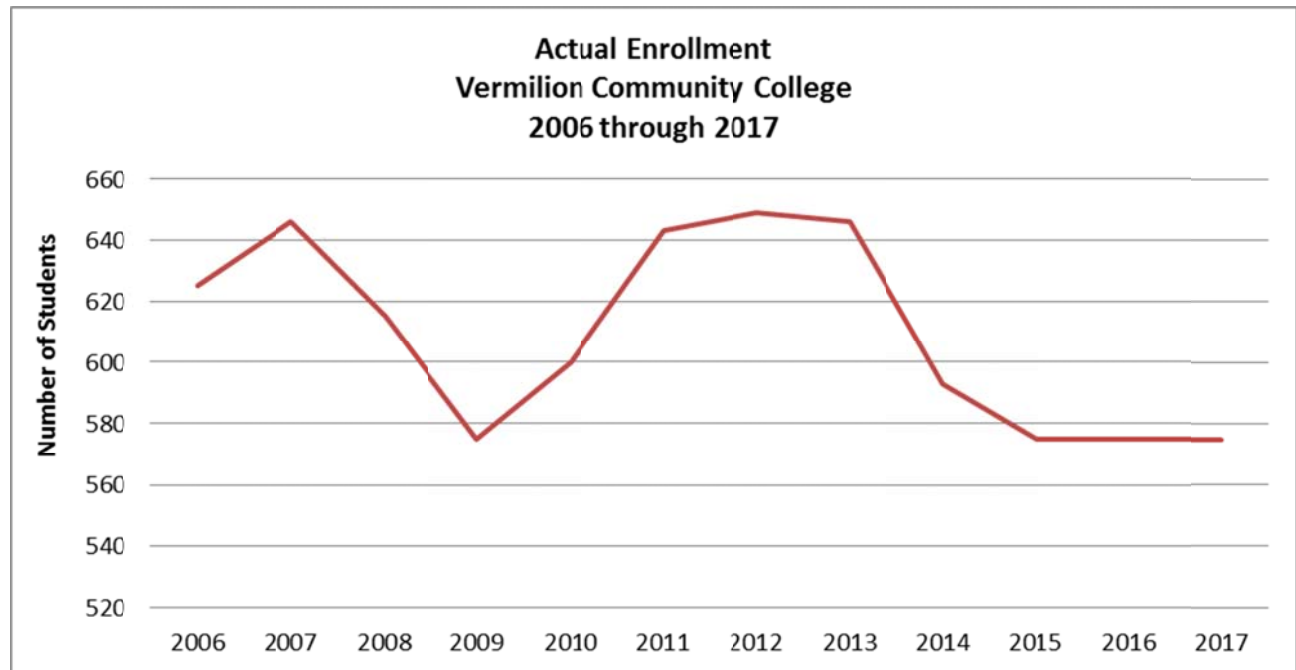
Sources: Minnesota Department of Education; Maxfield Research Inc.



Student Enrollment – Vermilion Community College

Table D-17 presents actual enrollment for Vermilion Community College from fall 2006 through fall 2014 with projected enrollment for 2015 through 2017. 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 be working either part-time or full-time and attending school part-time. A portion of students attending Vermilion full-time may also be commuting longer distances and living at home to try to reduce overall costs. New student housing at the College is discussed in the Housing Market sections of the report.

TABLE D-17 ACTUAL ENROLLMENT VERMILION COMMUNITY COLLEGE 2006 THROUGH 2017*	
<u>Year</u>	<u>Actual Enrollment</u>
2006	625
2007	646
2008	615
2009	575
2010	600
2011	643
2012	649
2013	646
2014	593
2015 *	575
2016 *	575
2017 *	575
* Projected Enrollment	
Source: MNSCU Finance Division	



Older Adult and Senior Housing Demographic Trends

Tables D-18 through D-20 present growth trends and demographic characteristics of the population age 55 or older in Ely and the remainder of the Market Area. While this information could be identified in previous tables, it is separated here to more easily identify senior population and household growth trends in Ely and in the surrounding area.

Older Adult and Senior Population and Household Growth Trends

Table D-18 presents an age distribution of the age 55 or older population in the Ely Market Area. As shown on the table, total population decreased in the Ely Market Area from 2000 to 2010 by -679 people, or 6.2%. Conversely, people age 55 year or older experienced an increase during the same period of 603 people or 15.2%. Only one age cohort among the older adult population experienced a decrease during this period, those ages 75 to 79, who were born in the Depression Era, a period of much lower births in the United States.

From 2010 to 2020, the older adult population is expected to continue to grow, increasing by 702 people or 15.3%. Growth in this age category moving forward is being generated by the aging of the baby boom generation, those born between 1946 and 1964. This is one of the largest generations in our nation’s history and the baby boom generation has been responsible for major shifts in housing demand and product types as they have aged through their lifecycle. Considerable growth is also anticipated in the 65 years or older category, a total increase of 22.2% in this decade.

TABLE D-18
55+ POPULATION & HOUSEHOLD AGE DISTRIBUTION
ELY MARKET AREA
2000 - 2020

POPULATION								
Age	2000	2010	2015	2020	2000-2010		2010-2020	
55 to 64	1,500	1,927	2,045	2,041	427	28.5%	114	5.9%
65 to 69	719	789	902	1,047	70	9.7%	258	32.8%
70 to 74	588	697	755	930	109	18.5%	233	33.4%
75 to 79	521	452	493	556	-69	-13.2%	104	23.0%
80 to 84	348	371	325	363	23	6.6%	-8	-2.1%
85 +	299	342	357	342	43	14.4%	0	0.0%
Total 55+	3,975	4,578	4,876	5,280	603	15.2%	702	15.3%
Total 65+	2,475	2,651	2,831	3,238	176	7.1%	587	22.2%
Total 75+	1,168	1,165	1,175	1,261	-3	-0.3%	96	8.3%
Tot. Pop.	11,009	10,330	10,487	10,688	-679	-6.2%	358	3.5%

HOUSEHOLDS								
Age	2000	2010	2015	2020	2000-2010		2010-2020	
55 to 64	789	1,164	1,261	1,236	375	47.5%	72	6.2%
65 to 74	802	953	1,079	1,260	151	18.8%	307	32.2%
75 +	667	838	844	900	171	25.6%	62	7.4%
Total 55+	2,258	2,955	3,184	3,396	697	30.9%	441	14.9%
Total 65+	1,469	1,791	1,923	2,160	322	21.9%	369	20.6%
Total 75+	667	838	844	900	171	25.6%	62	7.4%
Tot. HH	4,939	5,006	5,119	5,220	67	1.4%	214	4.3%

Sources: U.S. Census Bureau; ESRI.; Maxfield Research Inc.

Older Adult Household Income Distribution

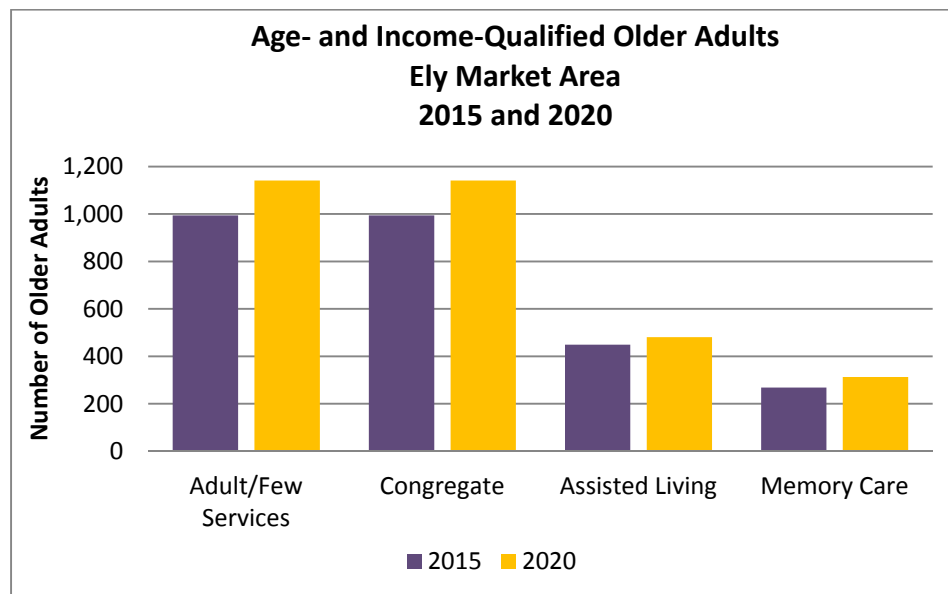
Table D-19 presents an estimated older adult (55+) household income distribution for the Ely Market Area in 2015 with a projection for 2020 based on information provided by ESRI, Inc., and the US Census Bureau. The data helps determine demand for senior housing based on the size of the market at specific income levels. This data is incorporated into our demand calculations which are presented in a following section. It is important to note that the data does not account for the asset base of senior households or supplemental income that a senior household could gain from the proceeds of a sale of a home or from contributions from family members.

The frailer the senior, the greater the proportion of their income they will typically spend on housing and services. Studies have shown that seniors are willing to pay increasing proportions of their incomes on housing with services, beginning with an income allocation of 40% to 50% for market rate adult senior housing with little or no services, increasing to 65% for congregate housing and to 80% to 90% or more for assisted living housing. The proceeds from the sales of

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their homes, as well as financial assistance from their adult children, are often used as supplemental income in order to afford senior housing alternatives.

- The following are key points from Table D-19:
- Overall, senior households in the PMA have modest incomes. The median income of \$36,111 for 65+ households in 2015 compares to a median income of \$56,001 for St. Louis County for this same age group. Therefore, a lower proportion of seniors in the PMA would likely be able to income-qualify for market rate senior housing than in St. Louis County as a whole.
- The market for independent, adult/few services senior housing is typically comprised of senior households age 65+ with incomes of \$35,000 or more. As of 2015, we estimate there are 994 households. Including all households with incomes of \$40,000 and over (adjusted for inflation), the number of 65+ senior households projected to income qualify for market rate adult/few services senior housing is expected to grow to 1,141 households as of 2020, an increase of 14.8%.
- The key market for independent senior housing with services housing is comprised of senior households (age 75+), with incomes of \$35,000 or more. As of 2015, we estimate there are 994 age- and income-qualified households in the PMA (75+) that comprise the key market for market rate senior housing with services. Including all households with incomes of \$40,000 and over (adjusted for inflation), the number of 75+ senior households projected to income-qualify for market rate senior housing with services is expected to grow to 1,141 households in 2020 (+14.8%).



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**TABLE D-19
OLDER ADULT INCOME DISTRIBUTION
ELY MARKET AREA
2015 & 2020**

2015								
	55-64		65-74		75+		Total 65+	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under \$15,000	188	14.9	135	12.5	140	16.6	275	14.3
\$15,000-\$24,999	111	3.4	154	9.8	230	15.9	385	11.7
\$25,000-\$34,999	105	2.9	126	3.1	145	11.5	271	5.7
\$35,000-\$49,999	288	5.7	246	6.7	177	18.1	423	10.2
\$50,000-\$74,999	217	16.3	178	16.6	60	12.3	238	15.3
\$75,000-\$99,999	164	15.6	87	16.0	57	6.6	145	13.1
\$100,000 or more	189	50.6	153	41.6	35	15.9	188	33.7
Total	1,261	100.0	1,080	100.0	845	100.0	1,925	100.0
Median Income	\$47,409		\$42,397		\$28,905		\$36,111	
2020								
	55-64		65-74		75+		Total 65+	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under \$15,000	164	13.3	156	12.4	157	17.4	313	14.5
\$15,000-\$24,999	75	1.7	123	7.0	187	13.2	311	9.0
\$25,000-\$34,999	75	1.8	106	2.2	123	9.2	229	4.5
\$35,000-\$49,999	257	4.3	275	4.5	212	16.0	486	8.3
\$50,000-\$74,999	218	13.2	232	13.6	83	12.0	315	13.1
\$75,000-\$99,999	193	18.7	126	20.9	81	9.6	207	17.2
\$100,000 or more	253	56.1	242	46.9	57	20.4	299	38.2
Total	1,236	100.0	1,260	100.0	899	100.0	2,159	100.0
Median Income	\$55,274		\$48,998		\$34,234		\$42,000	
CHANGE 2015 TO 2020								
	55-64		65-74		75+		Total 65+	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under \$15,000	-24	-12.5	21	15.8	16	11.8	38	13.8
\$15,000-\$24,999	-36	-32.1	-5	-9.4	6	16.8	1	1.6
\$25,000-\$34,999	-29	-32.8	-2	-10.1	3	12.8	1	3.3
\$35,000-\$49,999	-30	-20.0	-5	-14.9	10	24.4	5	6.4
\$50,000-\$74,999	1	-12.7	4	5.1	10	36.6	15	12.9
\$75,000-\$99,999	29	29.1	55	67.0	16	103.9	71	72.8
\$100,000 or more	64	19.4	95	44.1	29	80.6	124	49.3
Total	-25	-2.0	164	15.2	92	10.8	255	13.3
Median Income	\$7,865	16.6	\$6,601	15.6	\$5,329	18.4	\$5,888	16.3

Sources: ESRI; Maxfield Research Inc.

DEMOGRAPHIC ANALYSIS

- The key market for assisted living senior housing is comprised of senior households (age 75+), with incomes of \$40,000 or more and a portion of senior homeowners with incomes below this level who would spend down their assets to avoid nursing home placement. As of 2015, we estimate there are 449 age- and income-qualified households in the PMA (75+) that comprise the key market for market rate senior housing with services. Including all households with incomes of \$45,000 and over (adjusted for inflation), the number of 75+ senior households projected to income-qualify for market rate senior housing with services is expected to grow to 481 households in 2020 (+7.1%).
- The key market for memory care senior housing is comprised of senior households (age 75+), with incomes of \$60,000 or more and a portion of senior homeowners with incomes below this level who would spend down assets to avoid nursing home placement. As of 2015, we estimate there are 268 age- and income-qualified households in the PMA (75+) that comprise the key market for market rate senior housing with services. Including all households with incomes of \$45,000 and over (adjusted for inflation), the number of 75+ senior households projected to income-qualify for market rate senior housing with services is expected to grow to 313 households in 2020 (+16.8%).

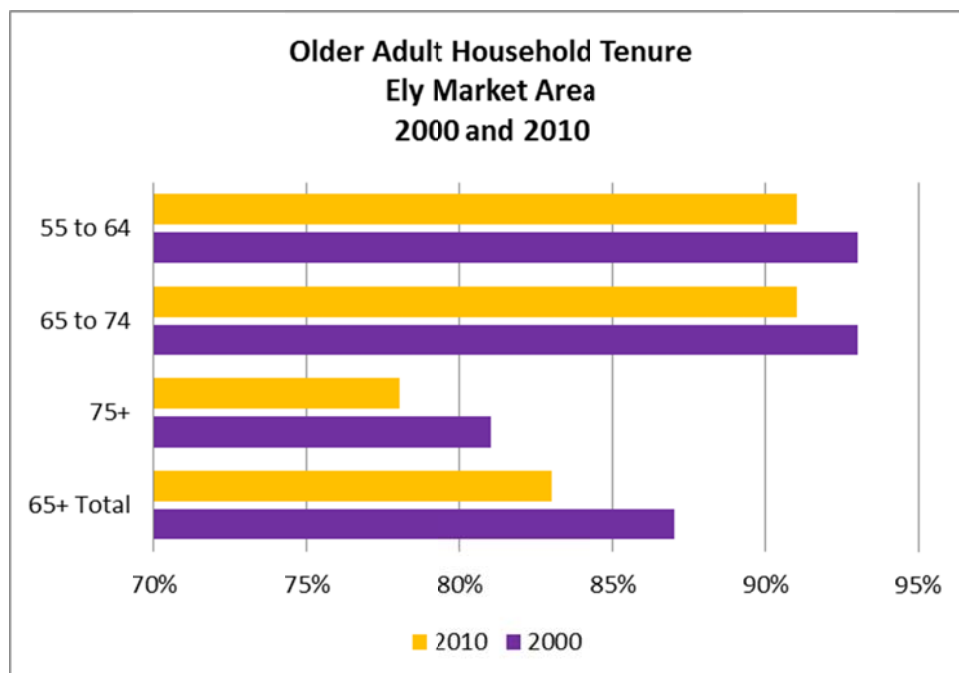
Older Adult Household Tenure

Table D-20 presents a distribution of older adults (55+) that owned and rented their housing in the Ely Market Area in 2000 and 2010. This information is compiled by the US Census Bureau. This information lends insight into the number of households that may still have homes to sell and could potentially supplement their incomes from the sales of their homes to support monthly fees for alternative housing.

- The Ely Market Area maintains relatively high rates of homeownership in the older adult age cohorts. The homeownership rate in 2010 was 91% for age 55 to 64 households. The homeownership rate held steady at 91% for age 65 to 74 households and then decreased to 78% for households age 75 years or older.
- Seniors typically begin to consider moving into senior housing alternatives in their early to mid-70s. This movement pattern is demonstrated by the drop in homeownership between the 65 to 74 age cohort (91%) and the 75+ age cohort (78%).

TABLE D-20 OLDER ADULT HOUSEHOLD TENURE ELY MARKET AREA 2000 & 2010								
	Age of Householder							
	55-64		65-74		75+		Total 65+	
	Own	Rent	Own	Rent	Own	Rent	Own	Rent
2010								
No. of Households	928	93	774	77	840	243	1,614	320
Homeownership Rate	91%		91%		78%		83%	
2000								
No. of Households	789	55	802	56	667	159	1,469	215
Homeownership Rate	93%		93%		81%		87%	
Change 2000-2010								
No. of Households	139	38	-28	21	173	84	145	105
Pct. Change	15%	41%	-4%	27%	21%	35%	9%	33%
Sources: U.S. Census Bureau, Maxfield Research Inc.								

- With a homeownership rate of 83% for all households over the age of 65, many residents would be able to use proceeds from the sales of their homes toward senior housing alternatives. The resale of single-family homes would allow additional senior households to qualify for market rate housing products, since equity from the home sale could be used as supplemental income for alternative housing. These considerations are factored into our demand calculations presented in a later section of this study.



Introduction

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 in outlying areas is often more affordable and/or offers attractive quality of life features, making commuting from outlying communities to work in larger employment centers an attractive alternative among some population segments.

Employment Growth & Projections

Table E-1 shows projected employment growth based on the most recent information available from the Minnesota Department of Employment and Economic Development (DEED).

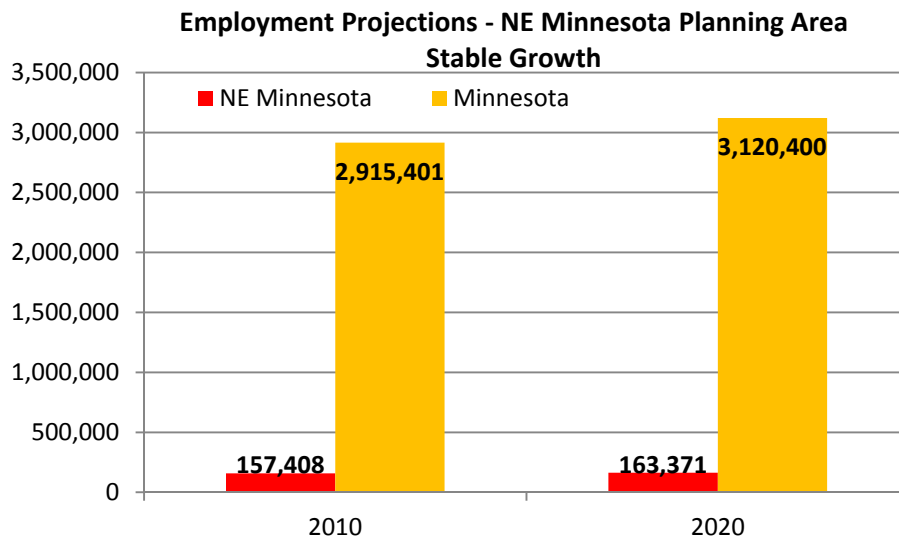
The 2020 forecast is based on 2010 to 2020 industry projections for the Northeast Minnesota Region, which includes St. Louis County as well as the following counties: Aitkin, Carlton, Cook, Koochiching, Lake, and Itasca. The Seven-County Twin Cities Metro Area is also included for comparison. Maxfield Research applied the projected ten-year growth rate of 3.8% for the Northeast Planning Area to the 2012 employment data to arrive at the 2022 forecast. The projected growth rate of 3.8% compares to 7.0% for Minnesota as a whole.

It is important to note that these employment projections do not directly consider the proposed Polymet and Twin Metals projects. Potential employment growth that could be realized with the opening of the Polymet operation and the Twin Metals operation in the future are shown in Table E-2.

TABLE E-1 EMPLOYMENT PROJECTIONS NE MINNESOTA 2012-2022				
	Estimate	Forecast		
	2012	2022	2012-2022	
	No.	No.	No.	Pct.
NE Minnesota Planning Area	157,408	163,371	5,963	3.8%
Minnesota	2,915,401	3,120,400	204,999	7.0%
Sources: MN DEED; Maxfield Research Inc.				

TABLE E-2 EMPLOYMENT PROJECTIONS HIGH GROWTH NE MINNESOTA 2012-2022				
	Estimate	Forecast		
	2012	2022	2012-2022	
	No.	No.	No.	Pct.
NE Minnesota Planning Area	157,408	170,000	12,592	8.0%
Minnesota	2,915,401	3,120,400	204,999	7.0%

Sources: MN DEED; Maxfield Research Inc.



Local Employment Growth Trends

Recent employment growth trends are shown in Tables E-3 and E-4. The data in both tables is from the Minnesota Department of Employment and Economic Development (DEED).

Table E-3 presents resident employment data in St. Louis County from 2000 through 2014. Data is not available at the city level for Ely but is provided for St. Louis County as a whole and summarized in the tables. Additional figures on the Duluth, MN-WI Metropolitan Statistical Area and State of Minnesota are provided for comparison. Resident employment data is calculated as an annual average *and reveals the work force and number of employed persons living in the County*. It is important to note that not all of these individuals necessarily work in the County.

DEMOGRAPHIC ANALYSIS

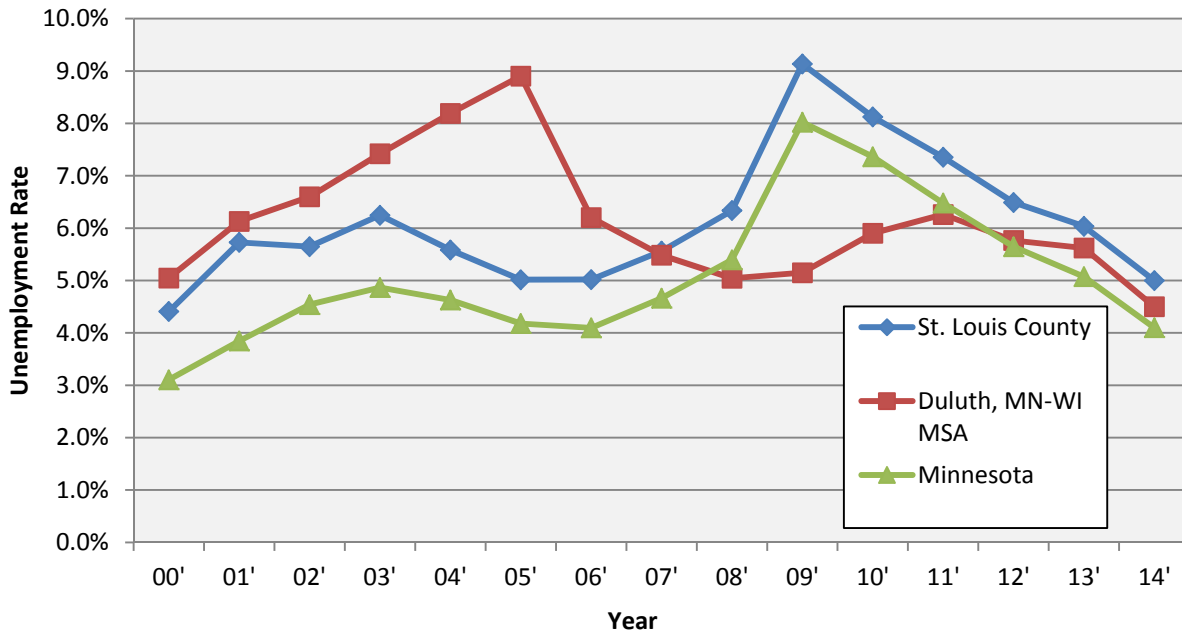
TABLE E-3 ANNUAL AVERAGE RESIDENT EMPLOYMENT ST. LOUIS COUNTY, DULUTH MN-WI MSA, & MINNESOTA 2000 through 2014				
<u>Year</u>	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Rate</u>
ST. LOUIS COUNTY				
2000	103,527	98,964	4,563	4.4%
2001	103,362	97,442	5,920	5.7%
2002	103,270	97,438	5,832	5.6%
2003	103,199	96,753	6,446	6.2%
2004	102,146	96,444	5,702	5.6%
2005	101,353	96,270	5,083	5.0%
2006	101,848	96,738	5,110	5.0%
2007	103,338	97,591	5,747	5.6%
2008	104,443	97,825	6,618	6.3%
2009	105,614	95,965	9,649	9.1%
2010	103,186	94,802	8,384	8.1%
2011	102,003	94,500	7,503	7.4%
2012	101,644	95,047	6,597	6.5%
2013	102,241	96,070	6,171	6.0%
2014	101,615	96,495	5,120	5.0%
Change 2000 through 2014				
Number	-1,912	-2,469	557	--
Percent	-1.8%	-2.5%	12.2%	--
DULUTH, MN-WI MSA				
2000	142,741	135,535	7,206	5.0%
2001	143,376	134,588	8,788	6.1%
2002	142,567	133,159	9,408	6.6%
2003	143,210	132,584	10,626	7.4%
2004	144,685	132,833	11,852	8.2%
2005	146,683	133,622	13,061	8.9%
2006	145,259	136,250	9,009	6.2%
2007	143,721	135,839	7,882	5.5%
2008	142,057	134,891	7,166	5.0%
2009	141,058	133,794	7,264	5.1%
2010	142,184	133,791	8,393	5.9%
2011	142,754	133,815	8,939	6.3%
2012	142,408	134,199	8,209	5.8%
2013	141,894	133,918	7,976	5.6%
2014	142,105	135,747	6,358	4.5%
Change 2000 through 2014				
Number	-636	212	-848	--
Percent	-0.4%	0.2%	-11.8%	--
Sources: MN Workforce Center, Maxfield Research Inc.				

TABLE E-3 ANNUAL AVERAGE RESIDENT EMPLOYMENT ST LOUIS COUNTY, DULUTH, MN-WI MSA, & MINNESOTA 2000 through 2014				
<u>Year</u>	<u>Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Rate</u>
MINNESOTA				
2000	2,807,668	2,720,492	87,176	3.1%
2001	2,866,023	2,755,808	110,215	3.8%
2002	2,880,329	2,749,525	130,804	4.5%
2003	2,891,661	2,750,938	140,723	4.9%
2004	2,885,974	2,752,403	133,571	4.6%
2005	2,876,953	2,756,709	120,244	4.2%
2006	2,893,029	2,774,524	118,505	4.1%
2007	2,903,453	2,768,068	135,385	4.7%
2008	2,929,859	2,771,749	158,110	5.4%
2009	2,950,277	2,713,601	236,676	8.0%
2010	2,962,633	2,744,470	218,163	7.4%
2011	2,969,696	2,777,285	192,411	6.5%
2012	2,969,366	2,801,671	167,695	5.6%
2013	2,973,511	2,822,648	150,863	5.1%
2014	2,974,102	2,852,406	121,696	4.1%
Change 2000 through 2014				
Number	166,434	131,914	34,520	--
Percent	5.9%	4.8%	39.6%	--
Sources: MN Workforce Center, Maxfield Research Inc.				

Resident Employment

- Resident employment in St. Louis County increased by 557 people (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.

**Annual Average Resident Unemployment Rate
St. Louis County, Duluth, MN-WI MSA and Minnesota
2000 through 2014**



- St. Louis County’s unemployment rate has been modestly higher than the unemployment rate in the State of Minnesota in every year from 2000 through 2014. As of 2014, the County’s unemployment rate was 5.0% compared to 4.1% in the State. Over the same interval, the Duluth, MN-WI MSA had unemployment rates closely approximating St. Louis County, estimated at 4.5% in 2014.

Covered Employment by Industry

Table E-4 presents covered employment in St. Louis County from 2000 through 3rd Quarter 2014, the most recent data available. Table E-5 presents similar data for the City of Ely. Covered employment data is calculated as an annual average and *reveals the number of jobs in the County*, which are covered by unemployment insurance. Most farm jobs, self-employed persons, and some other types of jobs are not covered by unemployment insurance and are not included in the table.

- The Education and Health Services sector accounted for 32.6% of the County’s jobs in 2014, which is the largest percentage by sector in the County. Trade, Transportation, & Utilities (TTU) and Leisure and Hospitality sectors accounted for 18.5% and 12.7% of the all jobs in St. Louis County, respectively.

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- From 2000 through 2014, the total number of jobs increased by 2,269 (2.4%). Numerically, the most jobs were gained in Education and Health Services (6,064 jobs, 23.6%).
- Several sectors lost jobs, most significantly Trade, Transportation, and Utilities (2,625 jobs, --12.7%), Manufacturing (1,911 jobs, -29.9%), and Natural Resources & Mining (1,224, -25.4%).

Industry	Average Number of Employees				Change 2000 - 2014		% of Total				Weekly wage ²
	2000	2005	2010	2014	No.	Pct.	2000	2005	2010	2014	2014
Natural Resources & Mining	4,822	3,024	2,992	3,598	-1,224	-25.4	5.1%	3.2%	3.2%	3.7%	\$1,638
Construction	4,130	4,170	3,559	4,680	550	13.3	4.3%	4.4%	3.8%	4.8%	\$1,052
Manufacturing	6,389	5,699	4,113	4,478	-1,911	-29.9	6.7%	6.1%	4.4%	4.6%	\$978
Trade, Transportation, and Utilities	20,653	18,559	17,058	18,028	-2,625	-12.7	21.7%	19.7%	18.3%	18.5%	\$666
Information	na	na	na	1,275	na	na	na	na	na	1.3%	\$858
Financial Services	3,834	na	4,338	4,317	483	12.6	4.0%	na	4.6%	4.4%	\$839
Professional and Business Services	6,494	6,473	7,103	7,315	821	12.6	6.8%	6.9%	7.6%	7.5%	\$922
Education and Health Services	25,668	29,292	32,849	31,732	6,064	23.6	27.0%	31.1%	35.2%	32.6%	\$959
Leisure and Hospitality	11,032	10,891	11,149	12,407	1,375	12.5	11.6%	11.6%	11.9%	12.7%	\$302
Other Services	3,293	3,290	3,071	3,481	188	5.7	3.5%	3.5%	3.3%	3.6%	\$480
Public Administration	na	5,808	5,680	6,023	na	na	na	na	6.1%	6.2%	\$993
Totals¹	95,068	94,174	93,407	97,337	2,269	2.4					\$827

¹ Totals based on annual average of four quarters and may be exceed summation of individual industries as listed in table.

² Average employment and weekly wage by industry based on 3 Qtr 2014 data.

Sources: MN DEED; Maxfield Research Inc.

Average Weekly Wages by Industry

- Average weekly wage data by industry is also presented in the table based on information available in the most recently reported quarter: 3rd Quarter 2014. Average weekly wages data range from \$302 per week (approximately \$15,704 annually) for the Leisure and Hospitality sector to \$1,638 per week (approximately \$85,200 annually) for Natural Resources & Mining sector.
- Several industry sectors have low wages. Some of the positions in these industries however, represent part-time jobs with hourly wages or may be in industries such as Leisure and Hospitality that have additional income sources (i.e. tips and gratuities) not accounted for in the data.

DEMOGRAPHIC ANALYSIS

TABLE E-5 COVERED EMPLOYMENT TRENDS CITY OF ELY 2000, 2005, 2010 and 2014 (3rd Quarter) North American Industrial Classification System (NAICS)											
Average Number of Employees					Change		% of Total				Weekly wage ¹
					2000 - 2014						2014
Industry	2000	2005	2010	2014	No.	Pct.	2000	2005	2010	2014	2014
Natural Resources & Mining*	20	24	10	na	----	----	1.0%	1.1%	0.5%	----	\$688
Construction*	156	152	48	na	----	----	7.6%	6.7%	2.4%	----	\$663
Manufacturing	108	94	51	59	-49	-45.4	5.2%	4.1%	2.5%	2.9%	\$339
Trade, Transportation, and Utilities	406	371	338	381	-25	-6.2	19.7%	16.2%	16.8%	18.8%	\$413
Information	47	34	34	29	-18	-38.3	2.3%	1.5%	1.7%	1.4%	\$543
Financial Services	126	134	125	145	19	15.1	6.1%	5.9%	6.2%	7.2%	\$584
Professional and Business Services	77	244	250	103	26	33.8	3.7%	10.7%	12.4%	5.1%	\$749
Education and Health Services	501	344	540	494	-7	-1.4	24.3%	15.1%	26.8%	24.4%	\$861
Leisure and Hospitality	392	341	328	465	73	18.6	19.0%	14.9%	16.3%	23.0%	\$330
Other Services	132	138	73	59	-73	-55.3	6.4%	6.0%	3.6%	2.9%	\$359
Public Administration	95	120	221	228	133	140.0	4.6%	5.3%	11.0%	11.3%	\$950
Totals	2,060	2,285	2,017	2,022	-38	-1.8					\$598

¹ Average weekly wage by industry based on 3rd Quarter 2014 data.

* Average weekly wages for Natural Resources/Mining and Construction reflect 2012 figures.

Source: Minnesota Workforce Center; Maxfield Research Inc.

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. Tables E-5 and E-6 highlight the commuting patterns of workers in Ely and St. Louis County, respectively, in 2011 (the most recent data available), based on Employer-Household Dynamics data from the U.S. Census Bureau.

DEMOGRAPHIC ANALYSIS

**TABLE E-6
COMMUTING PATTERNS
CITY OF ELY
2011**

Home Destination			Work Destination		
Place of Residence	Count	Share	Place of Employment	Count	Share
Ely city, MN	782	51.0%	Ely city, MN	782	56.5%
Babbitt city, MN	96	6.3%	Duluth city, MN	58	4.2%
Tower city, MN	36	2.3%	Silver Bay city, MN	45	3.3%
Soudan CDP, MN	34	2.2%	Virginia city, MN	38	2.7%
Duluth city, MN	20	1.3%	Minneapolis city, MN	35	2.5%
Hibbing city, MN	18	1.2%	Tower city, MN	27	2.0%
Winton city, MN	17	1.1%	Babbitt city, MN	18	1.3%
Nashwauk city, MN	11	0.7%	Hibbing city, MN	11	0.8%
Virginia city, MN	11	0.7%	Edina city, MN	10	0.7%
Coleraine city, MN	9	0.6%	Bloomington city, MN	8	0.6%
All Other Locations	500	32.6%	All Other Locations	351	25.4%
Total Primary Jobs	1,534	100.0%	Total Primary Jobs	1,383	100.0%

Home Destination = Where workers live who are employed in the selection area
 Work Destination = Where workers are employed who live in the selection area

Sources: U.S. Census Bureau Local Employment Dynamics; Maxfield Research, Inc.

**TABLE E-7
COMMUTING PATTERNS
ST. LOUIS COUNTY
2011**

Home Destination			Work Destination		
Place of Residence	Count	Share	Place of Employment	Count	Share
Duluth city, MN	25,701	28.3%	Duluth city, MN	33,949	42.6%
Hibbing city, MN	5,432	6.0%	Hibbing city, MN	6,389	8.0%
Superior city, WI	4,050	4.5%	Virginia city, MN	5,540	7.0%
Hermantown city, MN	3,059	3.4%	Superior city, WI	2,741	3.4%
Virginia city, MN	2,806	3.1%	Hermantown city, MN	2,560	3.2%
Chisholm city, MN	1,578	1.7%	Cloquet city, MN	1,561	2.0%
Cloquet city, MN	1,442	1.6%	Minneapolis city, MN	1,430	1.8%
Eveleth city, MN	1,293	1.4%	Chisholm city, MN	1,419	1.8%
Ely city, MN	1,081	1.2%	Ely city, MN	1,278	1.6%
Proctor city, MN	1,079	1.2%	Eveleth city, MN	1,017	1.3%
All Other Locations	43,426	47.7%	All Other Locations	21,769	27.3%
Total Primary Jobs	90,947	100.0%	Total Primary Jobs	79,653	100.0%

Home Destination = Where workers live who are employed in the selection area
 Work Destination = Where workers are employed who live in the selection area

Sources: U.S. Census Bureau Local Employment Dynamics; Maxfield Research, Inc.

DEMOGRAPHIC ANALYSIS

- Of the workers employed in Ely, approximately 51% also live in Ely. The remaining workers are commuting from a wide variety of cities including Babbitt (6.3%) and other cities at small percentages.
- Approximately 56.5% of Ely residents also work in Ely. Other areas to which Ely residents commute include Duluth (4.2%), Silver Bay (3.3%), and Virginia (2.7%).
- A large percentage of St. Louis County residents work in Duluth (28.3%).

Inflow/Outflow

Table E-8 provides a summary of the inflow and outflow of workers in Ely and St. Louis County. Outflow reflects the number of workers living in Ely but employed outside of Ely while inflow measures the number of workers who are employed in Ely but live outside. Interior flow reflects the number of workers that both live and work in Ely.

- Ely is considered to be an importer of workers, as the number of residents coming into Ely (inflow) for employment was higher than the number of residents leaving Ely for work (outflow). Approximately 1,534 workers came into Ely for work while 1,383 workers left, for a net inflow of +151 workers.
- Similarly, St. Louis County is also an importer of workers with a net inflow of +11,294 workers based on an inflow of 90,947 and outflow of 79,653 workers.

TABLE E-8 COMMUTING INFLOW/OUTFLOW CITY OF ELY AND ST. LOUIS COUNTY 2011		
	Ely	
	Num.	Pct.
Employed in the Selection Area	1,534	100%
Employed in the Selection Area but Living Outside	752	49.0%
Employed and Living in the Selection Area	782	51.0%
Living in the Selection Area	1,383	100%
Living in the Selection Area but Employed Outside	601	43.5%
Living and Employed in the Selection Area	782	56.5%
	St. Louis County	
	Num.	Pct.
Employed in the Selection Area	90,947	100%
Employed in the Selection Area but Living Outside	29,235	32.1%
Employed and Living in the Selection Area	61,712	67.9%
Living in the Selection Area	79,653	100%
Living in the Selection Area but Employed Outside	17,941	22.5%
Living and Employed in the Selection Area	61,712	77.5%
Sources: Longitudinal Employer-Household Dynamics; Maxfield Research Inc.		

Existing Business Mix by NAICS

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.

Table E-9 summarizes this data as compiled by ESRI Inc. Information is presented for the City of Ely and the Market Area.

- There are approximately 434 businesses with 1,831 employees in the City of Ely. This accounts for approximately 41.0% and 43.7% of the business and employee base in the Market Area as a whole.

DEMOGRAPHIC ANALYSIS

- In the City of Ely, Retail Trade industry has the greatest number of businesses (59 total, or 13.6% of the total business base) followed by Other Services (46 total, or 10.6%), Construction (42 total, 9.7%), and Administrative & Support & Waste Management (41 total, or 9.4%).
- The industry type with the greatest number of employees in Ely is Retail Trade (244 employees, or 13.3% of the total employee base) followed by Accommodation and Food Services (232 employees, or 12.7%) and Public Administration (198 employees, or 10.8%).

Business/Industry	CITY OF ELY				MARKET AREA TOTAL			
	Businesses		Employees		Businesses		Employees	
	Number	Pct	Number	Pct	Number	Pct	Number	Pct
NAICS CODES								
Agriculture, Forestry, Fishing and Hunting	8	1.8%	20	1.1%	36	3.4%	84	2.0%
Mining	1	0.2%	0	0.0%	1	0.1%	0	0.0%
Utilities	1	0.2%	3	0.2%	2	0.2%	6	0.1%
Construction	42	9.7%	137	7.5%	114	10.8%	295	7.0%
Manufacturing	18	4.1%	146	8.0%	33	3.1%	191	4.6%
Wholesale Trade	7	1.6%	16	0.9%	22	2.1%	54	1.3%
Retail Trade	59	13.6%	244	13.3%	97	9.2%	396	9.5%
Transportation & Warehousing	9	2.1%	34	1.9%	29	2.7%	91	2.2%
Information	7	1.6%	43	2.3%	13	1.2%	70	1.7%
Finance & Insurance	14	3.2%	66	3.6%	26	2.5%	97	2.3%
Real Estate, Rental & Leasing	16	3.7%	63	3.4%	38	3.6%	115	2.7%
Professional, Scientific & Tech Services	33	7.6%	81	4.4%	70	6.6%	142	3.4%
Management of Companies & Enterprises	2	0.5%	4	0.2%	2	0.2%	4	0.1%
Administrative & Support & Waste Management	41	9.4%	78	4.3%	158	14.9%	280	6.7%
Educational Services	8	1.8%	65	3.5%	18	1.7%	285	6.8%
Health Care & Social Assistance	24	5.5%	168	9.2%	38	3.6%	239	5.7%
Arts, Entertainment & Recreation	19	4.4%	116	6.3%	41	3.9%	751	17.9%
Accommodation & Food Services	33	7.6%	232	12.7%	105	9.9%	533	12.7%
Other Services (except Public Administration)	46	10.6%	117	6.4%	97	9.2%	300	7.2%
Public Administration	13	3.0%	198	10.8%	34	3.2%	255	6.1%
Unclassified	33	7.6%	0	0.0%	84	7.9%	2	0.0%
Total	434	100.0%	1,831	100.0%	1,058	100.0%	4,190	100.0%

Sources: ESRI, Maxfield Research Inc.

- In the Market Area as a whole, employees are concentrated in Arts, Entertainment & Recreation industry (751 employees, or 17.9%) followed by Accommodation & Food Services (533 employees, or 12.7%) and Retail Trade (396 employees, or 9.5%).

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 Ely and the Market Area by reviewing residential building trends, reviewing data on the age of the existing housing supply, and examining data from the American Community Survey in the Ely Market Area.

Residential Construction Trends

Maxfield Research obtained data from the U.S. Census Bureau on the number and housing costs of building permits issued for new housing units from 2000 through 2014. Tables HC-1 and HC-2 display permits issued for single-family and multifamily dwellings in Ely and St. Louis County, respectively. Multifamily units include both for-sale (condominium, townhomes, and townhomes) and rental projects. The following are key points about housing development since 2000.

- The City of Ely issued permits for the construction of 39 new residential units from 2000 through 2014, approximately 3 units annually. Over the same interval, St. Louis County issued 8,209 permits or 586 units annually.
- In the early part of the decade before the start of the Recession, there was more robust permit activity than the latter part. Building permit activity in St. Louis County peaked in 2004 at 1,185 annual permits then trended down to a record low of 302 annual permits in 2014.
- All of the building permits issued for new construction in Ely were for single-family homes compared to about 80% in St. Louis County.
- Among single-family homes, the 14-year average cost per unit is estimated at \$122,864 in Ely and \$156,237 in St. Louis County.
- In Ely, there are about six single-family homes and some commercial spaces that are in the process of being remodeled and upgraded to be rented. We identified approximately 9 to 10 units that will be rented once the remodeling is complete.
- Vermillion Community College is expected to pull building permits in the summer of 2015 for the construction of new student housing on its campus. As a part of that project, some existing units will be removed. New units are anticipated to total 15 new residential units that would each accommodate 8 students.

DEMOGRAPHIC ANALYSIS

TABLE HC-1 RESIDENTIAL CONSTRUCTION/ANNUAL BUILDING PERMITS ISSUED CITY OF ELY 2000 to 2013										
	Single-Family Homes	Twin/Town Home	3 & 4 Unit	Multi-family (5+ units)	Total Housing Permits	Single-Family Homes	Twin/Town Home	3 & 4 Unit	Multi-family (5+ units)	Total Housing Permits
	TOTAL UNITS					TOTAL COST (in \$)				
2000	0	0	0	0	0	\$0	\$0	\$0	\$0	\$0
2001	7	0	0	0	7	\$315,840	\$0	\$0	\$0	\$315,840
2002	1	0	0	0	1	\$54,000	\$0	\$0	\$0	\$54,000
2003	2	0	0	0	2	\$220,000	\$0	\$0	\$0	\$220,000
2004	4	0	0	0	4	\$333,332	\$0	\$0	\$0	\$333,332
2005	8	0	0	0	8	\$933,464	\$0	\$0	\$0	\$933,464
2006	0	0	0	0	0	\$0	\$0	\$0	\$0	\$0
2007	5	0	0	0	5	\$639,574	\$0	\$0	\$0	\$639,574
2008	3	0	0	0	3	\$383,744	\$0	\$0	\$0	\$383,744
2009	4	0	0	0	4	\$533,000	\$0	\$0	\$0	\$533,000
2010	0	0	0	0	0	\$0	\$0	\$0	\$0	\$0
2011	2	0	0	0	2	\$483,418	\$0	\$0	\$0	\$483,418
2012	0	0	0	0	0	\$0	\$0	\$0	\$0	\$0
2013	1	0	0	0	1	\$188,717	\$0	\$0	\$0	\$188,717
2014	2	0	0	0	2		\$0	\$0	\$0	
Total	39	0	0	0	39	\$4,085,089	\$0	\$0	\$0	\$4,085,089
Avg.	3	0	0	0	3	\$291,792	\$0	\$0	\$0	\$291,792
	COST PER UNIT									
2000	--	--	--	--						
2001	\$45,120	--	--	--						
2002	\$54,000	--	--	--						
2003	\$110,000	--	--	--						
2004	\$83,333	--	--	--						
2005	\$116,683	--	--	--						
2006	--	--	--	--						
2007	\$127,915	--	--	--						
2008	\$127,915	--	--	--						
2009	\$133,250	--	--	--						
2010	--	--	--	--						
2011	\$241,709	--	--	--						
2012	--	--	--	--						
2013	\$188,717	--	--	--						
2014	--	--	--	--						
Avg.	\$122,864	--	--	--						

Year	Single-family	Multifamily
2000	0	0
2001	7	0
2002	1	0
2003	2	0
2004	4	0
2005	8	1
2006	0	0
2007	5	1
2008	3	1
2009	4	0
2010	0	0
2011	2	1
2012	0	0
2013	1	0
2014	2	0

Sources: U.S. Census; Maxfield Research Inc.

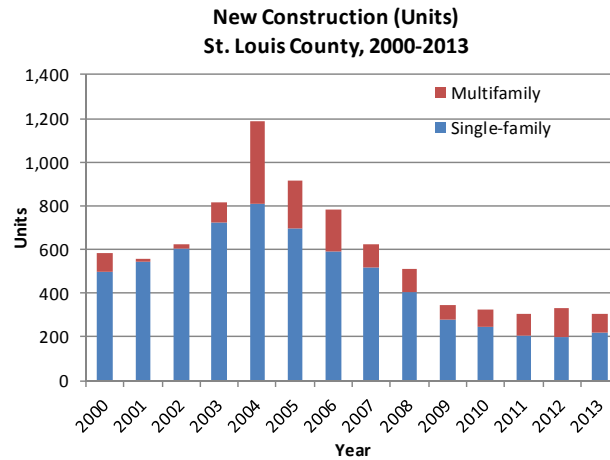
- There are also a number of residential units, primarily single-family homes that are standing vacant. Last year, the City of Ely removed about 12 structures including residential and commercial, about six each due to substantial deterioration and blight.
- Discussions are expected to occur this year regarding other vacant buildings in the City and how to address this situation for the future. One program that has been proposed would charge an annual building maintenance fee for homes standing vacant. It is hoped that a fee would incentivize property owners to sell or repair their units so that new owners would be responsible for the upkeep and may improve the properties.

DEMOGRAPHIC ANALYSIS

**TABLE HC-2
RESIDENTIAL CONSTRUCTION/ANNUAL BUILDING PERMITS ISSUED
ST. LOUIS COUNTY
2000 to 2013**

	Single-Family Homes	Twin/Town Home	3 & 4 Unit	Multi-family (5+ units)	Total Housing Permits	Single-Family Homes	Twin/Town Home	3 & 4 Unit	Multi-family (5+ units)	Total Housing Permits
	TOTAL UNITS					TOTAL COST (in \$)				
2000	500	6	52	23	581	\$48,430,464	\$563,498	\$3,595,375	\$2,115,726	\$54,705,063
2001	546	6	8	0	560	\$60,951,642	\$321,844	\$626,368	\$0	\$61,899,854
2002	605	14	4	0	623	\$69,481,466	\$1,554,856	\$400,000	\$0	\$71,436,322
2003	721	22	8	66	817	\$93,499,231	\$2,278,384	\$767,699	\$5,493,000	\$102,038,314
2004	806	48	37	294	1,185	\$112,897,370	\$5,875,197	\$2,948,511	\$29,532,898	\$151,253,976
2005	696	24	32	165	917	\$103,321,228	\$3,467,805	\$3,571,849	\$12,554,592	\$122,915,474
2006	591	22	23	145	781	\$88,614,152	\$2,933,550	\$2,242,188	\$14,196,502	\$107,986,392
2007	520	4	15	86	625	\$85,177,094	\$437,717	\$1,496,618	\$9,330,948	\$96,442,377
2008	405	12	6	89	512	\$67,045,021	\$1,699,469	\$598,648	\$8,426,892	\$77,770,030
2009	282	6	0	54	342	\$48,499,084	\$667,600	\$0	\$5,209,751	\$54,376,435
2010	245	10	3	68	326	\$45,430,819	\$1,094,000	\$299,324	\$5,439,840	\$52,263,983
2011	209	18	3	78	308	\$40,871,778	\$2,191,336	\$299,324	\$7,894,066	\$51,256,504
2012	196	14	0	120	330	\$38,578,943	\$1,531,600	\$0	\$13,456,620	\$53,567,163
2013	218	8	0	76	302	\$47,239,307	\$974,109	\$0	\$11,100,000	\$59,313,416
Total	6,540	214	191	1,264	8,209	\$950,037,599	\$25,590,965	\$16,845,904	\$124,750,835	\$1,117,225,303
Avg.	467	15	14	90	586	\$67,859,829	\$1,827,926	\$1,203,279	\$8,910,774	\$79,801,807

	COST PER UNIT			
2000	\$96,861	\$93,916	\$69,142	\$91,988
2001	\$111,633	\$53,641	\$78,296	--
2002	\$114,845	\$111,061	\$100,000	--
2003	\$129,680	\$103,563	\$95,962	\$83,227
2004	\$140,071	\$122,400	\$79,689	\$100,452
2005	\$148,450	\$144,492	\$111,620	\$76,088
2006	\$149,939	\$133,343	\$97,486	\$97,907
2007	\$163,802	\$109,429	\$99,775	\$108,499
2008	\$165,543	\$141,622	\$99,775	\$94,684
2009	\$171,983	\$111,267	--	\$96,477
2010	\$185,432	\$109,400	\$99,775	\$79,998
2011	\$195,559	\$121,741	\$99,775	\$101,206
2012	\$196,831	\$109,400	--	\$112,139
2013	\$216,694	\$121,764	--	\$146,053
Avg.	\$156,237	\$121,764	\$93,754	\$99,060



Sources: U.S. Census; Maxfield Research Inc.

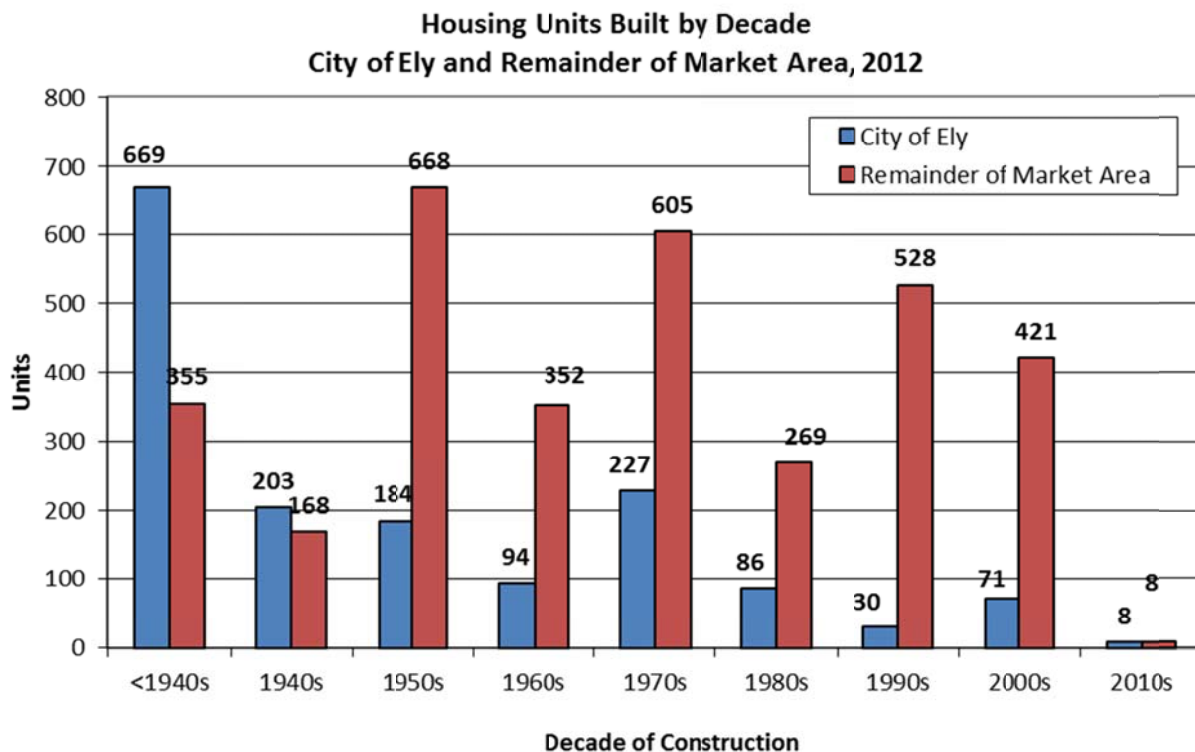
American Community Survey

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 2009 and 2013. Tables HC-3 to HC-7 show key data for Ely and the Market Area.

Age of Housing Stock

The following graph shows the age distribution of the housing stock in 2013 based on data from the U.S. Census Bureau and 2013 from the American Community Survey (5-Year). Table HC-3 includes the number of housing units built in Ely and the Market Area, prior to 1940 and during each decade since.

- 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.



HOUSING CHARACTERISTICS

**TABLE HC-3
AGE OF HOUSING STOCK
ELY MARKET AREA
2013**

	Total Units	Med. Yr. Built	Year Unit Built																	
			<1940		1940s		1950s		1960s		1970s		1980s		1990s		2000s		2010s	
			No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
CITY OF ELY																				
Owner-Occupied	1,073	1939	553	51.5	135	12.6	110	10.3	51	4.8	121	11.3	26	2.4	30	2.8	41	3.8	6	0.6
Renter-Occupied	497	1959	116	23.3	68	13.7	74	14.9	43	8.7	106	21.3	60	12.1	0	0.0	30	6.0	0	0.0
Total	1,570	1946	669	42.6	203	12.9	184	11.7	94	6.0	227	14.5	86	5.5	30	1.9	71	4.5	6	0.4
REMAINDER OF MARKET AREA																				
Owner-Occupied	2,987	1972	325	10.9	119	4.0	586	19.6	317	10.6	535	17.9	222	7.4	495	16.6	381	12.8	7	0.2
Renter-Occupied	386	1968 [^]	30	7.8	49	12.7	82	21.2	35	9.1	70	18.1	47	12.2	33	8.5	40	10.4	3	0.8
Total	3,373	1972[^]	355	10.5	168	5.0	668	19.8	352	10.4	605	17.9	269	8.0	528	15.7	421	12.5	10	0.3
MARKET AREA TOTAL																				
Owner-Occupied	4,060	1963	878	21.6	254	6.3	696	17.1	368	9.1	656	16.2	248	6.1	525	12.9	422	10.4	13	0.3
Renter-Occupied	886	1962 [^]	146	16.5	117	13.2	156	17.6	78	8.8	176	19.9	107	12.1	33	3.7	70	7.9	3	0.3
Total	4,946	1963[^]	1,024	20.7	371	7.5	852	17.2	446	9.0	832	16.8	355	7.2	558	11.3	492	9.9	16	0.3
[^] Median year built excludes renter-occupied units in Birch Lake UT, Eagles Nest twp, and NE St. Louis UT due to lack of reported data.																				
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research Inc.																				

HOUSING CHARACTERISTICS

- 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).
- By numerical supply, the greatest numbers of homes in Ely (553 homes, or 51.8%) and the Market Area (878 homes, or 21.7%) were built prior to 1940. It is possible that some of these housing units may be dilapidated and in need of replacement or repair.

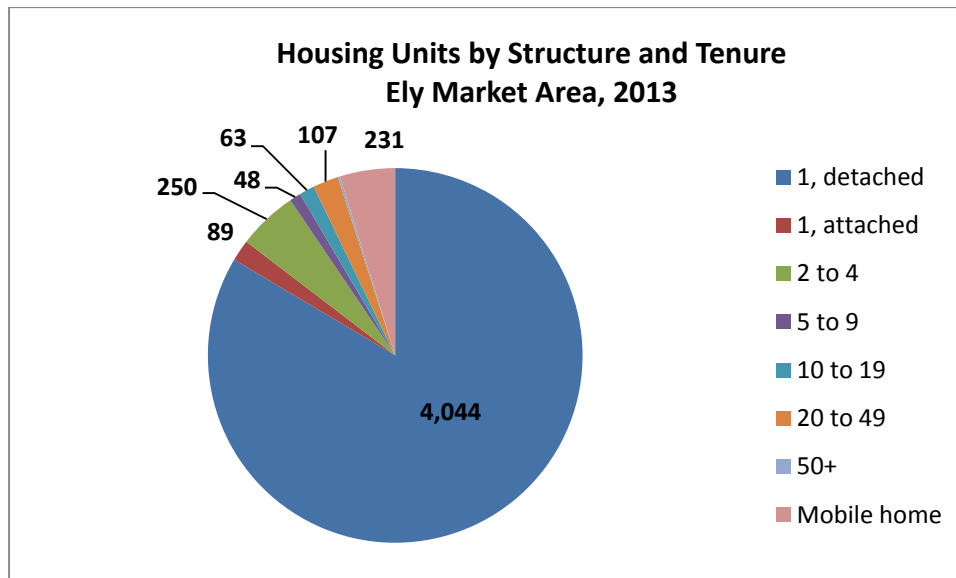
Housing Units by Structure and Occupancy or (Housing Stock by Structure Type)

Table HC-4 shows the housing stock in Ely and the Market Area by type of structure and tenure as of 2013.

- The dominant housing type in the Market Area is single-family detached homes, representing an estimated 93.5% of all owner-occupied housing units and 47.9% of renter-occupied housing units as of 2013.
- Most of the housing units with three or more units are renter-occupied. About two-thirds of the Market Area's renter-occupied housing units with three or more units are located in the City of Ely.
- Mobile homes account for less than 6% of all housing units in the Market Area.

Units in Structure	ELY				REMAINDER				MARKET AREA TOTAL			
	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.
1, detached	1,012	91.1%	156	31.0%	2,607	92.5%	269	65%	3,619	92.1%	425	46.4%
1, attached	7	0.6%	57	11.3%	13	0.5%	12	3%	20	0.5%	69	7.5%
2	56	5.0%	107	21.2%	1	0.0%	30	7%	57	1.5%	137	15.0%
3 to 4	0	0.0%	13	2.6%	13	0.5%	30	7%	13	0.3%	43	4.7%
5 to 9	0	0.0%	35	6.9%	0	0.0%	13	3%	0	0.0%	48	5.2%
10 to 19	0	0.0%	23	4.6%	0	0.0%	40	10%	0	0.0%	63	6.9%
20 to 49	0	0.0%	104	20.6%	0	0.0%	3	1%	0	0.0%	107	11.7%
50 or more	0	0.0%	9	1.8%	0	0.0%	0	0%	0	0.0%	9	1.0%
Mobile home	36	3.2%	0	0.0%	181	6.4%	14	3%	217	5.5%	14	1.5%
Boat, RV, van, etc.	0	0.0%	0	0.0%	4	0.1%	0	0%	4	0.1%	0	0.0%
Total	1,111	100%	504	100%	2,819	100%	411	100%	3,930	100%	915	100%

Sources: U.S. Census Bureau - American Community Survey; Maxfield Research Inc.



Owner-Occupied Housing Units by Mortgage Status

Table HC-5 shows mortgage status and average values from the American Community Survey for 2013 (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; these may also be a household’s 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 55% of Market Area homeowners have a mortgage. About 9% of homeowners with mortgages in the Market Area also have a second mortgage and/or home equity loan.
- Homes without a mortgage have slightly higher median values than homes without a mortgage in the Market Area; however, the reverse is true in Ely. The median value for homes with a mortgage in the City of Ely is approximately \$93,000 compared to \$88,900 for homes without a mortgage.
- Median home values are greater in the Remainder of Market Area than in Ely. By comparison, housing units with a mortgage have a median value of \$88,900 in Ely compared to \$128,600 in the Remainder and \$117,377 overall.

HOUSING CHARACTERISTICS

TABLE HC-5 OWNER-OCCUPIED HOUSING UNITS BY MORTGAGE STATUS ELY MARKET AREA 2013						
Mortgage Status	ELY		REMAINDER		MARKET AREA	
	No.	Pct.	No.	Pct.	Pct.	Pct.
Housing units without a mortgage	504	45.4	1,495	53.0	1,999	50.9
Housing units with a mortgage/debt	607	54.6	1,324	47.0	1,931	49.1
<i>Second mortgage only</i>	18	1.6	44	1.6	62	1.6
<i>Home equity loan only</i>	67	6.0	143	5.1	210	5.3
<i>Both second mortgage and equity loan</i>	11	1.0	0	0.0	11	0.3
<i>No second mortgage or equity loan</i>	511	46.0	1,137	40.3	1,648	41.9
Total	1,111	100.0	2,819	100.0	3,930	100.0
Weighted Median Value by Mortgage Status						
Housing units with a mortgage	\$93,000		\$120,600		\$112,798	
Housing units without a mortgage	\$88,900		\$128,600		\$117,377	

Sources: U.S. Census Bureau - American Community Survey; Maxfield Research Inc.

Owner-Occupied Housing Units by Value

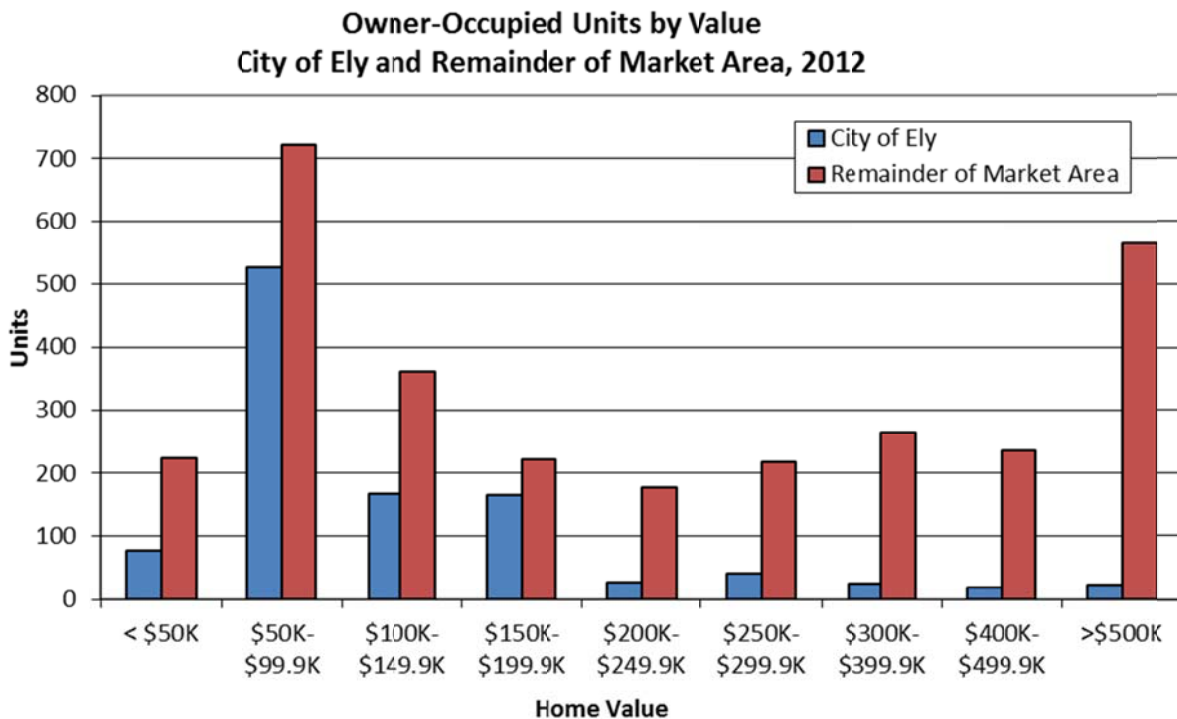
Table HC-6 presents data on housing values summarized by nine price ranges. Housing value refers to the estimated price point the property would sell if the property were for sale. For single-family and townhome properties, value includes both the land and the structure. For condominium units, value refers to only the unit.

- The majority of the owner-occupied housing stock in the City of Ely is estimated to be valued between \$50,000 and \$99,999 (49.5%).
- The median home value in Ely is \$89,900, which is notably less than the median home value in the Remainder of the Market Area (\$246,853). This upward shift of median home values is due to greater percentages of homes in all price points above \$200,000 in the Remainder of the Market Area compared to Ely.
- Homes in the highest price brackets (above \$300,000) accounted for 35.7% of all homes in the Remainder of the Market Area compared to 6.1% in Ely. A greater percentage of these homes in the Remainder of the Market Area are located on acreages or farmsteads, increasing their value and estimated price point considerably.

HOUSING CHARACTERISTICS

TABLE HC-6 OWNER-OCCUPIED UNITS BY VALUE ELY MARKET AREA 2012						
Home Value	ELY		REMAINDER		MARKET AREA	
	No.	Pct.	No.	Pct.	No.	Pct.
Less than \$50,000	77	7.2	223	7.5	300	7.4
\$50,000-\$99,999	528	49.5	721	24.1	1,249	30.8
\$100,000-\$149,999	167	15.7	362	12.1	529	13.0
\$150,000-\$199,999	164	15.4	222	7.4	386	9.5
\$200,000-\$249,999	26	2.4	177	5.9	203	5.0
\$250,000-\$299,999	40	3.7	217	7.3	257	6.3
\$300,000-\$399,999	25	2.3	264	8.8	289	7.1
\$400,000-\$499,999	18	1.7	236	7.9	254	6.3
Greater than \$500,000	22	2.1	566	18.9	588	14.5
Total	1,067	100.0	2,988	100.0	4,055	100.0
Median Home Value	\$89,900		\$246,853		\$205,554	

Sources: U.S. Census Bureau - American Community Survey; Maxfield Research Inc.



Renter-Occupied Units by Contract Rent

Table HC-7 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 without consideration of any utilities, furnishings, fees, or services that may be included.

- 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 \$1,000, which may include single-family homes converted into rental properties.
- About 52% of renters in the Remainder of the Market Area have monthly rents ranging from \$250 to \$499 and 15% have rents that range from \$500 to \$749 per month. Only 5.7% of renters have rents of \$750 to \$1,000, which may include single-family homes converted into rental properties, but this proportion is slightly higher than in Ely. It is likely that there are seasonal homes or lake homes that would have higher rents because of a higher amenity location.

TABLE HC-7 RENTER-OCCUPIED UNITS BY CONTRACT RENT ELY MARKET AREA 2013						
Contract Rent	ELY		REMAINDER		MARKET AREA	
	No.	Pct.	No.	Pct.	No.	Pct.
No Cash Rent	29	5.8	85	21.1	114	12.6
Cash Rent	475	94.2	318	78.9	793	87.4
\$0 to \$249	25	5.0	31	7.7	56	6.2
\$250-\$499	235	46.6	210	52.1	445	49.1
\$500-\$749	179	35.5	60	14.9	239	26.4
\$750-\$999	17	3.4	23	5.7	40	4.4
\$1,000+	0	0.0	0	0.0	0	0.0
Total	504	100.0	403	100.0	907	100.0
Median Contract Rent	\$399		\$449[^]		\$418[^]	
[^] Median contract rent excludes units in Stony River twp, Birch Lake UT, Breitung twp, Eagles Nest twp, and NE St. Louis UT due to lack of reported data.						
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research Inc.						

- Households that make no payment of rent (“no cash rent”) make up only 5.8% of Ely renters. There are typically units owned by a relative or friend who lives elsewhere and allow occupancy without charge. Other sources may include caretakers or ministers who may occupy a housing unit without rent charge as indirect compensation.

HOUSING CHARACTERISTICS

Vacancy Status

Table HC-8 shows the vacancy status of housing units in Ely and in the Remainder of the Market Area as of 2013 from the American Community Survey. As shown on the table, there is a high proportion of housing units in the Market Area that are for seasonal or occasional use.

The table shows that a high proportion of vacant units in Ely and in the Remainder of the Market Area are classified as “seasonal, recreational or for occasional use.” In Ely, this accounts for about 48% of vacant homes and in the Remainder of the Market Area, it accounts for nearly 91% of vacants.

Only a limited number of vacant homes are listed as being “for rent,” about 6.4% in Ely and 0.5% in the Remainder of the Market Area. “Other Vacants” accounted for 20% of housing units that were vacant in Ely, but only 6.8% in the Remainder of the Market Area.

“Other Vacants” are housing units that are classified by the Census in this category because they do not fit well into any of the other categories. Some reasons that a housing unit may be classified as “other vacant” include:

- The owner does not want to rent or sell.
- Is using the unit for storage.
- Is elderly and is living in a senior housing facility or nursing home.

TABLE HC-8 VACANCY STATUS OF HOUSING UNITS ELY MARKET AREA 2013						
Vacancy Status	ELY		REMAINDER		MARKET AREA	
	No.	Pct.	No.	Pct.	No.	Pct.
For Rent	25	6.4	20	0.5	45	0.9
Rented, Not Occupied	25	6.4	0	0.0	25	0.5
For-Sale Only	47	12.0	49	1.1	96	2.0
Sold, Not Occupied	30	7.6	18	0.4	48	1.0
Seasonal, Recreational Use	187	47.6	4,029	91.3	4,216	87.7
For Migrant Workers	0	0.0	0	0.0	0	0.0
Other Vacant	79	20.1	298	6.8	377	7.8
Total	393	100.0	4,414	100.0	4,807	100.0

Sources: U.S. Census Bureau - American Community Survey; Maxfield Research Inc.

RENTAL HOUSING MARKET CONDITIONS

Introduction

This section presents information rental housing in Ely and the surrounding area. Information is presented on fair market rents, housing choice vouchers, deep- and shallow-subsidy rental properties and market rate rental properties. We also discuss the rental licensing program currently in place in Ely. Senior housing options are summarized in the following section.

This section considers the market conditions for general-occupancy rental housing in the Ely Market Area by examining data on:

- ▶ Inventory and performance of market rate rental developments,
- ▶ inventory and performance of subsidized rental developments,
- ▶ cost burdens for renter households in the County,
- ▶ usage trends of Housing Choice Vouchers,
- ▶ planned and proposed general occupancy rental housing developments, and
- ▶ interviews with contacts familiar with the local rental market.

Fair Market Rents

Fair Market Rents for Ely are allocated on the basis of County-wide rents. St. Louis County covers a large geographic area. As such, rent levels in smaller communities are likely to be lower, on average, than rent levels in larger communities such as Duluth, Virginia and Hibbing. However, rents in Ely are also affected significantly by the number of people that move in and out of Ely seasonally. During the summer months, many people come to Ely for work and tourism and to spend the summer. This seasonal increase has an effect on rents that are charged for short-term (nightly or weekly) or rents that are charged during the summer versus during the winter or for longer periods such as month-to-month or several months. Fair Market Rents for St. Louis County are shown below on Table H-1:

	EFF	1BR	2BR	3BR	4BR
Fair Market Rents	\$478	\$574	\$755	\$984	\$1,096

Source: Ely HRA; HUD; Maxfield Research Inc.

Income Limits – Deep-Subsidy Rental Housing

HUD proscribes the maximum income limits to qualify for project-based or voucher-based housing assistance for the Section 8 program. The Section 8 program limits a household's income to no more than 50% of the area median income adjusted for certain types of expenses. Table H-2 shows the current 2015 income limits at 50% of AMI by household size.

RENTAL HOUSING MARKET CONDITIONS

TABLE H-2
INCOME LIMITS - 50% OF AREA MEDIAN INCOME
ST. LOUIS COUNTY, MN
2015

	Household Size							
	1	2	3	4	5	6	7	8
Very Low Income (50%)	\$22,350	\$25,550	\$28,750	\$31,900	\$34,500	\$37,050	\$39,600	\$42,150
Low Income (80%)	\$35,750	\$40,850	\$45,950	\$51,050	\$55,150	\$59,250	\$63,350	\$67,400

Source: Ely HRA; HUD; Maxfield Research Inc.

Deep-Subsidy General Occupancy Housing

Our analysis of general occupancy (all ages) housing that is considered to be income-restricted identified two properties with a total of 46 units. ***Pine Manor*** was funded under the Section 8 program and includes two- and three-bedroom townhomes for families. ***Vermillion Homes*** has two-, three- and four-bedroom apartment units and is under the public housing program through the HRA. Residents qualify to reside in these units with an adjusted gross income of 80% of the area median income based on maximum income thresholds that are designate through the Department of Housing and Urban Development. If the household's income is at or below the maximum income limit, then they pay 30% of their income for rent.

The Ely HRA owns and manages public housing units in several buildings including three senior properties and 16 family units in eleven buildings that are duplexes for a total of 120 units. The senior properties are discussed in a following section. There are no units available among the public housing family units, Vermillion Homes, which were built in 1971. Units generally remain full and there is usually a small waiting list. Table H-3 presents information on deep-subsidy general occupancy properties in Ely.

Shallow-Subsidy Rental Properties

Maxfield Research Inc. examined information regarding shallow-subsidy properties in the Ely Area. The only shallow-subsidy property identified is located in Tower-Soudan at the ***Lakeview Mineview Apartments***. These apartments were funded under the Rural Development program, a division of the US Department of Agriculture which provides multifamily loans for moderate and low-income housing in rural communities. According to information provided by Rural Development, there are a total of 104 units, a mix of one-bedroom and two-bedroom. A total of 64 units have additional rent assistance which provides deep-subsidy housing for those whose incomes are at or below 50% of area median income. Monthly rents range from \$425 for the basic rent and \$485 for the market rent. There are 8 units available currently at Lakeview Mineview. Information on Lakeview is presented in Table H-3.

RENTAL HOUSING MARKET CONDITIONS

TABLE H-3 DEEP AND SHALLOW SUBSIDY GENERAL OCCUPANCY RENTAL DEVELOPMENTS ELY MARKET AREA APRIL 2015					
<u>Project</u>	<u>City</u>	<u>Year Built</u>	<u>Total Units</u>	<u>Funding Program</u>	<u>Vacant</u>
SHALLOW SUBSIDY					
Lakeview Apartments	Tower	1980s	104	RD	8
DEEP-SUBSIDY					
Pine Manor TH's	Ely	1970s	30	Sec. 8	0
Vermillion Homes	Ely	1971	16	Sec. 8	0
Section 8 Vouchers	Ely	n/a	10	Sec. 8	0
			<u>56</u>		<u>0</u>
Note: Income-qualified residents pay 30% of their income for rent at deep-subsidy properties and a fixed rent at shallow-subsidy properties. Residents at deep-subsidy properties tend to have lower incomes than residents at shallow-subsidy properties.					
RD=Rural Development; Division of the US Department of Agriculture					
Source: Maxfield Research Inc.					

Housing Choice Vouchers

The Virginia Housing and Redevelopment Authority administrates the Housing Choice Voucher program for the northern half of St. Louis County. The southern half of St. Louis County is administered by the Duluth HRA. Voucher data for the past three years for Ely and Babbitt are as follows:

Ely	Babbitt
2012 6	12
2013 5	10
2014 3	11

There is no specific allocation for communities in northern Minnesota. Applications are taken and based on eligibility and the cost and quality of the unit, vouchers are awarded. In 2002, Ely had 7 households with vouchers. This figure has decreased over the past three years as shown above.

In speaking with the Virginia HRA, it was mentioned that very low vacancies across the County have limited the number of units available for use with vouchers. Those remaining tend to be unable to meet the inspection standards as set forth by HUD. This creates additional availability challenges when housing units that could be occupied with a voucher do not meet the quality standards.

RENTAL HOUSING MARKET CONDITIONS

In total, northern St. Louis County has 450 active vouchers and another 230 to 240 households on the waiting list for vouchers. According to our discussions, the HRA occasionally receives applications for units in Ely, but these requests are not significant at this time.

Market Rate General Occupancy Housing

Ely offers a variety of market rate general occupancy rental housing options in the community. These include traditional apartments, duplexes, triplexes, four-plexes, single-family homes, private rooms within single-family homes, cabins and lakeshore property (usually homes/cabins). A number of the properties that we identified are marketed as being fully renovated or upgraded with new appliances, updated kitchens and bathrooms, new flooring, etc. Single-family homes may offer other types of features and amenities such as outdoor decks, barbeques, detached garage, attached garage, in-unit washer/dryer, wood stove, fireplace, full basement, etc. are allowed in some units, but not in others depending on the requirements of the owner/landlord.

The City of Ely has a rental licensing program for all housing units that are being rented in the City. Requirements under the rental licensing program are found in Ordinance No. 242 2nd Series of the Ely City Code, Chapter 16 and Sections 16.01 through 16.23. The intent of the ordinance is to maintain a standard for existing and newly constructed Rental Dwellings and ensures neighborhood stability in the City. The City provides a rental housing checklist for owners/landlords of rental dwelling units to determine if their units meet the rental licensing standards. Some of these items include the following:

- Operable bath fans are required if there is not a bathroom window;
- There must be washable and water tight surfaces around tub, shower, floor and toilets and all must be operable.
- There must be locks on the ground floor windows and doors;
- All holes in walls and any water damage must be repaired;
- All appliances must be operable and in good condition;
- Building permits are required for improvements to mechanical, plumbing and building structures;
- Owner/landlord must arrange for garbage and recycling service to the dwelling unit;
- Other requirements to ensure that dwellings are safe, secure, sanitary, free from noise, nuisances and annoyances and free from unreasonable fears about the safety of persons and property.

Rental Rates – Market Rate General Occupancy Rental Units

Rental rates among apartment units in Ely range from a low of \$275 per month to roughly \$1,500 per month for a fully-furnished single-family home on lakefront property. The \$275 per month was the lowest monthly rental rate that was identified for a traditional apartment unit. Private rooms in single-family homes may rent for below this amount.

Average rental rates for various types of apartments typically range between about \$400 and \$700 per month for one- and two-bedroom apartments. Some two- and three-bedroom duplexes and homes may rent in this range depending on their size, age and condition. Homes that have been remodeled and that have two or three bedrooms typically rent for more per month, ranging from \$700 to \$900 per

RENTAL HOUSING MARKET CONDITIONS

month with some properties that are fully-furnished to appeal to those that are potentially going back and forth between one or more residences and are not intending to reside permanently in the community.

During the summer months, the Ely area population swells due to outdoor employment, resort employment, tourism and vacation rentals. Some people that are planning to be in the area for an extended period of time (three months or longer) begin planning far in advance to try to secure a property.

Table H-4 presents information on market rate rental properties that are located in the Ely area. The rental licensing list identified approximately 185 units in the City that have current rental licenses excluding units that were under construction as of 2014 which would add a few additional units. This number of units combined with other larger properties in Ely accounts for nearly 100% of the units that are estimated to be occupied as rentals as of 2013, excluding mobile homes and other types of more temporary situations such as RVs. This information is the most recent data from the American Community Survey which provides annual estimates of demographic and housing characteristics. The annual American Community Survey data provides more recent information that was traditionally collected through the “long form” during the Decennial Census. ACS data is sample data, with a margin of error attached to it. However, this information is generally more current than using the Decennial Census.

According to the survey, deep-subsidy units had the lowest vacancy rate with no units standing open. In our discussions with management however, it was noted that this is somewhat unusual as occupancies tend to fluctuate over different periods of time. Units have stayed full, but waiting lists remain relatively modest.

TABLE H-4 RENTAL VACANCY SUMMARY ELY MARKET AREA - GENERAL OCCUPANCY RENTAL DEVELOPMENTS April 2015												
	Market Rate			Shallow-Subsidy			Deep-Subsidy			Total		
	Total Units	Vacant	Vac. Rate	Total Units	Vacant	Vac. Rate	Total Units	Vacant	Vac. Rate	Total Units	Vacant	Vac. Rate
Ely Market Area	185	8	4.3%	104	8	7.7%	56	0	0.0%	345	16	4.6%
Total	185	8	4.3%	104	8	2.9%	56	0	0.0%	345	16	4.6%

Note: The surveyed units are those in larger rental buildings and smaller individual units. The surveyed units account for nearly 100% of Ely's general occupancy rental units identified as being licensed including single-family home rentals.

Source: Maxfield Research Inc.

Table H-4A shows average rents among the market rate general occupancy properties that were surveyed. There is a significant diversity among rentals in the area as we have mentioned before, from efficiency units to up to four- and five-bedroom homes. The inventory has a number of one- and two-bedroom apartments and then two- and three-bedroom single-family homes. Many homes in-town have been converted over to rentals from owner-occupied housing over the past several years. Once these homes are converted to rentals, it is typically difficult to convert them back to owner-occupied units. If mining operations begin in Ely, there may

RENTAL HOUSING MARKET CONDITIONS

be an opportunity to convert some of these properties back to owned housing, but it may require some incentive by a public agency to bridge the gap between the pricing of renter-occupied property and owner-occupied property.

Initially, workers may be inclined to come to the area and rent while they explore the housing environment. If they come during the late fall and winter months, it may be easier for them to find housing. If they come during the summer months, then the housing supply is likely to be constrained, perhaps severely. It may be necessary to consider some temporary housing at first, followed by additional permanent construction when the plant or plants open.

TABLE H-4A RENT SUMMARY ELY MARKET AREA - SURVEYED GENERAL OCCUPANCY RENTAL DEVELOPMENTS April 2015									
City	Market Rate						Shallow Subsidy		
	Total	--- Avg. Rent ---					Total	--- Avg. Rent ---	
	Units	EFF	1BR	2BR	3BR	4BR	Units	1BR	2BR
Ely Market Area	185	\$275	\$400	\$500	\$700	\$900	104	\$390	\$490
Total	185	\$275	\$400	\$500	\$700	\$900	104	\$390	\$490

Source: Maxfield Research Inc.

Student Housing – Vermilion Community College

The Community College currently provides 42 units of apartment-style housing on its campus in Ely. In summer 2015, the College will demolish the 10 duplex units which each have four bedrooms and will construct new housing on the campus to replace it. Some upgrades will also be made to the other existing units. Considering the unit types available, the existing student housing currently has a capacity of 280 students with double-occupancy for each bedroom. This capacity was identified utilizing the information provided by the College. The 80 beds of housing in the duplexes will be removed to make way for the development of 15 townhomes that will provide 120 beds, an increase of 40 beds of housing for students. The college has a current enrollment of 575, of which about 70% are full-time. This would total approximately 403 students that would need some type of housing arrangement while attending school in Ely unless some of these students are local and may commute to the school or live in Ely at a parent's residence. Accommodating 320 students on-campus accounts for a 55% proportion of housing the student body, higher than many larger institutions. However, there is always a waiting list for housing on-campus and a portion of students that would attend Vermilion Community College elect not to do so if they cannot obtain housing close to the school. The addition of more student housing beds is intended to increase the full-time enrollment at Vermilion over the next several years. The new student housing will be available spring 2016.

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Approximately 83 full-time students would need to be housed in off-campus housing, once the new housing is available. The College maintains and provides a list of landlords that have properties for-rent in Ely and are listed on the off-campus housing list as available for students. Considering that no student would share a bedroom, the number of units listed on this list totals about 152 bedrooms in various types of structures including single-family homes, duplexes, apartment buildings, four-plexes, triplexes and single rooms in private homes. Rents for these units range from a low of \$100 per month for a single room at a private home up to \$1,000 per month for a four- to five-bedroom home. Utility costs vary usually by type of structure. Some units will include the utilities and are usually priced at a higher amount and others (often single-family homes) will require the tenant to pay all of the utilities. Rents may be \$100 to \$200 per month lower when the utilities are not included.

This indicates that there are more bedrooms available in Ely for rent than are needed by the current enrollment at the College with the new housing that will be available in 2016. We estimate that some private off-campus properties may experience higher vacancies because of some reduction in off-campus housing demand from students attending the College.

These units may be absorbed by others needing rental housing, especially in the high growth scenario where employment could increase substantially due to opening of mining operations at one or more locations. During the construction phase, in particular, there would be a strong demand to house workers that will be building and upgrading various facilities. Some of these workers will come from the existing labor pool, but others will come from outside of the immediate area and will need housing for a period of 18 to 24 months. Available rental housing would “fit” this need.

During the summer months, the College leases its rooms in the on-campus housing for those coming up during the summer months when school is not in session.

Cost-Burdened Households

Table H-5 presents information on cost-burdened households in the Ely Market Area. A household is considered to be cost-burdened if they pay more than 30% of their income for their housing. Households paying 35% to 50% are considered moderately cost-burdened and those that pay 50% or more are considered severely cost-burdened.

RENTAL HOUSING MARKET CONDITIONS

TABLE H-5 COST BURDENED HOUSEHOLDS ELY MARKET AREA 2013 (ACS)				
	Owner		Renter	
	No.	Pct.	No.	Pct.
ELY MARKET AREA				
Less than 10.0 percent	753	20.2%	24	2.6%
10.0 to 14.9 percent	648	17.4%	90	9.8%
15.0 to 19.9 percent	721	19.3%	74	8.1%
20.0 to 24.9 percent	442	11.9%	73	8.0%
25.0 to 29.9 percent	263	7.1%	161	17.6%
30.0 to 34.9 percent	218	5.8%	66	7.2%
35.0 to 39.9 percent	171	4.6%	37	4.0%
40.0 to 49.9 percent	141	3.8%	56	6.1%
50.0 percent or more	343	9.2%	220	24.0%
Not computed	28	0.8%	114	12.5%
	3,728	100.0%	915	100.0%
ST. LOUIS COUNTY				
Less than 10.0 percent	12,987	20.4%	807	3.3%
10.0 to 14.9 percent	11,184	17.6%	1,719	7.0%
15.0 to 19.9 percent	10,129	15.9%	2,816	11.5%
20.0 to 24.9 percent	7,441	11.7%	2,447	10.0%
25.0 to 29.9 percent	5,108	8.0%	2,362	9.6%
30.0 to 34.9 percent	3,733	5.9%	2,253	9.2%
35.0 to 39.9 percent	2,278	3.6%	1,383	5.6%
40.0 to 49.9 percent	2,793	4.4%	2,442	10.0%
50.0 percent or more	4,762	7.5%	6,628	27.1%
Not computed	3,270	5.1%	1,639	6.7%
	63,685	100.0%	24,496	100.0%

Source: American Community Survey; Maxfield Research Inc.

As shown on the table, 313 renter households and 655 owner households were estimated to have spent 35% or more of their income on housing costs. Totals of 220 renter and 343 owner households were estimated to have spent 50% or more of their income on housing costs. This compares to only 7.5% of owner households throughout St. Louis County, but is similar for renter households in St. Louis County at 27.1% versus 24.0% for the Ely Market Area. Overall, there is a smaller percentage of renter households in Ely that are moderately cost-burdened or severely cost-burdened than in St. Louis County as a whole. Conversely, there is a higher proportion of owner households that are estimated to be moderately or severely cost-burdened in the Ely Market Area compared to St. Louis County as a whole.

Mobile Homes

Maxfield Research Inc. identified one mobile home park in Ely, Northern Terrace Mobile Homes, located near the Vermilion Community College.

Pending Rental Developments

Discussions with City and Economic Development staff revealed that there are currently two market rate rental projects that have been considered for development in Ely. Both involve the redevelopment/reconstruction of existing historic structures in Ely.

We do not anticipate a significant number of new units would result from the redevelopment of the two buildings, but perhaps as many as 20 to 25 new units could result. This would add just over 10% to the existing market rate rental stock in Ely.

Vermilion Community College will remove some of its existing student housing and will replace that housing with 15 townhomes that will each accommodate eight students in double occupancy or a total of 120 additional beds. Construction is expected to start in September 2016 with occupancy slated for spring 2016 and full occupancy for the fall 2016 term. The additional beds are likely to pull some students out of the private general occupancy market unless the College increases its enrollment. Projections currently do not indicate an enrollment increase for the institution.

Rental Housing Demand Analysis

Table H-6 presents a calculation of general-occupancy rental housing demand in Ely. 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 that want to upgrade their housing situations.

First, we calculate potential demand from new household growth based on the propensity of households to rent their housing. For the purpose of this analysis, we focus on households between the ages of 18 and 64 that will account for the vast majority of general-occupancy rental demand. Based on an analysis of household growth forecast in specific age cohorts, household growth is projected in the age 25 to 34 age cohort and the 35 to 44 age cohort. Nearly all household age cohorts under age 65 are expected to experience little to no growth. We also include a portion (15%) of the demand potential generated by households age 65 and older, as a segment of this age group that is able to live independently could be drawn to a new general occupancy rental housing development in the community. Next, we calculate the percentage of household growth that will likely rent their housing based on 2010 Census data by age group. In 2010, roughly 25% of households under the age of 65 rented.

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The second part of the analysis calculates demand from existing households, or turnover demand. Younger households tend to be highly mobile, relative to older households. Mobility rates were calculated for the renter population based on 2009-2013 American Community Survey data and were applied to the existing renter household base. Finally, we estimate the percentage of the existing renter households will seek new rental housing by age cohort resulting in demand for 78 units by 2020.

We estimate that 25% of the total demand for new rental housing units in Ely will come from people currently living outside of the area. As a result, we find demand for 91 renter households based on household growth and turnover of existing households between 2015 and 2025. Due to factors such as the geographic distribution of the renter population in the PMA along with the location of services (entertainment, shopping, education, etc.) in the PMA, we anticipate that Ely can capture 50% of the excess demand potential in the PMA. Based on this capture rate, we find demand for 45 new general occupancy rental units in Ely between 2015 and 2025.

Based on a review of renter household incomes and income limits set by HUD, we estimate that approximately 25% of the total demand will be for deep-subsidy housing, 35% will be for shallow-subsidy housing, and 40% will be for market rate housing. Next we subtract housing projects that are under construction or pending at this time at 95% occupancy (equilibrium), since these projects will satisfy some of the demand for new general occupancy rental housing. We did not identify any rental units under construction.

In total, we find demand for 13 deep-subsidy units, 18 shallow-subsidy units, and 20 market rate rental units in Ely between 2015 and 2025.

RENTAL HOUSING MARKET CONDITIONS

**TABLE H-6
DEMAND FOR GENERAL OCCUPANCY RENTAL HOUSING
ELY MARKET AREA
2015 TO 2025**

Demand From Household Growth			
Projected household growth in the PMA 2015 to 2025 ¹		80	
(times) Pct. Of HH growth for general occupancy housing ²	x	<u>25%</u>	
(equals) Projected demand for general occupancy units	=	20	
(times) Proportion Estimated to Be Renting Their Housing ³	x	20%	
(equals) Projected Demand for Rental Housing Units	=	4	
Demand From Existing Households			
Number of renter households in the PMA, 2015 ⁴	=	915	
(times) Estimated % of renter turnover between 2015 & 2025 ⁵	x	<u>89%</u>	
(equals) Existing Renter Households Projected to Turnover, 2015 to 2025	=	814	
(times) Estimated % Desiring New Rental Housing ⁶	x	10%	
(equals) Demand From Existing Households	=	81	
Total Demand From Household Growth and Existing Households		85	
(plus) Rental demand from outside Market Area	+	25%	
(equals) Total Demand for Rental Housing in the PMA		101	
(times) percent of PMA Demand Capturable in the Ely	x	50%	
(equals) Total Demand for Rental Housing the Ely		50	
(times) Percent of rental demand by product type ⁷	x	<u>25%</u>	<u>40%</u>
(equals) Total demand for new general occupancy rental housing units	=	13	20
(minus) Units under construction or approved*	-	0	0
(equals) Excess demand for new general occupancy rental housing		13	20
¹ Estimated household growth based per ESRI and Maxfield Research Inc. ² Pct. of household growth under age 65 plus 15% of households age 65 and older. ³ Pct. Renter households under age 65 in 2010 ⁴ Renter households age 64 and younger plus 15% of renter households age 65 and older. ⁵ Based on household turnover and mobility data (2012 American Community Survey, Five Year Estimates). ⁶ Source - The Upscale Apartment Market: Trends and Prospects. Prepared by Jack Goodman of Hartrey Advisors for the National Multi Housing Council. ⁷ Based on the combination of current rental product, income limits, and household incomes of area renters (non-senior households). *Pending competitive units at 95% occupancy.			
Source: Maxfield Research Inc.			

RENTAL HOUSING MARKET CONDITIONS

The analysis of the competitive inventory identified that the vacancy rate for all types of general occupancy rental product is only just slightly below market equilibrium (5.0% vacancy rate) at about 3.8%, suggesting that there is some modest demand for rental housing, but caution should be exercised in developing too many units at once.

Based on feedback provided by rental property managers, Ely is a highly cyclical rental market with strong seasonality. However, the community does have a scarcity of newer modest price affordable rental units as most product is relatively old, even though some has been updated.

Strong demographics from the echo boom generation may be likely to generate rental housing demand over the next several years. Additionally, there continues to be more lifestyle renters in the market, those with busy professional lives and people who prefer to spend their free time in leisure pursuits rather than on the upkeep and maintenance of a home. Demand for new market rate rental housing is driven primarily by professional young to mid-age adults and empty nesters. These households tend to have higher incomes and desire rental housing with modern features and higher finish levels. The furnished rental market in Ely is currently capturing a portion of the older age demand that resides only in the community during the summer months.

The strongest sources of demand for rental housing in Ely will likely be young to mid-age singles and couples without children who currently work in Ely or may relocated to Ely for employment, either short-term or long-term. Additionally, mid-age households (never-nesters or empty-nesters) attracted to the area could account for a portion of demand for new rental housing in the area. A rental townhome development could also attract family households, and shallow-subsidy rental housing will draw from a wide variety of population segments, including; low-wage workers, single-parent households, and low-income family households.

Introduction

This section evaluates market conditions for senior housing in the Ely Market Area by examining data on:

- ▶ Inventory and performance of market rate senior housing developments,
- ▶ Inventory and performance of deep-subsidy and shallow-subsidy senior developments;
- ▶ planned and proposed senior housing developments, and
- ▶ interviews with housing professionals who are familiar with senior housing trends.

This section of the report includes summary data of current market conditions.

Senior Housing Defined

The term “senior housing” refers to any housing development that is restricted to people age 55 or older. Senior housing includes an entire spectrum of housing alternatives, with overlapping markets making the differences somewhat ambiguous. However, the level of support services offered best distinguishes them. 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. “Adult” housing includes both rental and ownership (such as senior condominiums, cooperatives, or townhomes).

Congregate; where support services such as meals and light housekeeping are provided, either on an optional basis for an additional fee (optional-service) or included in the monthly fee (service-intensive).

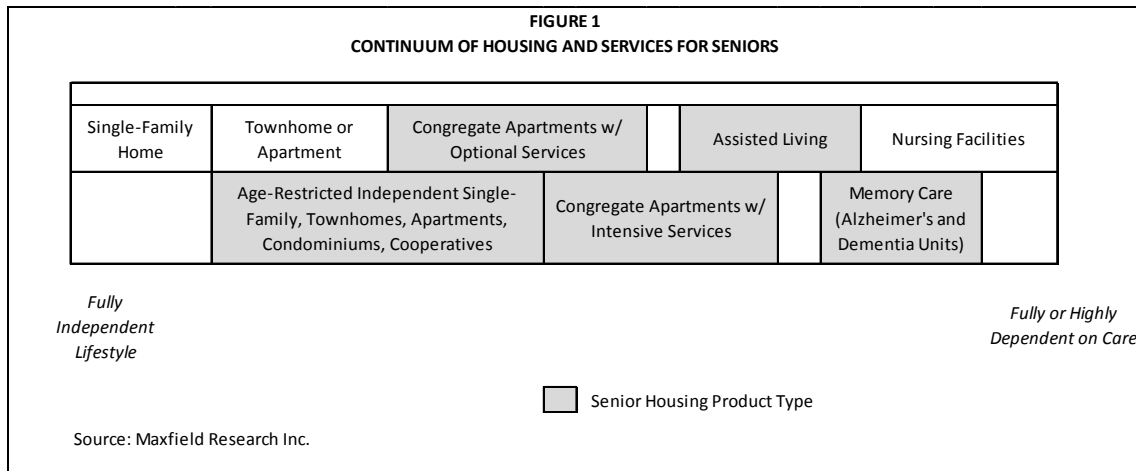
Assisted Living; where two or three daily meals as well as basic support services such as transportation, housekeeping and/or linen changes are included in the fees. Personal care services such as assistance with bathing, grooming, and dressing is included in the monthly fees or is available for an additional fee.

Memory Care; where more service-intensive personal care is required for people with dementia and Alzheimer’s disease. Typically, support services and meal plans are similar to those found at assisted living facilities, but the heightened levels of personalized care demand more staffing and higher rental fees.

These four senior housing products tend to share several characteristics. First, they usually offer individual living apartments with living areas, bathrooms, and kitchens or kitchenettes. Second, they generally have an emergency response system with pull-cords or pendants. Third, they often have a community room and other common space to encourage socialization. Finally, they are age-restricted and offer conveniences desired by seniors, although assisted living developments sometimes serve non-elderly people with special health considerations.

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The four senior housing products offered today form a continuum of care (Figure 1), from a low level to a fairly intensive one. Often the service offerings at one type overlap with those at another. In general, however, adult developments tend to attract younger, more independent seniors, while assisted living and memory care developments tend to attract older, frailer seniors.



Senior Housing Market Trends

There has gradually been a growing acceptance of senior housing in Minnesota along with absolute growth in the number of senior households. In 1990, there were an estimated 11,000 market rate senior units in the seven-county Twin Cities Metro Area. Although there have been a number of senior housing developments constructed in Greater Minnesota during the 1990s and 2000s, the proportion of market rate senior housing is much lower outside of the Metropolitan Area. Since 2010, development of market rate senior housing has slowed somewhat primarily due to the earlier economic recession and also to demographic shifts which resulted in lower numbers of seniors ages 75 to 84, which are the prime years for many seniors to relocate to senior housing. In Ely and the surrounding area, seniors that are living on lake properties often delay moving to senior housing until they must because of a preference for remaining in their residence due to the natural amenities that are available. Seniors residing in cities and on non-lake properties are somewhat more likely to consider relocating to a senior-specific property.

The Ely Market Area currently has both age-restricted, non-service product and age-restricted service-enhanced product. These products are located in Ely and Tower. **Northwoods Townhomes** (26 units) provides market rate age-restricted housing for those 55 years or older and units are single-level. Carefree Living is located adjacent to the Ely Bloomenson Hospital and offers independent living with optional services, assisted living and memory care housing for those that need some assistance with activities of daily living. **Golden Horizons** in Tower pro-

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vides assisted living and memory care services. Attached to the Hospital is a skilled nursing facility, Birchwood Care Center with 40 skilled nursing beds.

Market Rate Senior Developments in the Ely Market Area

Maxfield surveyed market rate senior housing developments in Crow Wing County to analyze current market conditions. The developments are listed in Table S-1, by service level, along with information on location, year built, total units, general price range for housing and services and vacant units.

TABLE S-1 MARKET RATE SENIOR HOUSING PROPERTIES ELY MARKET AREA April 2015					
Project	Location	Year Built	Rental Range	Number of Units	Vacant Units
Adult, Age-Restricted Rental - Deep Subsidy**					
Grahek Apartments	Ely	1979	30% of AGI	42	4
Sibley Manor	Ely	1974	30% of AGI	39	0
Zenith Apartments	Ely	1971	30% of AGI	25	0
Pioneer Apartments	Ely	1970	30% of AGI	40	0
				146	0
Adult, Age-Restricted Rental-Market Rate					
Northwoods Townhomes	Ely		\$793 - \$984	26	1
Congregate					
Carefree Living	Ely	2004	\$1,200 - \$1,500	5	0
Assisted Living*					
Carefree Living	Ely	2004	\$2,000 - \$2,500+	20	2
Golden Horizons	Tower	2008	\$2,000 - \$2,400+	20	2
Carefree Living	Babbitt	2013	\$2,100 - \$2,350+	19	0
Total				59	4
Memory Care*					
Carefree Living	Ely	2004	\$4,200 - \$4,500+	19	0
Carefree Living	Babbitt	2013	\$4,200 - \$4,500+	19	0
Total				38	0
** Deep Subsidy properties also allow individuals under age 62 to reside in the building if they have a disability.					
* Base price range reflects housing costs plus services included in the base price; additional charges apply for higher levels of care.					
Source: Maxfield Research Inc.					

The following are key points.

- ▶ Market rate service-enriched (housing that also provides services to residents, either optional or included in a monthly rent/fee) senior housing is available in Tower, Ely, and Babbitt, the larger cities that are included in the primary market area. Properties are considered to be mid-size, in the 20 to 40 unit range. Small size properties would have less than 20 units while larger size properties would typically have more than 50 units.
- ▶ Usually we have seen a prototype at a minimum of ten units to be able to staff appropriately and to provide services at reasonable cost. As the baby boom and senior populations increase in the area, we anticipate increased demand for senior housing. All of the service-enriched senior housing has been added to the market since 2000.

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- ▶ As shown on the Table, the majority of market rate senior housing in the area is focused on providing services to seniors through assisted living and memory care products. In addition to service enriched care through assisted living and memory care, there is a limited number of independent living with optional services at Carefree Living and adult/few services townhomes at Northwoods. In total, 20% of the units are age-restricted with no services (rental), 4.0% are independent living with some services, 46.1% are assisted living (including enhanced assisted living), and the remainder 30% are memory care.
- ▶ Most of the assisted living and memory care units are full and one of the properties indicated they have a waiting list usually. Northwoods Townhomes is full, but occupancies have fluctuated and the property manager indicated that units often sit vacant in the winter months because people do not want to move in the winter. Low vacancy rates at existing assisted living and memory care facilities indicate the potential for some pent-up demand for additional service-based senior housing. A vacancy rate of 3.8% for the Northwoods Townhomes is nearing the rate of the 5% market equilibrium rate and if units sit vacant in the winter months, then the effective annual vacancy rate would be slightly higher.
- ▶ Spectrum Health has been exceptionally active in developing service-enriched senior housing in northeastern Minnesota and has several properties in communities such as Aurora, Babbitt, Ely, Eveleth, and Orr which is under construction. Senior properties in the Market Area have the following vacancy rates: 3.8% for market rate adult/few services, 0% for independent with some services, 6.8% for assisted living and 0% for memory care.
- ▶ Seniors with greater care needs can allocate a higher portion of their income toward housing because they have fewer other expenses. Typically, seniors are able and willing to allocate 40% of their income for adult units, 65% for congregate and 85% to 90% for assisted living and memory care. In addition, most seniors allocate at least a portion of the equity from their single-family home and other savings to pay for senior housing with services. Thus, seniors with lower incomes can often afford market rate senior housing. This is particularly true for assisted living where many seniors are willing to spend down assets to avoid placement in a nursing home.

Shallow-Subsidy and Deep-Subsidy Senior Housing

The remaining senior properties in Ely are income-restricted, deep-subsidy and are targeted to households age 62 years or older in addition to those under age 62 with a physical limitation or other type of disability. These properties are also listed on Table S-1, along with their location, total units, and vacant units. There are no shallow-subsidy senior units currently in the Ely Market Area.

- ▶ The age-restricted properties that also have a disability waiver include project-based Section 8 and public housing. Residents' adjusted gross income must meet or be less than 80% the area median income. Residents residing in these properties often have very low

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incomes and could not afford monthly rents at shallow-subsidy or market rate senior rental developments. However, the maximum income limit for a single-individual is just above \$30,000. At this income level, some of the units may compete with market rate properties for residents.

- ▶ Funding through project-based Section 8 has virtually disappeared as a funding tool for the development of very low income housing. HUD's Section 202 program funding has also been significantly reduced and is targeted primarily in urban areas in census tracts with high concentrations of seniors that have low incomes. Rural Development funding remains available for seniors and MN Housing recently indicated that it would again consider the potential to support tax credit development (shallow subsidy) for households age 55 and older. This has not been a focus of MN Housing since the mid-1990s when a number of senior tax credit properties were developed, many in the Twin Cities. A State-wide consortium of HRAs and EDAs is working to develop a special proposal to the State legislature to increase funding for low and moderate income senior housing because of high demand and limited availability.
- ▶ Senior properties classified as deep-subsidy had a total of five units vacant of 146, which equals a vacancy rate of 3.4%. This rate is above the 2% rate considered to be market equilibrium for deep-subsidy properties. When we asked about waiting lists, property managers stated they keep waiting lists but many seniors are not ready to move or sell their homes when they are contacted. They want to remain on the list for the future, but the timeframe is likely longer-term.

Pending Senior Housing Developments

Interviews with representatives of communities in the County revealed that there is currently no additional senior housing planned for development in Ely.

Market Rate Adult/Few Services Senior Housing Demand

Table S-2 presents demand calculations for market rate active adult/few services housing in the Ely Market Area in 2014 and 2020. The market for active adult/few services housing is comprised of older adult (age 55 to 64), younger senior (age 65 to 74) and older senior (age 75+) households, with market demand weighted most heavily toward older seniors.

In order to arrive at the potential age-, income- and asset-qualified base for active adult housing, we include all age-qualified households with incomes of \$35,000 or more plus homeowner households with incomes between \$30,000 and \$34,999 who would qualify with the proceeds from a home sale. The number of qualifying homeowner households is estimated by applying the appropriate homeownership rate to each age cohort. We estimate there are 2,014 age-, in-

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come- and asset-qualified PMA households that comprise the market for active adult housing in 2015, increasing to 2,161 qualified households in 2020.

Adjusting to include appropriate capture rates for each age cohort (0.5% of households age 55 to 64, 3.5% of households age 65 to 74, and 12.0% of households age 75 and older) results in a demand potential for 76 active adult housing units in 2015 and 83 units in 2020. These capture rates reduce the total number of age/income/asset-qualified households to consider only the portion of older adult and senior households who would be able, willing, and inclined to move to senior housing alternatives, including both owner- and renter-occupied housing.

We estimate that seniors currently residing outside the Ely Market Area will generate 20% of the demand for active adult housing – increasing demand to 95 active adult units in 2015. Demand from outside the PMA includes parents of adult children living in the area, individuals who live outside the PMA but have an orientation to the area and former residents who desire to return upon retirement.

Demand for active adult/few services housing in the Ely Market Area is apportioned between ownership and rental product types. Based on the age distribution of the population, homeownership rates and trends for active adult housing products, we project that 30% of the demand will be for owner-occupied active adult housing (29 units in 2015), and the remaining 70% of demand will be for rental active adult housing units (67 units in 2015).

From the demand potential, we subtract existing and pending active adult units in the Ely Market Area at 95% occupancy. In total, there are 26 existing age-restricted market rate renter units in Ely located at Northwoods Townhomes. In total, we calculate pent-up demand for 29 owner-occupied units and 42 renter-occupied units in 2015. Adjusting for inflation, we estimate that households with incomes of \$40,000 or more and homeowners with incomes of \$35,000 to \$39,999 would be candidates for market rate active adult housing in 2020. Following the same methodology, we project a slight increase in demand to 31 owner-occupied units and 47 renter-occupied units by 2020.

Due to factors such as the geographic distribution of the senior population in the Ely Market Area along with the location of services (medical, religious, retail, etc.), we anticipate that Ely can capture 50% of the excess demand potential in the Market Area. Based on this capture rate, we find demand for 61 market rate active adult units in Ely in 2015 (14 owner-occupied and 21 renter-occupied units), growing to 39 units in 2020 (15 owner-occupied and 24 renter-occupied units).

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**TABLE S-2
MARKET RATE ADULT/FEW SERVICES HOUSING DEMAND
PRIMARY MARKET AREA
2014 & 2020**

	2014			2020		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of >\$35,000 ¹	857	665	329	749	691	291
# of Households w/ Incomes of \$30,000 to \$34,999 ¹	+ 53	63	73	+ 170	182	140
(times) Homeownership Rate	x 91%	91%	78%	x 91%	91%	78%
(equals) Total Potential Market Base	= 905	722	386	= 904	857	400
(times) Potential Capture Rate	x 0.5%	3.5%	12.0%	x 0.5%	3.5%	12.0%
(equals) Demand Potential	= 5	25	46	= 5	30	48
Potential Demand from PMA Residents	= 76			= 83		
(plus) Demand from Outside PMA (20%) ²	+ 19			+ 21		
(equals) Total Demand Potential	= 95			= 103		
	Owner-Occupied	Renter-Occupied		Owner-Occupied	Renter-Occupied	
(times) % by Product Type	x 30%	x 70%		x 30%	x 70%	
(equals) Demand Potential by Product Type	= 29	= 67		= 31	= 72	
(minus) Existing and Pending MR Active Adult Units ³	- 0	- 25		- 0	- 25	
(equals) Excess Demand for MR Active Adult Units	= 29		= 42	= 31		= 47
(times) Percent capturable in Ely	x 50%			x 50%		
(equals) # of units supportable in Ely	= 14		21	= 15		24
¹ 2020 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 Based on interviews and historical trends. We estimate that roughly 20% of demand will come from outside the PMA. ³ Existing and pending are deducted at market equilibrium (95% occupancy).						
Source: Maxfield Research Inc.						

Shallow-Subsidy/Deep-Subsidy Independent Senior Housing Demand

Table S-3 presents our demand calculations for shallow-subsidy and deep-subsidy independent senior housing in Ely in 2015 and 2020. While the methodology used to calculate demand for affordable housing closely mirrors the methodology used to calculate demand for market rate housing, we make adjustments to more precisely quantify demand among this market segment. The following points summarize these adjustments:

- **Income-Qualifications:** In order to arrive at the potential age and income-qualified base for low-income and affordable housing, we include all senior households age 55 and older that qualify for the income guidelines for two-person households in 2015. Households earning between 30% and 60% of AMI are generally candidates for affordable housing, while households earning less than 30% AMI are typically a market for subsidized housing. The income-restriction for a two-person household at 30% AMI is \$15,930 and the income-restriction for a two-person household at 50% AMI is \$25,550.
- **Capture Rates:** 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. Based on our experience in market feasibility for affordable and subsidized senior housing, along with our analysis of demographic and competitive market factors in the PMA, we apply a conservative 20% capture rate to the age/income-qualified market in the PMA to arrive at a total potential demand from the PMA.

Using the methodology described above results in a demand potential for 235 shallow-subsidy and deep-subsidy active adult housing units in 2015. We estimate that seniors currently residing outside the Ely Market Area will generate 20% of the demand for shallow/deep-subsidy active adult housing – increasing demand to 293 units. Based on the existing and projected distribution of households with incomes below \$35,000, we estimate that roughly 60% of the demand will be for deep-subsidy units and 40% will be for shallow-subsidy units. Next we subtract existing competitive deep-subsidy units. There are no shallow-subsidy units in the Market Area.

Overall, we subtract 143 deep-subsidy units from the demand potential after accounting for a 2% vacancy rate, resulting in excess demand for 16 deep-subsidy active adult housing in the Ely Market Area. We also find excess demand potential for 59 shallow-subsidy active adult housing units in the Ely Market Area in 2015. To calculate demand in 2020, we increase the income-qualifications to account for inflation. Following the same methodology, demand is projected to increase to 42 deep-subsidy and 75 shallow-subsidy units in 2020.

We anticipate that Ely could capture 50% of the excess demand potential for subsidized active adult housing in the Market Area. Based on this capture rate, we find demand for 16 deep-subsidy and 59 shallow-subsidy units in Ely in 2015. Demand is expected to grow to 42 deep-subsidy and 75 shallow-subsidy units in 2020.

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We note that some existing public housing units are likely capturing some of the demand for shallow-subsidy housing in Ely because households can qualify to reside in those units with incomes of \$35,000 or less.

TABLE S-3 SUBSIDIZED INDEPENDENT HOUSING DEMAND PRIMARY MARKET AREA 2015 & 2020						
	2015			2020		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of <\$35,000	404	415	516	519	598	606
Less Households w/ Incomes of \$30,000 to \$34,999 ¹	- 53	63	73	- 85	91	70
(times) Homeownership Rate	x 91%	91%	78%	x 91%	91%	78%
(equals) Total Potential Market Base by Age	= 356	358	459	= 442	515	551
(equals) Total Potential Market Base	=	1,173		=	1,508	
(times) % of Seniors Needing/Desiring Affordable Hsg	x	20.0%		x	20.0%	
(equals) Potential Demand from PMA	=	235		=	302	
(plus) Demand from Outside PMA (20%)	+ 59			+ 75		
(equals) Total Demand Potential	=	293		=	377	
	<u>Deep-Sub.</u>	<u>Shallow-Sub.</u>		<u>Deep-Sub.</u>	<u>Shallow-Sub.</u>	
(times) % by Product Type	x 60%	x 40%		x 60%	x 40%	
(equals) Demand Potential by Product Type	= 176	= 117		= 226	= 151	
(minus) Existing and Pending Independent Units ²	- 143	- 0		- 143	- 0	
(equals) Excess Demand for Subsidized Units	= 33	= 117		= 83	= 151	
(times) Percent that could be captured in Ely	x	50%		x	50%	
(equals) Excess subsidized demand in Ely	=	16	59	=	42	75

¹ 2020 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 95% occupancy.

Source: Maxfield Research Inc.

Demand for Congregate Senior Housing

Table S-4 presents our demand calculations for congregate living senior housing in Ely in 2015 and 2020. This analysis focuses on the potential private pay/market rate demand for congregate living units in the City.

In order to arrive at the potential age-income qualified base for congregate senior housing, we include all senior households with incomes of \$35,000 or more and homeowners with incomes between \$30,000 and \$35,000 who would qualify with the proceeds from a home sale (this proportion was estimated based on the homeownership rates for each age cohort). Senior householders with incomes of \$35,000 allocating 65% of their income toward base housing cost could afford beginning rents of \$1,900, which is modestly higher than what is being charged

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currently at Carefree Living. We estimate the number of age/income/asset-qualified households in the Market Area to be 1,108 householders in 2015, increasing to 1,280 in 2020.

Demand for congregate housing is need-driven, which reduces the qualified market to only the portion of seniors who need some assistance. Thus, the age/income-qualified base is multiplied by the percentage of seniors who need some assistance with IADLs (at least three), but not six or more ADLs/IADLs, as these frailer seniors would need the level of care found in service-intensive assisted living.

According to the Summary Health Statistics of the U.S. Population: National Health Interview Survey, 2007 (conducted by the U.S. Department of Health and Human Services), the percentage of seniors having limitation in activities of daily living (bathing, dressing, toileting, transferring, eating) and instrumental activities of daily living (using the telephone, shopping, food preparation, housekeeping, laundry, transportation, taking medication, handling finances) are as follows:

<u>Limitation in ADLs & IADLs</u>		
Age	ADLs	IADLs
65-74 years	3.3%	6.3%
75+ years	11.0%	20.0%

It is most likely that seniors who need assistance with ADLs also need assistance with multiple IADLs, and are more likely to be candidates for service-intensive assisted living. The prime candidates for congregate living are seniors needing assistance with IADLs, but not ADLs. We derive the capture rate for congregate housing by subtracting the percentage of seniors needing assistance with ADLs from those needing assistance with IADLs, which equates to 3.0% of seniors age 65 to 74 and 9.0% of seniors 75+. For the purposes of this report and understanding current market conditions, we have reduced the potential capture rates for the 65 to 74 age group to 1.5% while increasing the capture rate of the 75+ age group to 13.0%. Multiplying the senior household base by these capture rates results in Market Area demand potential for 61 congregate housing units in 2015 and 67 units in 2020.

We estimate that seniors currently residing outside the PMA will generate 20% of the demand for congregate senior housing – increasing total demand by 11 congregate units. This demand consists primarily of parents of adult children living in the PMA, individuals who live just outside the PMA and have an orientation to the area, retirees who wish to relocate to the area and former residents who desire to return upon retirement. Together, the demand from PMA seniors and demand from seniors who would relocate to the area totals about 72 congregate units.

Next, existing congregate units are subtracted from overall demand. Excess demand remains for 20 congregate units in 2015, increasing to 25 units in 2020.

Due to factors such as the geographic distribution of the senior population in the PMA along with the location of services (medical, religious, retail, etc.) in the PMA, we anticipate that Ely

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could capture 30% of the excess demand potential in the PMA. Based on this capture rate, we find demand for 20 congregate units in 2015, growing to 22 congregate units in 2020.

TABLE S-4 CONGREGATE LIVING DEMAND ELY MARKET AREA 2015 & 2020				
	2015		2020	
	Age of Householder		Age of Householder	
	65-74	75+	65-74	75+
# of Householders w/ Incomes of \$35,000+ in 2015 / \$40K in 2020	665	329	782	361
(plus)				
# of Hhldrs w/ Incomes of \$30K - \$35K in 2015 / \$35K - \$40K in 2020	63	73	91	70
(times) Homeownership Rate	x 91%	x 78%	x 91%	x 78%
(equals) Potential Market	= 57	57	= 83	55
(equals) Total Potential Market Base	= 722	386	= 865	416
(times) Potential Capture Rate of Congregate Living Demand ¹	x 1.5%	x 13.0%	x 1.5%	x 13.0%
(equals) Potential Demand	= 11	+ 50	= 13	+ 54
Total Local Demand Potential	= 61		= 67	
(plus) Demand from Outside the PMA (15%)	+ 11		+ 12	
(equals) Total Demand Potential	= 72		= 79	
(minus) Existing Competitive Units ²	- 5		- 5	
(equals) Excess Congregate Demand Potential	= 67		= 74	
(times) Proportion Capturable on Ely	x 30%		x 30%	
(equals) Excess Congregate Demand Potential in Ely	= 20		= 22	
¹ The potential capture rate is derived from data from the Summary Health Statistics for the U.S. Population: National Health Interview Survey, 2007 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.).				
² Competitive existing and pending units at 95% occupancy (market equilibrium).				
Source: Maxfield Research Inc.				

Assisted Living Demand Estimate

Table S-5 presents demand calculations for assisted living housing in Ely in 2015 and 2020. This analysis focuses on the potential *private pay/market rate* demand for assisted living units in the City.

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 over age 75. In 2015, there are an estimated 1,175 seniors ages 75 and over in the PMA. We project that this number will increase to 1,261 in 2020.

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 Centers for Disease Control and the National Center for Health Statistics (Health, United States, 1999 Health and Aging Chartbook), about 35% 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 an estimated 374 seniors in the PMA in 2014 and 391 units in 2020.

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 PMA 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 PMA. Households with incomes of \$40,000 could afford monthly assisted living fees of \$3,500 by allocating a high proportion 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.

Seventy-eight percent of age 75+ households in the PMA are homeowners and the estimated median sale price of older homes in the City in 2014 was \$95,500. Seniors selling their homes for the median price would generate about \$89,770 in proceeds after selling costs. Using an

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average monthly fee of \$2,500, these proceeds would last approximately 36 months in assisted living housing, which is longer than the average length of stay in assisted living (20 months according to the 2009 Overview of Assisted Living).

We estimate the income-qualified percentage to be all seniors in households with incomes at or above \$40,000 (who could afford monthly rents of \$3,000+ per month) plus 40% of the estimated seniors in owner 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 for about 198 units from the PMA in 2015.

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 PMA living alone, or 50% based on Census data. This results in a total base of about 99 age/income-qualified singles.

The 2009 Overview of Assisted Living found that 12% of residents in assisted living were couples. Including couples results in a total of 113 age/income-qualified seniors needing assistance in the PMA in 2015.

We estimate that 60% of the qualified market needing significant assistance with ADLs could 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 living housing. Applying this market penetration rate of 40% results in demand for 45 assisted living units in 2014.

We estimate that a portion of demand for assisted living units in the PMA (20%) will come from outside the area. This secondary demand will include seniors currently living just outside the area, former residents, and parents of adult children who desire supportive housing near their adult children. Applying this figure results in total potential demand for 56 assisted living units in 2015.

Next, existing and pending assisted living units are subtracted from overall demand. There are a total of 56 assisted living units in the Market Area. However, we exclude estimated units occupied by low-income seniors utilizing Elderly Waivers (11 units). Subtracting these existing units (minus a 7% vacancy factor) from the total demand equates to excess demand potential for 14 market rate assisted living units in the PMA in 2015, increasing to 18 units in 2020.

We anticipate that the Ely can capture 30% of the excess assisted living demand potential in the PMA. Based on this capture rate, we find demand for 4 assisted living units in 2015, growing to 5 units in 2020.

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**TABLE S-5
MARKET RATE ASSISTED LIVING DEMAND
ELY MARKET AREA
2015 AND 2020**

Age group	2015			2020		
	People	Percent Needing Assistance ¹	Number Needing Assistance ¹	People	Percent Needing Assistance ¹	Number Needing Assistance ¹
75 - 79	493	19.5%	96	556	19.5%	108
80 - 84	325	31.2%	101	363	31.2%	113
85+	357	49.5%	177	342	49.5%	169
Total	1,175		374	1,261		391
Percent Income-Qualified ²			53%			54%
Total potential market			198			211
(times) Percent living alone			x 50%			50%
(equals) Age/income-qualified singles needing assistance			= 99			106
(plus) Proportion of demand from couples (12%) ³			+ 14			14
(equals) Total age/income-qualified market needing assistance			= 113			120
(times) Potential penetration rate ⁴			x 40%			40%
(equals) Potential demand from PMA residents			= 45			48
(plus) Proportion from outside the PMA (20%)			+ 11			12
(equals) Total potential assisted living demand			= 56			60
(minus) Existing market rate assisted living units ⁵			- 42			42
(equals) Total excess market rate assisted living demand			= 14			18
(times) Percent that could be captured on Site			x 30%			30%
(equals) Excess market rate assisted living demand			= 4			5
¹ The percentage of seniors needing assistance with ADLs, based on the 1990 & 1991 panels of the Survey of Income and Program Participation (SIPP) files, conducted by the U.S. Census Bureau.						
² Includes households with incomes of \$40,000 or more (who could afford monthly rents of \$3,000+ per month) plus 40% of the estimated owner households with incomes below \$40,000 (who will spend down assets, including home-equity, in order to live in assisted living housing).						
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, minus units estimated to be occupied by Elderly Waiver residents.						
Source: Maxfield Research Inc.						

Demand for Memory Care Senior Housing

Table S-7 presents our demand calculations for memory care housing in Ely in 2015 and 2020. Demand is calculated by starting with the estimated PMA senior (ages 65+) population in 2014 and multiplying by the incidence rate of Alzheimer's/dementia among this population's age cohorts. This yields a potential market of about 339 seniors in the PMA. We project that this number will climb to 358 in 2020.

According to data from the National Institute of Aging, about 25% of all individuals with memory care impairments are a 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 latter stages of dementia will require intensive medical care that would only be available in skilled care facilities. Applying this figure to the estimated population with memory impairments yields a potential market of about 85 seniors in the PMA in 2015 and 89 in 2020.

Because of the staff-intensive nature of dementia care, typical monthly fees for this type of housing start at about \$4,500. Although some of the seniors will have high monthly incomes, most will be willing to spend down assets and/or receive financial assistance from family members to afford memory care housing. Based on our review of senior household incomes in the PMA, homeownership rates, and home sale data, we estimate that 39% of all seniors in the PMA have incomes and/or assets to sufficiently cover the costs for 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 potential market by 39% results in a total of about 33 income-qualified seniors in the PMA in 2015.

We estimate that 20% of the overall demand for memory care housing would come from outside the PMA, for a total demand for 41 units in 2015. Currently, there are two memory care facilities in the PMA with a total of 38 units. We subtract 20% of these units (excluding public Elderly Waivers) and allocate a 7% vacancy factor for a total of 28 existing units. This reduces excess demand potential in the PMA to 13 units in 2015. Excess demand is expected to grow to approximately 20 units in 2020.

We anticipate that the Ely can capture 90% of the excess memory care demand potential in the PMA. Based on this capture rate, we find demand for 4 memory care units in 2015, growing to 6 units in 2020.

SENIOR HOUSING MARKET CONDITIONS

TABLE S-6 MEMORY CARE DEMAND ELY MARKET AREA 2015 AND 2020		
	2015	2020
65 to 74 Population	1,657	1,977
(times) Dementia Incidence Rate ¹	x <u>2%</u>	x <u>2%</u>
(equals) Estimated Senior Pop. with Dementia	= 33	= 40
75 to 84 Population	818	919
(times) Dementia Incidence Rate ¹	x <u>19%</u>	x <u>19%</u>
(equals) Estimated Senior Pop. with Dementia	= 155	= 175
85+ Population	357	342
(times) Dementia Incidence Rate ¹	x <u>42%</u>	x <u>42%</u>
(equals) Estimated Senior Pop. with Dementia	= 150	= 144
(equals) Total Population with Dementia	339	358
(times) Percent Needing Specialized Memory Care Assistance	x <u>25%</u>	<u>25%</u>
(equals) Total Need for Dementia Care	= 85	= 89
(times) Percent Income/Asset-Qualified ²	x <u>39%</u>	x <u>43%</u>
(equals) Total Income-Qualified Market Base	= 33	= 38
(plus) Demand from Outside the Market Area (20%)	+ <u>8</u>	+ <u>10</u>
Total Demand for Memory Care Units	41	48
(minus) Existing and Pending Memory Care Units	- 28	- 28
(equals) Excess Primary Market Area Demand Potential	= 13	= 20
(times) Estimated Percent Capturable on Site	x 30%	x 30%
(equals) Memory Care Demand Capturable on Site	= 4	= 6
¹ Alzheimer's Association: Alzheimer's Disease Facts & Figures (2007)		
² Income greater than \$60,000 in 2015 and greater than \$65,000 in 2020, plus some lower-income homeowners.		
Source: Maxfield Research Inc.		

Introduction

Maxfield Research Inc. assessed for-sale housing market conditions in Ely through an analysis of data on single-family and multifamily home sales and active listings, identifying active subdivisions and pending for-sale developments, and conducting interviews with local real estate professionals, developers and planning officials.

Overview of For-Sale Housing Market Conditions

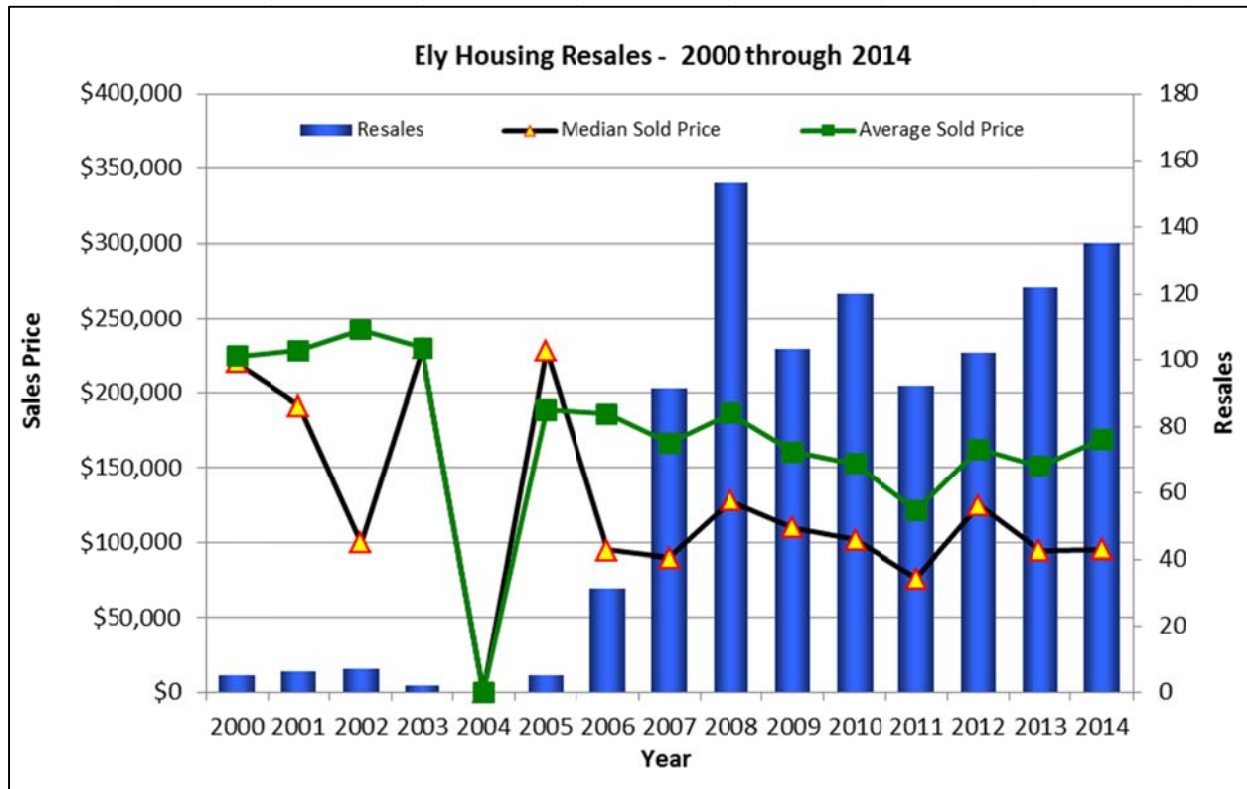
Table FS-1 presents home resale data on single-family and multifamily housing in Ely from 2000 through 2014. The data was obtained from the Regional Multiple Listing Services of Minnesota and shows annual number of sales, median and average pricing, average days on market, cumulative days on market, and percent of sales that were lender-mediated (i.e. short-sale or foreclosure). It should be noted that lender-mediated sales were not identified and separated until July 2008 and cumulative days on market were not calculated until 2006.

Table FS-2 breaks down resale activity from Table FS-1 into single-family and multifamily resales. The following are key points observed from the data.

- Consistent with trends in Minnesota and the nation, pricing peaked mid-decade at the height of the real estate boom. 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).
- A greater volume of Ely's resales were reported in the Regional Multiple Listing Service in the latter half of the previous decade, making recent data more representative of true market activity.
- 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.
- The number of lender-mediated properties accounted for less than 5% of all transactions reported to the Regional Multiple Listing Service between 2008 and 2014. Low rates of lender-mediated transactions likely supported more rapid recovery in the median resale price relative to other market areas.
- Only two multifamily resales (less than 1%) were reported in the Market Area as a whole among all multifamily resales, 2000 to 2014. None were reported in the City of Ely.

FOR-SALE HOUSING ANALYSIS

- Approximately 55% of all single-family resales in the Market Area occurred in Ely. Mirroring trends in the City of Ely, the Remainder of the Market Area experienced steep pricing declines since mid-last decade. Pricing bottomed at \$83,000 in 2007.



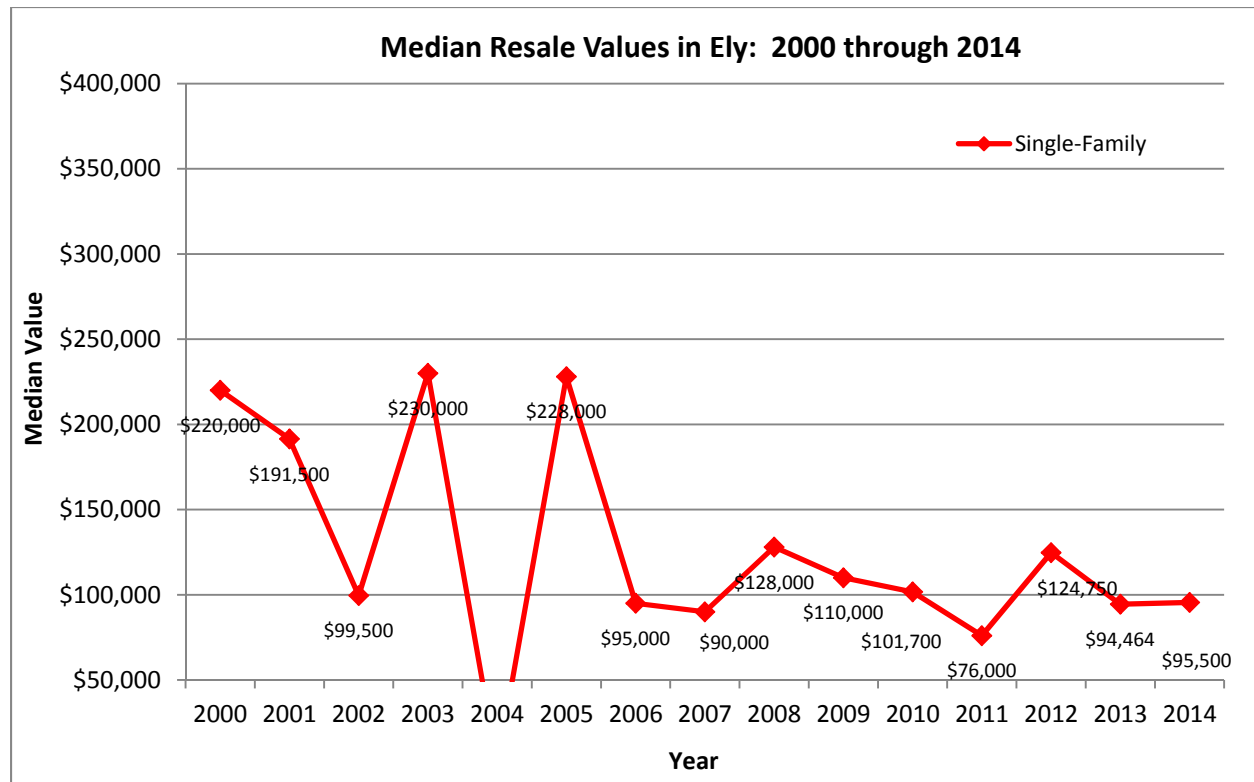
FOR-SALE HOUSING ANALYSIS

TABLE FS-1 HOME RESALES CITY OF ELY 2000 through 2014								
Year	No. Sold	Avg. Sales Price	Avg. % Change	Med. Sales Price	Median % Change	Days on Market		% Lender Mediated²
						Avg.	Cumul.¹	
2000	5	\$224,500	-	\$220,000	-	265	-	-
2001	6	\$228,030	1.6%	\$191,500	-13.0%	335	-	-
2002	7	\$242,429	6.3%	\$99,500	-48.0%	241	-	-
2003	2	\$230,000	-5.1%	\$230,000	131.2%	99	-	-
2004	0	-	-	-	-	-	-	-
2005	5	\$189,000	-	\$228,000	-	92	-	-
2006	3	\$186,212	-1.5%	\$95,000	-58.3%	87	-	-
2007	18	\$166,842	-10.4%	\$90,000	-5.3%	126	148	-
2008	55	\$186,864	12.0%	\$128,000	42.2%	130	136	0.0%
2009	36	\$160,546	-14.1%	\$110,000	-14.1%	155	41	5.6%
2010	42	\$152,715	-4.9%	\$101,700	-7.5%	185	-	11.9%
2011	31	\$121,607	-20.4%	\$76,000	-25.3%	216	95	6.5%
2012	47	\$162,613	33.7%	\$124,750	64.1%	189	67	2.1%
2013	54	\$150,730	-7.3%	\$94,464	-24.3%	235	294	5.6%
2014	62	\$169,191	12.2%	\$95,500	1.1%	249	204	3.2%
Total 00'-14'	373							
Summary 00' to 14'								
		Change	-24.6%	Med. Sales Price	-56.6%			
	Average	25	\$183,663	\$134,601		186	136	
¹ Cumulative Days on Market initiated in 2006. Cumulative days equals the number of days on market over the course of the past year (i.e. covers number of days if the property was relisted)								
² Lender Mediated Properties include foreclosures and short sales. Statistics for this data were collected beginning July 2008.								
Sources: DAAR; MAAR, Maxfield Research Inc.								

FOR-SALE HOUSING ANALYSIS

**TABLE FS-2
SINGLE-FAMILY AND MULTIFAMILY RESIDENTIAL REALES
CITY OF ELY & MARKET AREA
2000 through 2014**

Year	Number of Sales	Median Sales Price	% Chg.	Average Sales Price	% Chg.	Year	Number of Sales	Median Sales Price	% Chg.	Average Sales Price	% Chg.	Year	Number of Sales	Median Sales Price	% Chg.	Average Sales Price	% Chg.
Ely						Remainder of Market Area						Market Area Total					
Single-Family						Single-Family						Single-Family					
2000	5	\$220,000	--	\$224,500	--	2000	2	\$78,500	--	\$78,500	--	2000	3	\$90,000	-	\$164,333	-
2001	6	\$191,500	-13.0%	\$228,030	1.6%	2001	1	\$470,000	498.7%	\$470,000	498.7%	2001	1	\$470,000	422.2%	\$470,000	186.0%
2002	7	\$99,500	-48.0%	\$242,429	6.3%	2002	3	\$218,900	-53.4%	\$222,633	-52.6%	2002	6	\$218,900	-53.4%	\$237,133	-49.5%
2003	2	\$230,000	131.2%	\$230,000	-5.1%	2003	0	--	--	--	--	2003	1	\$249,000	13.8%	\$247,000	4.2%
2004	0	--	--	--	--	2004	1	\$1,100,000	--	\$1,100,000	--	2004	1	\$1,100,000	341.8%	\$1,100,000	345.3%
2005	5	\$228,000	--	\$189,000	--	2005	5	\$277,000	-74.8%	\$374,900	-65.9%	2005	9	\$270,000	-75.5%	\$309,167	-71.9%
2006	31	\$95,000	-58.3%	\$186,212	-1.5%	2006	1	\$82,500	-70.2%	\$82,500	-78.0%	2006	4	\$95,000	-64.8%	\$260,625	-15.7%
2007	91	\$90,000	-5.3%	\$166,842	-10.4%	2007	32	\$76,000	-7.9%	\$125,616	52.3%	2007	50	\$83,000	-12.6%	\$190,224	-27.0%
2008	153	\$128,000	42.2%	\$186,864	12.0%	2008	27	\$87,500	15.1%	\$235,867	87.8%	2008	82	\$139,000	67.5%	\$225,610	18.6%
2009	103	\$110,000	-14.1%	\$160,546	-14.1%	2009	22	\$83,000	-5.1%	\$191,036	-19.0%	2009	58	\$100,000	-28.1%	\$162,831	-27.8%
2010	120	\$101,700	-7.5%	\$152,715	-4.9%	2010	37	\$87,500	5.4%	\$133,131	-30.3%	2010	79	\$89,500	-10.5%	\$144,073	-11.5%
2011	92	\$76,000	-25.3%	\$121,607	-20.4%	2011	34	\$85,000	-2.9%	\$150,016	12.7%	2011	65	\$125,000	39.7%	\$162,037	12.5%
2012	102	\$124,750	64.1%	\$162,613	33.7%	2012	31	\$79,000	-7.1%	\$105,231	-29.9%	2012	78	\$116,000	-7.2%	\$150,057	-7.4%
2013	122	\$94,464	-24.3%	\$150,730	-7.3%	2013	60	\$75,000	-5.1%	\$138,261	31.4%	2013	114	\$96,000	-17.2%	\$156,236	4.1%
2014	135	\$95,500	1.1%	\$169,191	12.2%	2014	43	\$94,250	25.7%	\$149,860	8.4%	2014	105	\$115,000	19.8%	\$194,308	24.4%
Pct. Change 00' - 14'						Pct. Change 00' - 14'						Pct. Change 00' - 14'					
2600.0%						2050.0%						3400.0%					
-56.6%						20.1%						27.8%					
-24.6%						90.9%						18.2%					
Multifamily**						Multifamily**						Multifamily**					
2000	0	--	--	--	--	2000	0	--	--	--	--	2000	0	--	--	--	--
2001	0	--	--	--	--	2001	0	--	--	--	--	2001	0	--	--	--	--
2002	0	--	--	--	--	2002	0	--	--	--	--	2002	0	--	--	--	--
2003	0	--	--	--	--	2003	0	--	--	--	--	2003	0	--	--	--	--
2004	0	--	--	--	--	2004	0	--	--	--	--	2004	0	--	--	--	--
2005	0	--	--	--	--	2005	0	--	--	--	--	2005	0	--	--	--	--
2006	0	--	--	--	--	2006	0	--	--	--	--	2006	0	--	--	--	--
2007	0	--	--	--	--	2007	0	--	--	--	--	2007	0	--	--	--	--
2008	0	--	--	--	--	2008	0	--	--	--	--	2008	0	--	--	--	--
2009	0	--	--	--	--	2009	0	--	--	--	--	2009	0	--	--	--	--
2010	0	--	--	--	--	2010	1	\$220,000	--	\$220,000	--	2010	1	\$220,000	--	\$220,000	--
2011	0	--	--	--	--	2011	1	\$135,000	-38.6%	\$135,000	-38.6%	2011	1	\$135,000	-38.6%	\$135,000	-38.6%
2012	0	--	--	--	--	2012	0	--	--	--	--	2012	0	--	--	--	--
2013	0	--	--	--	--	2013	0	--	--	--	--	2013	0	--	--	--	--
2014	0	--	--	--	--	2014	0	--	--	--	--	2014	0	--	--	--	--
Pct. Change 01' - 14'						Pct. Change 01' - 14'						Pct. Change 01' - 14'					
** Multifamily includes twinhomes, townhomes, and condominiums.																	
Sources: DAAR; MAAR; Maxfield Research Inc.																	



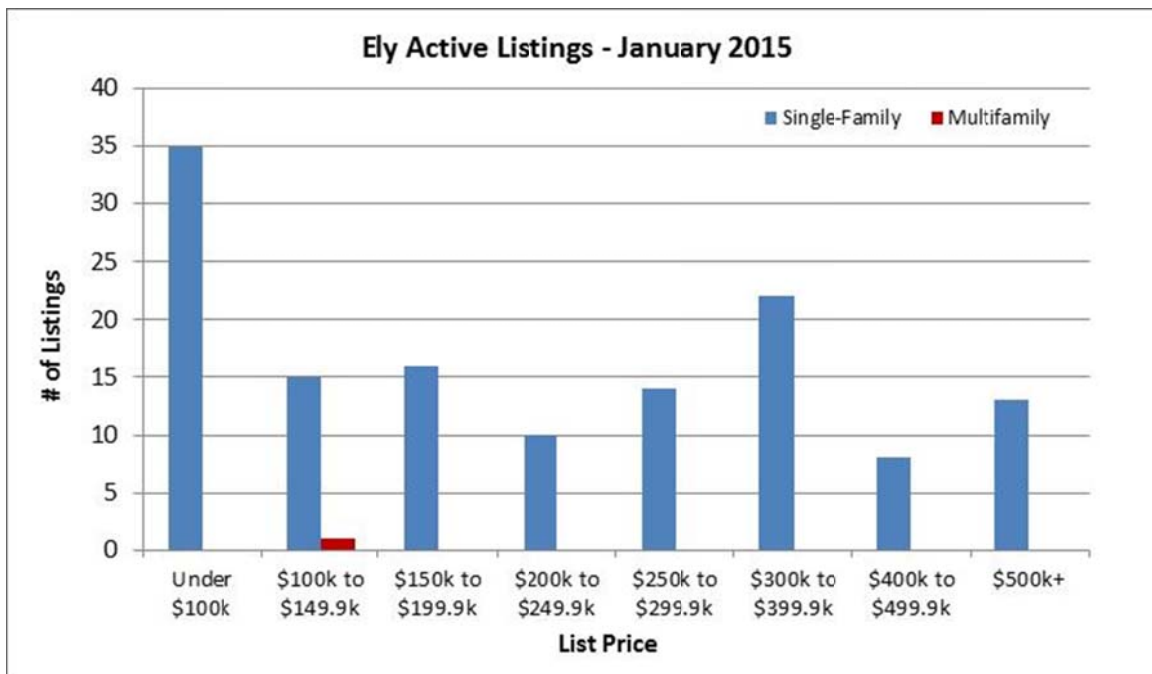
Current Supply of Homes on the Market

To more closely examine the current market for owner-occupied housing in Ely, we reviewed the current supply of homes on the market (listed for sale). Table FS-3 homes shows currently listed homes for sale in Ely and the Market Area distributed into 14 price ranges. The data was provided by the Regional Multiple Listing Service of Minnesota and is based on active listings in March 2015. MLS listings generally account for the vast majority of all residential sale listings in a given area. Table FS-4 shows listings by home style (i.e. one-story, two-story, townhome) and Table FS-5 shows listings by property type and pricing.

- As of January 2015, there were 134 homes listed for sale in Ely and 85 homes in the Remainder of the Market Area. Only one listing was a multifamily property and it was located in Ely.
- The median list price in Ely for a single-family home is \$215,000. 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.

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- Based on a median list price of \$215,000, the income required to afford a home at this price would be about \$61,430 to \$71,670, 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). A household with significantly more equity (in an existing home and/or savings) could afford a higher priced home.
- About 26% of homes of sale in Ely are priced under \$100,000 with half of these homes listed between \$75,000 and \$99,999. On the other end of the price point spectrum, nearly 10% of Ely's listings are priced more than \$500,000.
- Median list prices of single-family homes in Ely are \$16,000 more than those in the Remainder of the Market Area

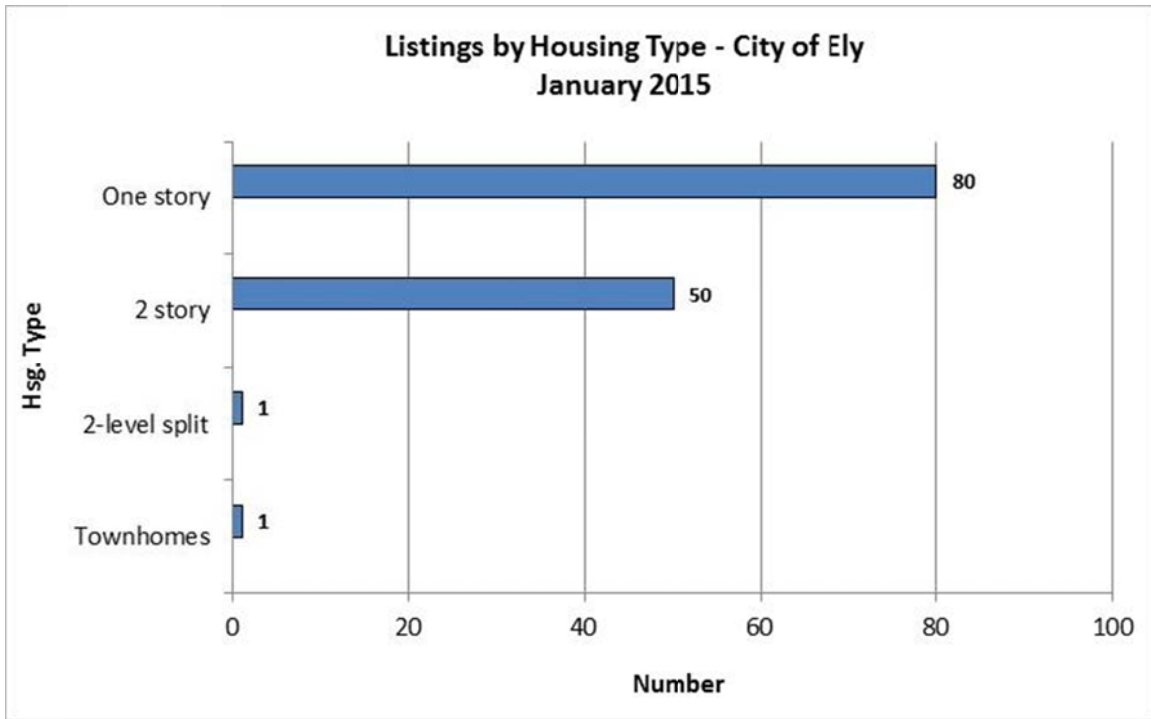


- One-story homes made up the highest percentage (60.2%) of active single-family listings followed by two-story homes (37.6%).
- Overall, the average list price per square foot ("PSF") among all active single-family listings is \$165/foot. One-story homes have a higher PSF (\$176) compared to two-story homes (\$153), which is expected due to larger overall sizes (2,680 versus 1,291 square feet) in the two-story type.

FOR-SALE HOUSING ANALYSIS

TABLE FS-4 ACTIVE LISTINGS BY HOUSING TYPE CITY OF ELY April 2015		
Property Type	Listings	Pct.
Single-family	15	100.0%
Townhome/Twinhome	0	0.0%
Condominium	0	0.0%
Total	15	100.0%

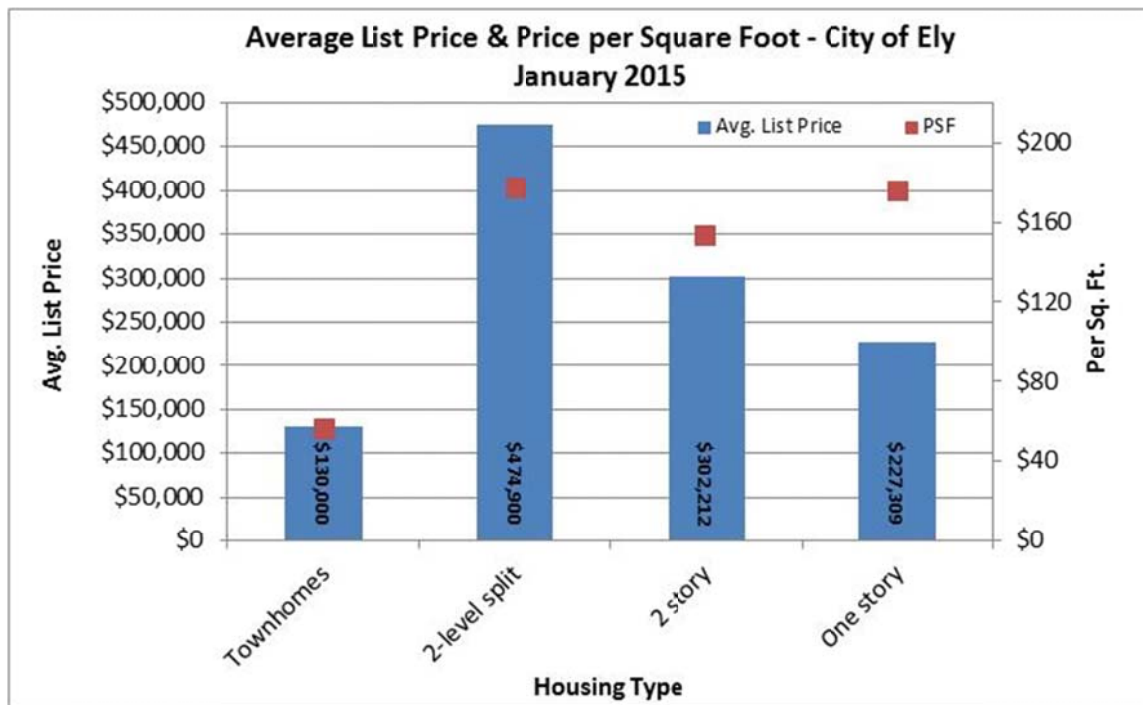
Sources: Minneapolis Area Association of Realtors; Maxfield Research Inc.



FOR-SALE HOUSING ANALYSIS

Property Type	Listings	Pct.	Avg. List Price	Avg. Size (Sq. Ft.)	Avg. List Price Per Sq. Ft.	Avg. Bedrooms	Avg. Bathrooms	Avg. Age of Home
Single-Family								
One story	6	40.0%	\$292,983	1,487	\$197	2.3	1.4	1968
1.5-story	0	0.0%	-	-	-	-	-	-
2-story	7	46.7%	\$595,464	2,560	\$233	3.0	1.7	2000
Split entry/Bi-level	1	6.7%	\$474,900	2,680	\$177	3.0	2.0	1976
Other	1	6.7%	\$2,750,000	4,652	\$591	5.0	3.0	1998
Total	15	100.0%	\$1,273,455	3,297	\$386	3.7	2.2	1991
Townhomes/Twinhomes								
Side-by-Side	0	----	\$0	0	----	0.0	0.0	N/A

Sources: Minneapolis Area Association of Realtors; Maxfield Research Inc.



Months of Active Supply

Table FS-6 illustrates the historic supply of actively marketing properties in Ely and St. Louis County from 2010 through 2014. The table depicts the number of homes for sale at the end of each year and the months of supply. The months of supply metric calculates the number of months it would take for all actively marketing homes to sell given the monthly sales absorption. Generally a balanced supply is considered six months. The higher the months of supply indicates there are more sellers than buyers (“buyers’ market”); the lower the months of supply indicates there are more buyers than sellers (“sellers’ market”).

FOR-SALE MARKET ANALYSIS

The following are key findings from Table FS-6.

- The number of homes listed for-sale in Ely dropped substantially between the end of 2014 and the middle of the 2nd Quarter 2015. It appears as though some of the homes previously listed for sale sold and others were taken off the market. Current months of supply remains relatively high (34.4 months in 2014), but overall, it takes at least one year to sell a home in Ely.
- Median resale prices stabilized in Ely between 2013 and 2014. This trend supports the conclusion the market has reached bottom and is poised to increase moving forward.
- 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 core of the City have been converted over to rental units to meet a growing demand for vacation and short-term rentals in the Ely market during the 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. While a number of homes are being upgraded, they are being converted to rentals.

TABLE FS-6				
ACTIVE LISTINGS OF HOMES FOR SALE				
ELY & ST LOUIS COUNTY				
2010 through 2014				
Year	Months Supply		Homes for Sale	
	Ely	St Louis County	Ely	St Louis County
2010	8	10	44	422
2011	7	11	53	406
2012	11	10	57	198
2013	180	17	102	118
2014	87	25	58	130

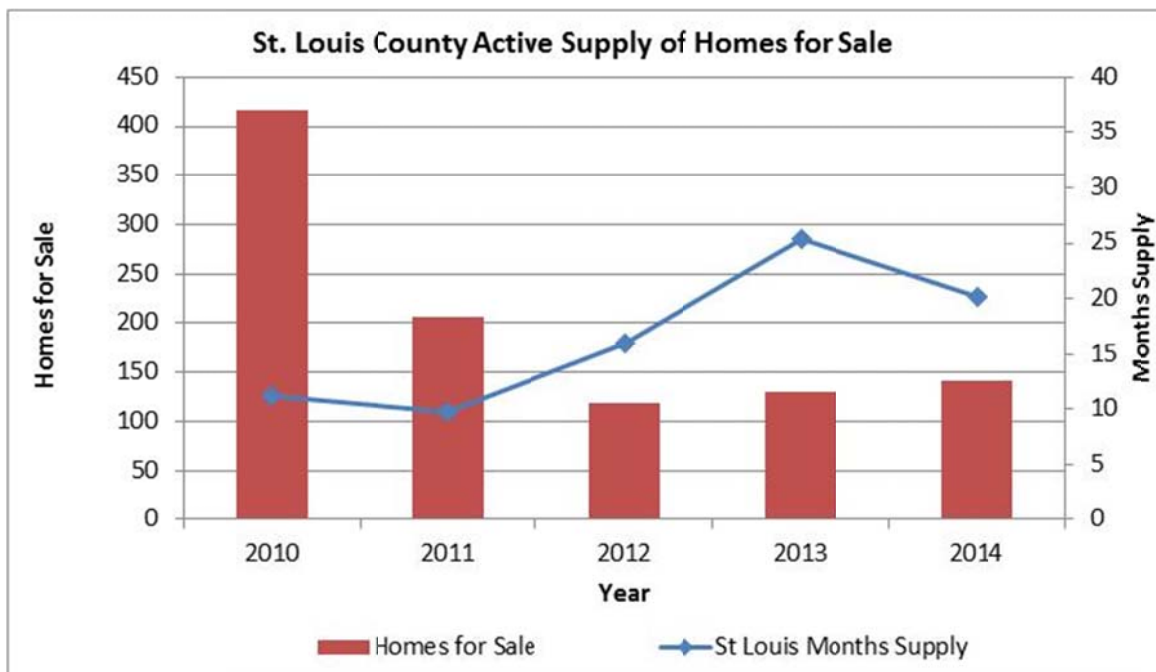
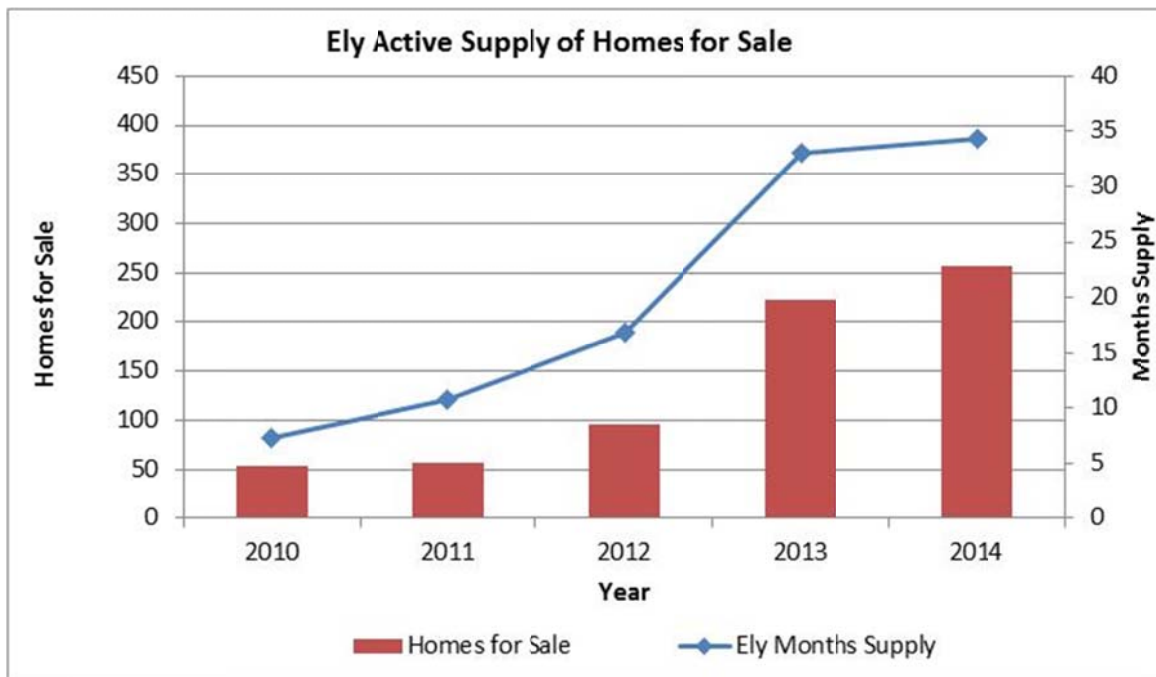
Sources: Northstar MLS - Infosparks, Maxfield Research Inc.

- 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. This could include teachers, medical workers, and natural resource workers, staff at the College or other business and technical positions. Rental housing is available, but some landlords want to take advantage

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of short-term seasonal rentals while the students are out of town and then rent to students when they return in the fall.

- Although St. Louis County as a whole remains significantly above the balanced supply level (20.1 months of supply in 2014), absorption appears to be occurring more rapidly as current inventory remains high but months of supply is decreasing.



Owner-Occupied Turnover

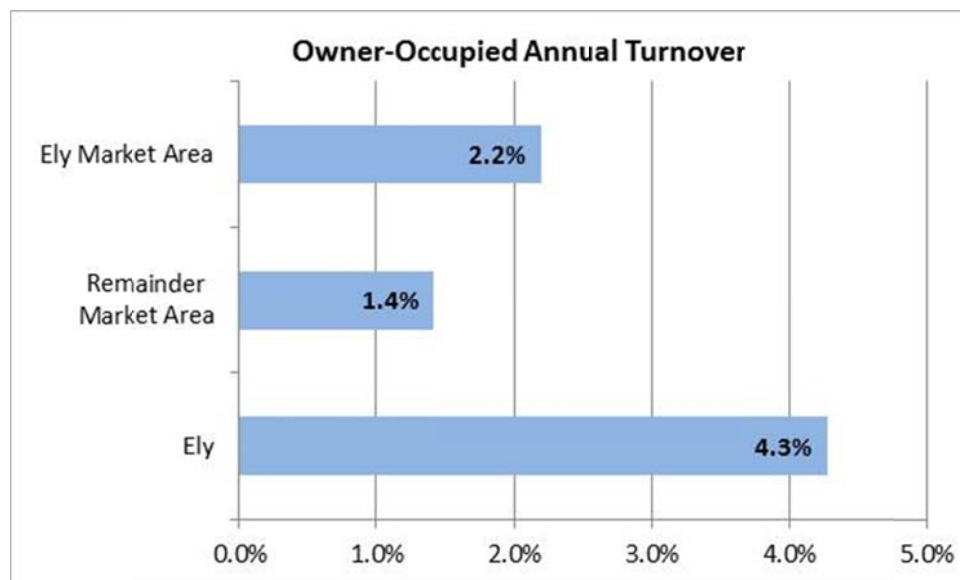
Table FS-7 illustrates existing home turnover as a percentage of owner-occupied units in Ely and the Market Area. Resales are based on historic transaction volumes between 2010 and 2014 as listed on the Multiple Listing Service. The numbers of owner-occupied housing units are sourced from the 2010 U.S. Census.

As displayed in the table, approximately 2% of the Ely Market Area’s owner-occupied housing stock is sold annually. Ely had a turnover rate of 4.3% while the Remainder of the Market Area had a lower turnover of only 1.4%. The low turnover outside of Ely is typical in rural settings. Typically we find owner-occupied turnover ranges from 3% at the low-end to 8% at the high-end in many communities throughout Minnesota.

TABLE FS-7 OWNER-OCCUPIED TURNOVER ELY MARKET AREA			
Submarket	Owner-occupied Housing Units¹	Resales Annual Avg.²	Turnover Pct.
Ely	1,100	47	4.3%
Remainder of Market Area	2,909	41	1.4%
Ely Market Area	4,009	88	2.2%

¹ Owner-occupied housing units in 2010
² Average of MLS resales between 2010 and 2014

Source: U.S. Census Bureau, RMLS, Maxfield Research Inc.



Lender-Mediated Properties

Table FS-8 identifies lender-mediated real estate sales activity in Ely and St. Louis County as listed on the Regional Multiple listing Service of Minnesota (RMLS). Lender-mediated transactions (foreclosures and short sales) are different from traditional sales because a third party (often the lender) is involved in the transaction, either acting as the seller in the case of foreclosures, or as an intermediary with approval powers in the case of a short sale.

Foreclosures are properties in which the financial institutions or lender has taken possession of the home from the owner due to non-payment of mortgage obligations/default by the borrower. In a short sale, the lender(s) and the home owner work together and attempt to sell the home prior to foreclosure. Because the net proceeds from the sale are not enough to 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. In either circumstance, lenders want to move the debt off their books and will hence discount the asking price.

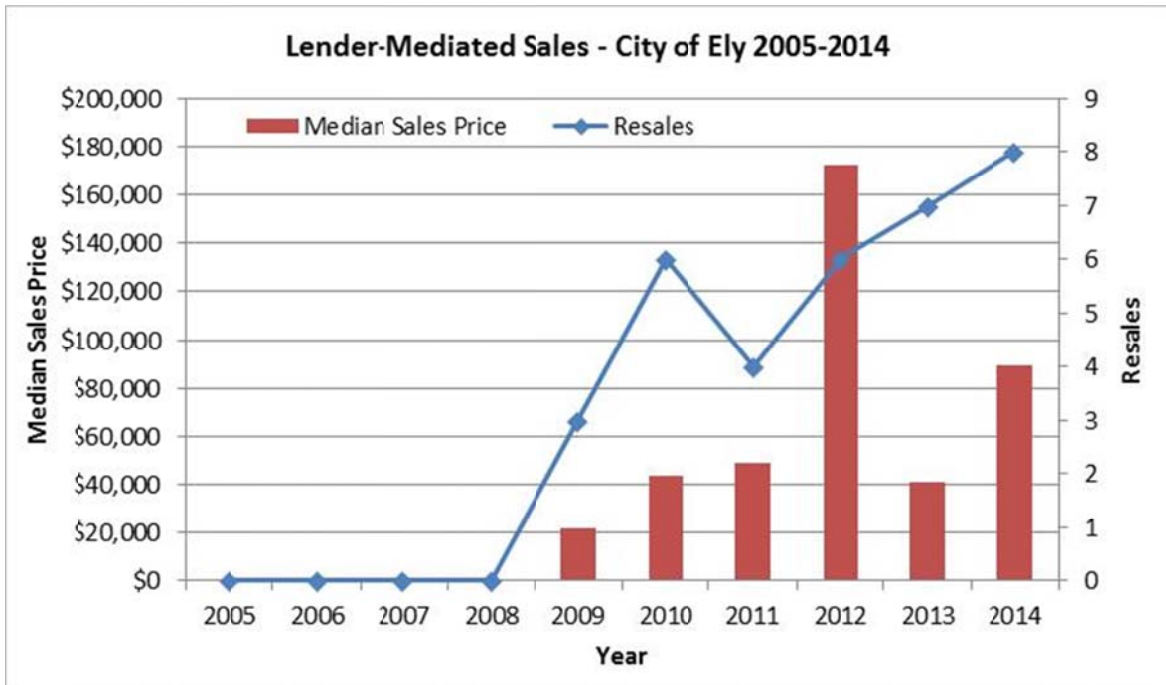
Lender-mediated property information is an important metric when reviewing the health of real estate markets. After the real estate bust and ensuing recession, lender-mediated homes increased substantially as an overall market share of the for-sale inventory. The higher market share resulted in downward pricing on aggregate sales price figures, giving the impression that the entire housing market was losing considerable value. However, real estate sales data shows stark differences between traditional and lender-mediated transactions. Key points from the table follow.

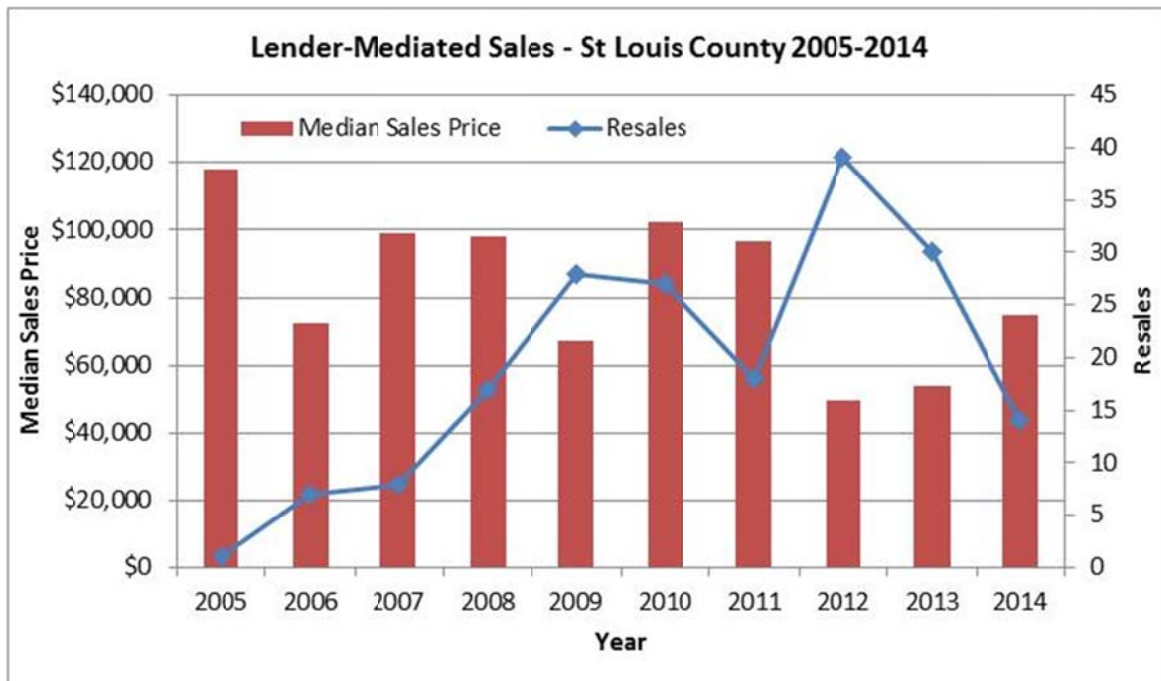
- The percentage of lender-mediated sales in Ely remained low, calculating to approximately 12% to 14% of all single-family resales annually from 2010 to 2014.
- In St. Louis County overall, however, the percentage of lender-mediated sales accounted for 50% of single-family resales in 2012. This percentage decreased to 26% in 2013 and 13% in 2014.
- Pricing for lender-mediated properties in the County was the lowest in 2012 when the median sales price was \$49,750. As the number of lender-mediated properties continues to decrease, pricing will follow appropriately.
- From 2010 to 2014, approximately one-third of all lender-mediated transactions in St. Louis County were located in the City of Ely.

TABLE FS-8 LENDER-MEDIATED SALES CITY OF ELY AND ST LOUIS COUNTY 2005 to 2013				
Year	CITY OF ELY		ST LOUIS COUNTY	
	Resales	Median	Resales	Median
2005	--	--	1	\$117,750
2006	--	--	7	\$72,250
2007	--	--	8	\$99,000
2008	--	--	17	\$98,250
2009	**	\$22,000	28	\$67,000
2010	6	\$44,000	27	\$102,314
2011	4	\$48,776	18	\$96,450
2012	6	\$172,000	39	\$49,750
2013	7	\$41,000	30	\$54,050
2014	8	\$89,750	14	\$75,000

** Data for Ely began in July 2009.
Note: Lender-mediated includes short sales and foreclosures

Sources: Northstar MLS - Infosparks , Maxfield Research Inc.





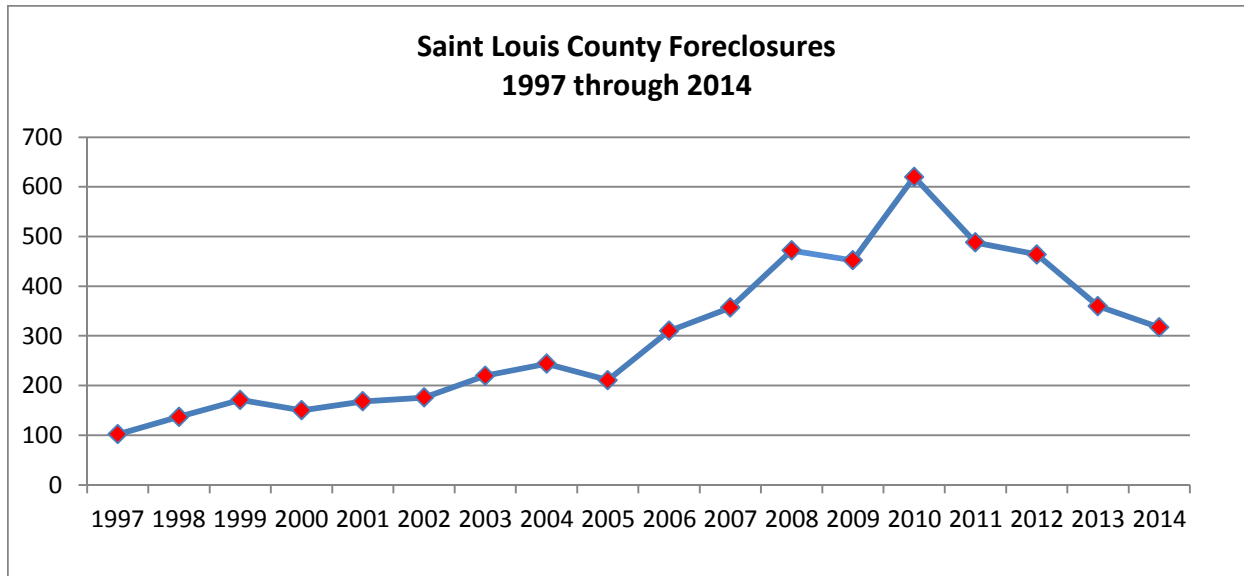
Foreclosures

The following chart shows the number of foreclosures in St. Louis County for the period from 1997 through March 2015. This information was compiled by St. Louis County. A property may be foreclosed upon, but may continue to be bank owned and rented instead of sold outright or may be standing vacant. This information is different from lender-mediated sales where the property where the property has actually been resold.

As shown on the chart, foreclosures rose in St. Louis County similar to other areas across the State and the nation as the recession took hold. At the peak in 2010, there were 620 foreclosures in St. Louis County. As of the end of 2013, St. Louis County ranked 6th among all counties in Minnesota in number of foreclosures. Counties that had higher total included Hennepin, Ramsey, Anoka, Dakota and Washington, all Metro Area counties.

After 2010, the number of foreclosures has decreased in each year. Between January and March 2015, there were 72 foreclosures.

Distressed property sales in Ely represented less than 5% of all sales between 2008 and 2014. This suggests that prior to the Recession; there was not as significant a run up in housing activity and pricing as in other parts of Minnesota and in St. Louis County as a whole.



Actively Marketing Subdivisions

There are no sizeable actively marketing subdivisions in Ely at this time. A small number of lots are available in East Spaulding and the Spaulding First Addition was platted, but this occurred during the downturn in the housing market. Additional scattered lots are being marketed in Ely in the following plats:

- Three combined lots adjacent to the Golf Course are listed for a combined price of \$35,000 and a total 0.43 acres;
- Five to eight acres at Hinden Acres ranging in price from \$35,000 to \$49,900.
- Two lots in Spaulding, one for \$18,750 and the other for \$14,900.
- Auditor's Plat 38 with a total of 0.6 acres at \$20,000.
- Fortiers Plat of Ely with a total of 0.38 acres and a price of \$17,500;
- Maki Addition with 1.08 acres and a price of \$47,000 which is listed as reduced.

Except for Spaulding First Addition, the other lots being marketed could be considered as "orphan lots" or lots that remain as less desirable or were caught in a market downturn.

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.

Pending For-Sale Developments

According to the City of Ely, the Spaulding subdivision has a limited number of lots for sale in the East Spaulding subdivision, but no homes have been constructed yet in the Spaulding First Addition (11 lots). Local real estate agents are marketing a couple of lots in East Spaulding with listed prices of \$14,900 and \$18,750. These lots are priced similarly to other lots that are available in-town in Ely which range in price between \$17,500 and \$49,900 depending on the view, size and topography of the property. Lot sizes ranged from 0.25 acres to nearly one-half acre.

Lots in East Spaulding generally sold to move-up buyers putting homes on those lots in the \$200,000 and up price range.

For-Sale Housing Market Demand Analysis

Table FS-9 presents demand calculations for general occupancy for-sale housing in Ely between 2015 and 2025. This analysis identifies potential demand for general occupancy for-sale housing that is generated from both new households and turnover households. The following points summarize our findings.

- According to our projections, the PMA is expected to grow by 197 households between 2015 and 2025. Because the 65 and older cohort is typically not a target market for new general occupancy for-sale housing, we limit demand from household growth to only those households under the age of 65. In the PMA, roughly 20% of the projected household growth will occur among households age 64 and younger which results in projected demand for 39 general occupancy for-sale units from household growth. Based on household tenure data from the US Census, we expect that 80% of the demand will be for owner-occupied housing units, equating to a potential of 32 owner households from household growth.
- As of 2015, there are approximately 3,236 owner households under the age of 65 in the PMA. Based on household turnover data from the 2013 American Community Survey, we estimate that 49% of these under-65 owner households will experience turnover between 2015 and 2025. This estimate results in anticipated turnover of approximately 1,585 existing households by 2025.
- We then estimate the percent of existing owner households turning over that would prefer to purchase new housing. In the United States, approximately 8% of all home sales were for new homes in recent years while nearly 5% of Midwest sales were for new homes. Considering the age of Ely's housing stock along with recent sale trends in the Market Area, and

understanding that new construction activity slowed significantly due to the Great Recession, we estimate that 10% of the households turning over in the City will desire new housing. This estimate results in demand from existing households for 159 new owned units in the PMA between 2015 and 2025.

- Total demand from household growth and existing household turnover between 2015 and 2025 equates to 190 new for-sale housing units in the PMA. An additional proportion is added for households that would move into ownership housing in the PMA who currently reside outside the area.
- Due, in large part, to the natural amenities in the area, Ely will draw a portion of potential home buyers from areas outside the PMA. We estimate that 15% of the demand potential for general occupancy ownership housing in Ely would be derived from outside the area, increasing total demand to 224 units.
- Based on our population and household growth projections, we 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. Based on building permit trends, new construction sales data, and our household growth projections by age group in the Market Area, we estimate that 70% of the householders seeking new housing will desire single-family housing, while the remaining 30% will seek multifamily units. We anticipate that there will be demand for approximately 47 general occupancy single-family homes and 20 multifamily units in Ely between 2015 and 2025.

FOR-SALE MARKET ANALYSIS

TABLE FS-9 GENERAL OCCUPANCY FOR-SALE HOUSING DEMAND ELY MARKET AREA 2015 TO 2025			
DEMAND FROM PROJECTED HOUSEHOLD GROWTH			
Projected household growth in the PMA 2015 to 2025 ¹		197	
(times) Pct. of HH growth for general occupancy housing ²	x	20%	
(equals) Projected demand for general occupancy units	=	39	
(times) Propensity to Own ³	x	80%	
(equals) Number of potential owner households from HH growth	=	32	
DEMAND FROM EXISTING OWNER HOUSEHOLDS			
Number of owner households (age 64 and younger) in the PMA, 2015	=	3,236	
(times) Estimated % of owner turnover (age 64 and younger, 2015 to 2025) ⁴	x	49%	
(equals) Total existing households projected to turnover between 2015 and 2025	=	1,586	
(times) Estimated % desiring new owner housing	x	10%	
(equals) Demand from existing households	=	159	
Total Demand From Household Growth and Existing Households, 2015 to 2025	=	190	
(times) Ownership demand generated from outside PMA	+	15%	
(equals) Total demand potential for ownership housing in the PMA	=	224	
% of PMA Demand Capturable in the City of Ely	x	30%	
Demand from Household Growth and Existing Households in Ely	=	67	
		Single Family	Multi-family
(times) Percent desiring for-sale single family (SF) vs. multifamily (MF) ⁵	x	70%	30%
(equals) Total demand potential for new for-sale housing in Ely	=	47	20
¹ Estimated household growth based per ESRI and Maxfield Research Inc. ² Pct. of household growth under age 65 ³ Pct. Owner households under age 65 in 2010 ⁴ Based on household turnover and mobility data (2012 American Community Survey, Five Year Estimates). ⁵ Based on new construction sales data, building permit data, and growth projections by age group. * Multifamily demand includes demand for townhomes, twinhomes, and condominium units.			
Source: Maxfield Research Inc.			

Housing Costs as Percentage of Household Income

Housing costs are generally considered affordable at 30% of a households' adjusted gross income. Table E-1 on the following page illustrates key housing metrics based on housing costs and household incomes in the Ely Market Area. The table estimates the percentage of Ely Area householders that can afford rental and for-sale housing based on a 30% allocation of income to housing. Housing costs are based on the Ely Market Area average.

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 4.375% interest rate
- Private mortgage insurance (equity of less than 20%)
- Homeowners insurance for single-family homes and association dues for townhomes
- Owner household income estimates 2013 ACS

Rental Housing

- Background check on tenant to ensure credit history
- 30% allocation of income
- Renter household income estimates per 2013 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.

- Approximately 81% of existing owner households could afford to buy a modestly-priced single-family home (\$80,000) in Ely, but the proportion of income-qualified households declines as the sale price increases. About 51% of existing owner households could afford to purchase a move-up single-family home priced at \$150,000, but the proportion able to afford an executive single-family home priced at \$250,000 declines to 28% of existing owner households.
- We note however, that the affordability ratios in locations outside of Ely are affected to a greater degree because of households coming into the area from other locations in Minnesota and from outside of the State.
- About 64% of existing renter households can afford to rent a one-bedroom unit in Ely (\$400/month). The percentage of renter income-qualified households decreases to 48% that can afford an existing two-bedroom unit (\$550/month) and again to an estimated 38% of renters could afford to rent a three-bedroom apartment renting for \$700 per month.

HOUSING AFFORDABILITY

**TABLE G-1
ELY AREA HOUSING AFFORDABILITY - BASED ON HOUSEHOLD INCOME**

For-Sale (Assumes 10% down payment and good credit)						
	Single-Family			Townhome		
	Modest	Move-Up	Executive	Modest	Move-Up	
Price of House	\$80,000	\$160,000	\$250,000	\$100,000	\$200,000	
Pct. Down Payment	10.0%	10.0%	10.0%	10.0%	10.0%	
Total Down Payment Amt.	\$8,000	\$16,000	\$25,000	\$10,000	\$20,000	
Estimated Closing Costs (rolled into mortgage)	\$2,400	\$4,800	\$7,500	\$3,000	\$6,000	
Cost of Loan	\$74,400	\$148,800	\$232,500	\$93,000	\$186,000	
Interest Rate	4.375%	4.375%	4.375%	4.375%	4.375%	
Number of Pmts.	360	360	360	360	360	
Monthly Payment (P & I)	-\$371	-\$743	-\$1,161	-\$464	-\$929	
(plus) Prop. Tax	-\$100	-\$200	-\$313	-\$125	-\$250	
(plus) HO Insurance/Assoc. Fee for TH	-\$27	-\$53	-\$83	-\$150	-\$150	
(plus) PMI/MIP (less than 20%)	-\$32	-\$64	-\$101	-\$40	-\$81	
Subtotal monthly costs	-\$530	-\$1,061	-\$1,657	-\$780	-\$1,409	
Housing Costs as % of Income	30%	30%	30%	30%	30%	
Minimum Income Required	\$21,215	\$42,430	\$66,297	\$31,185	\$56,371	
Pct. of Ely Area Households	80.8%	51.2%	28.2%	68.7%	35.6%	
Rental (Market Rate)						
	Existing Rental			New Rental*		
	1BR	2BR	3BR	1BR	2BR	3BR
Monthly Rent	\$400	\$550	\$700	\$800	\$980	\$1,100
Annual Rent	\$4,800	\$6,600	\$8,400	\$9,600	\$11,760	\$13,200
Housing Costs as % of Income	30%	30%	30%	30%	30%	30%
Minimum Income Required	\$16,000	\$22,000	\$28,000	\$32,000	\$39,200	\$44,000
Pct. of Ely Area Renter Households	64.3%	48.2%	38.0%	35.2%	25.9%	21.7%

Source: Maxfield Research Inc.

Introduction

This section summarizes demand calculated for specific housing products in the Ely Market Area and recommends development concepts to meet the housing needs forecast for the City. All recommendations are based on findings of the *Comprehensive Housing Needs Analysis*.

Demographic Profile and Housing Demand

The demographic profile of a community affects housing demand and the types of housing that are needed. The various housing life-cycle stages can generally be described as follows.

1. Entry-level householders

- Often prefer to rent basic, inexpensive apartments and will often “double-up” with roommates in apartment setting. Usually singles or couples without children in their early 20's.

2. First-time homebuyers and move-up renters

- Usually married or cohabitating couples in their mid-20's or 30's, some with children, but most are without children that prefer to purchase modestly-priced single-family homes or rent more upscale apartments.

3. Move-up homebuyers

- Typically families with children where householders are in their late 30's to 40's and prefer to purchase newer, larger, and therefore more expensive single-family homes.

4. Empty-nesters (persons whose children have grown and left home) and never-nesters (persons who never have children)

- Generally couples in their 50's or 60's that prefer owning but will consider renting their housing and some will move to alternative lower-maintenance housing products.

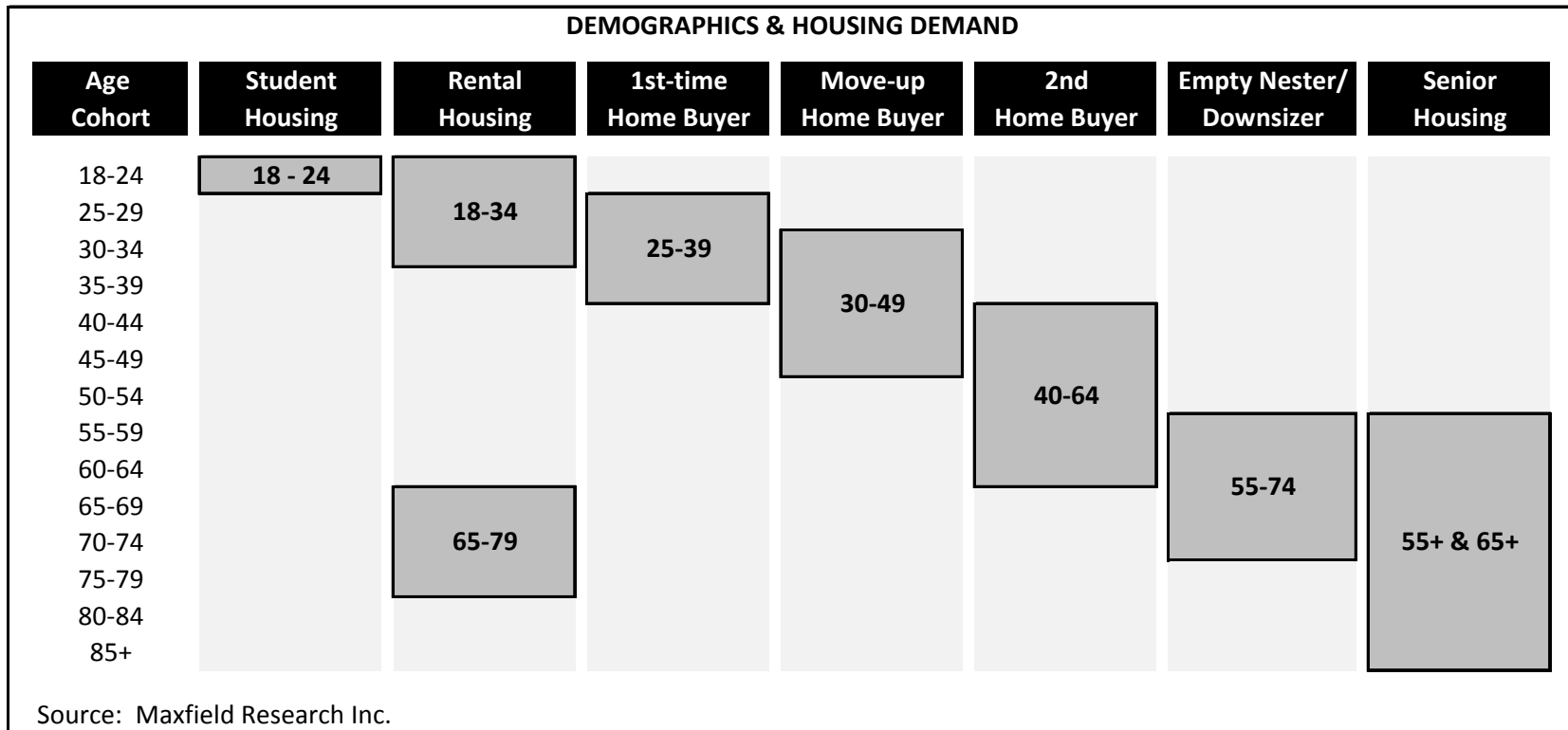
5. Younger independent seniors

- Prefer owning but will consider renting their housing and will often move (at least part of the year) to retirement havens in the Sunbelt and desire to reduce their responsibilities for housing 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.

CONCLUSIONS AND RECOMMENDATIONS



CONCLUSIONS AND RECOMMENDATIONS

TYPICAL HOUSING TYPE CHARACTERISTICS				
	Housing Types	Target Market/ Demographic	Unit/Home Characteristics	Lot Sizes/ Units Per Acre
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,	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
Rental Housing	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
	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

Source: Maxfield Research Inc.

Smaller, outstate communities and rural areas tend to have higher proportions of younger households that own their housing than in the larger growth centers or metropolitan areas. In addition, senior households tend to move to alternative housing at an older age. These conditions are a result of housing market dynamics, which typically provide more affordable single-family housing for young households and a scarcity of senior housing alternatives for older households.

The baby boom generation will have the biggest effect on the housing market in Ely as their life cycle continues. Baby boomers are currently ages 50 to 68, and as they age over this decade, they will increase the population in the age groups 55 to 74. Some of these baby boomers will prefer more expensive single-family homes, while many others who become empty nesters may prefer to downsize or desire maintenance-free alternatives. With the baby busters following in the baby boomers' wake, the age group 45 to 54 will decline, somewhat decreasing the overall demand for move-up housing.

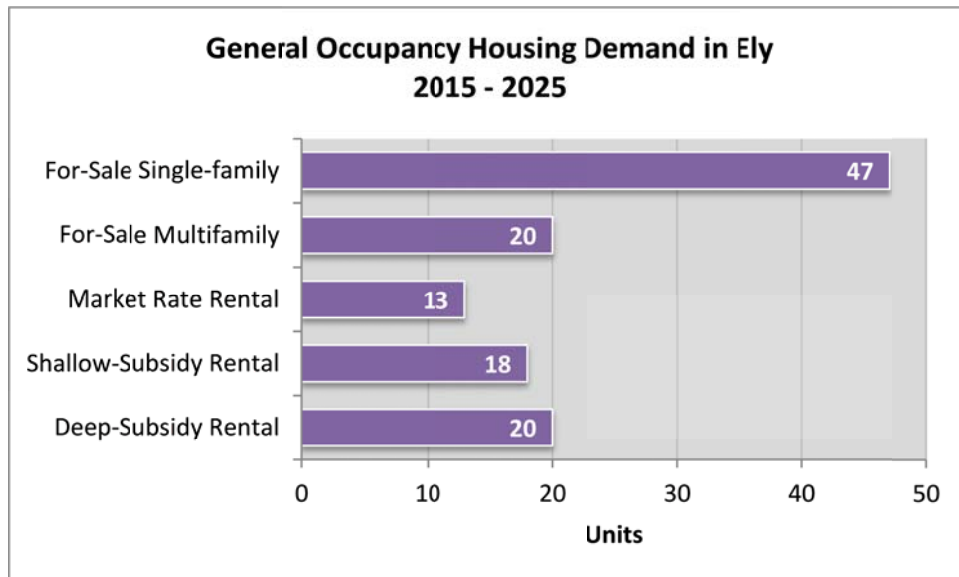
Housing Demand Summary

The following table and charts illustrate calculated demand by product type. Housing demand is comprised of several components, including projected household growth, pent-up demand (below market equilibrium vacancy rates), and replacement needs (housing functionality or physically obsolete units). Projected household growth will depend to a degree on hiring by local employers, retirees increasing in the Ely area and the potential for additional substantial employment that would be generated by new mining operations in northeastern Minnesota.

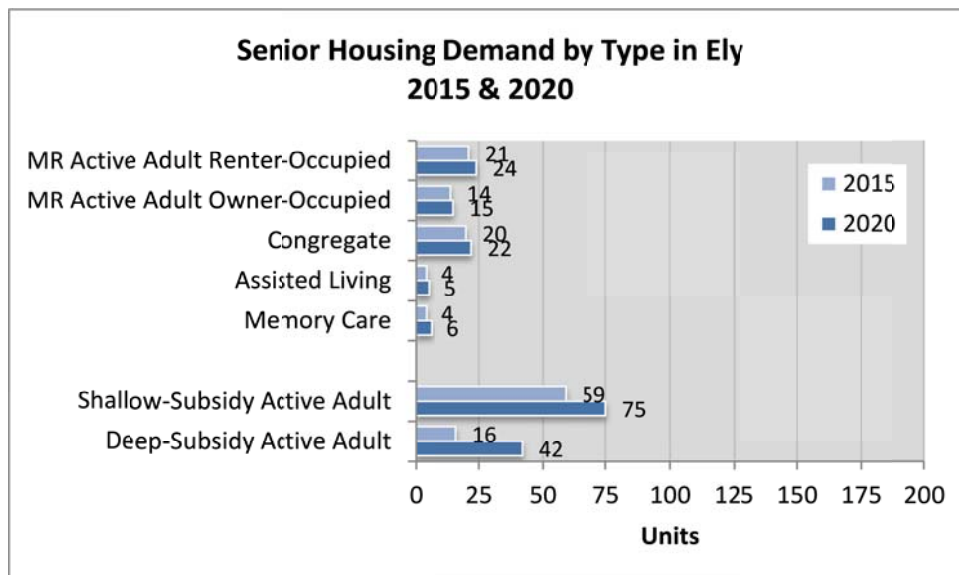
TABLE I-1 SUMMARY OF HOUSING DEMAND CITY OF ELY 2015-2025		
General-Occupancy Housing		
	2015-2025	
For-Sale Units	67	
Single-Family	47	
Multifamily	20	
Rental Units	50	
Market Rate	13	
Shallow-Subsidy	18	
Deep-Subsidy	20	
Total General Occupancy Housing Units	117	
Senior Housing		
	2015	2020
Market Rate Senior Housing		
Market Rate Active Adult	35	39
<i>Renter-Occupied</i>	21	24
<i>Owner-Occupied</i>	14	15
Congregate	20	22
Assisted Living	4	5
Memory Care	4	6
Total Market Rate Senior Housing Units	63	72
Subsidized Senior Housing		
Shallow-Subsidy Active Adult	59	75
Deep-Subsidy Active Adult	16	42
Total Subsidized Senior Housing Units	75	117
Source: Maxfield Research, Inc.		

CONCLUSIONS AND RECOMMENDATIONS

In total, we 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.



We also found excess demand for a total of 189 market rate senior housing units in 2020. Of these senior units, roughly 40% would be market rate housing and the remaining 60% would be shallow-subsidy or deep-subsidy units. This level of senior housing demand (particularly market rate active adult) may not be realized in the short-term as many seniors, especially in rural areas, prefer to age in place and delay moving to senior housing until they need services.



CONCLUSIONS AND RECOMMENDATIONS

Based on the findings of the analysis and demand calculations, Tables I-2 to I-4 provide a summary of the recommended development concepts by product type for the City of Ely. It is important to note that these proposed concepts are intended to act as a development guide to effectively meet the housing needs of existing and future households in the community.

- A total of 67 new single-family housing units over the forecast period equates to a growth rate of approximately 7 units per year. The pace of growth would be somewhat higher than the rate of single-family residential development activity that occurred in the City between 2000 and 2014 (3 units per year).
- The 50 new multifamily units equate to an annual average of roughly 5 units per year. Few units have been built in Ely over the past several years, but there have been many conversions of owned homes to rental housing, which has de facto increased the rental pool in the community.

Recommendations

Based on the findings of the analysis and demand calculations, Tables I-2 and I-3 on the following pages provide a summary of recommended development concepts for for-sale and rental housing in Ely. It is important to note that these proposed concepts are intended to act as a development guide to meet the housing needs of existing and future households in the City.

For-Sale Housing

Based on information gathered on for-sale properties in the City, we provide the following conclusions regarding the Ely for-sale housing market. Our recommendations include a breakdown of units by price range: Modest housing is defined as housing priced less than \$150,000; Move-up housing is priced between \$150,000 and \$250,000; and, Executive housing is priced over \$250,000.

- 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. Demand for housing coming from outside of the area tends to prefer higher-priced housing, but usually looks outside the city boundaries for this product. Housing demand in the City appears to be highest for modestly-priced housing in the \$80,000 to \$150,000 range, but there are also plenty of sales in the \$150,000 to \$200,000 range.
- Multifamily housing can be an option for buyers looking for a starter home and households seeking to downsize or don't want the responsibilities of upkeep and maintenance. As such, we estimate that 30% of the demand for new for-sale housing development in the City will

CONCLUSIONS AND RECOMMENDATIONS

be multifamily units, and we recommend that most for-sale multifamily units in the City be geared toward the entry-level market or for older households.

- While there is currently strong demand for modestly-priced homes, it is difficult to build new single-family detached housing priced less than \$150,000. One way to provide entry-level single-family housing is to generate household turnover by increasing the supply of move-up and executive housing. Entry-level home demand will primarily be satisfied by existing single-family homes as residents of existing homes move into move-up and executive housing products built in the community. A move-up buyer is typically one who is selling one house and purchasing another one, usually a larger and more expensive home. The move is typically desired because of a lifestyle change, such as a new job or a growing family. The 45 to 54 and 35 to 44 age groups are target markets for move-up and executive housing.

Product Type	% of Total	# of Units	Development Timing
Single-Family	70%	47	
Modest (less than \$150,000)	35%	16	2015+
Move-up (\$150,000 - \$300,000)	60%	28	2015+
Executive (over \$300,000)	5%	2	2015+
Multifamily	30%	20	
Modest (less than \$150,000)	40%	8	2015+
Move-up (\$150,000 - \$200,000)	60%	12	2015+
Total For-Sale Housing	100%	67	
Modest (less than \$150,000)	37%	24	2015+
Move-up (\$150,000 - \$300,000)	60%	40	2015+
Executive (over \$300,000)	4%	2	2015+

Source: Maxfield Research, Inc.

- In total, we found demand for 47 single-family homes in the City between 2015 and 2025. Based on the age distribution of City households, we recommend that that 60% of these homes be priced in the move-up range (28 units), 5% priced as executive homes (3 units), and 35% in the modest price range (16 units).
- We also found demand for 20 multifamily units. Because the multifamily target market will likely be first-time homebuyers or older householders looking to downsize, we recommend that multifamily housing be evenly split between the modest and move-up price ranges.

CONCLUSIONS AND RECOMMENDATIONS

- There are very few lots available for development in the City (11 in Spaulding, and some orphan lots). Absorption of lots in Ely has been very sporadic. Based on an average of three lots per year, the 11 lots in Spaulding would absorb in three years with a need for additional lots after this. However, only one subdivision for choices typically does not encourage higher absorption. While the existing lot supply would be adequate to meet demand, additional choice should be considered.

General Occupancy Rental Housing

The competitive rental analysis that the vacancy rates for nearly all types of general occupancy rental product are moderately high but still below market equilibrium (5.0% vacancy rate), indicating that there is limited pent-up demand for rental housing in Ely at this time. Our conversations with local property managers and landlords revealed that Ely's rental market is highly cyclical and seasonal.

Due to the positioning of much of the existing rental supply, a significant portion of the market rate units are priced at or below guidelines for affordable housing, which satisfies some demand from households that income-qualify for financially assisted housing. However, today's renter base is seeking newer rental properties with additional and updated amenities that are not offered in older developments. Because of the older age of the rental housing inventory, a number of properties do not provide modern features and amenities.

Based on our analysis, Ely is estimated to be able to accommodate approximately 20 new market rate rental housing units, 18 shallow-subsidy units, and 13 deep-subsidy units through 2025. Deep-subsidy projects are no longer being built as available funding is very limited. Rural Development would typically have rental assistance to support very low-income households.

Table I-3 provides a summary of the recommended mix of general housing rental housing including unit type, monthly rents, and development timing. Because the existing inventory of rental housing currently has vacancy rates that are only modestly below equilibrium, we suggest that new rentals would not have to be constructed immediately.

CONCLUSIONS AND RECOMMENDATIONS

TABLE I-3 RECOMMENDED RENTAL HOUSING DEVELOPMENT CITY OF ELY 2015 to 2025			
	Monthly Rent Range ¹	No. of Units	Development Timing
Market Rate Rental Housing			
Apartment-style (move-up)	\$600/1BR - \$1,000/3BR	12 - 12	2015+
Townhomes	\$900/2BR - \$1,200/3BR	<u>8 - 8</u>	2015+
Total		20 - 20	
Affordable Rental Housing			
Apartment-style	Moderate Income ²	18 - 18	2015+
Subsidized	30% of Income ⁴	<u>13 - 13</u>	2015+
Total		31 - 31	
¹ Pricing in 2015 dollars. Pricing can be adjusted to account for inflation. ² Affordability subject to income guidelines per US Department of Housing and Urban Development (HUD)			
Source: Maxfield Research Inc.			

- **Market Rate Rental** – We 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, we recommend eight units.

Monthly rents (in 2015 dollars) should range from \$600 for a one-bedroom unit to \$1,000 for a three-bedroom unit. Average rents in Ely are very low, but we understand that new construction will need to command higher rents to be financially feasible. Monthly rents can be trended up by 1.0% 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 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 kitchen appliance package, central air-conditioning, garage parking, and outdoor recreation (fire pit, grill area, etc.)

- **Market Rate General Occupancy Rental Townhomes**– In addition to the recommended apartment project, we find that demand exists for some townhome units for families – including those who are new to the community and want to rent until they find a home for purchase. About 8 rental townhome units could be supported by 2025. We recommend a

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project with rents of approximately \$900 for two-bedroom units to \$1,200 for three-bedroom units. Units should feature contemporary amenities (i.e. in-unit washer/dryer, high ceilings, etc.), an attached two car garage, and the development should provide open/green space as well as a playground facility to attract families with children.

- Shallow-Subsidy General Occupancy Multifamily Housing– We 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. Shallow-subsidy projects attract a broad group of tenants based on the unit type. One-bedroom units target singles and couples, whereas two and three-bedroom units target families. Some retired seniors would also be attracted to an affordable concept. Although there is an older supply of market rate apartment units in Ely that indirectly services as affordable housing, we recommend a shallow-subsidy concept that would target residents at 40% to 60% AMI. We recommend a project(s) with one, two- and three-bedroom units. Units should feature central air conditioning, full appliance package, in-unit washer/dryer, and an attached one/two car garage.
- Deep-Subsidy Rental Housing– Subsidized housing receives financial assistance (i.e. operating subsidies, rent payments, etc.) from governmental agencies in order to make the rent affordable to low-to-moderate income households. Although we find demand for 13 deep-subsidy rental housing units through 2025, this housing is very difficult to develop financially. A new subsidized or public housing development would have pent-up demand. But since this housing is challenging to develop today, an alternative to a multifamily structure is to acquire single-site housing structures to meet a portion of this demand.

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

Senior Housing

Demand exists primarily for independent living units in Ely as demand for assisted 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.

The development of additional senior housing serves a two-fold purpose in meeting the housing needs in the City: older adult and senior residents are able to relocate to new age-restricted housing in Ely, 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.

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We found demand for primarily active adult product over the next several years, but vacancy rates among the existing senior housing inventory is mixed and again, those we spoke with indicated the market fluctuates considerably. Based on current and projected excess demand potential, we expect that the market could support a new independent living building in Ely over the next five years.

TABLE I-4 RECOMMENDED SENIOR RENTAL HOUSING DEVELOPMENT CITY OF ELY 2020			
	Purchase Price/ Monthly Rent Range ¹	No. of Units	Development Timing
Senior Housing (i.e. Age Restricted)			
Active Adult Market Rate Rental ²	\$850/1BR - \$975/2BR	21 - 24	2015+
Active Adult Shallow-Sub. Rental ²	Moderate Income	59 - 75	2015+
Catered Living ³	\$1,200 - \$2,800	0 - 0	2015+
Memory Care ⁴	\$3,800 - \$4,500	0 - 0	2015+
Total		95 - 119	
¹ Pricing in 2014 dollars. Pricing can be adjusted to account for inflation.			
² Alternative development concept is to combine active adult affordable and market rate active adult into mixed-income senior community			
³ Catered living is a hybrid concept of congregate and assisted living service levels.			
⁴ Memory care housing could be a component of an assisted-living or service-intensive building.			
Source: Maxfield Research Inc.			

- **Market Rate Active Adult** – Demand was projected for about 24 market rate active adult rental units in Ely in 2020. Currently, there is one active adult rental property. We recommend however, that new product not be developed until the housing market strengthens.
- **Shallow-Subsidy and Deep-Subsidy Senior Rental** – Demand was calculated for 75 shallow-subsidy active adult units through 2020. While there are a number of deep-subsidy senior housing units in the Market Area, there are no moderate income projects. Many candidates for shallow-subsidy senior rental may be residents at older market rate rental properties. These older properties would have similar rents that would be considered affordable for these seniors. The lack of shallow-subsidy senior housing may be due to the cost and funding associated with this type of development. Therefore any shallow-subsidy senior housing project could best be incorporated into a mixed-income building to be feasible. We recommend a shallow-subsidy senior housing development in a stand-alone building.

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The study shows some limited demand for additional deep-subsidy units in Ely, the development of deep-subsidy senior housing is currently challenging. Financing subsidized senior housing is difficult as federal funds have been shrinking. Therefore, a new development would likely rely on a number of funding sources; from low-income tax credits (LIHTC), tax-exempt bonds, Section 202 program, Rural Development 515 program, Rural Development rental assistance, among others.

- **Service-Enhanced Senior Housing** – We find demand for a total of 33 service-enhanced units in Ely to 2020 (22 congregate units, 5 assisted living units, and 6 memory care units). We do not recommend developing any additional service-enriched senior housing at this time.

Congregate Service Level

The monthly fees for a congregate development should include the base monthly rent, utilities, and some assisted living services, including: social, health, wellness and educational programs; 24-hour emergency call system; and, regularly scheduled van transportation. In addition, meals and other support and personal care services should be made available to congregate residents on a fee-for-service basis. When their care needs increase, residents should be provided the option of receiving assisted living services in their existing units, either in bundled packages or a-la-carte.

Assisted Living Service Level

The fees should include the base monthly rent, utilities, and assisted living services, such as: three meals per day plus snacks; weekly housekeeping and linen service; professional activity programs and scheduled outings; nursing care management; and 24-hour on site staffing. Additional services should also be available either in service packages or a la carte for an extra monthly charge.

Memory Care Component

We suggest that any memory care units be located in a separate, secured, self-contained wing located on the first floor of the building with its own dining and common area amenities including a secure outdoor patio and wandering area. Fees should include the base rent, utilities and services such as; medication reminders, medication administration, and personal care assistance, with other service packages available a-la-carte.

Challenges and Opportunities

Tables I-2 to I-4 identified and recommended housing types to satisfy the housing needs in Ely to 2025. The following were identified as the greatest challenges and opportunities for developing the recommended housing types (in no particular order).

CONCLUSIONS AND RECOMMENDATIONS

- **Affordability.** Approximately 17% of all owner households in the Ely Market Area are considered to be cost burdened, while 34% of the existing renter households in the Market Area are considered cost-burdened. Based on current home prices, about 80% of existing owner households in the Ely PMA could afford to purchase a single-family home sold at a sale price of \$80,000. Roughly 64% of existing renter householders could afford to rent a one-bedroom unit at an existing market rate rental project; however about 20% could afford monthly rents at a new rental development.

Because the cost to own a modestly-priced home is similar to the cost to rent a new market rate rental unit, some households may choose owning over renting. However, the purchasing affordability factor will decrease with continued price appreciation, and there is a growing segment of the population that is choosing rental housing over ownership housing. These households are referred to as “lifestyle renters”, those with busy professional lives and people who prefer to spend their free time in leisure pursuits rather than on the up-keep and maintenance of a home.

- **Residential Development Costs.** Developing land is generally considered to be a profitable segment of the housing industry, yet it is also risky if the lot inventory goes unsold. Due to raw land costs, entitlements, and the cost to develop infrastructure, developers will be cautious given achievable lot prices. Subdivisions in Ely could take several years to sell out and developers have carrying costs (property taxes, financing) on improved lots.

The value of building lots is often benchmarked against the value of the completed retail housing package (sales price). Target ratios for builders show that the cost of sales should be held to 70% of the purchase price; 50% for construction hard costs and 20% for the land (raw land, improvements, financing costs, etc.) However, these ratios vary considerably based on builder, product, topography, lot type, etc. An improved single-family lot should generally cost from 18% to 25% of the projected retail price of the home.

Based on average lot costs of \$20,000 to \$25,000 in the active subdivisions in Ely, the retail price for a new single-family home should range from \$100,000 to \$125,000 based on a 20% lot-to-home ratio. However, additional infrastructure costs are likely increasing the price of the finished home and pushing down the cost of land. We recommend that the City focus first on developing the lots in Spaulding First Addition followed by a development in another area of the City.

- **Multifamily Development Costs.** It is likely to be difficult to construct new multifamily product with amenities today’s renter’s desire given market rents and development costs. High construction costs recently will likely require rents per square foot much higher than the existing product. Based on high costs, it will be difficult to develop stand-alone multifamily housing structures by the private sector based on achievable rents. As a result, a private-public partnership or other financing programs will likely be required to spur development and potentially reduce rent levels to bridge some of the gap between existing older

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product and new product. Conversion of existing buildings to rental product may be able to reduce some of the costs of new construction.

- **Job Growth/Employment.** Employment has generally been stable in the area with some increases. However, there is strong potential for employment to increase dramatically with the opening of one or both of the proposed mining operations. Should employment in the area surge, it will likely require a mix of initiatives regarding new housing development including conversion of some underutilized buildings, new construction and temporary housing for short-term workers. We anticipate that the demand figures shown in this analysis could be increased by as much as 30% to 50% depending on when new employment occurs.
- **Land Supply.** Based on our research there are 11 platted lots without infrastructure and some additional orphan lots that are being marketed. Based on this lot supply construction activity, we anticipate that the City would require some additional lots within the next five years. Again, if employment surges, more lots are likely to be needed.
- **Housing Programs.** A number of programs are provided by various agencies in northeastern Minnesota to assist with preservation. Some of the key programs that are offered include:
 - The City provides a rental licensing program to maintain the existing rental housing stock in the City.

There are other programs the City could consider to aid and improve its housing stock. The following is a sampling of potential programs that could be explored.

- Remodeling Advisor – Partner with local architects and/or builders to provide ideas and general cost estimates for property owners to upgrade and improve their homes.
- Construction Management Services – Assist homeowners with local building codes, reviewing contractor bids, etc. Typically provided as a service by the building department.
- 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-Building Trades Partnerships – Expand 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.
- Foreclosure Home Improvement Program – Low-interest loans to buyers of foreclosed homes to assist home owners with needed home improvements while stabilizing owner-occupied properties. A portion of the loan could be forgivable if the occupant resides in home at least five years. Eligibility should be based on income-guidelines (typically 80% AMI or lower).

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- 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.
- Rental Collaboration – Host meetings on a regular basis (quarterly, bi-annually, or annually) with rental property owners, property management companies, Realtors, etc. to discuss key issues and topics related to the rental housing industry.
- Rental Rehabilitation – The City has a growing supply of renter-occupied housing units, a number of which are older, that could be enhanced through renovation, and many local rental owners may have difficulty investing in their rental properties if market demand and market rents remain in the affordable range. Grant funding such as the Small Cities Development Program HOME funds may be available. The HOME Program is funded through the U.S. Department of Housing and Urban Development (HUD) and is a primary source for funds for rental rehabilitation.
- Greater Minnesota Housing Fund - The Greater Minnesota Housing Fund (“GMHF”) provides numerous programs, financing mechanisms, technical support, and research to support production of affordable housing across Greater Minnesota.
- Minnesota Housing Finance Agency - Minnesota Housing is a housing finance agency whose mission is to finance affordable housing for low- and moderate-income households across Minnesota. The organization provides numerous products and services for both the single-family and multifamily housing sectors. The organization's five strategic priorities are as follows: Preserve federally-subsidized rental housing; Promote and support successful homeownership; Address specific and critical needs in rental housing markets; Prevent and end homelessness, and; Prevent foreclosure and support community recover.

APPENDIX

APPENDIX

The appendix presents additional information on the potential demand for housing for the projected medium growth scenario (the opening and operation of the Polymet Mine) near Hoyt Lakes and the high growth scenario that includes the opening and operation of two mines (Polymet and Twin Metals). Twin Metals would be located in close proximity to the City of Ely and therefore, is projected to have a greater impact on housing demand in the City than the Polymet Mine. Tables FS-9A and FS-9B show for-sale housing demand for moderate and high growth scenarios. We anticipate that there will also be some additional demand for senior housing based on natural housing turnover from nearby employment growth, but that the increase in senior housing demand is expected to be somewhat light.

TABLE FS-9A GENERAL OCCUPANCY FOR-SALE HOUSING DEMAND-MEDIUM GROWTH ELY MARKET AREA 2015 TO 2025			
DEMAND FROM PROJECTED HOUSEHOLD GROWTH			
Projected household growth in the PMA 2015 to 2025 ¹			406
(times) Pct. of HH growth for general occupancy housing ²	x	20%	
(equals) Projected demand for general occupancy units	=		81
(times) Propensity to Own ³	x	75%	
(equals) Number of potential owner households from HH growth	=		61
DEMAND FROM EXISTING OWNER HOUSEHOLDS			
Number of owner households (age 64 and younger) in the PMA, 2015	=		3,236
(times) Estimated % of owner turnover (age 64 and younger, 2015 to 2025) ⁴	x	49%	
(equals) Total existing households projected to turnover between 2015 and 2025	=		1,586
(times) Estimated % desiring new owner housing	x	20%	
(equals) Demand from existing households	=		317
Total Demand From Household Growth and Existing Households, 2015 to 2025	=		378
(times) Ownership demand generated from outside PMA	+	20%	
(equals) Total demand potential for ownership housing in the PMA	=		473
% of PMA Demand Capturable in the City of Ely	x	30%	
Demand from Household Growth and Existing Households in Ely	=		142
		Single Family	Multi- family
(times) Percent desiring for-sale single family (SF) vs. multifamily (MF) ⁵	x	70%	30%
(equals) Total demand potential for new for-sale housing in Ely	=	99	43
¹ Estimated household growth based per ESRI and Maxfield Research Inc.			
² Pct. of household growth under age 65			
³ Pct. Owner households under age 65 in 2010			
⁴ Based on household turnover and mobility data (2012 American Community Survey, Five Year Estimates).			
⁵ Based on new construction sales data, building permit data, and growth projections by age group.			
* Multifamily demand includes demand for townhomes, twinhomes, and condominium units.			
Source: Maxfield Research Inc.			

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Under the medium growth scenario, for-sale housing demand increases from 47 single-family to 99 single-family and from 20 multifamily to 43 multifamily. Under the high growth scenario, demand for for-sale housing rises to 182 single-family and 78 multifamily units. Table FS9B shows the demand calculations for owned housing under the high growth scenario.

TABLE FS-9B GENERAL OCCUPANCY FOR-SALE HOUSING DEMAND-HIGH GROWTH ELY MARKET AREA 2015 TO 2025			
DEMAND FROM PROJECTED HOUSEHOLD GROWTH			
Projected household growth in the PMA 2015 to 2025 ¹		1,344	
(times) Pct. of HH growth for general occupancy housing ²	x	20%	
(equals) Projected demand for general occupancy units	=	269	
(times) Propensity to Own ³	x	75%	
(equals) Number of potential owner households from HH growth	=	202	
DEMAND FROM EXISTING OWNER HOUSEHOLDS			
Number of owner households (age 64 and younger) in the PMA, 2015	=	3,236	
(times) Estimated % of owner turnover (age 64 and younger, 2015 to 2025) ⁴	x	49%	
(equals) Total existing households projected to turnover between 2015 and 2025	=	1,586	
(times) Estimated % desiring new owner housing	x	20%	
(equals) Demand from existing households	=	317	
Total Demand From Household Growth and Existing Households, 2015 to 2025	=	519	
(times) Ownership demand generated from outside PMA	+	20%	
(equals) Total demand potential for ownership housing in the PMA	=	648	
% of PMA Demand Capturable in the City of Ely	x	40%	
Demand from Household Growth and Existing Households in Ely	=	259	
		Single Family	Multi-family
(times) Percent desiring for-sale single family (SF) vs. multifamily (MF) ⁵	x	70%	30%
(equals) Total demand potential for new for-sale housing in Ely	=	182	78
¹ Estimated household growth based per ESRI and Maxfield Research Inc.			
² Pct. of household growth under age 65			
³ Pct. Owner households under age 65 in 2010			
⁴ Based on household turnover and mobility data (2012 American Community Survey, Five Year Estimates).			
⁵ Based on new construction sales data, building permit data, and growth projections by age group.			
* Multifamily demand includes demand for townhomes, twinhomes, and condominium units.			
Source: Maxfield Research Inc.			

Tables H6A and H6B present similar data, but focus on the demand for general occupancy rental housing. Table H6A shows that demand is projected to rise to 20 deep-subsidy units, 31 shallow-subsidy units and 51 market rate units with the opening of the Polymet Mine. Table H6B

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shows the same calculation but under a high-growth scenario with the operations of the Polymet and Twin Metals mines.

TABLE H-6A DEMAND FOR GENERAL OCCUPANCY RENTAL HOUSING-Medium Growth ELY MARKET AREA 2015 TO 2025			
Demand From Household Growth			
Projected household growth in the PMA 2015 to 2025 ¹			180
(times) Pct. Of HH growth for general occupancy housing ²	x	25%	_____
(equals) Projected demand for general occupancy units	=		45
(times) Proportion Estimated to Be Renting Their Housing ³	x	25%	_____
(equals) Projected Demand for Rental Housing Units	=		11
Demand From Existing Households			
Number of renter households in the PMA, 2015 ⁴	=		915
(times) Estimated % of renter turnover between 2015 & 2025 ⁵	x	89%	_____
(equals) Existing Renter Households Projected to Turnover, 2015 to 2025	=		814
(times) Estimated % Desiring New Rental Housing ⁶	x	20%	_____
(equals) Demand From Existing Households	=		163
Total Demand From Household Growth and Existing Households			174
(plus) Rental demand from outside Market Area	+		25%
(equals) Total Demand for Rental Housing in the PMA	=		205
(times) percent of PMA Demand Capturable in the Ely	x		50%
(equals) Total Demand for Rental Housing the Ely	=		102
		Deep-Subsidy	Shallow-Subsidy
(times) Percent of rental demand by product type ⁷	x	<u>20%</u>	<u>30%</u>
(equals) Total demand for new general occupancy rental housing units	=	20	31
(minus) Units under construction or approved*	-	0	0
(equals) Excess demand for new general occupancy rental housing	=	20	31
¹ Estimated household growth based per ESRI and Maxfield Research Inc. ² Pct. of household growth under age 65 plus 15% of households age 65 and older. ³ Pct. Renter households under age 65 in 2010 ⁴ Renter households age 64 and younger plus 15% of renter households age 65 and older. ⁵ Based on household turnover and mobility data (2012 American Community Survey, Five Year Estimates). ⁶ Source - The Upscale Apartment Market: Trends and Prospects. Prepared by Jack Goodman of Hartrey Advisors for the National Multi Housing Council. ⁷ Based on the combination of current rental product, income limits, and household incomes of area renters (non-senior households). *Pending competitive units at 95% occupancy.			
Source: Maxfield Research Inc.			

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**TABLE H-6B
DEMAND FOR GENERAL OCCUPANCY RENTAL HOUSING-HIGH GROWTH
ELY MARKET AREA
2015 TO 2025**

Demand From Household Growth			
Projected household growth in the PMA 2015 to 2025 ¹		1,344	
(times) Pct. Of HH growth for general occupancy housing ²	x	<u>30%</u>	
(equals) Projected demand for general occupancy units	=	403	
(times) Proportion Estimated to Be Renting Their Housing ³	x	25%	
(equals) Projected Demand for Rental Housing Units	=	101	
Demand From Existing Households			
Number of renter households in the PMA, 2015 ⁴	=	915	
(times) Estimated % of renter turnover between 2015 & 2025 ⁵	x	<u>89%</u>	
(equals) Existing Renter Households Projected to Turnover, 2015 to 2025	=	814	
(times) Estimated % Desiring New Rental Housing ⁶	x	25%	
(equals) Demand From Existing Households	=	204	
Total Demand From Household Growth and Existing Households		304	
(plus) Rental demand from outside Market Area	+	25%	
(equals) Total Demand for Rental Housing in the PMA		= 358	
(times) percent of PMA Demand Capturable in the Ely	x	60%	
(equals) Total Demand for Rental Housing the Ely		= 215	
(times) Percent of rental demand by product type ⁷	x	<u>20%</u>	<u>50%</u>
(equals) Total demand for new general occupancy rental housing units	=	43	107
(minus) Units under construction or approved*	-	0	0
(equals) Excess demand for new general occupancy rental housing		= 43	107
¹ Estimated household growth based per ESRI and Maxfield Research Inc. ² Pct. of household growth under age 65 plus 15% of households age 65 and older. ³ Pct. Renter households under age 65 in 2010 ⁴ Renter households age 64 and younger plus 15% of renter households age 65 and older. ⁵ Based on household turnover and mobility data (2012 American Community Survey, Five Year Estimates). ⁶ Source - The Upscale Apartment Market: Trends and Prospects. Prepared by Jack Goodman of Hartrey Advisors for the National Multi Housing Council. ⁷ Based on the combination of current rental product, income limits, and household incomes of area renters (non-senior households). *Pending competitive units at 95% occupancy.			
Source: Maxfield Research Inc.			

Table J-1 shows a summary of the projected demand for the medium growth scenario from 2015 to 2025.

TABLE J-1 SUMMARY OF HOUSING DEMAND-MODERATE GROWTH CITY OF ELY 2015-2025		
General-Occupancy Housing		
	2015-2025	
For-Sale Units	138	
Single-Family	97	
Multifamily	41	
Rental Units	101	
Market Rate	20	
Shallow-Subsidy	30	
Deep-Subsidy	51	
Total General Occupancy Housing Units	239	
Senior Housing		
	2015	2020
Market Rate Senior Housing		
Market Rate Active Adult	45	49
<i>Renter-Occupied</i>	26	29
<i>Owner-Occupied</i>	19	20
Congregate	22	25
Assisted Living	6	8
Memory Care	6	8
Total Market Rate Senior Housing Units	79	90
Subsidized Senior Housing		
Shallow-Subsidy Active Adult	59	75
Deep-Subsidy Active Adult	16	42
Total Subsidized Senior Housing Units	75	117
Source: Maxfield Research, Inc.		

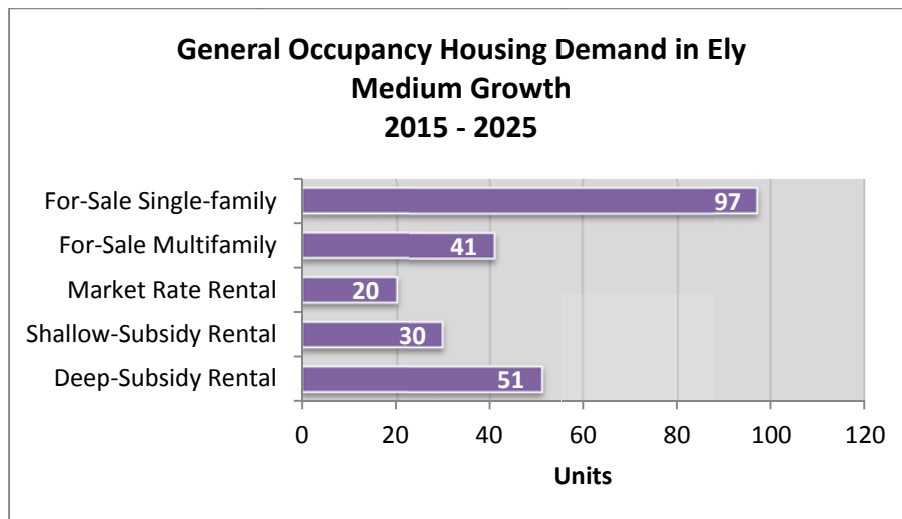
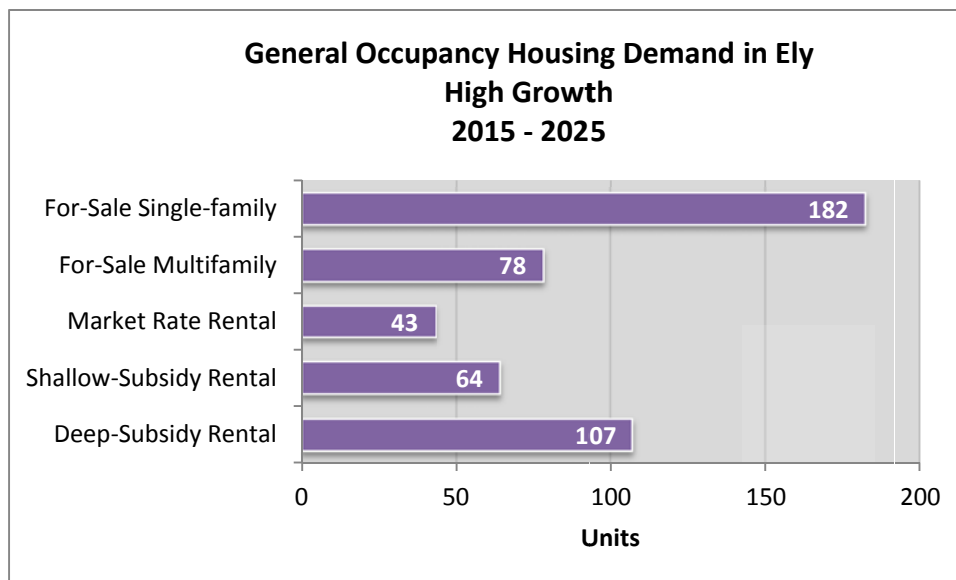


Table J-2 shows a summary of the projected demand for the high growth scenario from 2015 to 2025.

TABLE J-2 SUMMARY OF HOUSING DEMAND-HIGH GROWTH CITY OF ELY 2015-2025		
General-Occupancy Housing		
	2015-2025	
For-Sale Units	260	
Single-Family	182	
Multifamily	78	
Rental Units	214	
Market Rate	43	
Shallow-Subsidy	64	
Deep-Subsidy	107	
Total General Occupancy Housing Units	474	
Senior Housing		
	2015	2020
Market Rate Senior Housing		
Market Rate Active Adult	60	65
<i>Renter-Occupied</i>	36	40
<i>Owner-Occupied</i>	24	25
Congregate	24	26
Assisted Living	8	10
Memory Care	8	10
Total Market Rate Senior Housing Units	100	111
Subsidized Senior Housing		
Shallow-Subsidy Active Adult	59	75
Deep-Subsidy Active Adult	16	42
Total Subsidized Senior Housing Units	75	117
Source: Maxfield Research, Inc.		



We note that the High Growth scenario assumes the opening and operation of the Twin Metals mining plant, southeast of Ely. We estimate that this plant is not likely to open until at least 2020. This means that demand resulting from the opening of the plant would not occur until shortly before that and the majority is expected to occur post-2020. Demand identified may extend beyond the 2025 timeframe to account for the time to construct the housing units.

The Medium Growth scenario assumes the opening and operation of the Polymet Mine. Permits for construction on the mine could be issued late next year and opening sometime in 2017. Housing demand is likely to increase during the construction period with a higher level of demand expected to occur after 2018.

TABLE K-1 PROJECTED EMPLOYMENT POLY-MET MINING FACILITIES December 2014			
Position	Mean	Median	# of Positions
Engineers			37
Civil	\$34.87	\$34.44	
Electrical	\$39.15	\$38.14	
Environmental	\$31.80	\$33.28	
Mining	\$41.13	\$40.51	
Mettalurgy	\$42.97	\$42.26	
Mechanical	\$36.37	\$35.33	
Business and Finance			13
Finance	\$35.85	\$34.68	
Accounting	\$33.99	\$27.56	
Purchasing	\$26.16	\$25.99	
Inventory Control	\$28.22	\$27.64	
Human Resources	\$26.96	\$25.15	
Employee Development	\$24.54	\$23.95	
Information Technology	\$35.29	\$33.56	
Managers/Supervisors			52
Mine Operations			
Operations	\$39.86	\$36.43	
Maintenance	\$47.79	\$46.53	
Planning			
Plant Operations			
Operations	\$39.86	\$36.43	
Maintenance	\$47.79	\$46.53	
Planning			
Dispatchers	\$19.37	\$16.67	
Control Room Operators	\$30.92	\$32.75	
Lab	\$35.15	\$33.03	
Quality Assurance	\$21.27	\$22.06	
Warehouse			
Inventory	\$25.08	\$24.89	
Product Handling	\$12.65	\$11.04	
Business			16
Accounting	\$15.80	\$15.71	
Information Technology	\$29.03	\$27.32	
Warehouse			
Inventory Control	\$25.08	\$24.89	
Product Handling	\$12.65	\$11.04	
Human Resources			
Payroll	\$19.13	\$19.38	
Benefits	\$16.96	\$16.33	
Administrative Assistants	\$20.95	\$20.34	
Technical Crafts			65
Mechanical	\$23.32	\$23.14	
Maintenance	\$30.19	\$31.73	
Electrical	\$29.75	\$30.17	
Instrumentation	\$29.75	\$30.17	
CAD Technician	\$24.73	\$23.38	
Surveyors	\$35.39	\$33.58	
Mining and Mineral Tech			177
Mining Equipment Techs			
Shovel	\$22.42	\$20.50	
Drilling	\$24.89	\$22.81	
Blasting	\$27.53	\$30.32	
Truck	\$19.46	\$18.12	
Mobile Equipment	\$25.09	\$25.31	
Train	\$25.09	\$25.31	

TABLE K-1 PROJECTED EMPLOYMENT POLY-MET MINING FACILITIES December 2014 (continued)			
Position	Mean	Median	# of Positions
Ore Beneficiation Techs			
Crushing	\$21.33	\$21.28	
Milling	\$18.27	\$17.24	
Flotation			
Mineral Extraction Technician			
Hydrometallurgy	\$25.98	\$27.39	
Lab	\$21.83	\$21.68	
Quality Assurance	\$21.27	\$22.06	
Construction Trades			550
Pipefitters	\$30.52	\$29.98	
Carpenters	\$22.52	\$24.06	
Cement Finishers	\$24.77	\$25.08	
Bricklayers	\$32.82	\$32.93	
Roofers	\$27.24	\$30.43	
Millwrights	\$22.52	\$24.06	
Truck Drivers	\$19.46	\$18.12	
Boilermakers	\$28.18	\$28.07	
Insulators	\$32.80	\$36.87	
Electricians	\$30.37	\$31.56	
Ironworkers	\$22.87	\$21.69	
Sheetmetal	\$31.40	\$32.54	
Painters	\$19.90	\$19.25	
Summary			
On-Site Workers			360
Construction Workers			550
2 million hours			
3,636 hours or 1.74 years			
Note: Hourly wage rates shown in 2014 dollars			
Sources: Polymet; MN DEED - Quarterly Census of Employment and Wages			