

Comprehensive Housing Needs Analysis Update for the City of Two Harbors, Minnesota

Prepared for:
City of Two Harbors
Two Harbors, Minnesota

April 2022



Maxfield
Research & Consulting

2823 Hamline Avenue North
Roseville, MN 55113
612.338.0012
www.maxfieldresearch.com



Maxfield

Research & Consulting

Breaking Ground since 1983

April 7, 2022

Jennifer Sterbenz
Community Development Planner
City of Two Harbors
522 First Avenue
Two Harbors, MN 55616

Ms. Sterbenz:

Attached is the *Comprehensive Housing Needs Analysis Update for Two Harbors, Minnesota* conducted by Maxfield Research and Consulting, LLC. The study projects housing demand to 2036 and provides recommendations on the amount and type of housing that could be built in Two Harbors to satisfy demand from current and future residents for the periods 2022 to 2036.

The study identifies a potential demand for 726 new housing units in Two Harbors to 2036. Demand was divided between general-occupancy housing (73.3%) and age-restricted senior housing (26.7%). Because nearly all the population growth is in the 65 and over demographic cohorts, strong demand exists for age-restricted housing and association-maintained housing products. Our inventory of general-occupancy rental housing found a low vacancy rate under 2% among the inventoried rental housing stock. The low vacancy rate indicates pent-up demand for additional rental units in Two Harbors. In addition, there is currently a limited variety of lots available to meet demand. Some options for new entry level lots could potentially be made available through in-fill or redevelopment. Detailed information regarding recommended housing concepts can be found in the *Conclusions and Recommendations* section at the end of the report.

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

Sincerely,

MAXFIELD RESEARCH AND CONSULTING, LLC

Mary Bujold
President
Attachment

Andrew McIntyre
Research Associate

TABLE OF CONTENTS

	<u>Page</u>
EXECUTIVE SUMMARY	1
Purpose and Scope of Study	1
DEMOGRAPHIC ANALYSIS	7
Introduction	7
Primary Market Area Definition	7
Population and Household Estimates and Projections	10
Household Size	13
Age Distribution Trends.....	14
Household Income by Age of Householder	16
Tenure by Age of Householder	21
Tenure by Household Size	23
Household Type.....	25
Net Worth	27
Race of Population	30
Summary of Demographic Trends	32
HOUSING CHARACTERISTICS	33
Introduction	33
Residential Construction Trends.....	33
American Community Survey	35
Occupied Housing Units by Tenure	35
Age of Housing Stock.....	36
Housing Units by Structure and Tenure.....	37
Owner Occupied Housing Units by Mortgage Status.....	40
Owner-Occupied Housing Units by Value.....	42
Renter-Occupied Units by Contract Rent	43
Tenure by Household Income	45
Mobility in the Past Year	47
Summary of Housing Characteristics	49
EMPLOYMENT TRENDS	50
Employment Trends	50
Employment Projections	50
Resident Labor Force.....	51
Employment and Wages by Industry	54
Commuting Patterns	58
In Flow/Out Flow	60
Worker Profile	63
Major Employers	64
Summary of Employment Trends	66

TABLE OF CONTENTS (Continued)

	<u>Page</u>
RENTAL MARKET ANALYSIS	67
Introduction	67
Overview of Rental Market Conditions	67
General Occupancy Rental Projects.....	70
Short Term/Vacation Rentals	77
Planned and Proposed Rental Developments	78
SENIOR HOUSING ANALYSIS	79
Introduction	79
Senior Housing Defined.....	79
Older Adult Population and Household Trends	79
Supply of Senior Housing in the Two Harbors Market Area	82
Planned and Proposed Senior Housing Projects.....	85
FOR-SALE HOUSING ANALYSIS	88
Introduction	88
Home Resales in the Primary Market Area.....	88
Current Supply of Homes on the Market.....	91
Owner Occupied Turnover	93
Actively Marketing Subdivisions	95
Realtor Interviews	98
Planned and Proposed Housing Projects	98
HOUSING AFFORDABILITY	99
Introduction	99
Housing Cost Burden.....	103
Housing Vouchers	105
Housing Costs as Percentage of Household Income.....	105
HOUSING DEMAND ANALYSIS	108
Introduction	108
Demographic Profile and Housing Demand	108
Housing Demand Overview	109
For-Sale Housing Market Demand Analysis.....	112
Rental Housing Demand Analysis	116
Senior Housing Demand Analysis	119
Two Harbors Market Area Demand Summary	125
CONCLUSIONS AND RECOMMENDATIONS	130
Two Harbors Recommendations	130
Development Timeline	133

TABLE OF CONTENTS (Continued)

	<u>Page</u>
CHALLENGES AND OPPORTUNITIES	135
Challenges and Opportunities	135
APPENDIX	144
Definitions	145

LIST OF TABLES

<u>Table Number and Title</u>	<u>Page</u>
D1. Population Growth Trends and Projections, PMA, Two Harbors, 2000 - 2036	11
D2. Population Age Distribution, Two Harbors Market Area, 2000 - 2036	15
D3. Household Income by Age of Householder, Two Harbors, 2021 & 2026.....	17
D4. Household Income by Age of Householder, Lake County, 2016 & 2026.....	18
D5. Household Income by Age of Householder, PMA, 2021 & 2026	19
D6. Tenure by Age of Householder, PMA, 2010 & 2021	22
D7. Tenure by Household Size, Two Harbors, PMA, 2010 & 2021	24
D8. Household Type, PMA, 2010 & 2021.....	26
D9. Estimated Net Worth by Age of Householder, PMA, 2021.....	29
D10. Population Distribution by Race, PMA, 2010 & 2021	31
 HC1. Residential Construction Building Permits, PMA, 2000 - 2020	 34
HC2. Occupied Housing Units by Tenure, PMA, 2019	35
HC3. Age of Housing Stock, PMA, 2019	37
HC4. Housing Units by Structure & Tenure, PMA, 2019	39
HC5. Owner-Occupied Housing Units by Mortgage Status, PMA, 2019	41
HC6. Owner-Occupied Units by Value, PMA, 2019	43
HC7. Renter Occupied Units by Contract Rent, PMA, 2019	44
HC8. Tenure by Household Income, PMA, 2019	45
HC9. Mobility in the Past Year, PMA, 2019.....	48
 E1. Employment Projections, 2021 - 2031	 50
E2. Annual Average Resident Employment, Lake County, 2000 - 2021	53
E3. Quarterly Census Employment and Wages, Two Harbors, 2019 Q2-2021 Q2	57
E4. Commuting Patterns, Two Harbors and Lake County, 2019.....	59
E5. Commuting Inflow/Outflow, Two Harbors and Lake County, 2019.....	61
E6. Resident Profile, Lake County, 2019.....	63
E7. Major Employers, Lake County, 2021.....	64
 R1. Bedrooms by Gross Rent, Renter-Occupied Housing Units, PMA, 2019.....	 68
R2. Larger Market Rate Rental Projects, PMA, June 2019	72
R3. Market Rate Rent Summary, June 2019	73
R4. General Occupancy Affordable/Subsidized Rental Projects, PMA, January 2022.....	74

LIST OF TABLES (Continued)

<u>Table Number and Title</u>	<u>Page</u>
S1. Senior Housing Projects, PMA, January 2022	84
FS1. Two Harbors Resale Values, 2000 to 2021	90
FS2. Homes Currently Listed For-sale, Two Harbors, January 2022	92
FS3. Owner-Occupied Turnover, PMA	94
FS4. Active For-Sale Single Family Developments, Lake County, January 2022	95
HA1. MHFA/HUD Income and Rent Limits, Lake County, 2021	101
HA2. Maximum Rent Based on Household Size and Area Median Income, PMA, 2021.....	102
HA3. Housing Cost Burden, PMA, 2021.....	104
HA4. Two Harbors Housing Affordability, Based on Household Income	107
DMD1. Demand for Additional For-Sale Housing, Two Harbors, 2021 to 2036.....	114
DMD2. Demand for Additional Rental Housing, Two Harbors, 2021 to 2036.....	117
DMD3. Demand for Market Rate Active Adult Rental Housing, Two Harbors, 2021 to 2036	120
DMD4. Demand for Subsidized/Affordable Senior Housing, Two Harbors, 2021 to 2036...	121
DMD5. Demand for Congregate Rental Housing, Two Harbors, 2021 to 2036.....	122
DMD6. Demand for Assisted Living Rental Housing, Two Harbors, 2021 to 2036.....	123
DMD7. Demand for Memory Care Rental Housing, Two Harbors, 2021 to 2036	124
CR1. General Occupancy Excess Demand Summary, Two Harbors, 2021 to 2036.....	126
CR2. Senior Housing Excess Demand Summary, Two Harbors, 2021 to 2036	126
CR3. Senior Housing Demand Summary, 2022 to 2036.....	128
CR4. Housing Recommendations Development Timeframe, 2021 to 2036.....	134

MAPS

	<u>Page</u>
Primary Market Area.....	8
Drive Time Map From Two Harbors City Hall 522 1 st Avenue (15,30, & 45 Minutes)	9
Inflow/Interior Flow/Outflow Two Harbors, MN.....	62
Inflow/Interior Flow/Outflow Lake County, MN	62
Rental Housing Properties.....	75
Senior Housing Properties.....	86

Purpose and Scope of Study

Maxfield Research and Consulting, LLC was engaged by the City of Two Harbors to conduct a *Comprehensive Housing Needs Analysis* for Two Harbors, Minnesota; a picturesque city situated along the shore of Lake Superior. The Housing Needs Analysis provides recommendations on the amount and types of housing that should be developed to meet the needs of current and future households choosing to reside in the city.

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



Agate Bay



Two Harbors Lighthouse



Downtown Two Harbors



Castle Danger Brewery

Demographic Analysis

- Two Harbors is the population center of the PMA (27.4% of the PMA's population in 2021) and is forecast to remain roughly the same to 2036 (27.5% of the PMA's population), although its population is expected to remain roughly flat between 2021 and 2031. Lake County's population is expected to decline by 1.0% between 2021 and 2031.
- Household growth is expected to be slightly less than population growth in both Two Harbors and the PMA between 2021 and 2031. Similar to population trends, Lake County is anticipated to experience contraction in its households, decreasing by 0.6% between 2021 and 2031 and 0.3% between 2031 and 2036.
- In 2010, the largest adult age cohort in the PMA was age 45 to 54. This age cohort is also the largest adult cohort in Two Harbors. Between 2000 and 2010, the 55 to 64 age cohort grew by 42.7% (632 people) in the PMA and by 39.9% (125 people) in Two Harbors. As of 2021, in Two Harbors, Lake County, and the PMA, the largest adult age cohort is estimated to be those 55 to 64. By 2036, reflecting an aging population the largest age cohort is projected to be those between 65 to 74 in all geographies.
- The median income for the PMA in 2021 was \$65,088, 20.1% higher than the Two Harbors 2021 median income of \$56,156. Incomes in the PMA are forecast to increase by 11.5% and by 7.6% in Two Harbors between 2021 and 2026. The median household income among the age 65 to 74 cohort is projected to experience the greatest increase (15.1%) in the PMA from 2021 to 2026.
- Over 82% of PMA households were owner households in 2021. Additionally, there are high rates of ownership among the youngest age cohorts, where there are traditionally more renters.

Housing Characteristics

- The number of building permits issued for new residential units in the PMA continues to reflect the impact of the Great Recession. From 2000 to 2008, 64 new residential units were permitted in Two Harbors. The years 2009 through 2016 recorded only 11 permits issued for new residential units. Activity increased in 2016, with four single-family units permitted in the City. Permits more recently were the following: 2017, two single family permits; 2018, three single family permits; 2019, one single family permit; and 2020, no permits.
- Owner-occupied, single-family detached units accounted for the largest share of housing in the PMA; 83.5% of all housing units. In Lake County, 82.0% of housing units were owner-occupied while 63.7% of Two Harbors housing units were owner-occupied.
- The age of the housing stock is older in Two Harbors than the PMA as a whole. In Two Harbors, most housing units were built prior to 1940 while in the PMA, most were built in the 1950s. The median year built in the PMA is 1969, compared to 1952 in Two Harbors.

EXECUTIVE SUMMARY

- Two Harbors' renter households were most likely to pay between \$500 and \$749 in monthly rent, with 45.6% of renter occupied units reporting rents in this range. Over 22% (22.1%) of renter-occupied units in Two Harbors charged \$1,000 or higher in rent. In the PMA, the most common rent range was \$500 to \$749 accounting for 38.8% of rental units; units renting for \$1,000 or more accounted for 15.5% of units in the PMA.
- An estimated 66.1% of homes in Two Harbors carry a mortgage and homes with a mortgage reported a lower median value, \$147,700, compared to homes without a mortgage, \$156,000.
- The median contract rent in Two Harbors, \$629, is 1.3% greater than in Lake County (\$621) but 2.0% less than that of the PMA (\$642).
- As incomes rise, the proportion of owner-occupied units increases also. In Two Harbors, the homeownership rate increased with income, although there are higher renter rates among households with incomes between \$50,000 and \$99,999 in Two Harbors, which suggests that there are a significant number of lifestyle renters in the City. In the PMA, the trend is smoother, with the highest proportion of renters occurring in the Under \$15,000 category, with a renter rate of 43.9%.
- The most mobile age cohort in the PMA is the 25 to 34 age cohort, with 20.7% of the population reporting a move in the last year, followed by the Under 18 age group, with 17.3% of the cohort reporting a move.

Employment Trends

- Total employment in Two Harbors is projected to increase by 0.8% between 2021 and 2026, while employment in Lake County is projected to decrease by 1.8%. Between 2026 and 2031 employment in Two Harbors is projected to decrease by 0.9% while throughout Lake County employment is projected to decrease by 1.7%.
- The 2021 unemployment rate in Lake County was 4.0%, below the Arrowhead EDR (4.2%), but above the State of Minnesota (3.6%).
- In Two Harbors, the Information sector reported the highest weekly wage, \$1,463, or approximately \$76,076 annually. The lowest average weekly wage was in the Leisure and Hospitality sector, at \$458 per week (\$23,816 annually).
- Most Two Harbors workers travel less than 10 miles to their jobs (53.3%). An estimated 14.1% travel between 10 and 24 miles to their job, while 19.1% travel between 25 and 50 miles and 13.6% travel 50 miles or more.
- Most of Two Harbors workers commute into Two Harbors or live and work in Two Harbors, with 1,066 commuting into the City and 564 workers living and working in the City. In comparison, 1,269 workers leave the City.

Rental Housing Market Analysis

- A median gross rent of \$648 was reported in Two Harbors, which was below that of Lake County (\$662) and the PMA (\$703). The PMA's median rent was 33.7% less than the median gross rent reported in the State of Minnesota (\$977).
- An estimated 61.7% of rental units in the PMA are in Two Harbors. The most common type of rental unit in Two Harbors is a one-bedroom unit, which comprised 37.8% of all units in Two Harbors and was proportionally higher than the PMA (29.0%). Three-bedroom or more units were the next most common, comprising 32.4% of rental units in Two Harbors while two-bedroom units were the most common unit type in the PMA (33.9%).
- In total, Maxfield Research surveyed 129 general occupancy market rate rental units in the PMA spread across six multifamily developments (10 units and larger). At the time of the survey, there were no vacant market rate units. Typically, a healthy rental market maintains a vacancy rate of roughly 5%, which promotes competitive rates, ensures adequate consumer choice, and allows for unit turnover.
- Affordable/subsidized properties in the PMA have 58 units and have two vacant units for a vacancy rate of 3.4% at the time of the survey in January 2022. Combined with market rate properties, there was an overall vacancy rate of 1.1% in the PMA.

Senior Housing Market Analysis

- There are seven senior housing facilities located in the PMA with a total of 183 units. Combined, the overall vacancy for market rate senior projects was 7.1% (13 units). Generally, healthy senior housing vacancy rates range from 5% to 7% depending on the service level.
- There are two active-adult few services properties in the PMA; Harbor Point with 41 subsidized senior specific units and Bayview Terrace with 40 subsidized units.
- There are five assisted living properties located in the PMA with a total of 90 units. Properties include the following: Waterview Shores (41 units), Carefree Living - Silver Bay (22 units), Barross Cottage I (7 units), Barross Cottage II (10 units), and Agate Bay (10 units).
- There is one property in the PMA that provides memory care housing and services, Carefree Living - Silver Bay with 12 units of memory care.
- Because of the strong growth in the 65 and over demographics, senior housing need will be growing moving forward and additional senior housing products will be needed to meet the projected demand.

Housing Affordability

- In Two Harbors, 21.1% of all owner households are cost-burdened, and 38.2% of renter households are cost-burdened. Similarly, in the PMA, 19.5% of owner households are cost-burdened, and 21.1% of renter households are cost burdened.
- The number of cost-burdened households in Two Harbors increases proportionally based on lower incomes. About 64.4% of renters with incomes below \$35,000 are cost-burdened and 43.3% of owners with incomes below \$50,000 are cost-burdened.
- The Lake County HRA does not administer housing choice vouchers, the housing choice voucher program is administered by the Arrowhead Economic Opportunity Agency.

For-Sale Housing Market Analysis

- The median sales price in Two Harbors was \$212,250 in 2021, up \$15,250 from the 2020 median sales price of \$197,000 in 2020. In addition, the 2021 median sales price of \$212,250 in Two Harbors was 37.3% higher than the 11-year median sales price average of \$154,538 between 2010 and 2021.
- As of January 2022, there were four single family homes and nine condo/townhomes listed for sale within the City of Two Harbors.
- Based on a median list price of \$279,900 for active listings in the City of Two Harbors, the income required to afford a home at this price would be between \$79,971 and \$93,300; 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. An estimated 32% (31.7%) of PMA households have annual incomes at or above \$79,971.
- There are a total of 20 vacant lots in Two Harbors, located in the Hidden Springs and Harbor Hills subdivisions. Both subdivisions were platted before the recession. Lots range in price from \$22,000 to \$73,600 in Hidden Springs and \$24,000 to \$59,400 in Harbor Hills. Homes range in price from \$193,400 to \$455,600 in Hidden Springs and from \$213,500 to \$397,000 in Harbor Hills.

Development Pipeline

- As of January 2022, there are no new planned housing projects either under construction or in the planning process in Two Harbors or the Primary Market Area.

EXECUTIVE SUMMARY

Housing Needs Analysis

- Based on our calculations, demand exists in Two Harbors for the following general occupancy product types between 2021 and 2036:
 - Market rate rental 96 units
 - Affordable rental 75 units
 - Subsidized rental 43 units
 - For-sale single-family 160 units
 - For-sale multifamily 158 units
- Suggested development is noted in Table CR-3 for 2021-2060 and for 2026-2036.
- In addition, we find demand for multiple senior housing product types. By 2036, demand in Two Harbors for senior housing is forecast for the following:
 - Active adult ownership 32 units
 - Active adult market rate rental 32 units
 - Active adult affordable 33 units
 - Active adult subsidized 27 units
 - Independent Living 34 units
 - Assisted Living 12 units
 - Memory Care 24 units
- Suggested development is noted in Table CR-2 for 2021-2026 and for 2026-2036.



For Sale Land Near Agate Bay and Downtown Two Harbors

Introduction

This section of the report examines factors related to the current and future demand for housing in the Two Harbors Market Area. It includes an analysis of population and household growth trends and projections, projected age distribution, household income, household types, household tenure, employment growth trends and commuting patterns for the City of Two Harbors and the Primary Market Area. A review of these characteristics provides insight into the demand for various types of housing in the Market Area.

Primary Market Area Definition

Maxfield Research identified a draw area for the City of Two Harbors that consists of Lake County (which includes all of Two Harbors) and three county subdivisions in St. Louis County (Alden Township, Duluth Township, and Pequawaywan Township), Minnesota. Maxfield Research analyzed the capacity of the Primary Market Area (or PMA), to support additional general occupancy and senior housing based on its current resident base and considered growth trends and demographic characteristics, traffic and community orientation patterns, geographic and man-made barriers, discussions with local officials, and our experience in for-sale and rental housing feasibility. A map of the Primary Market Area is shown on the following page

In considering the PMA, we estimate that 70.0% of the demand for proposed rental and for sale housing in the PMA will be generated from the PMA (75.0% of market rate and subsidized/affordable senior housing and 80.0% of all other senior housing). The remaining portion of rental and for sale demand (30.0%) would come from outside of the PMA (25.0% of market rate and subsidized/affordable senior housing and 20.0% of all other senior housing). These individuals include people currently residing just outside the PMA who have an orientation to the area (i.e. job, recreation, etc.), and people who once resided in the area who desire to move back to be near friends and family.

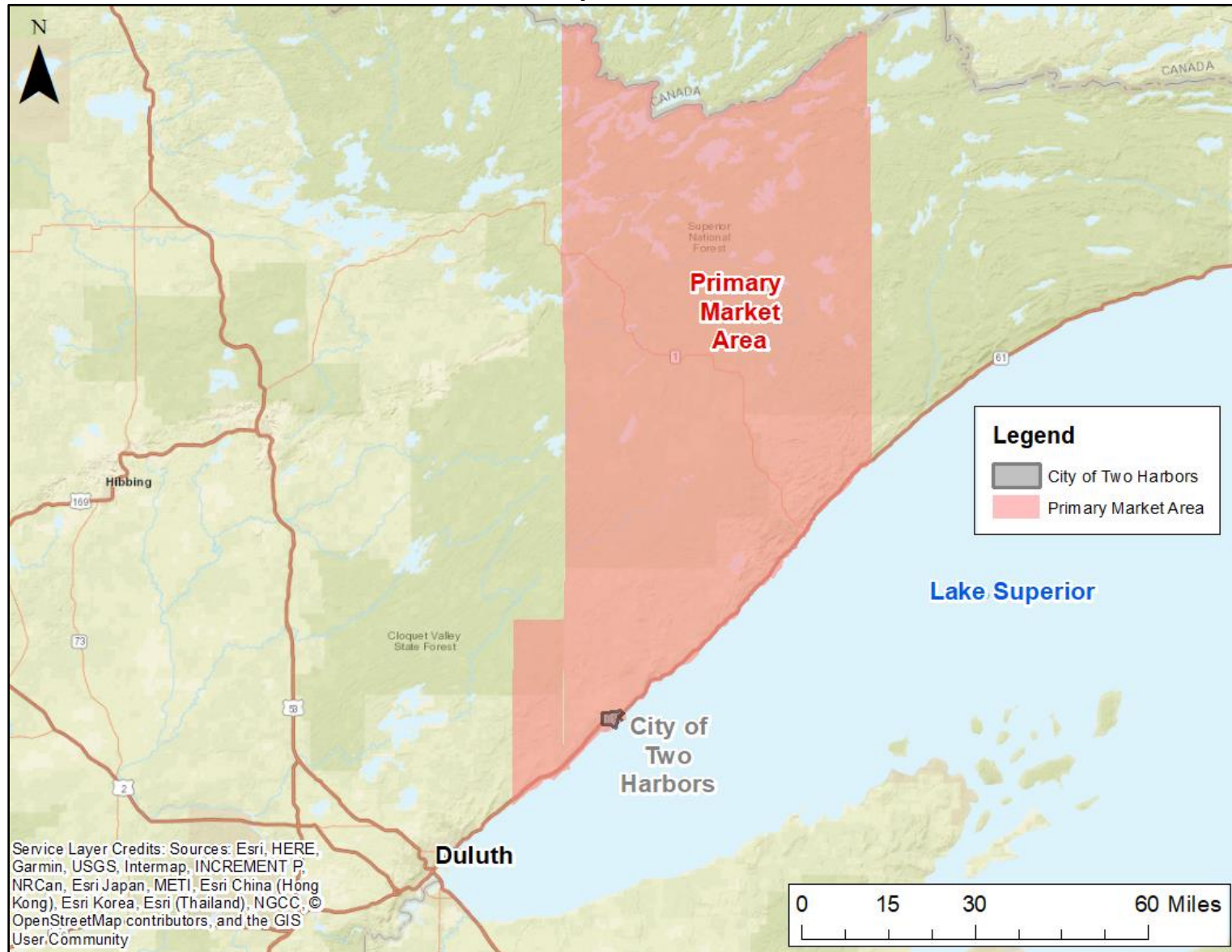


Two Harbors – Primary PMA City

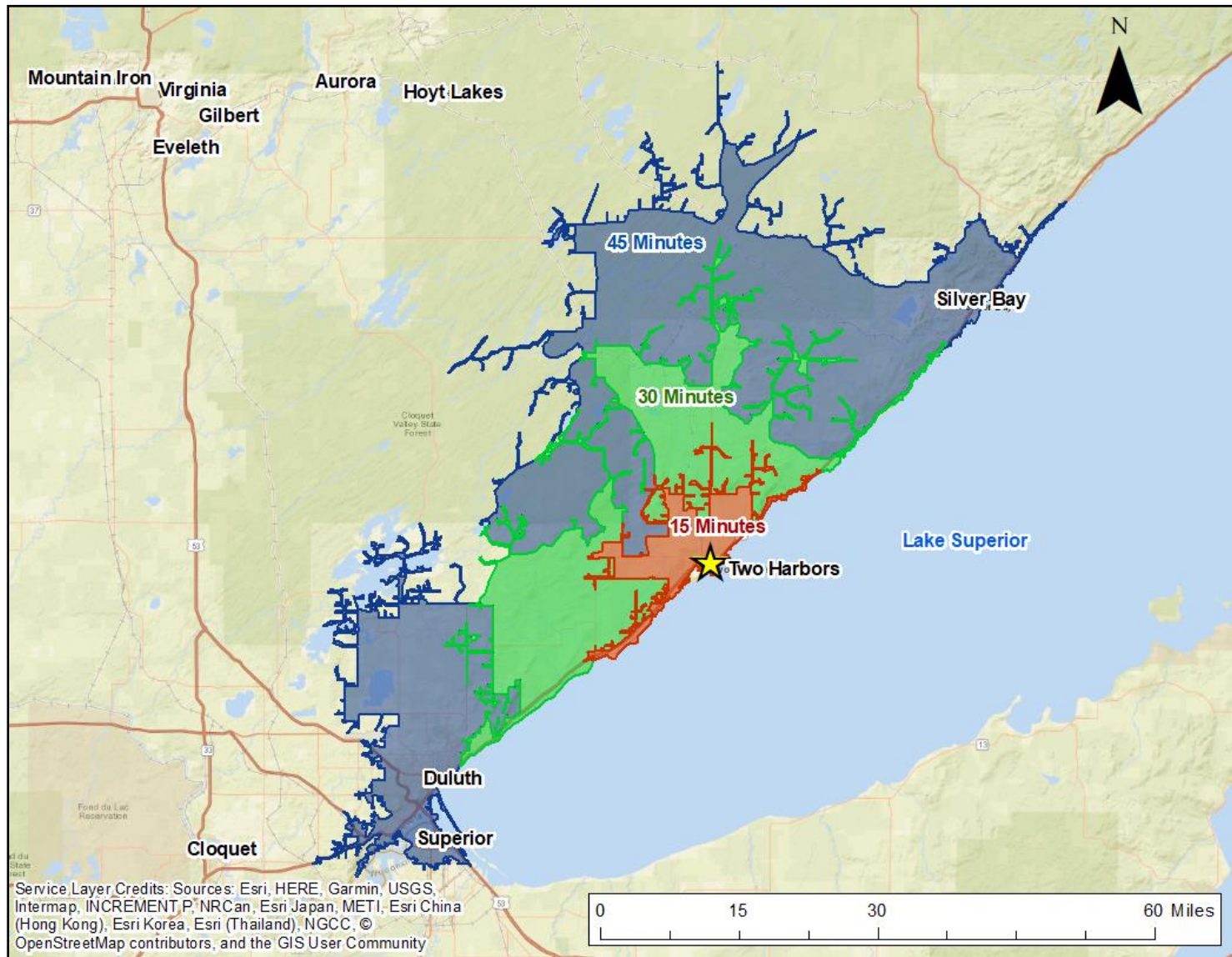


Silver Bay – Other PMA City

Primary Market Area



Drive Time Map from Two Harbors City Hall – 522 1st Avenue (15, 30, & 45 Minutes)



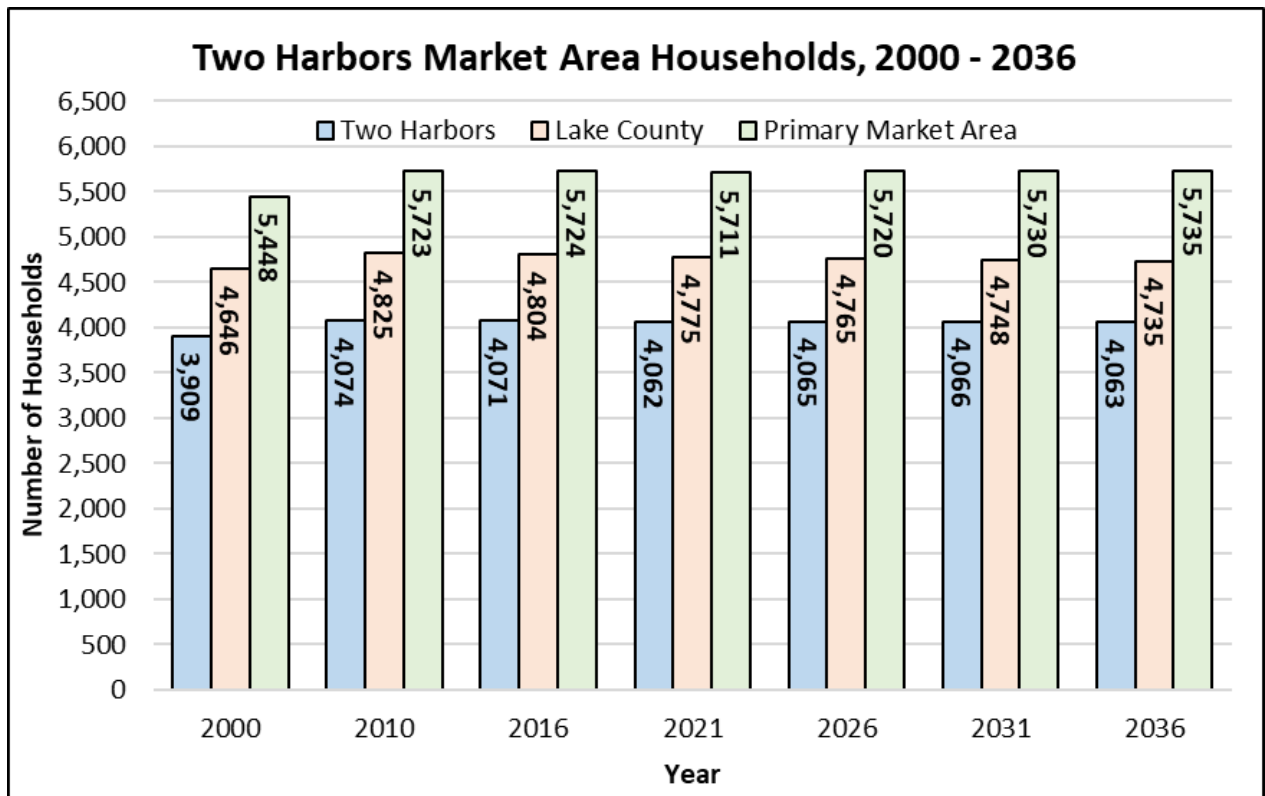
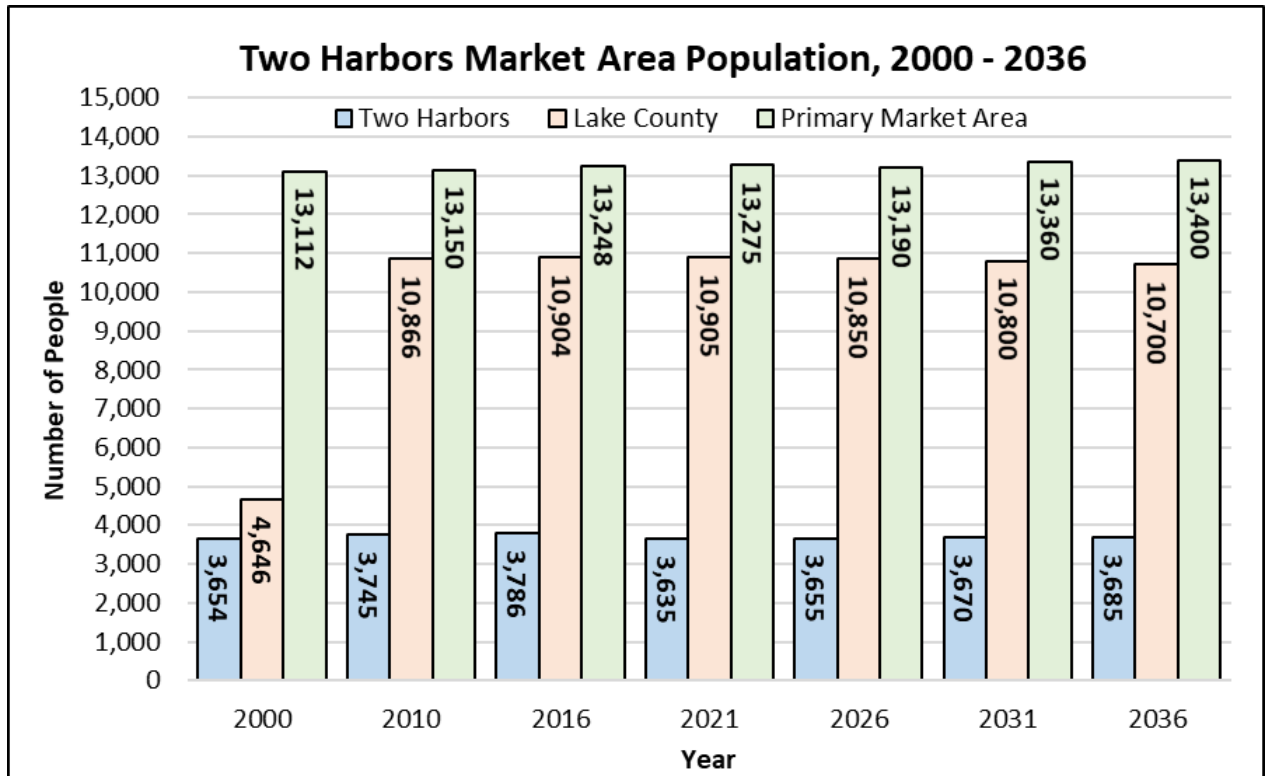
Population and Household Estimates and Projections

Table D-1, on the following page, presents population and household growth trends and projections for the Market Area through 2036. Following Table D-1 are graphs illustrating population and household growth in the PMA compared to nearby Duluth, St Louis County, and the State of Minnesota. Estimates for 2016 and projections to 2036 are based on information from ESRI (a national demographics service provider), the State of Minnesota Demographer, with adjustments by Maxfield Research based on local trends.

- The City of Two Harbors had a population of 3,613 people in 2000, and a household base of 1,523 households. As of 2010, the population in the City rose 2.5% (91 people) while the household base grew by 110 households, an increase of 7.1 %.
- Between 2010 and 2021, the population in the City is estimated to have declined by 2.9% (110 people), while households remained flat. By 2036, Two Harbors is forecast to have a population of 3,685; with a household base of 1,672. This is a projected gain of 50 people (1.4%) and 23 households (1.4%) over the next fifteen years.
- The PMA had a population of 13,112 in 2000 and a household base of 5,448 households. Gains in the PMA were slower than Two Harbors between 2000 and 2010, with a population gain of 0.3% (38 people) and household gains of 5.0% (275 households). By 2021, population growth in the PMA is estimated to have decreased by 125 people (a 1.0% increase) while households were estimated to have decreased by 12 people (0.2%).
- Over the next fifteen years, the PMA is expected to experience slower population and household growth compared to the City of Two Harbors. Between 2021 and 2036 the PMA is projected to grow by 125 people (0.9%) and 24 households (0.4%).
- Lake County is anticipated to experience population and household contraction between 2021 and 2031 (-1.0% and -0.6%, respectively) and between 2031 and 2036 (-0.9% and -0.3%, respectively).

DEMOGRAPHIC ANALYSIS

TABLE D-1 POPULATION GROWTH TRENDS AND PROJECTIONS TWO HARBORS MARKET AREA 2000 - 2036																
	Historic		Estimate			Projected			Change							
	Census					Projections			2000 - 2010		2010 - 2021		2021 - 2031		2031 - 2036	
	2000	2010	2016	2020	2021	2026	2031	2036	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Population																
City of Two Harbors	3,654	3,745	3,786	3,633	3,635	3,655	3,670	3,685	91	2.5%	-110	-2.9%	35	1.0%	15	0.4%
Remainder of the Primary Market Area*	9,458	9,405	9,462	9,646	9,640	9,535	9,690	9,715	-53	-0.6%	235	2.5%	50	0.5%	25	0.3%
Primary Market Area**	13,112	13,150	13,248	13,279	13,275	13,190	13,360	13,400	38	0.3%	125	1.0%	85	0.6%	40	0.3%
City of Duluth	86,918	86,265	86,164	86,697	86,740	87,200	87,450	87,750	-653	-0.8%	475	0.6%	710	0.8%	300	0.3%
Lake County	11,058	10,866	10,904	10,905	10,905	10,850	10,800	10,700	-192	-1.7%	39	0.4%	-105	-1.0%	-100	-0.9%
St Louis County	200,226	200,528	200,353	200,231	200,236	200,400	200,525	200,650	302	0.2%	-292	-0.1%	289	0.1%	125	0.1%
State of Minnesota	4,919,479	5,303,925	5,450,868	5,706,494	5,762,325	5,992,300	6,088,132	6,141,372	384,446	7.8%	458,400	8.6%	325,807	5.7%	53,240	0.9%
Households																
City of Two Harbors	1,539	1,649	1,653	1,648	1,649	1,655	1,664	1,672	110	7.1%	0	0.0%	15	0.9%	8	0.5%
Remainder of the Primary Market Area*	3,909	4,074	4,071	4,064	4,062	4,065	4,066	4,063	165	4.2%	-12	-0.3%	4	0.1%	-3	-0.1%
Primary Market Area**	5,448	5,723	5,724	5,712	5,711	5,720	5,730	5,735	275	5.0%	-12	-0.2%	19	0.3%	5	0.1%
City of Duluth	35,500	35,705	35,729	36,235	36,382	36,360	36,338	36,316	205	0.6%	677	1.9%	-44	-0.1%	-22	-0.1%
Lake County	4,646	4,825	4,804	4,775	4,775	4,765	4,748	4,735	179	3.9%	-50	-1.0%	-27	-0.6%	-13	-0.3%
St Louis County	82,619	84,783	85,059	86,104	86,200	86,750	87,300	87,850	2,164	2.6%	1,417	1.7%	1,100	1.3%	550	0.6%
State of Minnesota	1,895,127	2,087,227	2,135,310	2,249,117	2,269,547	2,360,027	2,397,146	2,434,265	192,100	10.1%	182,320	8.7%	127,599	5.3%	37,119	1.5%
Persons Per Household																
City of Two Harbors	2.37	2.27	2.29	2.20	2.20	2.21	2.21	2.20								
Remainder of the Primary Market Area*	2.42	2.31	2.32	2.37	2.37	2.35	2.38	2.39								
Primary Market Area**	2.41	2.30	2.31	2.32	2.32	2.31	2.33	2.34								
City of Duluth	2.45	2.42	2.41	2.39	2.38	2.40	2.41	2.42								
Lake County	2.38	2.25	2.27	2.28	2.28	2.28	2.27	2.26								
St Louis County	2.42	2.37	2.36	2.33	2.32	2.31	2.30	2.28								
State of Minnesota	2.60	2.54	2.55	2.54	2.54	2.54	2.54	2.52								
*Includes all of Lake County, Minnesota except for the City of Two Harbors as well as Alden Township, Duluth Township, and Pequaywan Township (All in St Louis County)																
**Includes all of Lake County, Minnesota as well as Alden Township, Duluth Township, and Pequaywan Township (All in St Louis County).																
Sources: U.S. Census; ESRI; Minnesota State Demographer; Minnesota Planning; Maxfield Research and Consulting, LLC.																

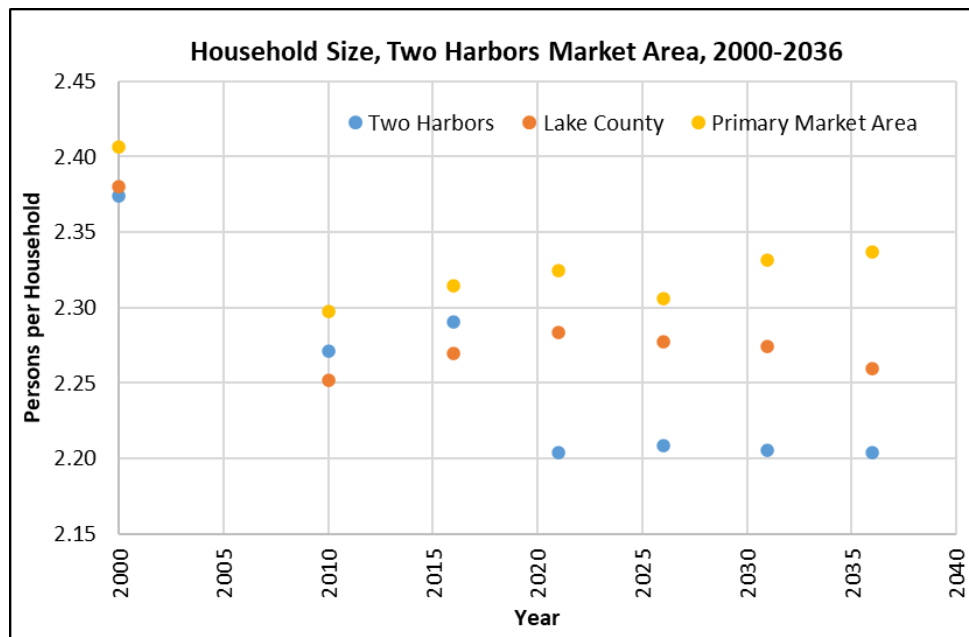


Household Size

Household size is calculated by dividing the number of people in households by the number of households (or householders). Nationally, the average number of people per household has been declining for over a century; however, there have been sharp declines starting in the 1960s and 1970s. The number of people per household in the U.S. was 4.5 in 1916 and declined to 3.2 in the 1960s. Over the past 50 years, it has dropped to 2.57 as of the 2000 Census. Due to the economic recession however, this trend was temporarily halted as renters and laid-off employees “doubled-up,” which increased the average U.S. household size to 2.59 as of the 2010 Census.

Declining household sizes have been caused by many factors, including: aging, higher divorce rates, smaller family sizes, etc. Most of these changes have resulted from shifts in societal values, the economy, and improvements in health care that have influenced peoples’ lifestyles. Table D-1 highlights the declining household size in the Two Harbors Market Area.

- In 2000, the average household size in the City of Two Harbors was 2.37. By the 2010 Census, household size had decreased to 2.27 and is estimated to have increased to 2.29 in 2016. To 2036, the average household size is projected to fall to 2.20.
- The average household size in the PMA was 2.41 in 2000, falling to 2.30 in 2010. In 2016, average household sizes in the PMA are estimated to have increased to 2.32. By 2036, the PMA’s average household size is projected to increase to 2.34, as millennials are projected to start families in the 2020s.

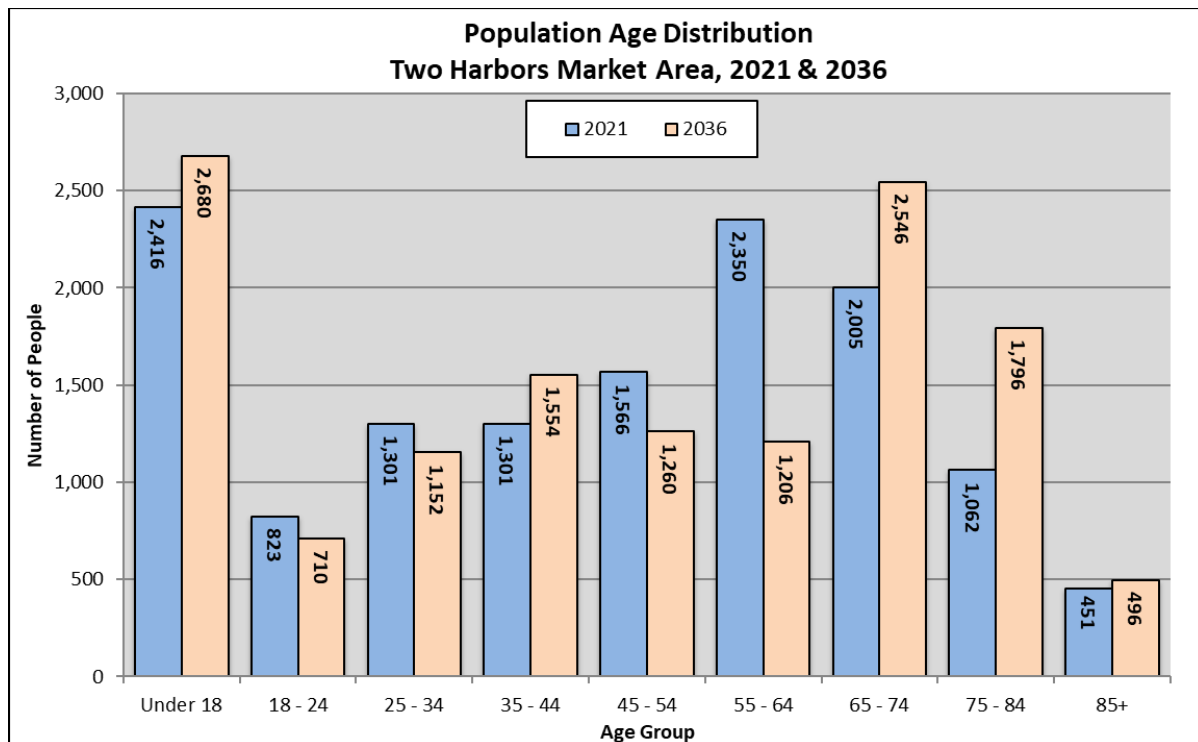


Age Distribution Trends

Table D-2 shows the distribution of persons in nine age cohorts for the Two Harbors Market Area in 2000 and 2010 with estimates for 2021 and projections for 2026, 2031, and 2036. The 2000 and 2010 age distributions are from the U.S. Census Bureau. Maxfield Research derived the 2021 estimates, as well as the 2026, 2031, and 2036 projections, from an analysis of ESRI data with adjustments made by Maxfield Research to reflect local trends.

The key points from the table are found below.

- In 2010, the largest adult age cohort in the PMA was age 45 to 54. This age cohort was also the largest adult cohort in Two Harbors. Between 2000 and 2010, the 55 to 64 age cohort grew by 42.7% (632 people) in the PMA and by 39.9% (125 people) in Two Harbors.
- In 2021, in Two Harbors, Lake County, and the PMA, the largest adult age cohort is estimated to be those 55 to 64. By 2036, reflecting an aging population the largest age cohort is projected to be those between 65 to 74 in all geographies.
- The largest percentage growth between 2021 and 2031 and 2031 and 2036 is projected to occur in the 75 to 84 age cohort. The increasing older adult population mirrors larger state and national trends of an aging population, due primarily to the aging of the baby boom generation. The North Shore is a popular retirement destination and retirees may be moving to the area, which would further increase gains from demographic trends.



DEMOGRAPHIC ANALYSIS

TABLE D-2
POPULATION AGE DISTRIBUTION
TWO HARBORS MARKET AREA
2000 to 2036

	Number of People						Change							
	U.S. Census		Estimates	Projections			2000 - 2010		2010 - 2021		2021 - 2031		2031 - 2036	
	2000	2010	2021	2026	2031	2036	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Two Harbors	No.	No.	No.	No.	No.	No.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under 18	831	824	782	833	884	936	-7	-0.8%	-42	-5.2%	103	13.2%	52	5.8%
18 - 24	294	296	251	270	290	310	2	0.7%	-45	-15.3%	39	15.6%	20	6.8%
25 - 34	397	499	443	376	308	240	102	25.7%	-56	-11.1%	-135	-30.5%	-69	-22.3%
35 - 44	499	397	447	468	488	509	-102	-20.4%	50	12.6%	41	9.2%	20	4.2%
45 - 54	500	502	364	380	396	413	2	0.4%	-139	-27.6%	33	9.0%	16	4.1%
55 - 64	313	438	494	417	338	258	125	39.9%	56	12.9%	-157	-31.7%	-80	-23.6%
65 - 74	336	324	400	439	477	516	-12	-3.6%	76	23.4%	77	19.3%	39	8.1%
75 - 84	259	282	258	296	334	372	23	8.9%	-24	-8.5%	76	29.4%	38	11.4%
85+	184	183	196	175	154	133	-1	-0.5%	13	7.3%	-42	-21.5%	-21	-13.9%
Total	3,613	3,745	3,635	3,655	3,670	3,685	132	3.7%	-110	-2.9%	35	1.0%	15	0.4%
Lake County	No.	No.	No.	No.	No.	No.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under 18	2,463	2,067	1,843	1,899	1,955	2,001	-396	-16.1%	-224	-10.8%	112	6.1%	46	2.4%
18 - 24	726	701	654	640	626	610	-25	-3.4%	-47	-6.7%	-28	-4.3%	-17	-2.6%
25 - 34	998	1,064	1,080	998	918	835	66	6.6%	16	1.5%	-162	-15.0%	-83	-9.1%
35 - 44	1,712	1,091	1,080	1,128	1,177	1,220	-621	-36.3%	-11	-1.0%	98	9.0%	43	3.6%
45 - 54	1,690	1,807	1,309	1,226	1,145	1,059	117	6.9%	-498	-27.6%	-164	-12.5%	-86	-7.5%
55 - 64	1,258	1,708	1,908	1,606	1,307	1,006	450	35.8%	200	11.7%	-602	-31.5%	-301	-23.0%
65 - 74	1,238	1,231	1,668	1,812	1,955	2,087	-7	-0.6%	437	35.5%	286	17.2%	132	6.7%
75 - 84	697	854	938	1,118	1,296	1,466	157	22.5%	84	9.8%	358	38.2%	170	13.1%
85+	276	343	425	423	421	417	67	24.3%	82	24.0%	-4	-1.0%	-4	-0.9%
Total	11,058	10,866	10,905	10,850	10,800	10,700	-192	-1.7%	39	0.4%	-105	-1.0%	-100	-0.9%
Primary Market Area*	No.	No.	No.	No.	No.	No.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under 18	3,001	2,657	2,416	2,480	2,592	2,680	-344	-11.5%	-241	-9.1%	176	7.3%	88	3.4%
18 - 24	850	811	823	778	748	710	-39	-4.6%	12	1.5%	-75	-9.1%	-38	-5.1%
25 - 34	1,156	1,221	1,301	1,240	1,202	1,152	65	5.6%	80	6.5%	-99	-7.6%	-50	-4.2%
35 - 44	2,112	1,351	1,301	1,372	1,470	1,554	-761	-36.0%	-50	-3.7%	169	13.0%	85	5.8%
45 - 54	2,077	2,241	1,566	1,451	1,363	1,260	164	7.9%	-675	-30.1%	-204	-13.0%	-103	-7.6%
55 - 64	1,481	2,113	2,350	1,952	1,590	1,206	632	42.7%	237	11.2%	-760	-32.3%	-384	-24.1%
65 - 74	1,389	1,432	2,005	2,163	2,365	2,546	43	3.1%	573	40.0%	360	18.0%	181	7.7%
75 - 84	745	962	1,062	1,293	1,550	1,796	217	29.1%	100	10.4%	488	45.9%	246	15.9%
85+	301	362	451	462	481	496	61	20.3%	89	24.7%	30	6.6%	15	3.1%
Total	13,112	13,150	13,275	13,190	13,360	13,400	38	0.3%	125	1.0%	85	0.6%	40	0.3%

*Includes all of Lake County, Minnesota as well as Alden Township, Duluth Township, and Pequaywan Township (All in St Louis County).

Sources: U.S. Census Bureau; Esri; Maxfield Research & Consulting, LLC.

Household Income by Age of Householder

The estimated household income distribution in Two Harbors, Lake County, and the PMA in 2021 and 2026 are shown in Tables D-3 through D-5. The data was estimated by Maxfield Research based on income trends provided by ESRI. The data helps ascertain the demand for different housing products based on the size of the market at specific cost levels.

The Department of Housing and Urban Development defines affordable housing costs as 30% of a household's adjusted gross income. For example, a household with an income of \$50,000 per year would be able to afford an estimated monthly housing cost of \$1,250. In addition seniors, can typically utilize a higher percentage of their household's adjusted gross income as they generally have lower living expenses and can often sell their homes and use the proceeds toward rent payments.

A generally accepted standard for affordable owner-occupied housing is that a typical household can afford to pay 3.0 to 3.5 times their annual income for a single-family home. Therefore, 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 excludes savings or equity in an existing home.

Table D-3 presents household income by age of the householder in Two Harbors as of 2021 and 2026.

- In 2021, the median income in Two Harbors was estimated at \$56,156 across all ages. The median income is forecast to rise by 7.6% to \$60,420 by 2026.
- The highest median income in Two Harbors was recorded among those ages 35 to 44 at \$73,150 in 2021. In 2026, those age 45 to 54 are expected to be the highest earners in the City with a median income of \$76,602, a 4.7% increase.
- Between 2021 and 2026, the median income of householders 75 years of age and older is forecast to experience the greatest growth, increasing 11.5% from \$30,031 in 2021 to \$33,497 in 2026. The increase in income among this age group reflects the population growth of the older age cohorts. Despite the increase in median household income in the 75 and older age cohort, this population group is actually projected to decline in households between 2021 and 2026.
- The 2021 median sale price for a single-family home in Two Harbors was \$242,400. In order to afford a home at this price and not be cost-burdened, a household would need an estimated income of \$69,257 to \$80,800. A little under 40% (39.4%) of households in Two Harbors could afford a single-family home priced at \$242,000.

DEMOGRAPHIC ANALYSIS

TABLE D-3 HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER CITY OF TWO HARBORS 2021 & 2026								
	Age of Householder							
	Total	<25	25-34	35-44	45-54	55-64	65 -74	75+
2021								
Less than \$15,000	213	8	23	19	22	38	36	67
\$15,000 to \$24,999	150	9	15	12	11	18	28	57
\$25,000 to \$34,999	119	6	13	8	11	12	18	51
\$35,000 to \$49,999	223	11	35	27	21	42	47	40
\$50,000 to \$74,999	358	15	52	57	59	82	58	36
\$75,000 to \$99,999	318	11	50	52	52	79	50	25
\$100,000 to \$149,999	201	5	42	56	30	33	18	17
\$150,000 to \$199,999	40	1	7	4	11	4	9	6
\$200,000 or more	27	0	4	6	5	3	2	8
Total	1,649	64	241	240	220	311	265	307
Two Harbors	\$56,156	\$49,076	\$64,022	\$73,150	\$67,345	\$60,638	\$51,066	\$30,031
Lake County	\$61,000	\$50,995	\$66,019	\$77,862	\$75,265	\$67,824	\$58,359	\$37,240
PMA	\$65,088	\$51,147	\$70,790	\$82,936	\$78,541	\$74,590	\$60,715	\$37,836
2026								
Less than \$15,000	134	6	14	8	10	12	23	61
\$15,000 to \$24,999	253	14	33	31	26	41	57	51
\$25,000 to \$34,999	436	21	51	76	75	84	79	50
\$35,000 to \$49,999	411	15	55	73	68	89	72	40
\$50,000 to \$74,999	280	7	51	76	44	40	30	31
\$75,000 to \$99,999	66	2	7	7	16	8	16	9
\$100,000 to \$149,999	37	0	5	8	7	3	5	9
\$150,000 to \$199,999	0	0	0	0	0	0	0	0
\$200,000 or more	37	0	5	8	7	3	5	9
Total	1,655	65	220	288	253	280	288	261
Two Harbors	\$60,420	\$51,754	\$70,301	\$76,602	\$72,412	\$66,481	\$55,697	\$33,497
Lake County	\$66,908	\$52,336	\$73,107	\$81,644	\$79,950	\$76,311	\$65,547	\$41,183
PMA	\$72,542	\$53,539	\$78,284	\$88,147	\$84,315	\$81,670	\$69,879	\$42,223
Change 2021 - 2026								
Less than \$15,000	-79	-2	-9	-11	-12	-27	-12	-7
\$15,000 to \$24,999	103	5	17	19	15	23	29	-5
\$25,000 to \$34,999	317	15	38	68	64	71	61	-1
\$35,000 to \$49,999	189	5	20	47	46	46	25	-1
\$50,000 to \$74,999	-79	-8	-1	19	-14	-42	-27	-5
\$75,000 to \$99,999	-251	-8	-43	-45	-36	-71	-34	-16
\$100,000 to \$149,999	-163	-5	-38	-48	-23	-29	-14	-8
\$150,000 to \$199,999	-40	-1	-7	-4	-11	-4	-9	-6
\$200,000 or more	10	0	1	2	2	1	3	2
Total	6	1	-21	48	33	-31	23	-46
Two Harbors	\$4,264	\$2,678	\$6,279	\$3,452	\$5,067	\$5,843	\$4,631	\$3,466
Lake County	\$5,908	\$1,341	\$7,088	\$3,782	\$4,685	\$8,487	\$7,188	\$3,943
PMA	\$7,454	\$2,392	\$7,494	\$5,211	\$5,774	\$7,080	\$9,164	\$4,387

Sources: ESRI; US Census Bureau; Maxfield Research & Consulting, LLC.

Table D-4 shows the median income for Lake County for 2021 and 2026.

- The 2021 median income for Lake County was \$61,000 for all age cohorts. The median income is expected to rise to \$66,908 in 2021, a 9.7% increase in median income.

DEMOGRAPHIC ANALYSIS

TABLE D-4 HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER LAKE COUNTY 2021 & 2026								
	Age of Householder							
	Total	<25	25-34	35-44	45-54	55-64	65-74	75+
2021								
Less than \$15,000	410	12	38	33	53	80	83	111
\$15,000 to \$24,999	371	16	30	25	28	57	76	138
\$25,000 to \$34,999	328	7	30	20	24	47	60	141
\$35,000 to \$49,999	725	22	81	53	72	156	171	171
\$50,000 to \$74,999	1,017	34	108	118	174	254	219	111
\$75,000 to \$99,999	776	17	92	104	148	203	145	67
\$100,000 to \$149,999	723	8	93	130	122	192	120	57
\$150,000 to \$199,999	300	1	35	29	63	62	72	38
\$200,000 or more	124	1	8	20	23	30	24	17
Total	4,775	117	515	532	709	1,081	970	850
Lake County	\$61,000	\$50,995	\$66,019	\$77,862	\$75,265	\$67,824	\$58,359	\$37,240
Two Harbors	\$56,156	\$49,076	\$64,022	\$73,150	\$67,345	\$60,638	\$51,066	\$30,031
PMA	\$65,088	\$51,147	\$70,790	\$82,936	\$78,541	\$74,590	\$60,715	\$37,836
2026								
Less than \$15,000	325	6	27	17	20	36	62	157
\$15,000 to \$24,999	768	24	81	57	67	135	183	221
\$25,000 to \$34,999	1,103	38	108	133	172	233	270	150
\$35,000 to \$49,999	908	21	97	131	164	203	191	101
\$50,000 to \$74,999	913	10	112	161	144	217	173	95
\$75,000 to \$99,999	423	2	46	40	76	80	112	67
\$100,000 to \$149,999	162	1	7	24	31	35	41	23
\$150,000 to \$199,999	0	0	0	0	0	0	0	0
\$200,000 or more	162	1	7	24	31	35	41	23
Total	4,765	104	486	587	706	972	1,073	837
Lake County	\$66,908	\$52,336	\$73,107	\$81,644	\$79,950	\$76,311	\$65,547	\$41,183
Two Harbors	\$60,420	\$51,754	\$70,301	\$76,602	\$72,412	\$66,481	\$55,697	\$33,497
PMA	\$72,542	\$53,539	\$78,284	\$88,147	\$84,315	\$81,670	\$69,879	\$42,223
Change 2021 - 2026								
Less than \$15,000	-85	-6	-11	-16	-34	-44	-21	46
\$15,000 to \$24,999	397	8	51	31	39	78	107	83
\$25,000 to \$34,999	775	31	78	113	147	186	210	9
\$35,000 to \$49,999	183	-1	17	77	92	47	20	-70
\$50,000 to \$74,999	-105	-23	4	43	-30	-37	-46	-15
\$75,000 to \$99,999	-353	-15	-46	-64	-72	-123	-33	0
\$100,000 to \$149,999	-560	-7	-86	-105	-91	-158	-79	-34
\$150,000 to \$199,999	-300	-1	-35	-29	-63	-62	-72	-38
\$200,000 or more	39	0	-1	4	8	5	16	6
Total	-10	-14	-29	55	-2	-109	102	-13
Lake County	\$5,908	\$1,341	\$7,088	\$3,782	\$4,685	\$8,487	\$7,188	\$3,943
Two Harbors	\$4,264	\$2,678	\$6,279	\$3,452	\$5,067	\$5,843	\$4,631	\$3,466
PMA	\$7,454	\$2,392	\$7,494	\$5,211	\$5,774	\$7,080	\$9,164	\$4,387

Sources: ESRI; US Census Bureau; Maxfield Research & Consulting, LLC.

- In Lake County, the highest income earners were those age 35 to 44 in 2021 (\$77,862) and 2026 (\$81,644), a gain of 4.9%.

DEMOGRAPHIC ANALYSIS

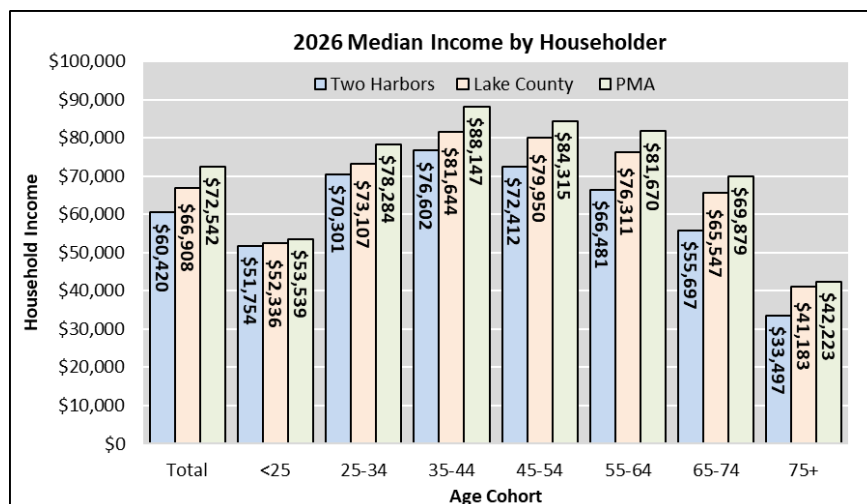
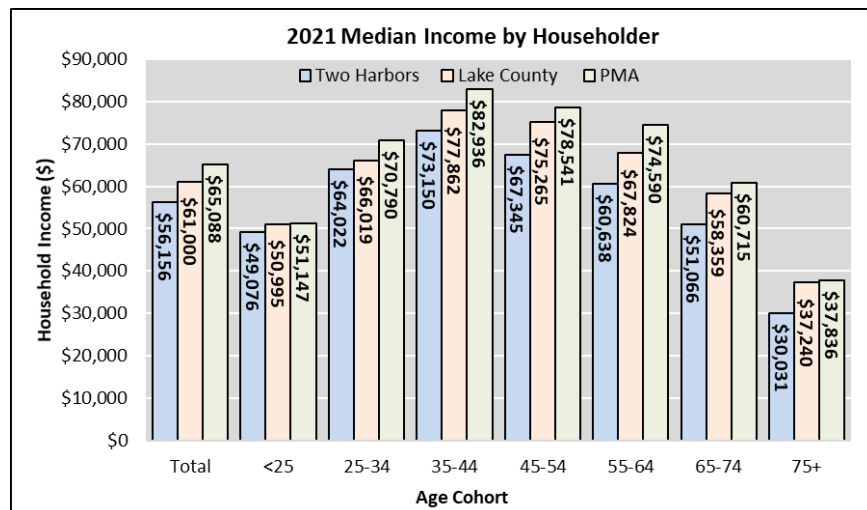
- During the same time period, the 55 to 64 age cohort is forecast to experience the strongest income growth, increasing 12.5% between 2021 and 2026, rising from 67,824 in 2021 to \$76,311 in 2026.

Table D-5 displays the median income among age cohorts for the Primary Market Area.

TABLE D-5 HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER PRIMARY MARKET AREA 2021 & 2026								
	Age of Householder							
	Total	<25	25-34	35-44	45-54	55-64	65 -74	75+
2021								
Less than \$15,000	442	12	38	33	56	91	97	113
\$15,000 to \$24,999	412	17	31	27	32	67	89	150
\$25,000 to \$34,999	371	6	31	20	30	54	70	159
\$35,000 to \$49,999	813	26	90	57	80	169	192	199
\$50,000 to \$74,999	1,184	36	126	135	195	297	269	126
\$75,000 to \$99,999	915	18	107	125	174	246	174	71
\$100,000 to \$149,999	968	10	122	172	171	265	164	64
\$150,000 to \$199,999	406	2	46	42	81	99	92	44
\$200,000 or more	200	1	11	32	34	62	37	22
Total	5,711	128	602	644	855	1,350	1,185	948
PMA	\$65,088	\$51,147	\$70,790	\$82,936	\$78,541	\$74,590	\$60,715	\$37,836
Two Harbors	\$56,156	\$49,076	\$64,022	\$73,150	\$67,345	\$60,638	\$51,066	\$30,031
Lake County	\$61,000	\$50,995	\$66,019	\$77,862	\$75,265	\$67,824	\$58,359	\$37,240
2026								
Less than \$15,000	352	5	27	17	20	38	70	176
\$15,000 to \$24,999	825	25	85	57	69	143	195	251
\$25,000 to \$34,999	1,234	41	122	144	184	257	315	171
\$35,000 to \$49,999	1,033	22	112	151	183	235	223	109
\$50,000 to \$74,999	1,187	11	149	212	189	285	231	110
\$75,000 to \$99,999	563	3	61	59	99	120	143	79
\$100,000 to \$149,999	262	1	12	40	43	67	62	36
\$150,000 to \$199,999	0	0	0	0	0	0	0	0
\$200,000 or more	262	1	12	40	43	67	62	36
Total	5,720	110	580	719	831	1,212	1,302	966
PMA	\$72,542	\$53,539	\$78,284	\$88,147	\$84,315	\$81,670	\$69,879	\$42,223
Two Harbors	\$60,420	\$51,754	\$70,301	\$76,602	\$72,412	\$66,481	\$55,697	\$33,497
Lake County	\$66,908	\$52,336	\$73,107	\$81,644	\$79,950	\$76,311	\$65,547	\$41,183
Change 2021 - 2026								
Less than \$15,000	-90	-7	-11	-17	-37	-53	-27	62
\$15,000 to \$24,999	412	8	53	30	37	76	107	102
\$25,000 to \$34,999	863	36	91	124	154	203	245	11
\$35,000 to \$49,999	221	-4	22	94	103	66	31	-91
\$50,000 to \$74,999	3	-25	23	77	-6	-12	-37	-16
\$75,000 to \$99,999	-352	-15	-46	-66	-75	-126	-32	7
\$100,000 to \$149,999	-705	-8	-110	-132	-128	-198	-102	-28
\$150,000 to \$199,999	-406	-2	-46	-42	-81	-99	-92	-44
\$200,000 or more	62	0	1	8	9	5	25	14
Total	9	-18	-22	75	-24	-138	117	18
PMA	\$7,454	\$2,392	\$7,494	\$5,211	\$5,774	\$7,080	\$9,164	\$4,387
Two Harbors	\$4,264	\$2,678	\$6,279	\$3,452	\$5,067	\$5,843	\$4,631	\$3,466
Lake County	\$5,908	\$1,341	\$7,088	\$3,782	\$4,685	\$8,487	\$7,188	\$3,943
*Includes all of Lake County, Minnesota as well as Alden Township, Duluth Township, and Pequaywan Township (All in St Louis County).								
Sources: ESRI; US Census Bureau; Maxfield Research & Consulting, LLC.								

DEMOGRAPHIC ANALYSIS

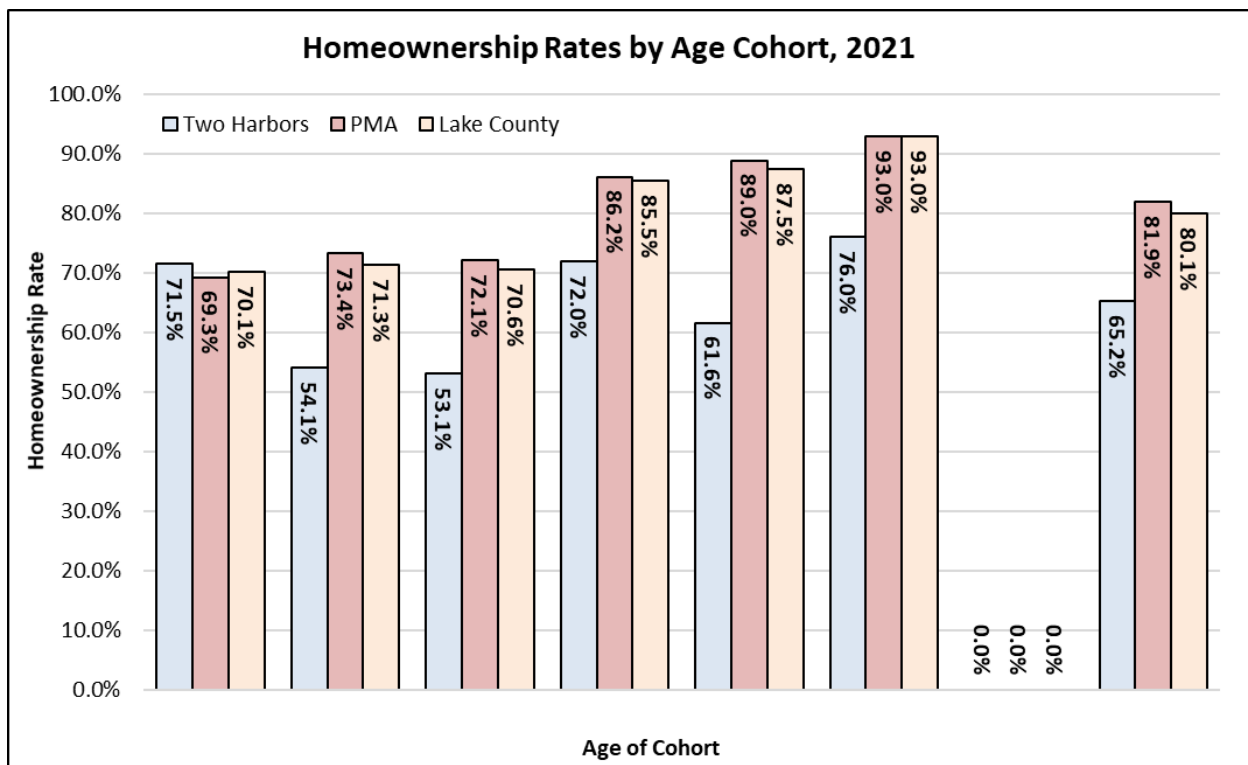
- In 2021 the median income of the Primary Market Area was \$65,088, and is projected to rise 11.5% to \$72,542 in 2026.
- The highest earners in the Primary Market Area were in the age 35 to 44 cohort in 2021 (\$82,936) and are projected to remain in this cohort as of 2026 (\$88,147). The largest gain in median income is expected among the age 65 to 74 cohort. This age cohort is projected to experience a 15.1% increase in median household income between 2021 and 2026.
- The 2021 median sale price for a home in the PMA was \$210,000. In order to afford a home at this price and not be cost-burdened, a household would need an estimated income of \$60,000 to \$70,000. In the PMA, 56.0% of households had incomes of \$60,000 or more in 2021.
- In Two Harbors the median sale price for a home in the City was \$212,250 in 2021. In order to afford a home at this price and not be cost-burdened, a household would need an estimated income of \$60,643 to \$70,750. In 2021, 44.3% of Two Harbor households had incomes of \$60,643 or greater.



Tenure by Age of Householder

Table D-6 shows 2010 and 2021 tenure data for Two Harbors, Lake County and the Primary Market Area from the U.S. Census Bureau and estimates from the American Community Survey data adjusted to 2021 by Maxfield Research. This data is useful in determining demand for certain types of housing since housing preferences change throughout an individual's life cycle.

- In 2010, 82.3% of PMA households were owner households. The percentage of PMA owner households increased to 84.2% of all households in 2021.
- By contrast, in 2010, 64.3% of Two Harbors households were owner households. The percentage of Two Harbors owner households decreased to 64.1% of all households in 2021.
- The higher proportion of owner households in the PMA compared to Two Harbors largely reflects the overall rural character of Lake County compared to Two Harbors. Density is higher in Two Harbors than Lake County due to its denser Downtown Area.
- Homeownership rates in 2021 peak in the 65 to 74 age cohort, at a high of 76.0% in Two Harbors and 93.0% in both Lake County and the Primary Market Area. Seniors often begin considering senior housing options in their early 70s and later. This trend is reflected in the decrease in homeownership rates in of Two Harbors, PMA, and Lake County seniors between the 65 to 74 and 75 to 84 age cohorts.



DEMOGRAPHIC ANALYSIS

**TABLE D-6
TENURE BY AGE OF HOUSEHOLDER
CITY OF TWO HARBORS PRIMARY MARKET AREA
2010 & 2021**

Age		City of Two Harbors				Lake County				Primary Market Area *			
		2010		2021		2010		2021		2010		2021	
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under 25	Own	22	28.6%	46	71.5%	51	36.7%	82	70.1%	60	39.5%	89	69.3%
	Rent	55	71.4%	19	28.5%	88	63.3%	35	29.9%	92	60.5%	39	30.7%
	Total	77	100.0%	65	100.0%	139	100.0%	117	100.0%	152	100.0%	128	100.0%
25-34	Own	145	55.3%	130	54.1%	327	61.8%	367	71.3%	370	62.5%	442	73.4%
	Rent	117	44.7%	111	45.9%	202	38.2%	148	28.7%	222	37.5%	160	26.6%
	Total	262	100.0%	241	100.0%	529	100.0%	515	100.0%	592	100.0%	602	100.0%
35-44	Own	150	70.1%	128	53.1%	444	79.4%	376	70.6%	563	81.0%	464	72.1%
	Rent	64	29.9%	112	46.9%	115	20.6%	156	29.4%	132	19.0%	180	27.9%
	Total	214	100.0%	240	100.0%	559	100.0%	532	100.0%	695	100.0%	644	100.0%
45-54	Own	213	71.2%	158	72.0%	892	86.7%	606	85.5%	1,112	88.0%	736	86.2%
	Rent	86	28.8%	62	28.0%	137	13.3%	103	14.5%	151	12.0%	118	13.8%
	Total	299	100.0%	220	100.0%	1,029	100.0%	709	100.0%	1,263	100.0%	854	100.0%
55-64	Own	214	77.5%	192	61.6%	916	88.8%	946	87.5%	1,152	90.1%	1,201	89.0%
	Rent	62	22.5%	119	38.4%	115	11.2%	135	12.5%	126	9.9%	149	11.0%
	Total	276	100.0%	311	100.0%	1,031	100.0%	1,081	100.0%	1,278	100.0%	1,350	100.0%
65-74	Own	160	76.6%	202	76.0%	675	89.3%	903	93.0%	790	90.0%	1,102	93.0%
	Rent	49	23.4%	63	24.0%	81	10.7%	68	7.0%	88	10.0%	83	7.0%
	Total	209	100.0%	265	100.0%	756	100.0%	971	100.0%	878	100.0%	1,185	100.0%
75+	Own	156	50.0%	200	65.2%	588	75.2%	681	80.1%	665	76.9%	777	81.9%
	Rent	156	50.0%	107	34.8%	194	24.8%	169	19.9%	200	23.1%	171	18.1%
	Total	312	100.0%	307	100.0%	782	100.0%	850	100.0%	865	100.0%	948	100.0%
TOTAL	Own	1,060	64.3%	1,056	64.1%	3,893	80.7%	3,961	82.9%	4,712	82.3%	4,810	84.2%
	Rent	589	35.7%	593	35.9%	932	19.3%	814	17.1%	1,011	17.7%	901	15.8%
	Total	1,649	100.0%	1,649	100.0%	4,825	100.0%	4,775	100.0%	5,723	100.0%	5,711	100.0%

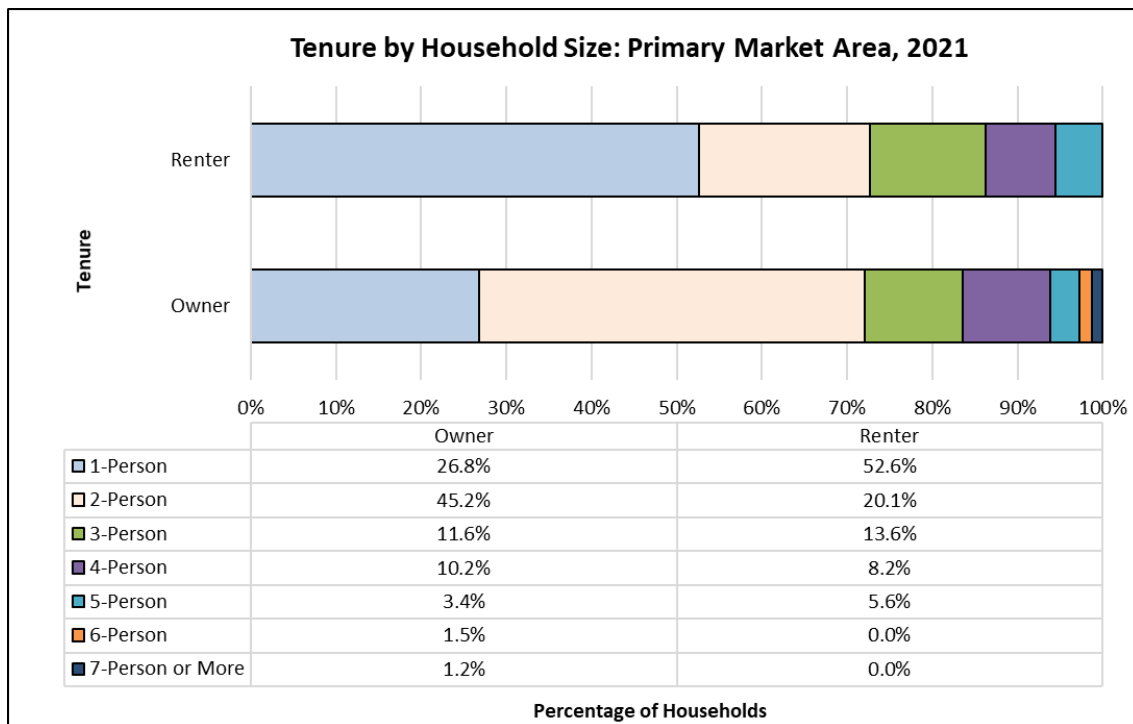
*Includes all of Lake County, Minnesota as well as Alden Township, Duluth Township, and Pequaywan Township (All in St Louis County).

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

Tenure by Household Size

Table D-7 shows the distribution of households by size and tenure in the Primary Market Area in 2021. This data is useful in that it provides insight into the types of housing units that may be most needed in the PMA.

- Household size for renters tends to be smaller than for owners. This trend is a result of the typical market segments for rental housing, including households that are younger and are less likely to be married with children, as well as older adults and seniors who choose to downsize from their single-family homes. In 2021, well over half (52.6%) of renter households in the PMA were one-person households.
- This trend is reflected in both Two Harbors and Lake County, where 53.3% and 52.6% of renter households, respectively, had only one person. Owner households were most likely to contain two people in the PMA, representing 45.2% of households.
- Among renter households in the PMA, over 86% (86.3%) have three or fewer people. Owner households are most likely to be two-person households, but larger households are still common with 27.9% being three-or four-person households.
- Between 2010 and 2021, only one-person households in the PMA experienced an increase in households, increasing by 38 households (2.2%).



DEMOGRAPHIC ANALYSIS

TABLE D-7
TENURE BY HOUSEHOLD SIZE
CITY OF TWO HARBORS & PRIMARY MARKET AREA
2010 & 2021

Age		City of Two Harbors				Lake County				Primary Market Area*			
		2010		2021		2010		2021		2010		2021	
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
1-Person	Own	285	47.0%	336	51.3%	999	67.8%	1,089	70.6%	1,222	70.4%	1,277	72.0%
	Rent	321	53.0%	319	48.7%	475	32.2%	454	29.4%	513	29.6%	496	28.0%
	Total	606	100.0%	655	100.0%	1,474	100.0%	1,543	100.0%	1,735	100.0%	1,773	100.0%
2-Person	Own	419	74.6%	333	78.1%	1,780	87.9%	1,786	91.3%	2,265	88.9%	2,157	91.9%
	Rent	143	25.4%	93	21.9%	246	12.1%	169	8.7%	283	11.1%	189	8.1%
	Total	562	100.0%	427	100.0%	2,026	100.0%	1,955	100.0%	2,548	100.0%	2,347	100.0%
3-Person	Own	133	67.5%	132	58.8%	484	82.7%	402	78.2%	620	84.7%	552	81.1%
	Rent	64	32.5%	92	41.2%	101	17.3%	112	21.8%	112	15.3%	128	18.9%
	Total	197	100.0%	224	100.0%	585	100.0%	514	100.0%	732	100.0%	681	100.0%
4-Person	Own	135	76.3%	178	73.1%	414	86.1%	419	84.8%	534	87.4%	487	86.4%
	Rent	42	23.7%	65	26.9%	67	13.9%	75	15.2%	77	12.6%	77	13.6%
	Total	177	100.0%	244	100.0%	481	100.0%	495	100.0%	611	100.0%	564	100.0%
5-Person	Own	61	83.6%	48	63.3%	150	86.2%	136	74.4%	210	87.1%	164	75.8%
	Rent	12	16.4%	28	36.7%	24	13.8%	47	25.6%	31	12.9%	53	24.2%
	Total	73	100.0%	76	100.0%	174	100.0%	183	100.0%	241	100.0%	217	100.0%
6-Person	Own	21	87.5%	23	100.0%	44	86.3%	55	100.0%	65	89.0%	71	100.0%
	Rent	3	12.5%	0	0.0%	7	13.7%	0	0.0%	8	11.0%	0	0.0%
	Total	24	100.0%	23	100.0%	51	100.0%	55	100.0%	73	100.0%	71	100.0%
7-Person or More	Own	6	60.0%	0	0.0%	22	64.7%	29	100.0%	71	82.6%	59	100.0%
	Rent	4	40.0%	0	0.0%	12	35.3%	0	0.0%	15	17.4%	0	0.0%
	Total	10	100.0%	0	0.0%	34	100.0%	29	100.0%	86	100.0%	59	100.0%
TOTAL	Own	1,060	64.3%	1,051	63.7%	3,893	80.7%	3,917	82.0%	4,987	82.8%	4,767	83.5%
	Rent	589	35.7%	598	36.3%	932	19.3%	858	18.0%	1,039	17.2%	944	16.5%
	Total	1,649	100.0%	1,649	100.0%	4,825	100.0%	4,775	100.0%	6,026	100.0%	5,711	100.0%
Avg. HH Size	Own	2.39		2.37		2.27		2.24		2.34		2.28	
	Rent	1.82		1.98		1.91		1.94		1.95		1.94	

*Includes all of Lake County, Minnesota as well as Alden Township, Duluth Township, and Pequaywan Township (All in St Louis County).

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

Household Type

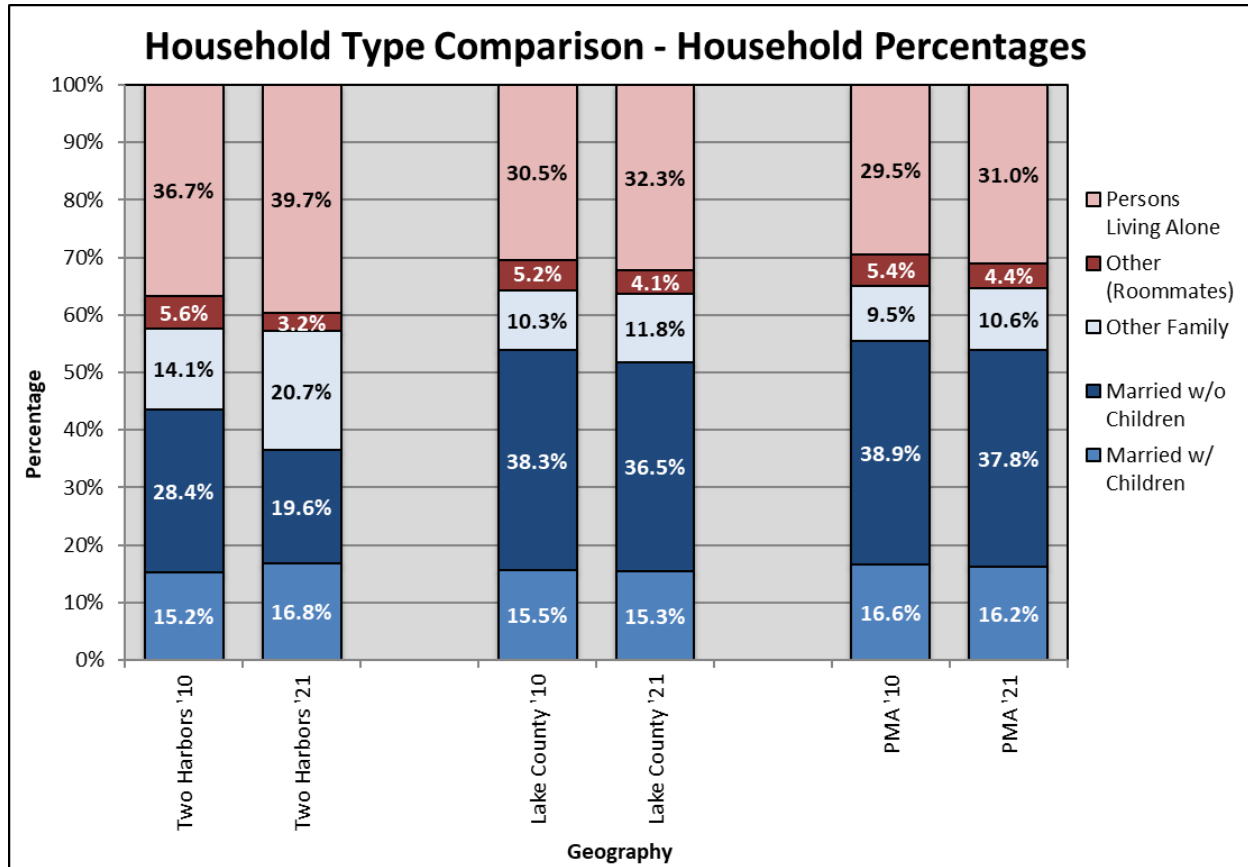
Table D-8 shows a breakdown of the type of households present in the Primary Market Area in 2010 and 2021. The data is useful in assessing housing demand since the household composition often dictates the type of housing needed. The following key points are summarized from Table D-8.

- Married couples without children represented the largest household type in 2010, accounting for 38.9% of all households in the PMA.
- The next largest household type in the PMA was non-family households living alone (29.5% of households). A growing proportion of single-person households reflects several demographic and cultural shifts. The biggest contributing factor is the aging of the population, as baby boomers age and millennials postpone starting families.
- As of 2021, married couples without children remains the largest proportion of households in the PMA, at 37.8% of all households. Married with children households in the PMA decreased from 16.6% to 16.2% of households. In Two Harbors, married with children households decreased from 28.4% to 19.6% between 2010 and 2021.
- The proportion of non-family households in the PMA increased slightly from 34.9% of households in 2010 to 35.4% of households in 2021. Other family households increased from 9.5% of households to 10.6%.
- Single-person and other family households were the only household types to experience growth from 2010 to 2021 (10.8% and 4.9%, respectively). This indicates a growing need for rental housing and affordable housing.

DEMOGRAPHIC ANALYSIS

**TABLE D-8
HOUSEHOLD TYPE
CITY OF TWO HARBORS & PRIMARY MARKET AREA
2010 & 2021**

	Total HH's		Family Households						Non-Family Households			
			Married w/o Child		Married w/ Child		Other *		Living Alone		Roommates	
	2010	2021	2010	2021	2010	2021	2010	2021	2010	2021	2010	2021
Number of Households												
City of Two Harbors	1,649	1,649	468	324	250	277	233	341	606	655	92	52
Lake County	4,825	4,775	1,850	1,742	750	732	498	563	1,474	1,543	253	195
Primary Market Area**	5,723	5,711	2,228	2,158	948	925	546	605	1,690	1,773	311	250
Percent of Total												
City of Two Harbors	100%	100%	28.4%	19.6%	15.2%	16.8%	14.1%	20.7%	36.7%	39.7%	5.6%	3.2%
Lake County	100%	100%	38.3%	36.5%	15.5%	15.3%	10.3%	11.8%	30.5%	32.3%	5.2%	4.1%
Primary Market Area**	100%	100%	38.9%	37.8%	16.6%	16.2%	9.5%	10.6%	29.5%	31.0%	5.4%	4.4%
Change												
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
City of Two Harbors	0	0.0%	-144	-30.8%	27	11.0%	108	46.3%	49	8.1%	-40	-43.5%
Lake County	-50	-1.0%	-108	-5.8%	-18	-2.4%	65	13.0%	69	4.7%	-58	-22.9%
Primary Market Area**	-12	-0.2%	-70	-3.1%	-23	-2.4%	59	10.8%	83	4.9%	-61	-19.5%
* Single-parent families, unmarried couples with children.												
**Includes all of Lake County, Minnesota as well as Alden Township, Duluth Township, and Pequaywan Township (All in St Louis County).												
Sources: U.S. Census Bureau; Maxfield Research and Consulting, LLC.												



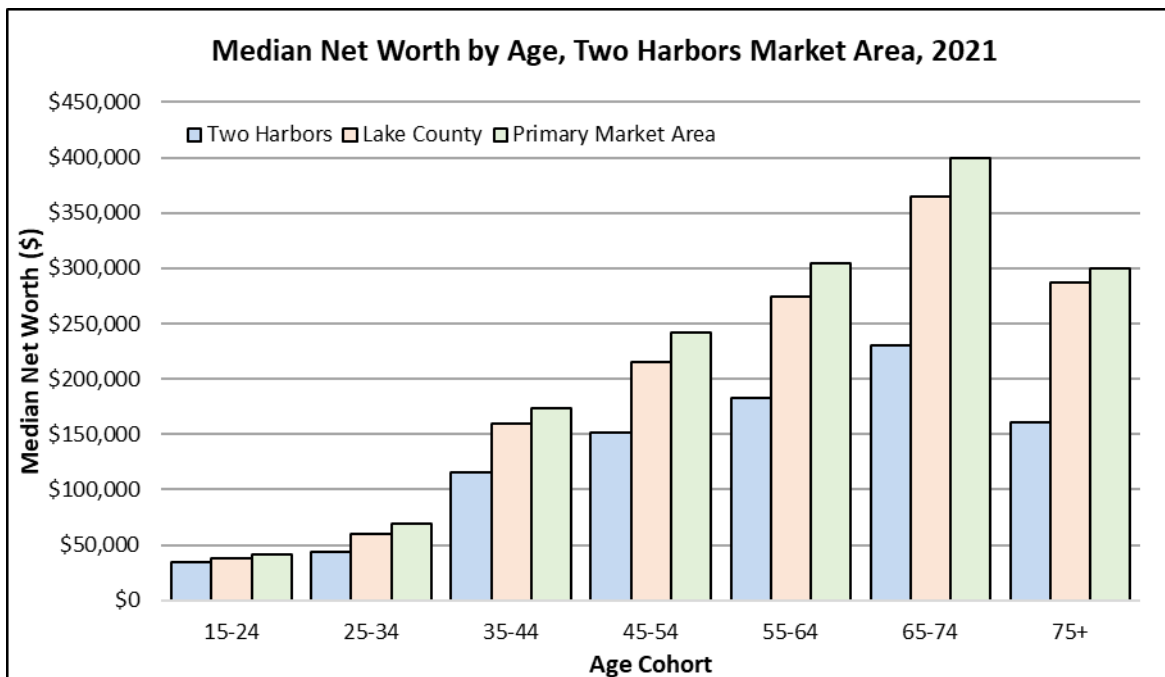
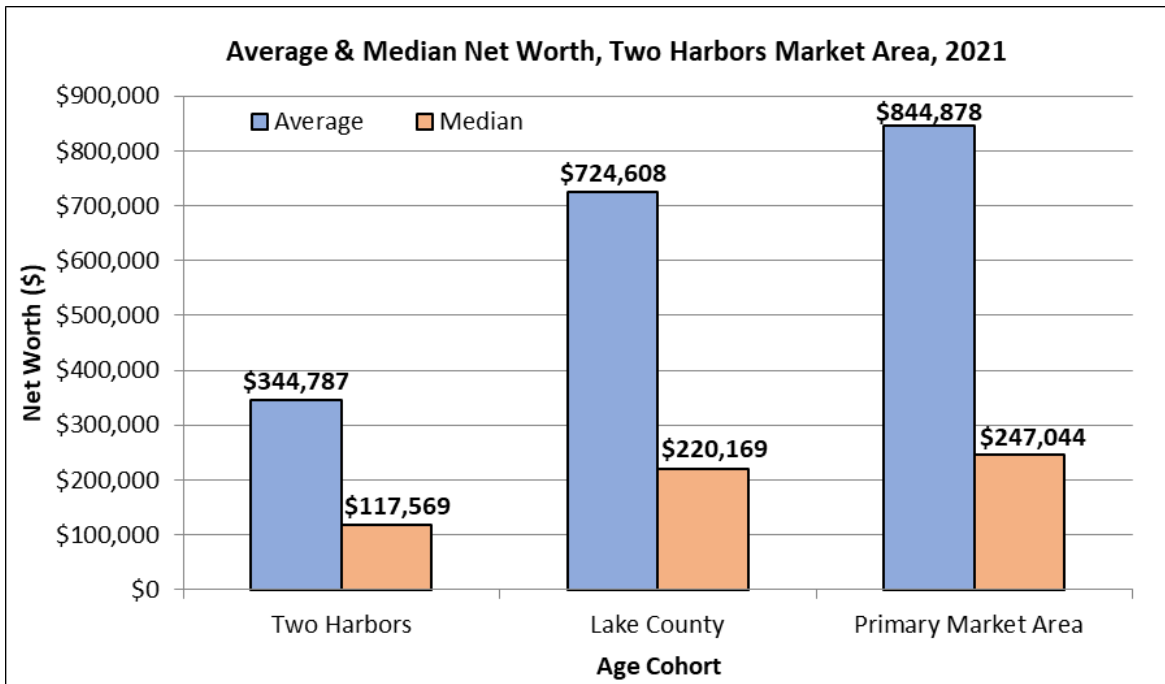
Net Worth

Table D-9 shows household net worth in the Primary Market Area in 2021. Net worth is the difference between assets and liabilities or the total value of assets after debt is subtracted. The data was compiled and estimated by ESRI based on the Survey of Consumer Finances and Federal Reserve Board data. According to the Urban Institute Housing Finance Center, the average homeowner's net worth in the US is \$150,506 compared to an average net worth of just over \$5,000 for renters reported by the 2013 Federal Reserve Survey of Consumer Finances.

- The PMA reported an average net worth of \$844,878 and a median net worth of \$247,044. Median net worth is generally a more accurate depiction of the wealth of a majority of the area residents than the average. A few households with very high net worth can significantly skew the average. Communities with high levels of farming operations and land assets tend to also increase the average and median net worth in those areas.
- The highest median net worth in the PMA was reported in the 65 to 74 age cohort (\$399,850). The highest average net worth was in 75 plus age group with an average net worth of \$1,210,292, which suggests that some retirees have substantial assets.

DEMOGRAPHIC ANALYSIS

- Median net worth rises with age due to a variety of factors including: higher earnings, accumulation of assets, and increased investments. As the previous bullet specifies this is also the case in the PMA where median net worth peaks in the 65 to 74 age cohort. After age 75, median net worth begins to decline as more people leave the workforce and spend down assets and savings.



DEMOGRAPHIC ANALYSIS

TABLE D-9
ESTIMATED NET WORTH BY AGE OF HOUSEHOLDER
TWO HARBORS MARKET AREA
2021

	Age of Householder							
	Total		Under 25		25-34		35-44	
	Average	Median	Average	Median	Average	Median	Average	Median
Two Harbors	\$344,787	\$117,569	\$53,500	\$35,000	\$80,481	\$43,392	\$201,259	\$115,770
Lake County	\$724,608	\$220,169	\$66,269	\$37,743	\$104,522	\$59,583	\$360,943	\$159,305
Primary Market Area*	\$844,878	\$247,044	\$73,588	\$41,525	\$117,932	\$68,690	\$435,177	\$173,721
	45-54		55-64		65-74		75+	
	Average	Median	Average	Median	Average	Median	Average	Median
	Average	Median	Average	Median	Average	Median	Average	Median
Two Harbors	\$321,271	\$151,529	\$342,043	\$182,799	\$419,212	\$230,054	\$677,410	\$160,631
Lake County	\$580,384	\$215,441	\$777,524	\$274,393	\$1,013,137	\$365,231	\$1,142,389	\$287,555
Primary Market Area*	\$677,153	\$241,683	\$1,036,295	\$304,841	\$1,146,006	\$399,850	\$1,210,292	\$299,271

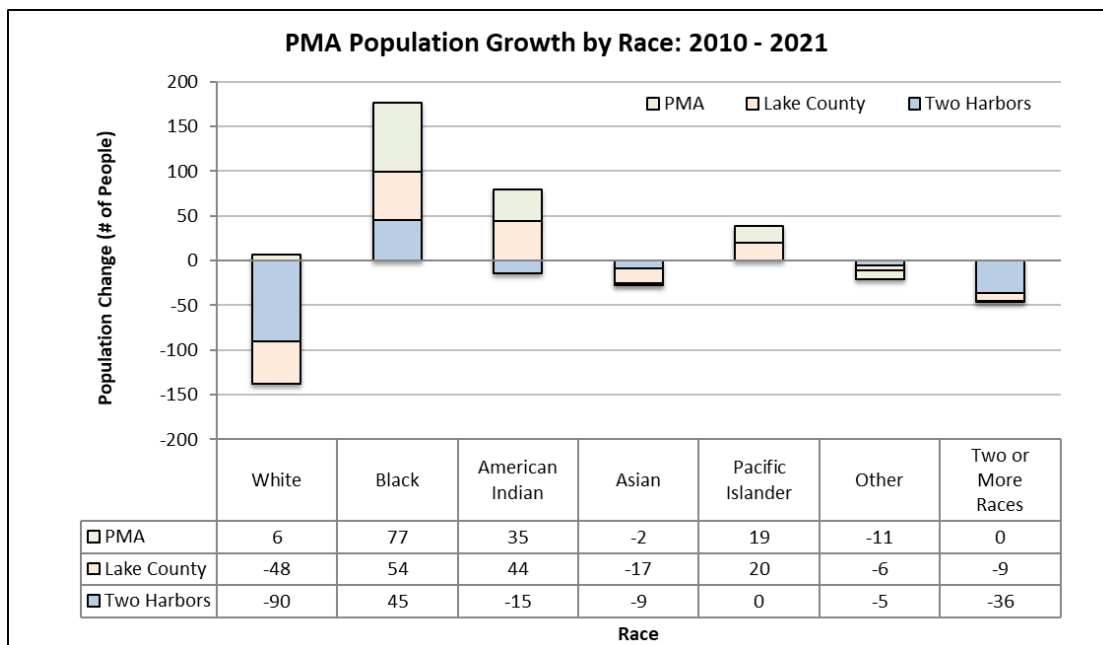
*Includes all of Lake County, Minnesota as well as Alden Township, Duluth Township, and Pequaywan Township (All in St Louis County).

Sources: ESRI; Maxfield Research and Consulting, LLC.

Race of Population

The race of the population illustrates the diversity for Two Harbors, Lake County, and the Primary Market Area. Data for 2010 was obtained from the U.S. Census while 2021 data was from the American Community Survey (published by the Census Bureau) adjusted to 2021 by Maxfield Research and is presented in Table D-10.

- Most PMA residents reported their race as “White Alone” in 2010 (97.7%) and 2021 (96.8%). In Two Harbors, 97.1% of residents reported their race as “White Alone” in 2010, and 97.7% in 2021.
- From 2010 to 2021, the PMA saw increases in the population in the majority of racial groups, however, several racial groups experienced more significant growth than others. Two groups that experienced significant growth were Pacific Islander (+1868.0%) and Black (+368.6%).
- The drop in people reporting as “Some Other Race” can be attributed to changes in methodology that the Census Bureau implemented after the 2010 Census. Many people who responded, “Some Other Race” later reported as “Hispanic or Latino *Ethnicity not Race*”.



- Although residents identifying as Pacific Islander and Black experienced the largest proportional increase in population, these groups still make up a small proportion of the total population.
- Between 2010 and 2021, the Hispanic or Latino population increased in the PMA. In 2010, 0.7% of the PMA’s population reported their ethnicity as Hispanic or Latino. In 2021, the proportion of the population reporting their ethnicity as Hispanic or Latino increased to 1.3%.

TABLE D-10 POPULATION DISTRIBUTION BY RACE & ETHNICITY TWO HARBORS MARKET AREA 2010 - 2021						
	2010		2021		Change ('10 - '21)	
	No.	Pct.	No.	Pct.	No.	Pct.
City of Two Harbors						
Population by Race	3,745	100.0%	3,635	100.0%	-110	-2.9%
White	3,640	97.2%	3,550	97.7%	-90	-2.5%
Black	8	0.2%	53	1.5%	45	560.4%
American Indian	24	0.6%	9	0.3%	-15	-61.2%
Asian	9	0.2%	0	0.0%	-9	-100.0%
Pacific Islander	0	0.0%	0	0.0%	0	--
Other	6	0.2%	1	0.0%	-5	-82.7%
Two or More Races	58	1.5%	22	0.6%	-36	-62.5%
Population by Ethnicity	3,745	100.0%	3,635	100.0%	-110	-2.9%
Hispanic or Latino	37	1.0%	49	1.3%	12	31.6%
Not Hispanic or Latino	3,708	99.0%	3,586	98.7%	-122	-3.3%
Lake County						
Population by Race	10,866	100.0%	10,905	100.0%	39	0.4%
White	10,616	97.7%	10,568	96.9%	-48	-0.4%
Black	16	0.1%	70	0.6%	54	338.9%
American Indian	51	0.5%	95	0.9%	44	86.3%
Asian	31	0.3%	14	0.1%	-17	-53.4%
Pacific Islander	0	0.0%	20	0.2%	20	--
Other	15	0.1%	9	0.1%	-6	-38.0%
Two or More Races	137	1.3%	128	1.2%	-9	-6.5%
Population by Ethnicity	10,866	100.0%	10,905	100.0%	39	0.4%
Hispanic or Latino	80	0.7%	156	1.4%	76	94.9%
Not Hispanic or Latino	10,786	99.3%	10,749	98.6%	-37	-0.3%
Primary Market Area						
Population by Race	13,150	100.0%	13,275	100.0%	125	1.0%
White	12,844	97.7%	12,850	96.8%	6	0.0%
Black	21	0.2%	98	0.7%	77	368.6%
American Indian	63	0.5%	98	0.7%	35	56.2%
Asian	33	0.3%	31	0.2%	-2	-5.8%
Pacific Islander	1	0.0%	20	0.1%	19	1868.0%
Other	20	0.2%	9	0.1%	-11	-53.4%
Two or More Races	168	1.3%	168	1.3%	0	-0.1%
Population by Ethnicity	13,150	100.0%	13,275	100.0%	125	1.0%
Hispanic or Latino	91	0.7%	166	1.2%	75	82.2%
Not Hispanic or Latino	13,059	99.3%	13,109	98.8%	50	0.4%
Sources: US Census Bureau; ESRI; Maxfield Research, LLC.						

Summary of Demographic Trends

The following points summarize key demographic trends that will impact the demand for housing in the Primary Market Area.

- Two Harbors is the population center of the PMA (27.4% of the PMA's population in 2021) and is forecast to remain roughly the same to 2036 (27.5% of the PMA's population), although its population is expected to remain roughly flat between 2021 and 2031. Lake County's population is expected to decline by 1.0% between 2021 and 2031.
- Household growth is expected to be slightly less than population growth in both Two Harbors and the PMA between 2021 and 2031. Similar to population trends, Lake County is anticipated to experience contraction in its households, decreasing by 0.6% between 2021 and 2031 and 0.3% between 2031 and 2036.
- Households sizes in both Two Harbors and the PMA decreased between 2000 and 2021. In Two Harbors household sizes decreased from 2.37 persons per household in 2000 to 2.20 persons per households in 2021. Similarly, in the PMA, persons per households decreased from 2.41 persons per households in 2000 to 2.32 persons per households in 2021. By 2036 persons per households in Two Harbors and the PMA are expected to be 2.20 and 2.34, respectively.
- In 2010, the largest adult age cohort in the PMA was age 45 to 54. This age cohort is also the largest adult cohort in Two Harbors. Between 2000 and 2010, the 55 to 64 age cohort grew by 42.7% (632 people) in the PMA and by 39.9% (125 people) in Two Harbors. As of 2021, in Two Harbors, Lake County, and the PMA, the largest adult age cohort is estimated to be those 55 to 64. By 2036, reflecting an aging population the largest age cohort is projected to be those between 65 to 74 in all geographies.
- The median income for the PMA in 2021 was \$65,088, 20.1% higher than the Two Harbors 2021 median income of \$56,156. Incomes in the PMA are forecast to increase by 11.5% and by 7.6% in Two Harbors between 2021 and 2026. The median household income among the age 65 to 74 cohort is projected to experience the greatest increase (15.1%) in the PMA from 2021 to 2026.
- Over 82% of PMA households were owner households in 2021. Additionally, there are high rates of ownership among the youngest age cohorts, where there are traditionally more renters. This is particularly evident in the PMA's 25 to 34 age cohort where 73.4% were owner households in 2021. Even within Two Harbors, in the 25 to 34 age cohort, owner households constituted a higher percentage compared to renter households; 54.1% owner households versus 45.9% renter households. An estimated 52.6% of renter households in the PMA were one-person households, while owner households were most likely to be two-person households (45.2%).

Introduction

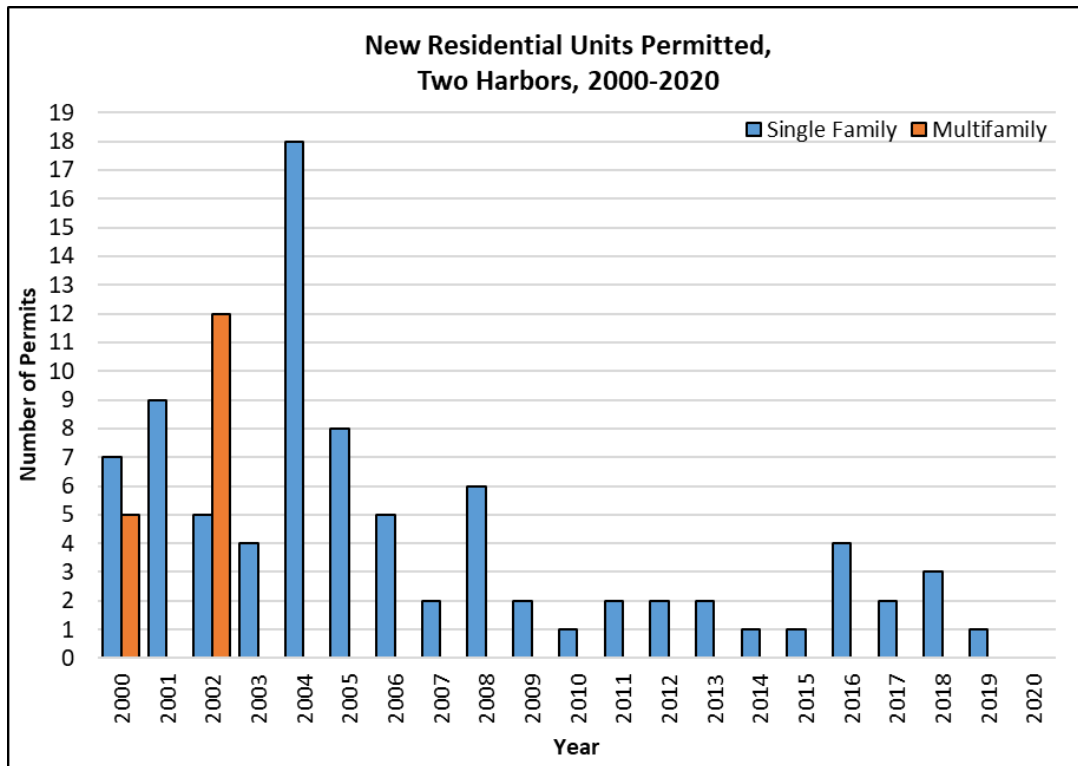
The variety and condition of the housing stock in a community provides the basis for an attractive living environment. Housing functions as a building block for neighborhoods. We examined the housing market by reviewing data on the age of the existing housing supply, examining residential building trends since 2000, and reviewing housing data from the American Community Survey. The American Community Survey is a group of data compiled from annual surveys of households in each state. The data is estimated based on the survey responses and averages are compiled for one-, three- and five-year periods. The five-year average estimates have been utilized for this analysis.

Residential Construction Trends

Maxfield Research obtained data on the number of new housing units from 2000 through 2020 from Housing and Urban Development's State of the Cities Data System (HUD SOCDs), City of Two Harbors, City of Silver Bay, and City of Beaver Bay. Table HC-1 displays the number of building permits issued for new construction of residential units by city in Two Harbors, Silver Bay, Beaver Bay, Lake County, and Duluth Township.

- From 2000 through 2020, there were 102 new residential units permitted in Two Harbors, 83.3% of which were issued for single-family homes. Multifamily development was much lower in Two Harbors with only 17 units (16.7%) total being built between 2000 and 2020.
- The effects of the Great Recession are illustrated in the decline in units permitted after 2008. From 2000 to 2008, 64 new residential units were permitted in Two Harbors. The years from 2009 through 2015 recorded only 11 permits issued for new residential units. Activity increased in 2016, with four single-family units permitted in the City. Permits more recently were the following: 2017, two single family permits; 2018, three single family permits; 2019, one single family permit; and 2020, no permits.
- Of the residential units permitted in Lake County, Two Harbors accounted for 6.7% of total units permitted from 2000 through 2020.
- The effect of the Great Recession can be seen in the number of units permitted in and before 2007 as well as the number of units permitted since 2008. An estimated 51.8% of all residential units permitted in the PMA (Lake County and Duluth Township) were permitted between 2000 and 2007.
- The number of issued permits in Two Harbors and Lake County has increased since the early to mid-2010s but has not matched levels during the 2000s.
- Permit data is available through 2020 (start of the COVID-19 Pandemic). Therefore, permits through 2021 will be needed to better analyze the effects of the Pandemic on permits.

HOUSING CHARACTERISTICS



	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	Total
Two Harbors																						
Single Family	7	9	5	4	18	8	5	2	6	2	1	2	2	2	1	1	4	2	3	1	0	85
Duplex/TH/Quad	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Multifamily 5+	5	0	12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	17
Silver Bay																						
Single Family	4	4	2	1	4	0	1	4	0	1	0	2	0	3	0	0	0	1	0	0	3	30
Duplex/TH/Quad	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Multifamily 5+	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Beaver Bay																						
Single Family	0	1	1	2	4	2	0	0	0	0	0	0	0	0	0	1	0	0	0	3	1	15
Duplex/TH/Quad	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	2
Multifamily 5+	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Lake County Total																						
Single Family	126	91	86	89	112	94	103	92	65	50	48	47	52	57	50	47	52	52	52	62	71	1,498
Duplex/TH/Quad	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	2
Multifamily 5+	5	0	12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	17
Duluth township																						
Single Family	15	17	15	16	18	20	10	3	9	9	8	8	9	11	12	13	14	15	15	14	15	266
Duplex/TH/Quad	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Multifamily 5+	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: City of Two Harbors; City of Silver Bay; HUD; Maxfield Research and Consulting, LLC.

American Community Survey

The American Community Survey (“ACS”) is an ongoing statistical survey administered by the U.S. Census Bureau that is sent to approximately three million addresses annually. The survey gathers data previously contained only in the long form of the Decennial Census. As a result, the survey 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 2015 and 2019. All ACS surveys are subject to sampling error and uncertainty. The ACS reports margins of errors (MOEs) with estimates for most standard census geographies. The MOE is shown by reliability from low, medium to high. Due to the MOE, 2019 ACS data may have inconsistencies with previous 2010 Census data.

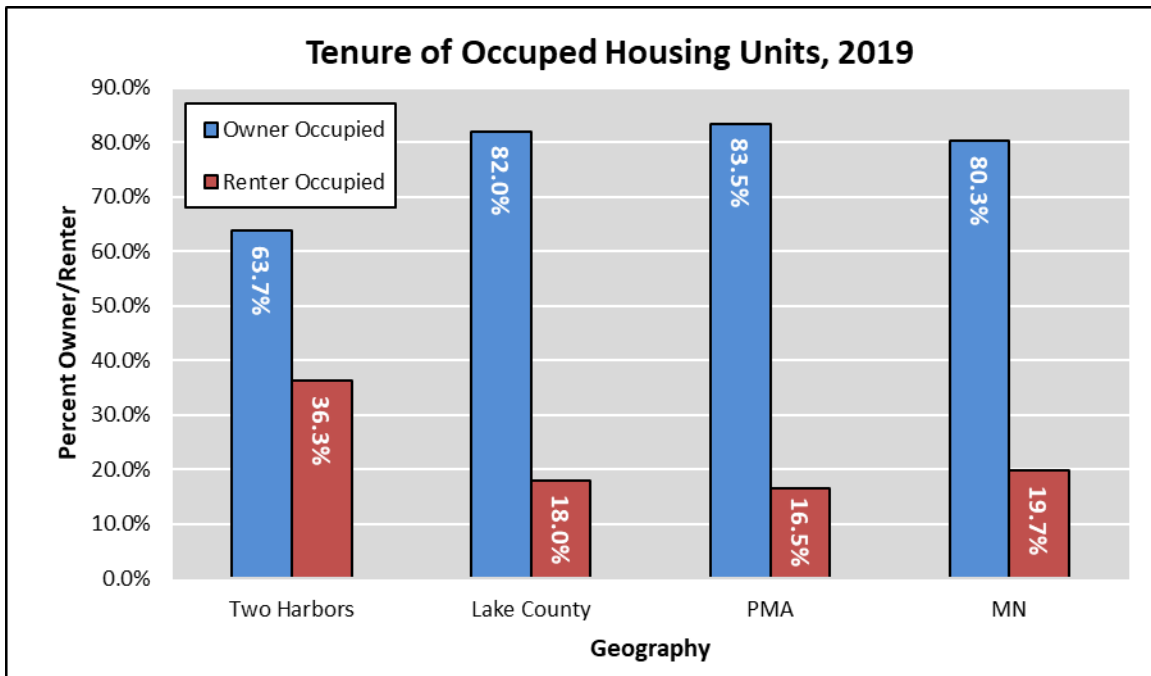
Tables HC-2 through HC-10 show key data from the American Community Survey for Two Harbors, Lake County, and the PMA.

Occupied Housing Units by Tenure

Tenure is a key variable that analyzes the propensity for householders to rent or own their housing unit. Tenure is an integral statistic used by numerous governmental agencies and private sector industries to assess neighborhood stability. Table HC-2 shows the tenure by occupied housing units in 2019.

- In Two Harbors, 63.7% of the occupied housing units are owner-occupied, considerably lower than Lake County and the PMA.
- Lake County reported 82.0% of occupied housing units as owner-occupied. This is a higher proportion than Two Harbors proper, but still lower than the PMA, in which 83.5% of occupied units were owner occupied. Two Harbors offers more options for households that want to rent their housing.

TABLE HC-2 OCCUPIED HOUSING UNITS BY TENURE PRIMARY MARKET AREA 2019							
Tenure	Two Harbors		Lake County		PMA		MN
	No.	Pct.	No.	Pct.	Pct.	Pct.	Pct.
Owner Occupied	1,091	63.7%	4,259	82.0%	5,083	83.5%	80.3%
Renter Occupied	621	36.3%	933	18.0%	1,006	16.5%	19.7%
Total	1,712	100.0%	5,192	100.0%	6,089	100.0%	100.0%
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research and Consulting, LLC.							



Age of Housing Stock

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

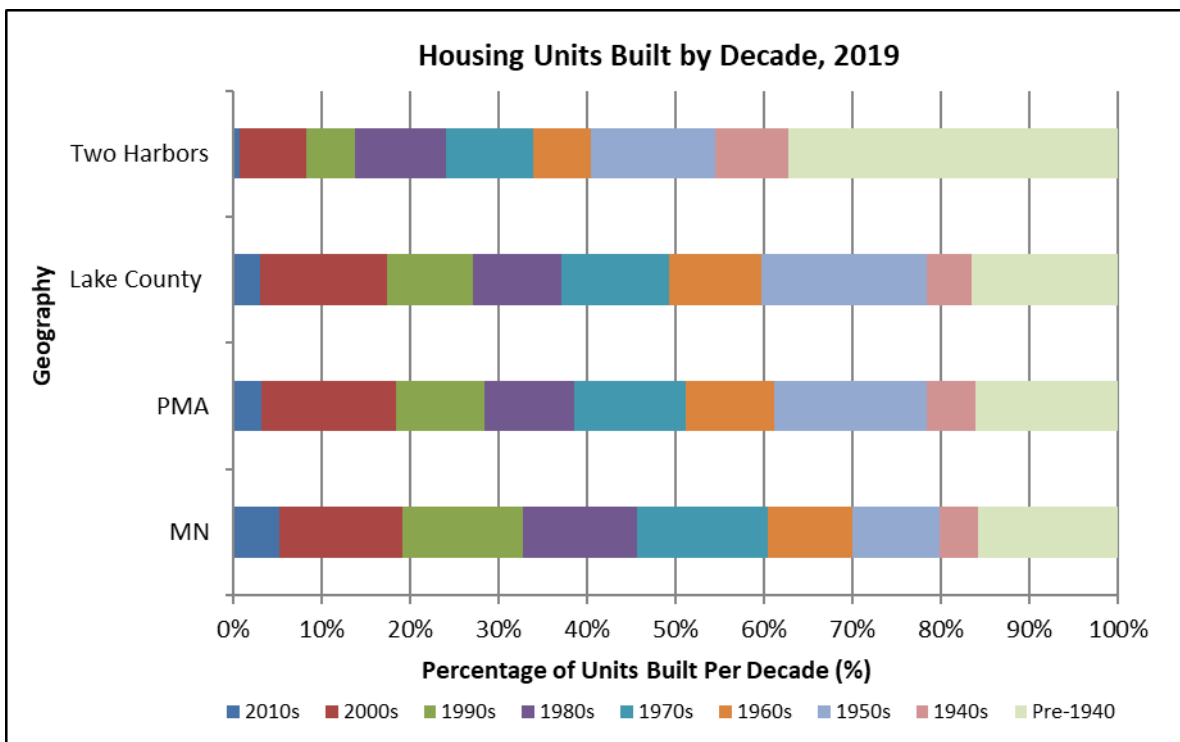
- In Two Harbors, the largest proportion of the housing stock was built before 1940 (37.3%), followed by the 1950s (14.0%) and the 1980s (10.2%).
- In Lake County and the PMA, the age of the housing stock is more varied, with the largest proportion of the housing stock being built in the 1950s in both geographies, 18.6% and 17.3%, respectively. The next most active decades for home construction in these geographies were prior to 1940 and the 2000s. There has been more modest construction recently, with 3.1% of Lake County homes and 3.2% of PMA homes being constructed in the 2000s.
- Overall, the housing stock in Two Harbors is older, on average, than the housing stock in the PMA, with a median year built in Two Harbors of 1952, compared to 1969 in the PMA, 1971 in Lake County, and 1977 in the State of Minnesota.

HOUSING CHARACTERISTICS

TABLE HC-3
AGE OF HOUSING STOCK (OCCUPIED HOUSING UNITS)
PRIMARY MARKET AREA
2019

Decade Structure Built	Two Harbors		Lake County		PMA		MN
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
2010s	11	0.6%	159	3.1%	196	3.2%	5.2%
2000s	129	7.5%	741	14.3%	922	15.1%	14.0%
1990s	96	5.6%	509	9.8%	610	10.0%	13.6%
1980s	175	10.2%	514	9.9%	616	10.1%	12.9%
1970s	169	9.9%	635	12.2%	767	12.6%	14.8%
1960s	113	6.6%	544	10.5%	608	10.0%	9.5%
1950s	240	14.0%	965	18.6%	1,056	17.3%	9.9%
1940s	140	8.2%	263	5.1%	333	5.5%	4.3%
Pre-1940	639	37.3%	862	16.6%	981	16.1%	15.8%
Total	1,712	100.0%	5,192	100.0%	6,089	100.0%	100.0%
Median Year Built	1952		1971		1969		1977

Sources: US Census Bureau - American Community Survey; Maxfield Reserch and Consulting, LLC.

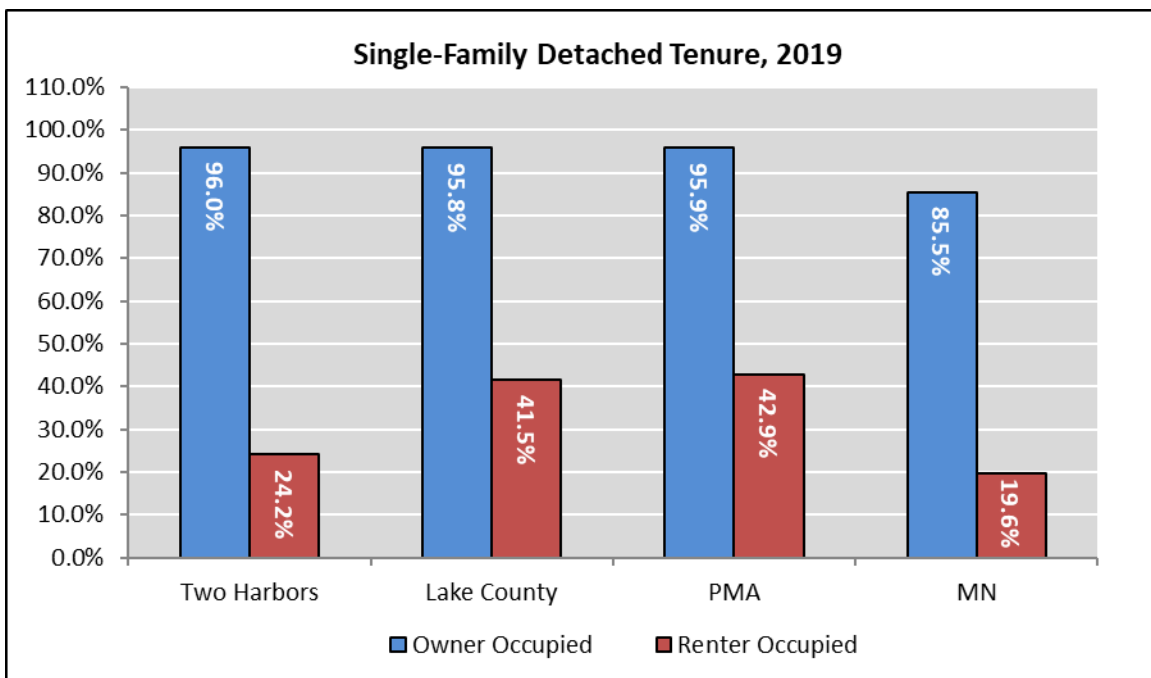


Housing Units by Structure and Tenure

Table HC-4 shows the housing stock in the Primary Market Area by type of structure and tenure based on the 2015 to 2019 American Community Survey estimates. This information is useful in determining the composition of existing housing as it relates to home type and tenure trends.

HOUSING CHARACTERISTICS

- Single-family detached units are the dominant housing type for owner-occupied units in Two Harbors, Lake County, and the PMA, representing between 95.8% and 96.0% of all owner-occupied units. In contrast, single-family detached units only represent 85.5% of owner-occupied units in Minnesota.
- Single-family detached units also make up a large share of the renter-occupied units across the PMA. In Two Harbors, single-family rental units comprised the majority of rental units, 24.2%, while in the larger PMA, single-family homes comprised almost 43% (42.9%) of all rental units (48.8%).
- The rental housing stock trends towards smaller attached units in Two Harbors, with rental units in structures with more than one and less than 10 units comprising 41.5% of rental units.



HOUSING CHARACTERISTICS

**TABLE HC-4
HOUSING UNITS BY STRUCTURE & TENURE
PRIMARY MARKET AREA
2019**

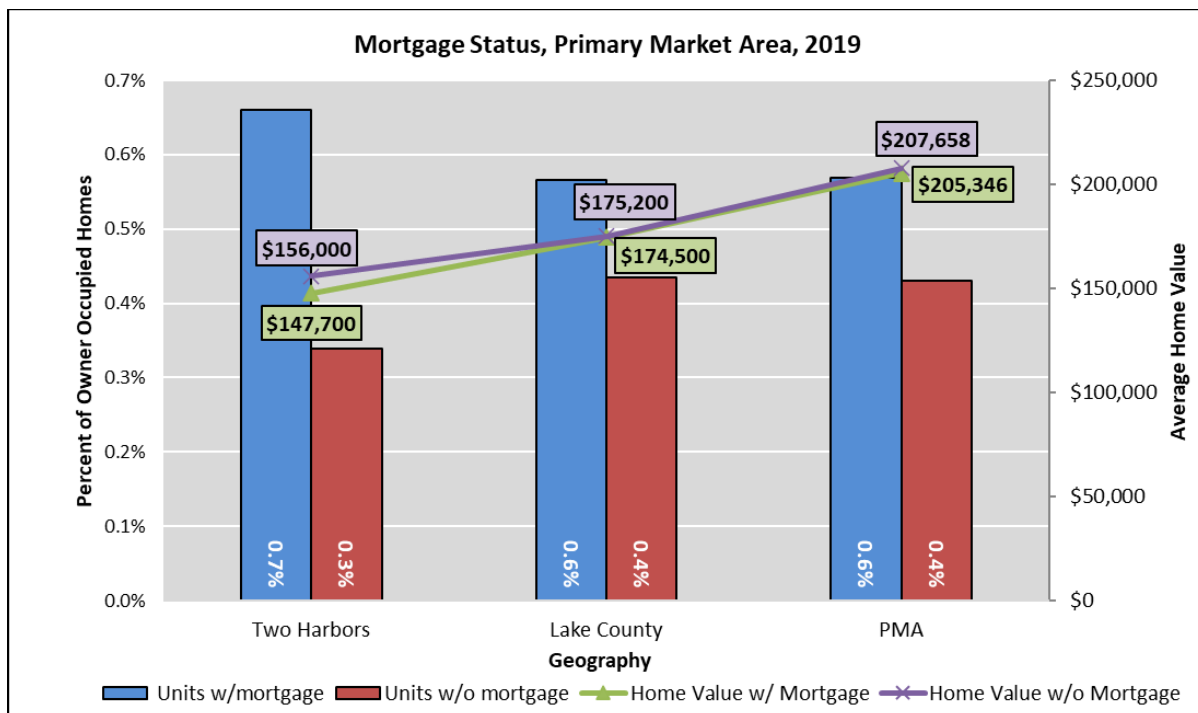
Units in Structure	Two Harbors				Lake County				PMA				State of MN	
	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied %	Renter-Occupied %
1, detached	1,047	96.0%	150	24.2%	4,082	95.8%	387	41.5%	8,955	95.9%	831	42.9%	85.5%	19.6%
1, attached	29	2.7%	7	1.1%	33	0.8%	23	2.5%	66	0.7%	49	2.5%	7.7%	8.3%
2	15	1.4%	100	16.1%	15	0.4%	109	11.7%	30	0.3%	218	11.2%	0.7%	6.5%
3 to 4	0	0.0%	15	2.4%	18	0.4%	15	1.6%	36	0.4%	30	1.5%	0.5%	6.1%
5 to 9	0	0.0%	143	23.0%	0	0.0%	143	15.3%	0	0.0%	292	15.1%	0.4%	6.9%
10 to 19	0	0.0%	59	9.5%	0	0.0%	76	8.1%	0	0.0%	152	7.8%	0.3%	11.8%
20 to 49	0	0.0%	99	15.9%	0	0.0%	121	13.0%	0	0.0%	249	12.8%	0.6%	16.8%
50 or more	0	0.0%	48	7.7%	0	0.0%	51	5.5%	0	0.0%	102	5.3%	1.3%	21.2%
Mobile home	0	0.0%	0	0.0%	100	2.3%	8	0.9%	233	2.5%	16	0.8%	3.4%	1.6%
Boat, RV, van, etc.	0	0.0%	0	0.0%	11	0.3%	0	0.0%	22	0.2%	0	0.0%	0.0%	0.1%
Total	1,091	100%	621	100%	4,259	100%	933	100%	9,342	100%	1,939	100%	100%	100%

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

Owner-Occupied Housing Units by Mortgage Status

Table HC-5 shows mortgage status from the American Community Survey for 2019 (5-Year estimates). Mortgage status provides information on the cost of homeownership when analyzed in conjunction with mortgage payment data. A mortgage refers to all forms of debt where the property is pledged as security for repayment of debt. A first mortgage has priority claim over any other mortgage or if it is the only mortgage. A second (and sometimes third) mortgage is called a “junior mortgage,” a home equity line of credit (HELOC) would also fall into this category. Finally, a housing unit without a mortgage is owned free and clear and is debt free.

- In Two Harbors, 66.1% of owner-occupied homes have a mortgage, compared to 56.6% of homes in Lake County and 56.6% of homes in the PMA. The State of Minnesota has a higher proportion of homes with mortgages (66.3%.)
- An estimated 6.9% of owner-occupied homes in Two Harbors have a second mortgage, compared to 7.1% of Lake County homes and 7.3% of PMA homes. Across, Minnesota, 10.2% of homes have a second mortgage. Home equity loans were less common, accounting for 2.4% of homes in Two Harbors and 1.1% in the PMA and Lake County. However, homes with both a second mortgage and a home equity line of credit made up 4.5% of Two Harbors homes, 6.0% of Lake County homes and 7.7% of PMA homes.
- Housing units without a mortgage reported a higher average value than those without a mortgage in the PMA, Two Harbors, and Lake County. In contrast, in Minnesota, homes with a mortgage reported a higher average value than those without a mortgage.



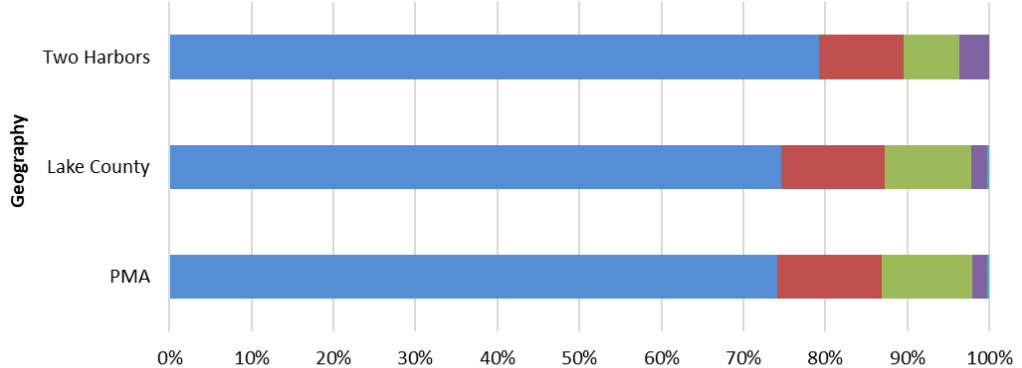
HOUSING CHARACTERISTICS

TABLE HC-5
OWNER-OCCUPIED HOUSING UNITS BY MORTGAGE STATUS
PRIMARY MARKET AREA
2019

Mortgage Status	Two Harbors		Lake County		PMA		MN
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
Housing units without a mortgage	370	33.9%	1,849	43.4%	2,190	43.1%	33.7%
Housing units with a mortgage/debt	721	66.1%	2,410	56.6%	2,893	56.9%	66.3%
<i>Second mortgage only</i>	75	6.9%	303	7.1%	372	7.3%	10.2%
<i>Home equity loan only</i>	26	2.4%	49	1.2%	55	1.1%	2.5%
<i>Both second mortgage and equity loan</i>	49	4.5%	254	6.0%	317	6.2%	7.7%
<i>No second mortgage or equity loan</i>	0	0.0%	5	0.1%	6	0.1%	0.3%
Total	1,091	100.0%	4,259	100.0%	5,083	100.0%	100.0%
Average Value by Mortgage Status							
Housing units with a mortgage	\$147,700		\$174,500		\$205,346		\$233,000
Housing units without a mortgage	\$156,000		\$175,200		\$207,658		\$203,000

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

Owner-Occupied Homes with Mortgages, 2019



	PMA	Lake County	Two Harbors
Only First Mortgage	74.1%	74.6%	79.2%
Second Mortgage Only	12.9%	12.6%	10.4%
Both Second Mortgage and Equity Loan	11.0%	10.5%	6.8%
Home equity loan only	1.9%	2.0%	3.6%
No second mortgage or equity loan	0.2%	0.2%	0.0%

Percentage

■ Only First Mortgage
 ■ Second Mortgage Only
 ■ Both Second Mortgage and Equity Loan
■ Home equity loan only
 ■ No second mortgage or equity loan

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 the land and the structure. For condominium units, value refers to only the unit.

- The median home value of owner-occupied homes in Two Harbors in 2019 was \$149,900, which was 14.2% lower than the Lake County median value of \$174,700 and 24.9% lower than the PMA median value of \$199,733.
- In Two Harbors, an estimated 19.2% of homes were valued under \$100,000. In comparison, 19.8% of homes in Lake County and 17.8% of homes in PMA were valued under \$100,000. Across Minnesota, 12.3% of homes were valued under \$100,000.
- Homes valued between \$100,000 and \$199,999 accounted for 59.3% of owner-occupied homes in Two Harbors. A smaller proportion of homes in Lake County and the PMA fall within this range, including 36.5% in Lake County and 34.1% in the PMA.
- In Two Harbors, 21.5% of homes were valued at \$200,000 or higher. Lake County and the PMA had a larger proportion of homes valued at \$200,000 or higher, 43.6% and 48.2%, respectively. Due to the high costs of new construction, new homes would likely be priced above \$200,000.

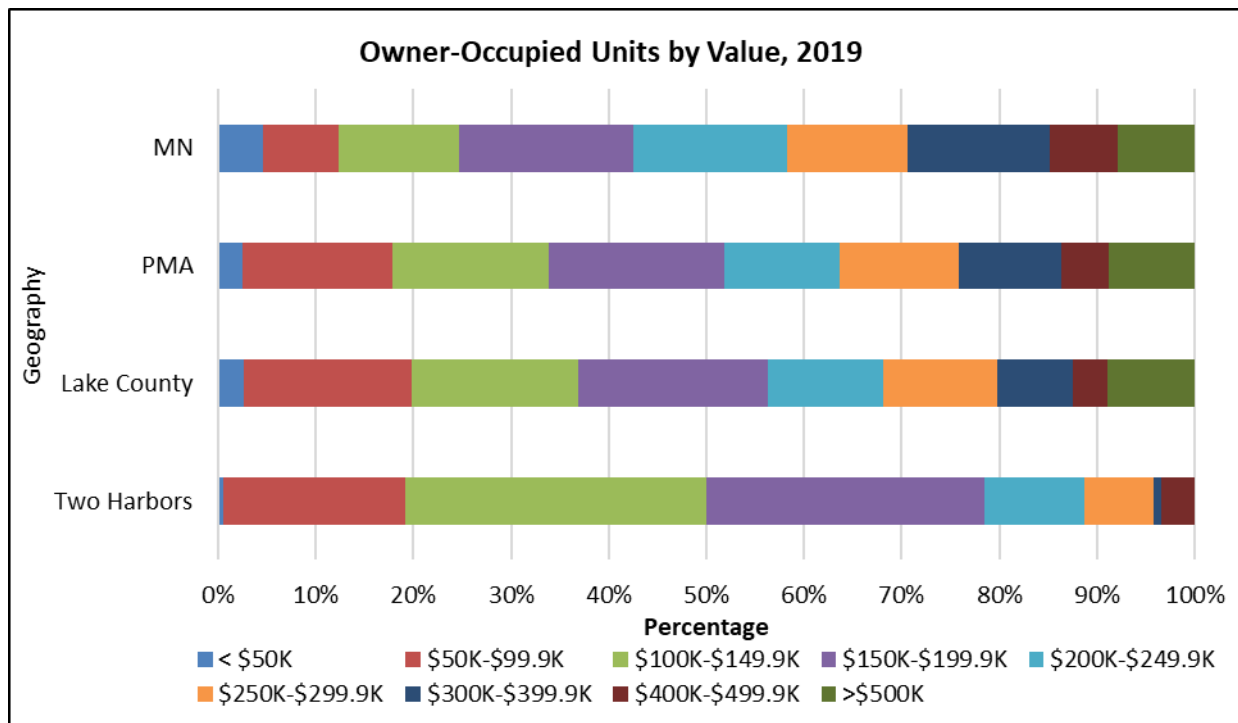


TABLE HC-6 OWNER-OCCUPIED UNITS BY VALUE PRIMARY MARKET AREA 2019							
Home Value	Two Harbors		Lake County		PMA		MN
	No.	Pct.	No.	Pct.	Pct.	Pct.	Pct.
Less than \$50,000	6	0.5%	112	2.6%	130	2.6%	4.6%
\$50,000-\$99,999	203	18.6%	732	17.2%	777	15.3%	7.8%
\$100,000-\$149,999	337	30.9%	724	17.0%	811	16.0%	12.3%
\$150,000-\$199,999	310	28.4%	832	19.5%	920	18.1%	17.9%
\$200,000-\$249,999	112	10.3%	501	11.8%	595	11.7%	15.7%
\$250,000-\$299,999	77	7.1%	500	11.7%	623	12.3%	12.4%
\$300,000-\$399,999	9	0.8%	325	7.6%	535	10.5%	14.7%
\$400,000-\$499,999	37	3.4%	155	3.6%	247	4.9%	6.9%
Greater than \$500,000	0	0.0%	378	8.9%	445	8.8%	7.9%
Total	1,091	100.0%	4,259	100.0%	5,083	100.0%	100.0%
Median Home Value	\$149,900		\$174,700		\$199,733		\$223,900
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research and Consulting, LLC.							

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 regardless of any utilities, furnishings, fees, or services that may be included.

- The median contract rent in Two Harbors, \$629, is 1.3% greater than in Lake County (\$621). However, when compared to the PMA, which includes Lake County as well as Alden Township, Duluth Township, and Pequaywan Township, all in St Louis County, the median contract rent of Two Harbors is 2.0% less than that of the PMA (\$642). Minnesota's statewide median contract rent is \$759, 20.7% greater than in Two Harbors.
- Two Harbors residents were most likely to pay between \$500 and \$749 in monthly rent, with 45.6% of renter-occupied units reporting rents in this range. The majority of rents in Lake County and the PMA also fell in this range, at 38.8% in each geography.
- Over 22% (22.1%) of renter-occupied units in Two-Harbors charged over \$1,000 in rent. This is a higher proportion than Lake County (15.5%) and the PMA (16.7%). These units are likely single-family homes.
- Units in the very low rent range (\$0 to \$249) were the smallest part of the market in Lake County and the PMA, representing between 4.8% and 4.5%, respectively of rental units. In Two Harbors, by contrast, units in the \$750 to \$999 range were the smallest part of the market, representing 2.9% of rental units.

HOUSING CHARACTERISTICS

- Housing units without payment of rent (“no cash rent”) make up only 2.3% of Two Harbors renters. The proportion was much lower than in Lake County and the PMA where housing units with no cash rent each made of 9.8% of renters. Typically, units may be owned by a relative or friend who lives elsewhere who allow occupancy without charge. Other sources may include caretakers or ministers who may occupy a residence without charge.

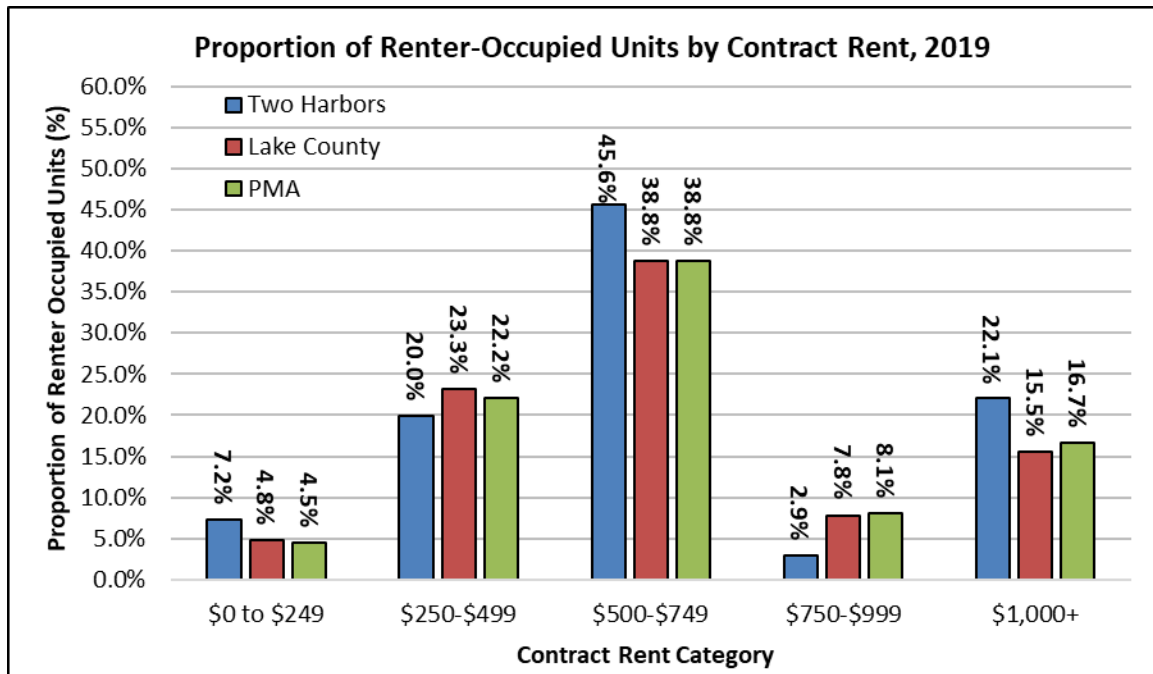


TABLE HC-7 RENTER-OCCUPIED UNITS BY CONTRACT RENT PRIMARY MARKET AREA 2019							
Contract Rent	Two Harbors		Lake County		PMA		MN
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
No Cash Rent	14	2.3%	91	9.8%	99	9.8%	4.1%
Cash Rent	607	97.7%	842	90.2%	907	90.2%	95.9%
\$0 to \$249	45	7.2%	45	4.8%	45	4.5%	5.4%
\$250-\$499	124	20.0%	217	23.3%	223	22.2%	10.9%
\$500-\$749	283	45.6%	362	38.8%	390	38.8%	18.3%
\$750-\$999	18	2.9%	73	7.8%	81	8.1%	24.3%
\$1,000+	137	22.1%	145	15.5%	168	16.7%	37.1%
Total	621	100.0%	933	100.0%	1006	100.0%	100.0%
Median Contract Rent	\$629		\$621		\$642		\$759
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research and Consulting, LLC.							

Tenure by Household Income

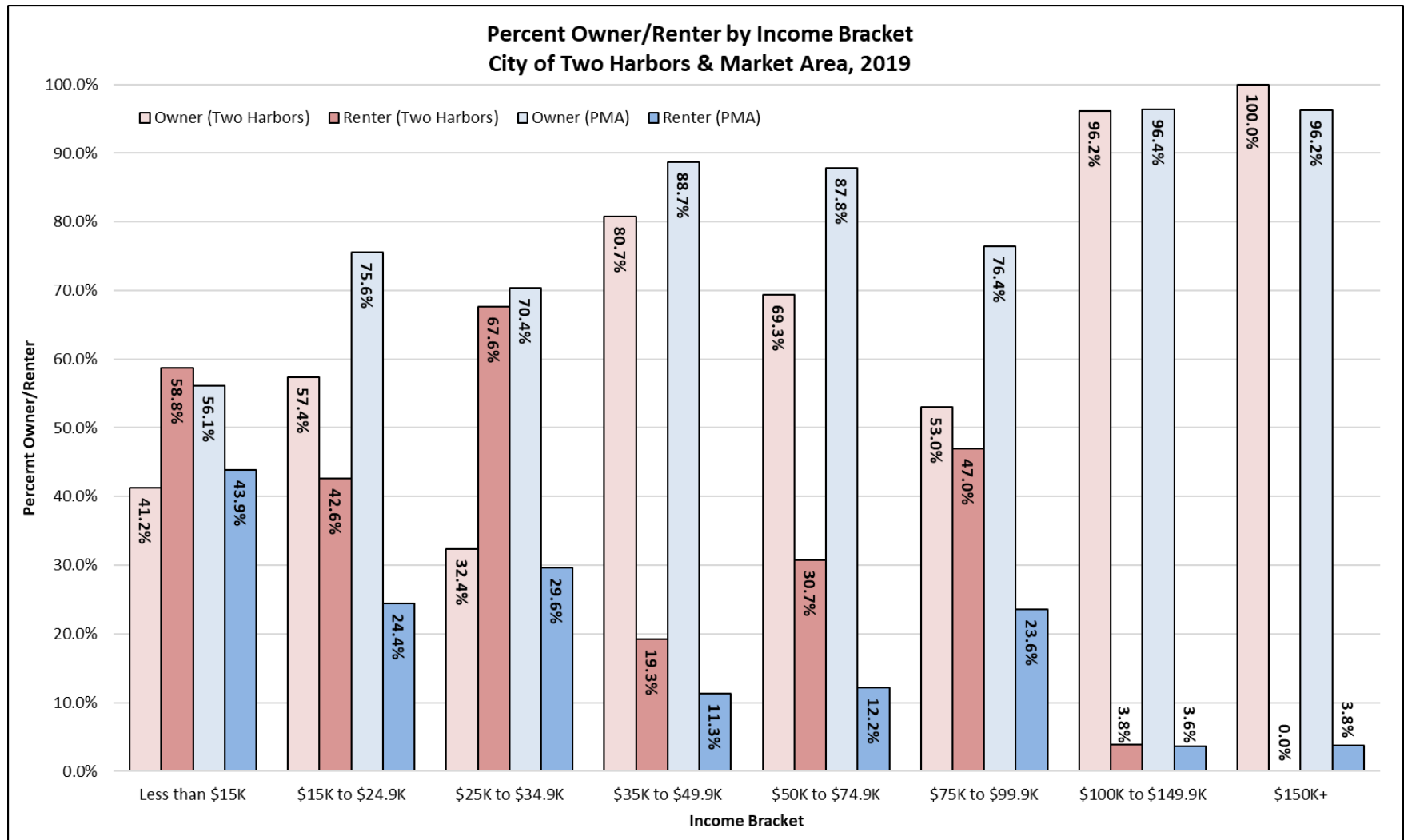
Table HC-8 presents information on tenure by household income in Two Harbors, Lake County, and the PMA. Data was obtained from the American Community Survey for years 2015-2019.

- Households in Two Harbors earning less than \$15,000 annually are very likely to be renters, as 58.8% of Two Harbors' households with incomes below \$15,000 were renters. In the PMA, 43.9% of households with incomes less than \$15,000 were renters.
- Generally, lower-income households are more likely to rent and as incomes rise, the proportion of ownership rises. This trend generally holds in the PMA as a higher percentage of lower income households rent compared to higher income households.
- A portion of renter households are referred to as lifestyle renters, those who are financially able to own a home but choose to rent. Lifestyle renters typically have household incomes of \$50,000 or higher. In Two Harbors, approximately 46% (45.9%) of renters have incomes of \$50,000 or greater while a smaller proportion of PMA renters have incomes of \$50,000 or higher (43.3%).
- Median incomes for renter-occupied households were between 60% and 80% of the median incomes of owner-occupied households in all geographies. The largest income gap reported was among owner-occupied households in the PMA (\$66,941), compared to renter households in the PMA (\$40,353) a gap of \$26,608 (65.9%). In Two Harbors, owner households had a median income of \$60,163, compared to renter households with a median income of \$47,548, a difference of \$12,615 (26.5%). Additionally, in Lake County, owner households had a median income of \$65,413, compared to renter households with a median income of \$42,375, a difference of \$23,038 (54.4%).

TABLE HC-8 TENURE BY HOUSEHOLD INCOME CITY OF TWO HARBORS COUNTY, & MARKET AREA 2019												
Income	City of Two Harbors				Lake County				PMA			
	Own	Pct.	Rent	Pct.	Own	Pct.	Rent	Pct.	Own	Pct.	Rent	Pct.
Less than \$15,000	101	41.2%	144	58.8%	258	56.1%	202	43.9%	276	56.1%	216	43.9%
\$15,000 to \$24,999	97	57.4%	72	42.6%	314	73.9%	111	26.1%	353	75.6%	114	24.4%
\$25,000 to \$34,999	35	32.4%	73	67.6%	263	68.1%	123	31.9%	331	70.4%	139	29.6%
\$35,000 to \$49,999	197	80.7%	47	19.3%	713	88.7%	91	11.3%	789	88.7%	101	11.3%
\$50,000 to \$74,999	253	69.3%	112	30.7%	978	87.2%	144	12.8%	1,126	87.8%	156	12.2%
\$75,000 to \$99,999	187	53.0%	166	47.0%	580	72.9%	216	27.1%	722	76.4%	223	23.6%
\$100,000 to \$149,999	175	96.2%	7	3.8%	750	96.5%	27	3.5%	924	96.4%	35	3.6%
\$150,000+	46	100.0%	0	0.0%	403	95.5%	19	4.5%	562	96.2%	22	3.8%
Total	1,091	63.7%	621	36.3%	4,259	82.0%	933	18.0%	5,083	83.5%	1,006	16.5%
Median Income	\$60,163		\$47,548		\$65,413		\$42,375		\$66,961		\$40,353	

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

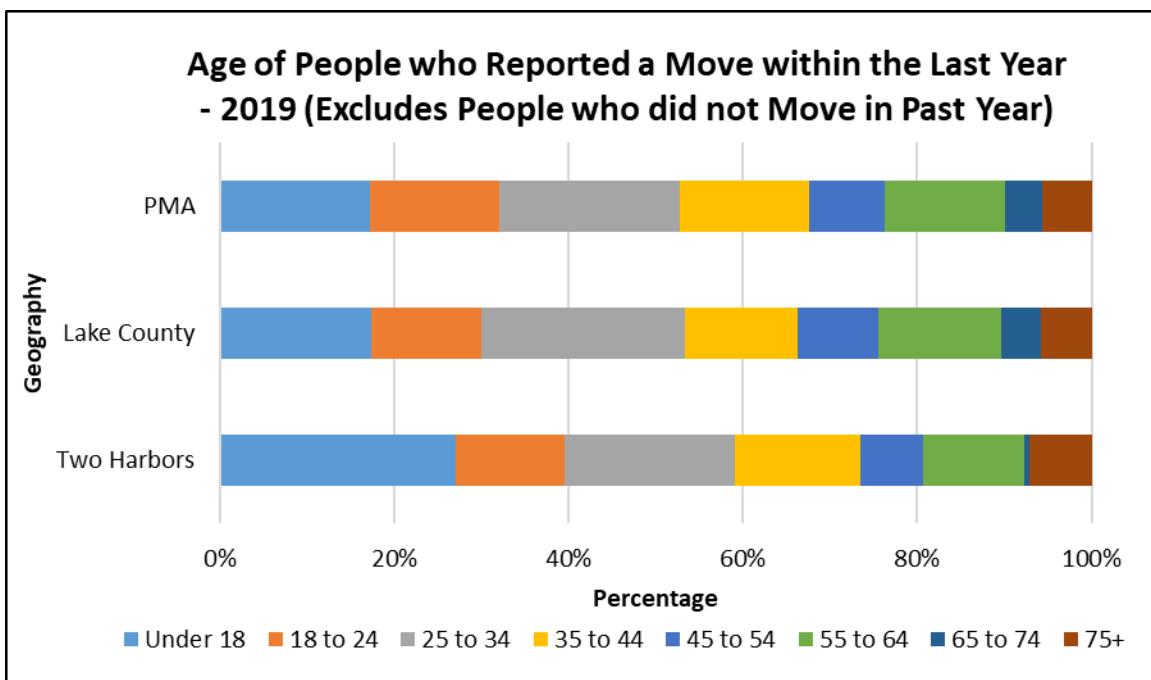
HOUSING CHARACTERISTICS



Mobility in the Past Year

Table HC-9 shows the mobility patterns of PMA residents. The information reflects the proportion of residents that reported a move in the last year at the time the ACS survey was conducted. The Table presents the estimates of mobility within the last year based on five years of data collection, 2015-2019.

- The majority of PMA residents (90.2%) did not move during the previous year (9.8% who moved). Two Harbors had a higher mobility rate than the PMA, with 87.0% of residents not reporting a move in the past year (13.0% who moved).
- Among PMA residents that moved, they were most likely to move within the county (54.9%). Younger cohorts (24 and Under) are more mobile and accounted for 36.8% of moves within the same county. People who moved from a different county in the same state accounted for 31.8% of people that moved, 13.6% of moves were from a different state and only 0.2% of moves were from abroad.
- Of those who reported a move in the PMA, 20.7% were between the ages of 25 and 34, 14.8% were between 18 and 24, 14.7% were between the ages of 34 and 44, and 13.8% were between 55 and 64. In Two Harbors, the 25 to 34 age group represented 19.6% of people who moved in the City and 23.4% of the people who moved in Lake County.



HOUSING CHARACTERISTICS

TABLE HC-9										
MOBILITY IN THE PAST YEAR BY AGE FOR CURRENT RESIDENCE										
PRIMARY MARKET AREA										
2019										
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.
Two Harbors										
Under 18	604	83.2%	99	13.6%	0	0.0%	23	3.2%	0	0.0%
18 to 24	315	84.9%	0	0.0%	50	13.5%	6	1.6%	0	0.0%
25 to 34	309	77.8%	85	21.4%	3	0.8%	0	0.0%	0	0.0%
35 to 44	396	85.9%	39	8.5%	19	4.1%	7	1.5%	0	0.0%
45 to 54	326	91.1%	14	3.9%	6	1.7%	12	3.4%	0	0.0%
55 to 64	323	86.1%	45	12.0%	7	1.9%	0	0.0%	0	0.0%
65 to 74	310	99.0%	0	0.0%	3	1.0%	0	0.0%	0	0.0%
75+	419	92.9%	19	4.2%	13	2.9%	0	0.0%	0	0.0%
Total	3,002	87.0%	301	8.7%	101	2.9%	48	1.4%	0	0.0%
Lake County										
Under 18	1,553	89.6%	145	8.4%	3	0.2%	33	1.9%	0	0.0%
18 to 24	470	78.1%	63	10.5%	56	9.3%	13	2.2%	0	0.0%
25 to 34	766	75.8%	149	14.8%	89	8.8%	6	0.6%	0	0.0%
35 to 44	1001	88.1%	84	7.4%	19	1.7%	29	2.6%	3	0.3%
45 to 54	1232	92.7%	30	2.3%	28	2.1%	39	2.9%	0	0.0%
55 to 64	1764	92.3%	50	2.6%	96	5.0%	1	0.1%	0	0.0%
65 to 74	1412	96.8%	17	1.2%	28	1.9%	2	0.1%	0	0.0%
75+	1198	95.2%	20	1.6%	36	2.9%	5	0.4%	0	0.0%
Total	9,396	90.0%	558	5.3%	355	3.4%	128	1.2%	3	0.0%
Primary Market Area										
Under 18	1,972	90.2%	154	7.0%	12	0.5%	49	2.2%	0	0.0%
18 to 24	548	74.9%	97	13.3%	68	9.3%	19	2.6%	0	0.0%
25 to 34	948	78.7%	162	13.4%	89	7.4%	6	0.5%	0	0.0%
35 to 44	1,170	86.5%	116	8.6%	25	1.8%	39	2.9%	3	0.2%
45 to 54	1,477	93.1%	39	2.5%	28	1.8%	42	2.6%	0	0.0%
55 to 64	2,207	92.8%	66	2.8%	98	4.1%	7	0.3%	0	0.0%
65 to 74	1,752	97.1%	20	1.1%	31	1.7%	2	0.1%	0	0.0%
75+	1,341	95.0%	28	2.0%	37	2.6%	5	0.4%	0	0.0%
Total	11,415	90.2%	682	5.4%	388	3.1%	169	1.3%	3	0.0%
Sources: U.S. Census Bureau - American Community Survey; Maxfield Research and Consulting, LLC.										

Summary of Housing Characteristics

- The effects of the Great Recession are illustrated in the decline in units permitted after 2008. From 2000 to 2008, 64 new residential units were permitted in Two Harbors. The years from 2009 through 2015 recorded only 11 permits issued for new residential units. Activity increased in 2016, with four single-family units permitted in the City. Permits more recently were the following: 2017, two single family permits; 2018, three single family permits; 2019, one single family permit; and 2020, no permits.
- Owner-occupied, single-family detached units accounted for the largest share of housing in the PMA; 83.5% of all housing units. In Lake County, 82.0% of housing units were owner-occupied while 63.7% of Two Harbors housing units were owner-occupied.
- The age of the housing stock is older in Two Harbors than the PMA as a whole. In Two Harbors the majority of units were built prior to 1940 while in the PMA the majority of units were built in the 1950s. The median year built in the PMA is 1969, compared to 1952 in Two Harbors.
- An estimated 66.1% of homes in Two Harbors carry a mortgage and homes with a mortgage reported a lower median value, \$147,700, compared to homes without a mortgage, \$156,000.
- The median contract rent in Two Harbors, \$629, is 1.3% greater than in Lake County (\$621) but 2.0% less than that of the PMA (\$642).
- Two Harbors' renter households were most likely to pay between \$500 and \$749 in monthly rent, with 45.6% of renter occupied units reporting rents in this range. Over 22% (22.1%) of renter-occupied units in Two Harbors charged \$1,000 or higher in rent. In the PMA, the most common rent range was \$500 to \$749 accounting for 38.8% of rental units; units renting for \$1,000 or more accounted for 15.5% of units in the PMA.
- As incomes rise, the proportion of owner-occupied units increases also. In Two Harbors, the homeownership rate increased with income, although there are higher renter rates among households with incomes between \$50,000 and \$99,999 in Two Harbors, which suggests that there are a significant number of lifestyle renters in the City. In the PMA, the trend is smoother, with the highest proportion of renters occurring in the Under \$15,000 category, with a renter rate of 43.9%.
- The majority of Two Harbors residents (87.0%) did not move during the last year. Among those reporting a move, the majority moved from within the same county (66.9%). Similarly, 90.2% of people did not move in the PMA in 2019, and among those who did move, the largest proportion moved from within the same county (54.9%). The most mobile age cohort in the PMA is the 25 to 34 age cohort, with 20.7% of the population reporting a move in the last year, followed by the Under 18 age group, with 17.3% of the cohort reporting a move. Seniors who relocate are most likely moving to receive services.

Employment Trends

Employment characteristics are an important component in assessing housing needs in any given market area. These trends are important to consider since job growth can generally fuel household and population growth as people usually desire to live near where they work. Many households commute greater distances to work provided their housing is affordable enough to offset the additional transportation costs. In less densely populated areas, people will often choose to live further from their place of work because they prefer a rural lifestyle (i.e. they want to live further from their place of work because they prefer a rural lifestyle (i.e. they want to live on a wooded lot or be near a body of water) or suitable housing may not be available in their employer's community.

Employment Projections

Table E-1 shows employment data for 2010 as well as estimates for the third quarter of 2021 from the Quarterly Census of Employment and Wages (QCEW) program for Two Harbors, Duluth, Lake County, and St Louis County. In addition, projections for 2026 and 2031 are also shown for the two respective geographies. Projections were based on historical trends from the Minnesota Department of Employment and Economic Development's QCEW data.

Maxfield Research projects total employment in Two Harbors will increase by 3.2% between 2021 and 2026, while employment in Lake County is projected to decline by 1.3%. Employment between 2026 and 2031 is expected to increase, albeit at a slower pace, in both Two Harbors (0.2%) and Lake County (0.7%). Two Harbors serves as the employment hub for Lake County and despite a projected increase in employment over the next five years in Two Harbors, the County as a whole is projected to decline in employment.

TABLE E-1 EMPLOYMENT ESTIMATE & PROJECTIONS (TOTAL EMPLOYMENT) TWO HARBORS, DULUTH, LAKE COUNTY, & ST LOUIS COUNTY 2010 - 2031								
Area	Estimate		Projections		2021 - 2026		2026 - 2031	
	2010	2021*	2026	2031	No. Change	Pct. Change	No. Change	Pct. Change
Two Harbors	1,828	1,700	1,755	1,758	55	3.2%	3	0.2%
Lake County	4,151	4,145	4,093	4,126	-52	-1.3%	33	0.8%
Duluth	58,233	54,574	57,012	57,304	2,438	4.5%	292	0.5%
St Louis County	93,407	92,225	93,826	94,437	1,601	1.7%	611	0.7%
*: As of 2021 Q3								
Sources: MNDEED, Maxfield Research and Consulting, LLC.								

Resident Labor Force

Table E-2 presents resident employment data for Lake County from 2000 through 2021. Resident employment data is calculated as an annual average *and reveals the work force and number of employed persons living in the County*. Not all of these individuals however, work in Lake County. The unemployment rate for Economic Development Region 3 (Arrowhead) is also shown, along with the State of Minnesota for comparison purposes. The data is obtained from the Minnesota Department of Employment and Economic Development.

- The 2021 unemployment rate in Lake County was 4.0%, below the Arrowhead EDR (4.2%), but higher than the State of Minnesota (3.6%).
- Between 2000 and 2021, the labor force in Lake County fluctuated between 5,039 (2021) and 6,279 (2001), averaging 5,816 annually in this period, with a recent trend downwards since 2013. In the broader Arrowhead Region the labor force fluctuated between 159,241 (2021) and 169,773 (2009), averaging 164,783 annually during that time period.
- Overall employment between 2000 and 2021 averaged 5,510 people employed in Lake County and 154,837 people employed in the Arrowhead region. Additionally, as of 2021, there were 4,838 people employed in Lake County representing 3.2% (152,515 employees) of all employed in the Arrowhead Region.
- The Arrowhead EDR, which includes St. Louis, Lake and Cook Counties, had a 2021 unemployment rate of 4.2%. Between 2000 and 2021, the Arrowhead EDR had an average unemployment rate of 6.0%.
- The recovery from the national economic recession of the late 2000s and early 2010s is reflected in the steep drop in unemployment in Lake County between 2009 and 2018. The unemployment rate in Lake County fell from 9.3% in 2009 to 3.1% in 2018.
- As the Covid 19 Pandemic hit, unemployment peaked at 6.7% in 2020. However, as of 2021 unemployment has dropped down to 4.0%.

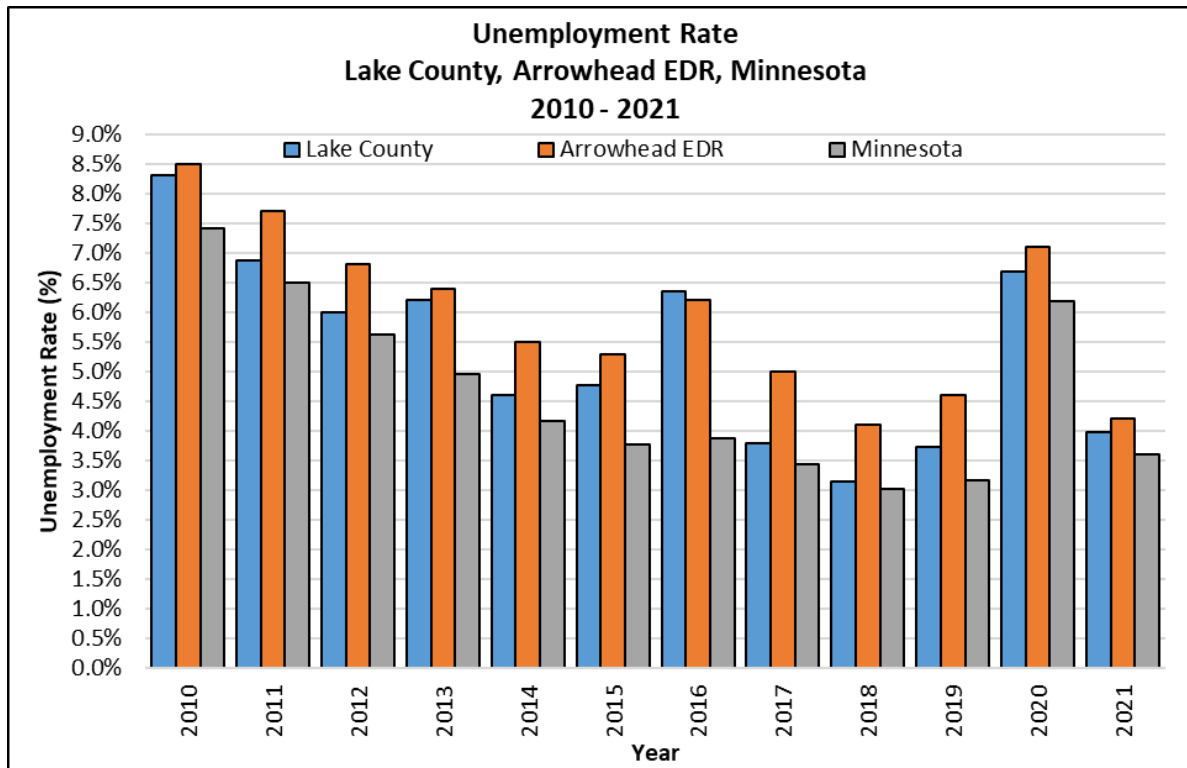


TABLE E-2
ANNUAL AVERAGE RESIDENT EMPLOYMENT
LAKE COUNTY, ARROWHEAD EDR-3, MINNESOTA
2000 to 2021

Year	Lake County Labor Force	Lake County Employed	Lake County Unemployed	Lake County Unemp. Rate	Arrowhead Unemp. Rate	Minnesota Unemp. Rate
2000	5,932	5,680	252	4.2%	4.7%	3.2%
2001	6,279	5,954	325	5.2%	5.8%	3.8%
2002	6,114	5,820	294	4.8%	5.8%	4.5%
2003	6,068	5,781	287	4.7%	6.4%	4.9%
2004	6,057	5,768	289	4.8%	6.1%	4.7%
2005	6,089	5,829	260	4.3%	5.3%	4.1%
2006	6,078	5,829	249	4.1%	5.2%	4.0%
2007	6,131	5,856	275	4.5%	5.9%	4.6%
2008	6,169	5,843	326	5.3%	6.7%	5.4%
2009	6,195	5,634	561	9.1%	9.3%	7.8%
2010	5,798	5,316	482	8.3%	8.5%	7.4%
2011	5,814	5,414	400	6.9%	7.7%	6.5%
2012	5,828	5,478	350	6.0%	6.8%	5.6%
2013	5,775	5,417	358	6.2%	6.4%	5.0%
2014	5,682	5,421	261	4.6%	5.5%	4.2%
2015	5,609	5,341	268	4.8%	5.3%	3.8%
2016	5,432	5,087	345	6.4%	6.2%	3.9%
2017	5,505	5,296	209	3.8%	5.0%	3.4%
2018	5,478	5,306	172	3.1%	4.1%	3.0%
2019	5,511	5,306	205	3.7%	4.6%	3.2%
2020	5,364	5,005	359	6.7%	7.1%	6.2%
2021	5,039	4,838	201	4.0%	4.2%	3.6%
Change 2015- 2021						
No.	-570	-503	-67	-0.8%	-1.1%	-0.2%
Pct.	-10.2%	-9.4%	-25.0%	-16.5%	-20.8%	-4.4%
Economic Development Region 3 - Arrowhead consists of Aitkin, Carlton, Cook, Itasca, Koochiching, Lake and St. Louis Counties.						
Sources: MNDEED, Maxfield Research and Consulting, LLC.						

Employment and Wages by Industry

Table E-3 displays information on employment and wages in Two Harbors, Lake County, and the Arrowhead Economic Development Region. The data is sourced from the Minnesota Department of Employment and Economic Development (MNDEED) for the third quarter of 2019 through the third quarter of 2021. All establishments covered under the Unemployment Insurance (UI) Program are required to report wage and employment statistics quarterly to MNDEED. Federal government establishments are also covered by the Quarterly Census of Employment and Wages (QCEW) program.

Certain industries in the table may not display any information which means that there is either no reported economic activity for that industry or the data has been suppressed to protect the confidentiality of cooperating employers. This generally occurs when there are too few employers or one employer comprises too much of the employment in that geography.

- Within Two Harbors, the Information sector reported the highest weekly wage, \$1,463, or approximately \$76,076 annually. The lowest average weekly wage was in the Leisure and Hospitality sector at \$458 (\$23,816 annually). Many Leisure and Hospitality jobs are part-time, so that average weekly wage doesn't necessarily
- The Education and Health Services sector is the largest employment sector in Two Harbors, accounting for 29.1% of jobs in Two Harbors, with an average weekly wage of \$835 (\$41,808 annually).
- Of all industries in Two Harbors, only the Leisure and Hospitality and Trade, Transportation, and Utilities sectors experienced employment increases between the third quarters of 2019 and 2021. The Leisure and Hospitality sector increased by 7.3% (24 jobs) while the Trade, Transportation, and Utilities sector increased by 1.5% (3 jobs). In Lake County no industries experienced increases between 2019 Q3 and 2021 Q3 while in the Arrowhead EDR only the construction industry experienced an increase in employment during the same time period.
- In Two Harbors the two industries that experienced the largest decrease in employment between the third quarters of 2019 and 2021 were Financial Activities (-28.6% or 22 jobs) and Education & Other Services (-18.5% or 18 jobs).
- The Leisure and Hospitality sector experienced the largest proportional increase in wages between the third quarters of 2019 and 2021. Wages increased by 37.1%, from \$334 in 2019 Q3 to \$458 in 2021 Q3.
- Across Lake County, average weekly wages increased by 11.1%, from \$841 in 2019 Q3 to \$934 in 2021 Q3. Wages increased in all industry groups in Lake County except for the Professional and Business Services sector. Wages in Lake County's Professional and Business Services sector fell 14.9% (\$102).

EMPLOYMENT TRENDS

- Average weekly wages in the Arrowhead EDR were \$1,008 as of 2021 Q3. Wages in the Natural Resources and Mining, \$2,116; Construction, \$1,386; Professional and Business Services, \$1,119; Public Administration, \$1,119; Education and Health Services, \$1,078; Financial Activities, \$1,064; and Information sectors, \$1,047, were all over \$1,000/week.
- Between 2019 and 2020 employment in all geographies decreased as the COVID-19 Pandemic became prevalent in the US. Shutdowns and layoffs became common place throughout the country decreasing overall employment. However, between 2020 and 2021 employment has recovered with the rollout of vaccines, a decline in layoffs, and increased hiring.
- Given Two Harbors' location on the shores of Lake Superior, with easy access to Duluth (around 30 minutes to the south), and other scenic destinations along the North Shore via Minnesota State Highway 61, help make the leisure and hospitality industry important to the City. Scenic destinations near Two Harbors include Gooseberry Falls State Park and Split Rock Lighthouse. Below are examples of leisure and hospitality business within City limits.



3M Birthplace Museum
(Leisure & Hospitality)



Blackwoods Bar & Grill
(Leisure & Hospitality)

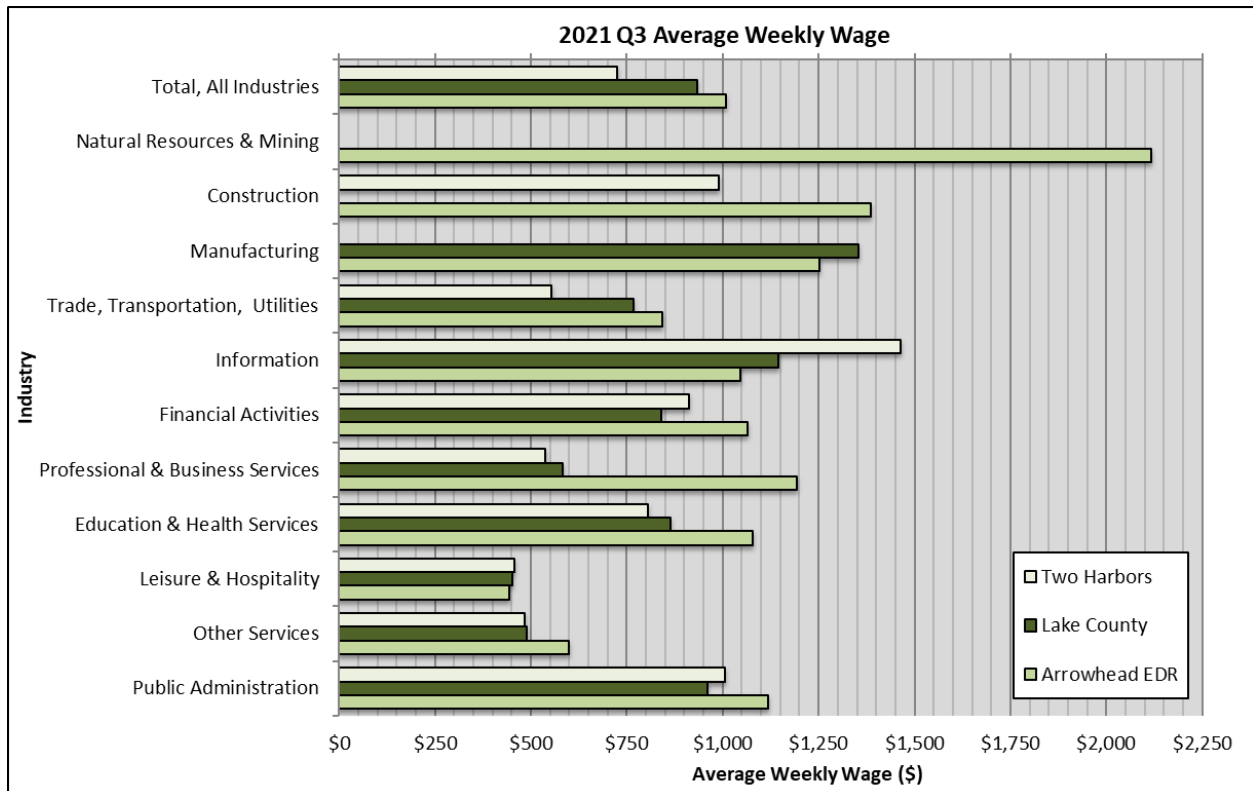
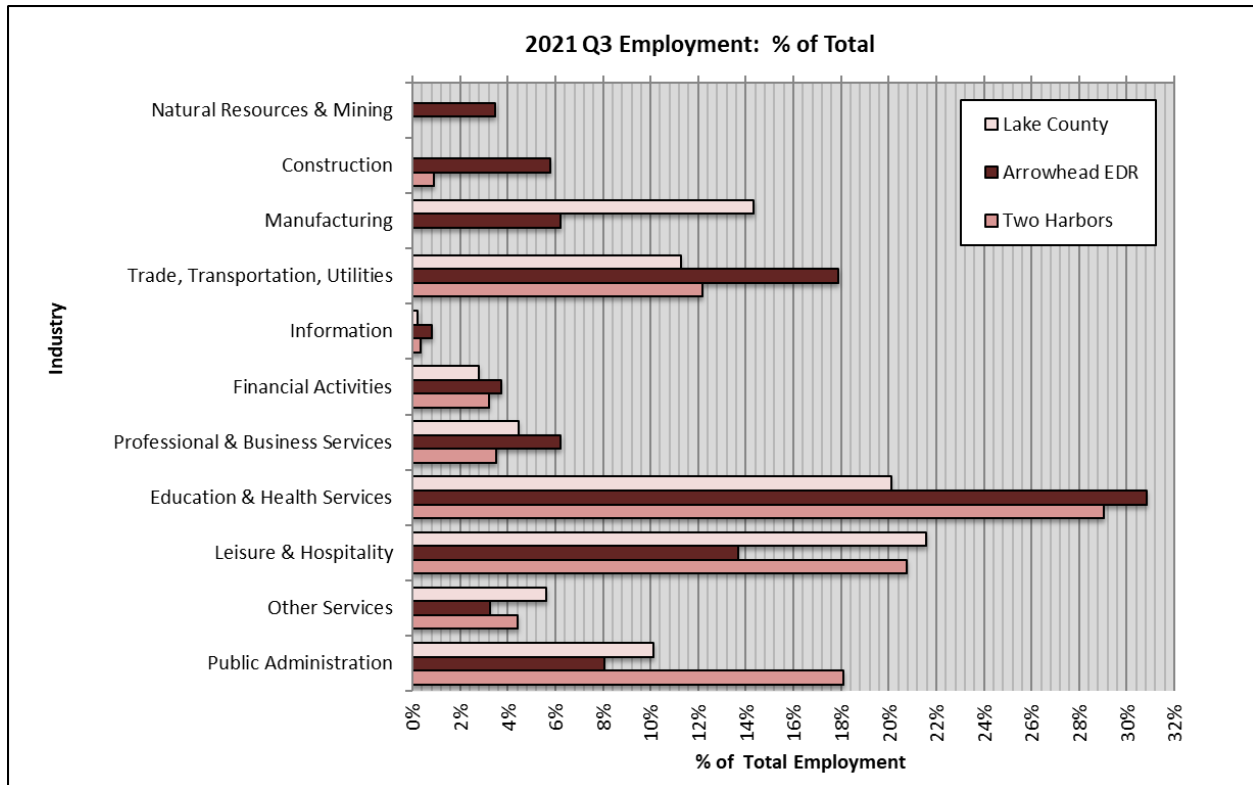


Castle Danger Brewery
(Leisure & Hospitality)



Superior Finds – Gift Shop
(Leisure & Hospitality)

EMPLOYMENT TRENDS



EMPLOYMENT TRENDS

TABLE E-3 QUARTERLY CENSUS OF EMPLOYMENT AND WAGES TWO HARBORS, LAKE COUNTY, & ECONOMIC DEVELOPMENT REGION 3 - ARROWHEAD* 2019 Q3 to 2021 Q3													
Industry	2019 Q3			2020 Q3			2021 Q3			Change 2019 Q3 - 2021 Q3			
	Establish- ments	Employ- ment	Weekly Wage	Establish- ments	Employ- ment	Weekly Wage	Establish- ments	Employ- ment	Weekly Wage	Employment		Wage	
										#	%	#	%
City of Two Harbors													
Total, All Industries	133	1,767	\$642	133	1,656	\$699	138	1,700	\$725	-67	-3.8%	83	12.9%
Natural Resources & Mining	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Construction	6	19	\$944	6	15	\$996	6	15	\$989	N/A	N/A	N/A	N/A
Manufacturing	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Trade, Transportation, Utilities	24	204	\$488	25	203	\$507	25	207	\$553	3	1.5%	65	13.3%
Information	3	7	\$1,273	3	6	\$1,449	3	6	\$1,463	-1	0	190	0
Financial Activities*	12	77	\$780	12	70	\$920	12	55	\$911	-22	-28.6%	131	16.8%
Professional & Business Services	10	62	\$649	9	48	\$568	10	60	\$538	-2	-3.2%	-111	-17.1%
Education & Health Services	24	511	\$692	27	484	\$766	29	494	\$804	-17	-3.3%	112	16.2%
Leisure & Hospitality	24	329	\$334	25	344	\$412	26	353	\$458	24	7.3%	124	37.1%
Other Services	20	92	\$383	16	76	\$433	17	75	\$485	-17	-18.5%	102	26.6%
Public Administration	6	326	\$910	6	296	\$991	6	308	\$1,007	-18	-5.5%	97	10.7%
Lake County													
Total, All Industries	335	4,478	\$841	338	3,869	\$889	339	4,145	\$934	-333	-7.4%	\$93	11.1%
Natural Resources & Mining	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Construction	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Manufacturing	16	634	\$1,250	18	555	\$1,636	16	594	\$1,353	-40	-6.3%	\$103	8.2%
Trade, Transportation, Utilities	67	497	\$756	71	472	\$738	71	468	\$767	-29	-5.8%	\$11	1.5%
Information	5	13	\$746	5	11	\$853	5	8	\$1,145	-5	-38.5%	\$399	53.5%
Financial Activities	22	151	\$704	21	128	\$862	21	115	\$841	-36	-23.8%	\$137	19.5%
Professional & Business Services	34	203	\$686	34	172	\$547	33	184	\$584	-19	-9.4%	-\$102	-14.9%
Education & Health Services	38	892	\$763	42	824	\$830	44	834	\$864	-58	-6.5%	\$101	13.2%
Leisure & Hospitality	74	970	\$399	72	784	\$422	74	895	\$453	-75	-7.7%	\$54	13.5%
Other Services	35	288	\$452	30	215	\$456	32	232	\$489	-56	-19.4%	\$37	8.2%
Public Administration	16	442	\$850	16	396	\$936	17	419	\$960	-23	-5.2%	\$110	12.9%
Economic Development Region 3 - Arrowhead													
Total, All Industries	8,868	144,994	\$889	8,989	131,906	\$924	8,968	136,500	\$1,008	-8,494	-5.9%	\$119	13.4%
Natural Resources & Mining	162	4,835	1675	166	4,662	\$1,437	160	4,753	\$2,116	-82	-1.7%	\$441	26.3%
Construction	986	7,867	1259	1,014	6,674	\$1,302	1,017	7,930	\$1,386	63	0.8%	\$127	10.1%
Manufacturing	340	8,912	1150	341	8,278	\$1,186	336	8,470	\$1,252	-442	-5.0%	\$102	8.9%
Trade, Transportation, Utilities	1987	25,830	751	1,990	24,817	\$785	1,911	24,424	\$842	-1,406	-5.4%	\$91	12.1%
Information	132	1,292	915	128	1,071	\$969	137	1,099	\$1,047	-193	-14.9%	\$132	14.4%
Financial Activities	708	5,703	924	716	5,108	\$996	707	5,084	\$1,064	-619	-10.9%	\$140	15.2%
Professional & Business Services	920	8,709	975	939	8,056	\$1,043	937	8,473	\$1,192	-236	-2.7%	\$217	22.3%
Education & Health Services	1223	44,332	984	1,273	44,925	\$1,008	1,298	42,082	\$1,078	-2,250	-5.1%	\$94	9.6%
Leisure & Hospitality	1205	20,744	378	1,200	13,817	\$390	1,203	18,702	\$444	-2,042	-9.8%	\$66	17.5%
Other Services	844	5,225	563	844	4,137	\$587	879	4,460	\$600	-765	-14.6%	\$37	6.6%
Public Administration	361	11,541	1026	378	10,797	\$1,062	383	11,019	\$1,119	-522	-4.5%	\$93	9.1%
*: Economic Development Region 3 - Arrowhead consists of Aitkin, Carlton, Cook, Itasca, Koochiching, Lake and St. Louis Counties.													
N/A: Not Assessed													
Sources: MN DEED; Maxfield Research and Consulting LLC.													

Commuting Patterns

Proximity to employment is often a primary consideration when choosing where to live, since transportation costs often account for a considerable proportion of households' budgets. Table E-4 highlights the commuting patterns of workers in Two Harbors and Lake County in 2019 (the most recent data available), based on the Local Employer-Household Dynamics database (LEHD) compiled and published by the U.S. Census Bureau. Home destination is defined as where workers live who are employed in the selection area. Work destination is defined as where workers are employed who live in the selection area.

- As Table E-4 illustrates, an estimated 35.7% of workers who are employed in Two Harbors live in Two Harbors and 12.1% live in Duluth. The next largest home destinations were Silver Bay (2.0%); Superior, Wisconsin (1.6%); Finland (1.3%); and Rice Lake (0.6%).
- The top five work destinations for those living in Two Harbors were the following: Two Harbors (30.8%); Duluth (21.1%); Finland (2.9%); Silver Bay (2.3%); and Superior, Wisconsin (2.1%).
- Similarly, most workers in Lake County live in Two Harbors, (25.8% of workers). The next largest home destinations for Lake County workers were Silver Bay (11.2%); Duluth (9.9%); Superior, Wisconsin (1.6%); and Finland (1.2%).
- The top five work destination for those living in Lake County were the following: Two Harbors (20.9%); Duluth (18.0%); Silver Bay (10.5%); Finland (2.8%); and Ely (2.2%).
- Most Two Harbors workers travel less than 10 miles to their jobs (53.3%). An estimated 14.1% travel between 10 and 24 miles to their job, while 19.1% travel between 25 and 50 miles and 13.6% travel 50 miles or more.
- Among workers in Lake County, 42.5% commuted less than 10 miles, 13.4% commuted 10 to 24 miles, 23.3% traveled between 25 and 50 miles, while 20.8% commuted more than 50 miles.
- Workers with longer commutes may be interested in new rental or for-sale housing that is closer to their place of employment. Workers with commutes of more than 50 miles, may be workers working remotely on a regular basis or may be working from a regional location of a larger company that is based elsewhere.

EMPLOYMENT TRENDS

TABLE E-4
COMMUTING PATTERNS
TWO HARBORS AND LAKE COUNTY, MN
2019

Home Destination			Work Destination		
Two Harbors					
Place of Residence	Count	Share	Place of Employment	Count	Share
Two Harbors city, MN	564	35.7%	Two Harbors city, MN	564	30.8%
Duluth city, MN	191	12.1%	Duluth city, MN	387	21.1%
Silver Bay city, MN	32	2.0%	Finland CDP, MN	53	2.9%
Superior city, WI	26	1.6%	Silver Bay city, MN	43	2.3%
Finland CDP, MN	21	1.3%	Superior city, WI	39	2.1%
Rice Lake city, MN	10	0.6%	Hermantown city, MN	20	1.1%
Babbitt city, MN	6	0.4%	Minneapolis city, MN	18	1.0%
Virginia city, MN	6	0.4%	St. Cloud city, MN	14	0.8%
Beaver Bay city, MN	5	0.3%	Rice Lake city, MN	12	0.7%
Hermantown city, MN	4	0.3%	St. Paul city, MN	12	0.7%
All Other Locations	714	45.2%	All Other Locations	671	36.6%
Distance Traveled			Distance Traveled		
Total Primary Jobs	1,579	100.0%	Total Primary Jobs	1,833	100.0%
Less than 10 miles	841	53.3%	Less than 10 miles	823	44.9%
10 to 24 miles	223	14.1%	10 to 24 miles	155	8.5%
25 to 50 miles	301	19.1%	25 to 50 miles	543	29.6%
Greater than 50 miles	214	13.6%	Greater than 50 miles	312	17.0%
Lake County					
Place of Residence	Count	Share	Place of Employment	Count	Share
Two Harbors city, MN	1,033	25.8%	Two Harbors city, MN	1,016	20.9%
Silver Bay city, MN	446	11.2%	Duluth city, MN	874	18.0%
Duluth city, MN	395	9.9%	Silver Bay city, MN	510	10.5%
Superior city, WI	64	1.6%	Finland CDP, MN	138	2.8%
Finland CDP, MN	49	1.2%	Ely city, MN	106	2.2%
Ely city, MN	42	1.1%	Beaver Bay city, MN	82	1.7%
Beaver Bay city, MN	41	1.0%	Superior city, WI	77	1.6%
Rice Lake city, MN	29	0.7%	Lutsen CDP, MN	64	1.3%
Minneapolis city, MN	17	0.4%	Hermantown city, MN	63	1.3%
Hermantown city, MN	14	0.4%	Minneapolis city, MN	61	1.3%
All Other Locations	1,869	46.7%	All Other Locations	1,865	38.4%
Distance Traveled			Distance Traveled		
Total Primary Jobs	3,999	100.0%	Total Primary Jobs	4,856	100.0%
Less than 10 miles	1,701	42.5%	Less than 10 miles	1,681	34.6%
10 to 24 miles	535	13.4%	10 to 24 miles	502	10.3%
25 to 50 miles	933	23.3%	25 to 50 miles	1,276	26.3%
Greater than 50 miles	830	20.8%	Greater than 50 miles	1,397	28.8%
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 & Consulting, LLC.					

Inflow/Outflow

Table E-5 provides a summary of the inflow, outflow, and interior flow of workers for Two Harbors and Lake County. Outflow reflects the number of workers living in the City or County but employed outside of the jurisdiction while inflow measures the number of workers that are employed in the City or County but live outside. Interior flow reflects the number of workers that live and work in the City.

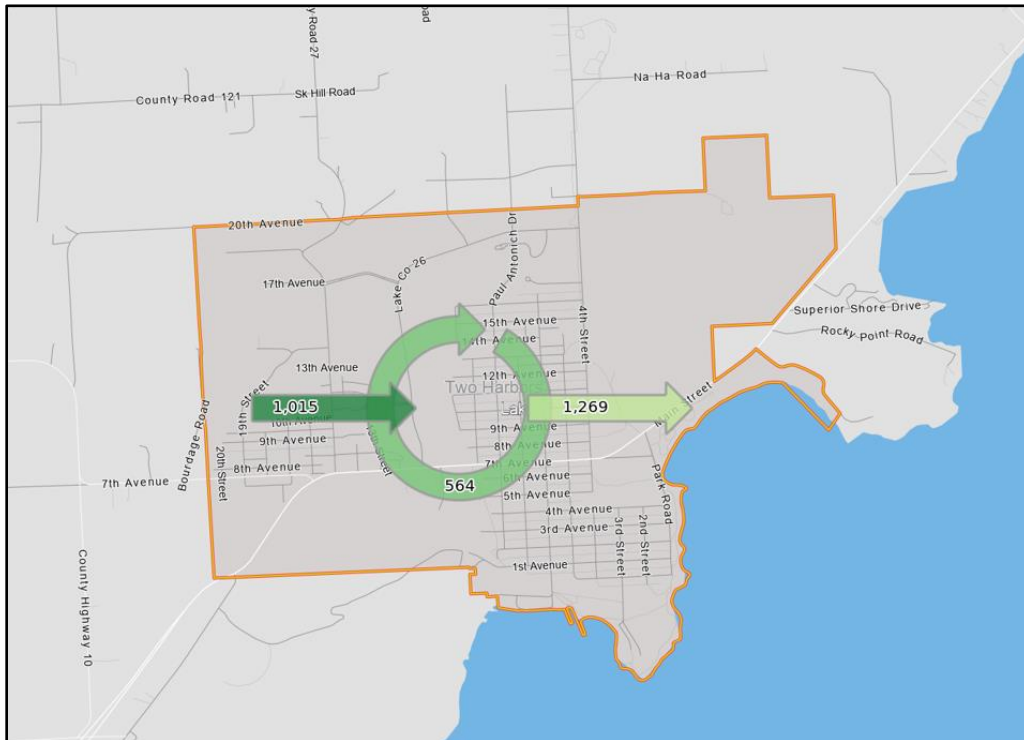
- Most of Two Harbors workers commute into Two Harbors or live and work in Two Harbors, with 1,066 commuting into the City and 564 workers living and working in the City. In comparison, 1,269 Two Harbors resident workers leave the City for employment.
- Among outflow workers, 47.1% earned over \$3,333 per month, compared to 37.5% of inflow workers who earned over \$3,333.
- Nearly equal proportions of Two Harbors inflow, outflow and interior workers are between the ages of 30 to 54 – 51.0% for inflow workers, 48.6% for outflow workers and 52.8% for interior flow.
- Similarly, most of Lake County’s workforce commutes into Lake County or lives and works in the county. In 2019, 1,460 employees commuted daily to the County for work and 2,317 commuted out of the County for work. Additionally, 2,539 workers both lived and worked in the County.
- Workers commuting into the County are most likely to be between the ages 30 and 54 (50.8%) and have monthly earnings over \$3,333 (43.8%). Workers who reside and work in Lake County are most likely to be age 30 to 54 (49.0%) and have monthly earnings more than \$3,333 (38.0%).

EMPLOYMENT TRENDS

**TABLE E-5
COMMUTING INFLOW/OUTFLOW CHARACTERISTICS
TWO HARBORS AND LAKE COUNTY, MN
2019**

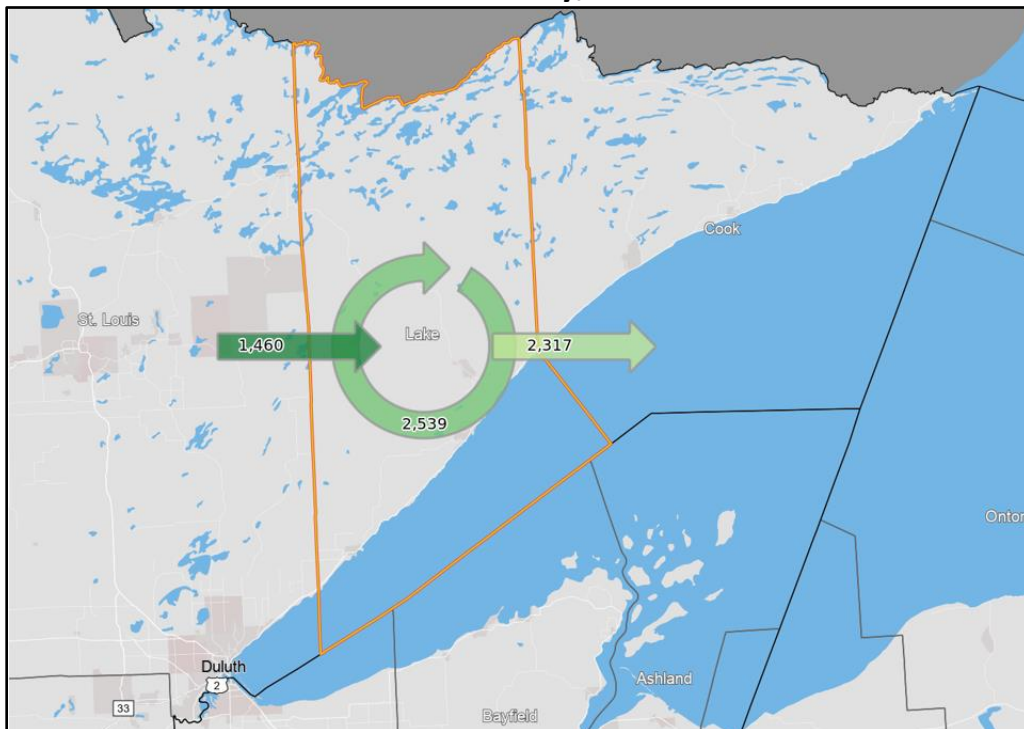
Two Harbors						
	Outflow		Inflow		Interior Flow	
City Total	1,269	100.0%	1,015	100.0%	564	100.0%
<u>By Age</u>						
Workers Age 29 or younger	319	25.1%	234	23.1%	130	23.0%
Workers Age 30 to 54	617	48.6%	518	51.0%	298	52.8%
Workers Age 55 or older	333	26.2%	263	25.9%	136	24.1%
<u>By Monthly Wage</u>						
Workers Earning \$1,250 per month or less	317	25.0%	361	35.6%	220	39.0%
Workers Earning \$1,251 to \$3,333 per month	354	27.9%	273	26.9%	200	35.5%
Workers Earning More than \$3,333 per month	598	47.1%	381	37.5%	144	25.5%
<u>By Industry</u>						
Workers in the "Goods Producing" Industry Class	257	20.3%	164	16.2%	45	8.0%
Workers in the "Trade, Transportation, and Utilities" Industry Class	198	15.6%	114	11.2%	92	16.3%
Workers in the "All Other Services" Industry Class	814	64.1%	737	72.6%	427	75.7%
Lake County						
	Outflow		Inflow		Interior Flow	
County Total	2,317	100.0%	1,460	100.0%	2,539	100.0%
<u>By Age</u>						
Workers Age 29 or younger	566	24.4%	414	28.4%	524	20.6%
Workers Age 30 to 54	1,120	48.3%	741	50.8%	1,245	49.0%
Workers Age 55 or older	631	27.2%	305	20.9%	770	30.3%
<u>By Monthly Wage</u>						
Workers Earning \$1,250 per month or less	647	27.9%	450	30.8%	745	29.3%
Workers Earning \$1,251 to \$3,333 per month	640	27.6%	371	25.4%	830	32.7%
Workers Earning More than \$3,333 per month	1,030	44.5%	639	43.8%	964	38.0%
<u>By Industry</u>						
Workers in the "Goods Producing" Industry Class	271	11.7%	409	28.0%	413	16.3%
Workers in the "Trade, Transportation, and Utilities" Industry Class	412	17.8%	190	13.0%	356	14.0%
Workers in the "All Other Services" Industry Class	1,634	70.5%	861	59.0%	1,770	69.7%
Sources: U.S. Census Bureau - Local Employment Dynamics; Maxfield Research & Consulting, LLC.						

Inflow/Interior Flow/Outflow Two Harbors, MN



Source U.S. Census Bureau Local Employment Dynamics

Lake County, MN



Source U.S. Census Bureau Local Employment Dynamics

Worker Profile

Table E-6 compares characteristics of employed residents living in Two Harbors and Lake County in 2019 with the State of Minnesota. Information on monthly earnings, age, race and ethnicity, educational attainment and job classification is provided.

TABLE E-6 RESIDENT WORKER PROFILE TWO HARBORS, LAKE COUNTY, & MINNESOTA 2019					
	Two Harbors		Lake County		MN
	No.	Pct.	No.	Pct.	Pct.
Total Jobs					
Total All Jobs	1,833	100.0%	4,856	100.0%	100.0%
Monthly Earnings					
\$1,250 per month or less	537	29.3%	1,392	28.7%	22.5%
\$1,251 to \$3,333 per month	554	30.2%	1,470	30.3%	26.0%
More than \$3,333 per month	742	40.5%	1,994	41.1%	51.5%
Worker Ages					
Age 29 or younger	449	24.5%	1,090	22.4%	24.0%
Age 30 to 54	915	49.9%	2,365	48.7%	52.3%
Age 55 or older	469	25.6%	1,401	28.9%	23.6%
Worker Race and Ethnicity					
White Alone	1,769	96.5%	4,673	96.2%	85.5%
Black or African American Alone	13	0.7%	32	0.7%	6.5%
American Indian or Alaska Native Alone	13	0.7%	44	0.9%	0.9%
Asian Alone	16	0.9%	37	0.8%	5.3%
Native Hawaiian or Other Pacific Islander Alone	3	0.2%	6	0.1%	0.1%
Two or More Race Groups	19	1.0%	64	1.3%	1.7%
Ethnicity					
Not Hispanic or Latino	1,803	98.4%	4,779	98.4%	95.4%
Hispanic or Latino	30	1.6%	77	1.6%	4.6%
Worker Educational Attainment					
Less than high school	136	7.4%	331	6.8%	6.5%
High school or equivalent, no college	446	24.3%	1,187	24.4%	19.5%
Some college or Associate degree	498	27.2%	1,390	28.6%	26.3%
Bachelor's degree or advanced degree	304	16.6%	858	17.7%	23.8%
Educational attainment not available (workers aged 29 or younger)	449	24.5%	1,090	22.4%	24.0%
Sources: U.S. Census Bureau - Local Employment Dynamics; Maxfield Research and Consulting, LLC.					

- Lake County residents earning more than \$3,333 per month accounted for 41.1% of workers. This is less than the proportion of residents in Minnesota (44.7%) but more than the proportion of residents in Two Harbors (40.5%). Workers between the ages of 30 to 54 accounted for 48.7% of workers in Lake County, lower than the proportion in Two Harbors (49.9%), and the State of Minnesota (52.3%).
- The proportion of workers who live in Lake County with a high school diploma (24.4%) was essentially equal to Two Harbors (24.3%), but higher than Minnesota (19.5%).

EMPLOYMENT TRENDS

- In Lake County, an estimated 17.7% of workers have a bachelor's degree. By comparison, 16.6% of workers in Two Harbors and 23.8% of workers in the State of Minnesota have a bachelor's degree.

Major Employers

Table E-7 below lists the top employers in Lake County along with a description of their primary industry, address, city, and number of employees based on data provided by Northspan Group, Inc.

The following are key points from Table E-7:

- Most of Lake County's largest employers are in Two Harbors. The largest employer, Northshore Mining Company, is in Silver Bay and employs 167 people. However, in May Cleveland Cliffs is expected to lay off a substantial number of its employees, including at its Northshore Mining Company plant in Silver Bay. These employees will be temporarily out of a job until Cleveland Cliffs decides to resume production at its Silver Bay plant.¹ As Lake County's largest employer, layoffs at the Silver Bay plant will have a significant effect on employment in the County. Lakeview Hospital, in Two Harbors, is the second largest employer in Lake County, with 160 employees.

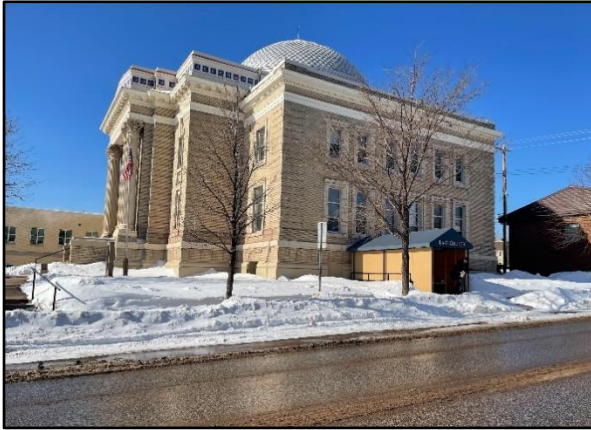
TABLE E-7 MAJOR EMPLOYERS LAKE COUNTY 2021				
Employer Name	Address (Zip code)	City	Industry	No. of Employees
Northshore Mining Co.	10 Outer Dr (55614)	Silver Bay	Mining	167
Lakeview Hospital	325 11th Ave (55616)	Two Harbors	Healthcare	160
Minnesota Veterans Home	56 Outer Dr (55614)	Silver Bay	Healthcare	155
Northern Industrial Services (Van House Const.)	11 Golf Course Dr (55614)	Silver Bay	Construction	148
Stanley Labounty	1538 Hwy. 2 (55616)	Two Harbors	Manufacturing	107
Louisiana-Pacific	711 25th Ave (55616)	Two Harbors	Manufacturing	92
Ecumen Scenic Shores (Now Waterview Shores)	402 13th Ave (55616)	Two Harbors	Healthcare	91
Blue Waters Dev. Corp. (Superior Shores Resort)	1521 Superior Shores Dr (55616)	Two Harbors	Hospitality	91
Lake County	601 3rd Ave (55616)	Two Harbors	Government	82
Grand Superior Lodge	2826 Hwy. 61 (55616)	Two Harbors	Hospitality	78
Lake Superior School Dist.	421 7th St (55616)	Two Harbors	Education	78
Serco Loaders	511 5th Ave (55616)	Two Harbors	Manufacturing	75
Sonju Superstore	1100 7th Ave (55616)	Two Harbors	Retail - Automotive	72
Super One Foods	802 11th St Ste B (55616)	Two Harbors	Retail - Grocery Store	67

Sources: Northspan Group, Inc; Employer Sites; Maxfield Research and Consulting, LLC.

- Lake County has a diverse employment base, with healthcare and manufacturing the two industries with largest number of employees among major employers. Of Lake County's largest employers, 21.4% (3 companies with 406 employees) are in the Healthcare sector while another 21.4% (3 companies with 274 employees) are in the Manufacturing Sector.

¹ Lovrien, Jimmy. "Cliffs to idle Northshore Mining as fight over royalty fees intensifies, scrap metal lessens need for pellets." *Duluth News Tribune*. Feb 11, 2022. Accessed Mar. 8, 2022. <https://www.duluthnewstribune.com/business/cliffs-to-idle-northshore-mining-as-fight-over-royalty-fees-intensifies>.

Major Employers – Lake County (February 16, 2022)



Lake County (Two Harbors)



Super One Foods (Two Harbors)



Waterview Shores (Two Harbors)



Lakeview Hospital (Two Harbors)



Cliffs Northshore Mining Company (Silver Bay)



Minnesota Veteran's Home (Silver Bay)

Summary of Employment Trends

- Total employment in Two Harbors is projected to increase by 3.2% between 2021 and 2026, while employment in Lake County is projected to decrease by 1.3%. Between 2026 and 2031 employment in Two Harbors is increase slightly by 0.2% while throughout Lake County employment is projected to increase by 0.8%.
- The 2021 unemployment rate in Lake County was 4.0%, below the Arrowhead EDR (4.2%), but above the State of Minnesota (3.6%).
- In Two Harbors, the Information sector reported the highest weekly wage, \$1,463, or \$76,076 annually. The lowest average weekly wage was in the Leisure and Hospitality sector at \$458 (\$23,816 annually).
- Most Two Harbors workers travel less than 10 miles to their jobs (53.3%). An estimated 14.1% travel between 10 and 24 miles to their job, while 19.1% travel between 25 and 50 miles and 13.6% travel 50 miles or more.
- Most of Two Harbors workers commute into Two Harbors or live and work in Two Harbors, with 1,015 commuting into the City and 564 workers living and working in the City. In comparison, 1,269 workers leave the City.
- The largest employer in Lake County is the North Shore Mining Company, an iron ore mining company in Silver Bay with 167 employees. However, layoffs at the plant are expected in May and a reopening date has not yet been announced. This will have a negative effect on employment in the County. It is not yet known whether the temporary layoffs could become permanent. Lakeview Hospital, in Two Harbors, is the second largest employer in Lake County, with 160 employees.
- Lake County has a diverse employment base, with healthcare and manufacturing the two highest industries among major employers. Of Lake County's largest employers, 21.4% (3 companies with 406 employees) are in the Healthcare sector while another 21.4% (3 companies with 274 employees) are in the Manufacturing Sector.

Introduction

This section analyzes current market conditions for general occupancy rental housing in the Primary Market Area. Data presented include rental housing data from the American Community Survey and detailed information on individual rental developments in the Primary Market Area. Maxfield Research and Consulting identified and surveyed rental properties of eight or more units in the PMA.

For the purpose of the analysis, we classify rental properties into two groups, general occupancy and senior (age-restricted). Senior housing market conditions are discussed in the *Senior Rental Analysis* section of the report. Maxfield categorizes general occupancy rental properties into three categories: market rate (those without income restrictions), affordable (those receiving tax credits or some type of moderate assistance in order to keep rents affordable) and subsidized (those where the household pays a percentage of their income for housing (typically 30%) and where their adjusted gross income based on household size cannot exceed 50% of the Area Median Household Income).

Overview of Rental Market Conditions

Maxfield Research utilized data from the American Community Survey (ACS) to summarize overall rental market conditions in Two Harbors, Lake County and the PMA. The ACS is an ongoing survey conducted by the United States Census Bureau that provides data every year rather than every ten years as presented by the Decennial Census. This data is used to provide more current information on housing.

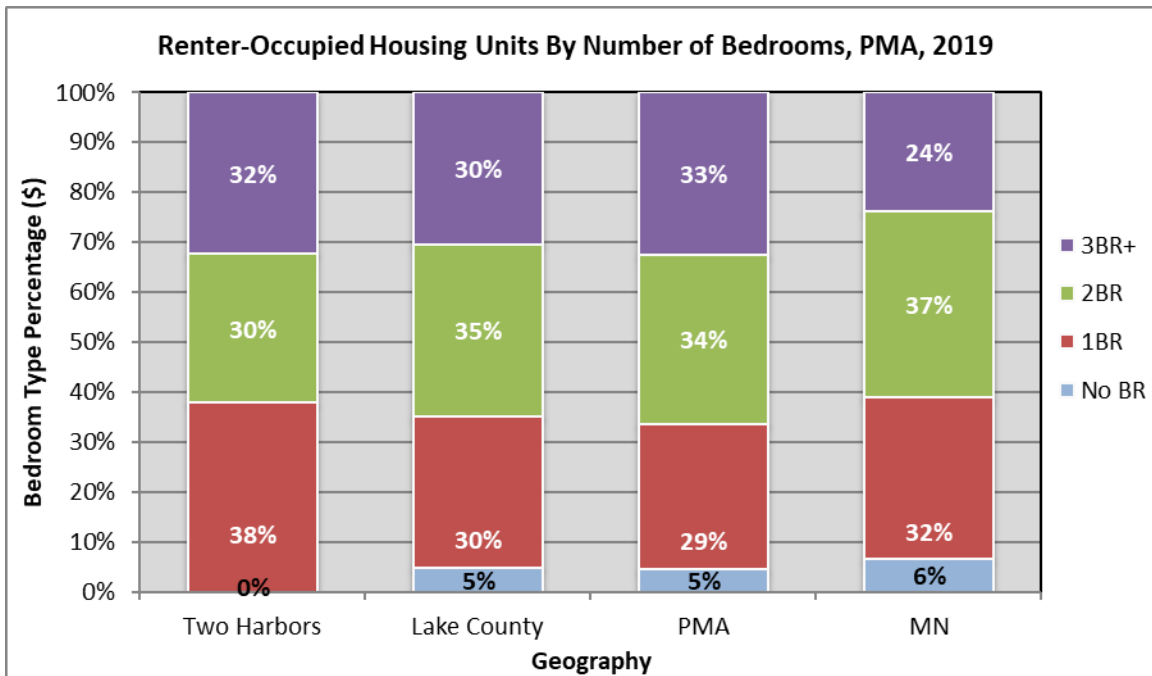
Table R-1 on the following page presents a breakdown of median gross rent and monthly gross rent ranges by number of bedrooms in renter-occupied housing units from the 2015-2019 ACS for Two Harbors, Lake County and the PMA in comparison to Minnesota. Gross rent is defined as the amount of the contract rent plus the estimated average monthly cost of utilities (electricity, gas, and water and sewer) and fuels (oil, coal, wood, etc.) if these are paid by the renter.

- A median gross rent of \$648 was reported in Two Harbors, which was below that of Lake County (\$662) and the PMA (\$703). The PMA's median rent was 33.7% less than the median gross rent reported in the State of Minnesota (\$977).
- An estimated 61.7% of rental units in the PMA are in Two Harbors. The most common type of rental unit in Two Harbors is a one-bedroom unit, which comprised 37.8% of all units in Two Harbors and was proportionally higher than the PMA (29.0%). Three-bedroom or more units were the next most common, comprising 32.4% of rental units in Two Harbors while two-bedroom units were the most common unit type in the PMA (33.9%).

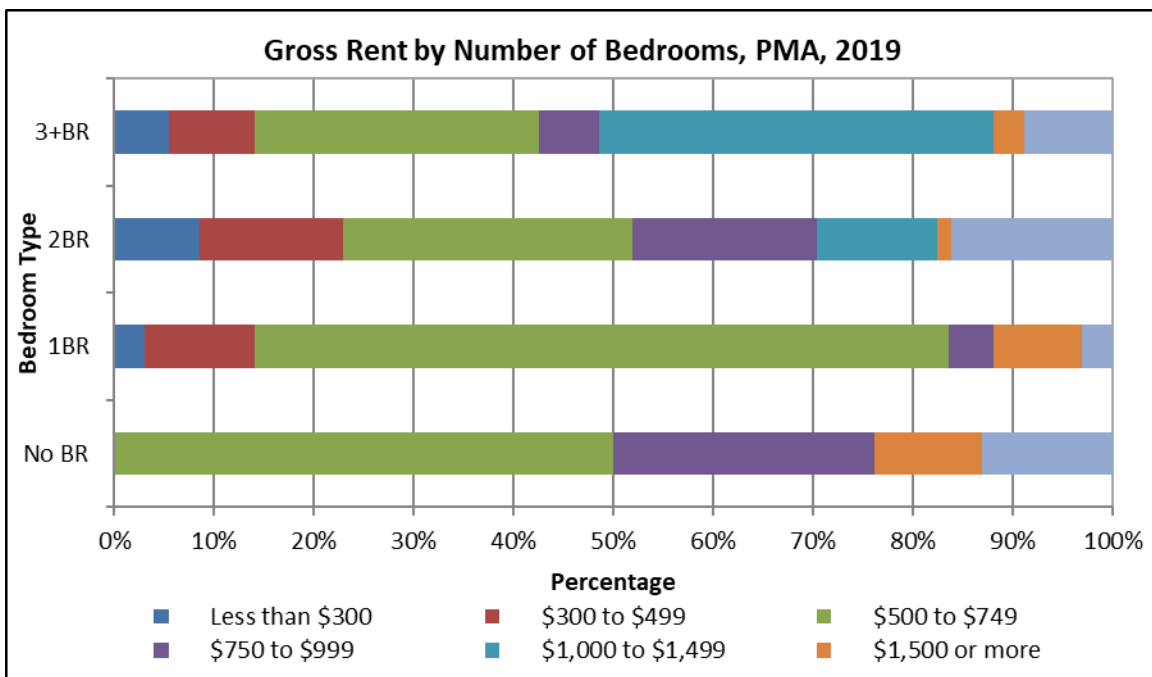
TABLE R-1
BEDROOMS BY GROSS RENT, RENTER-OCCUPIED HOUSING UNITS
TWO HARBORS MARKET AREA
2019

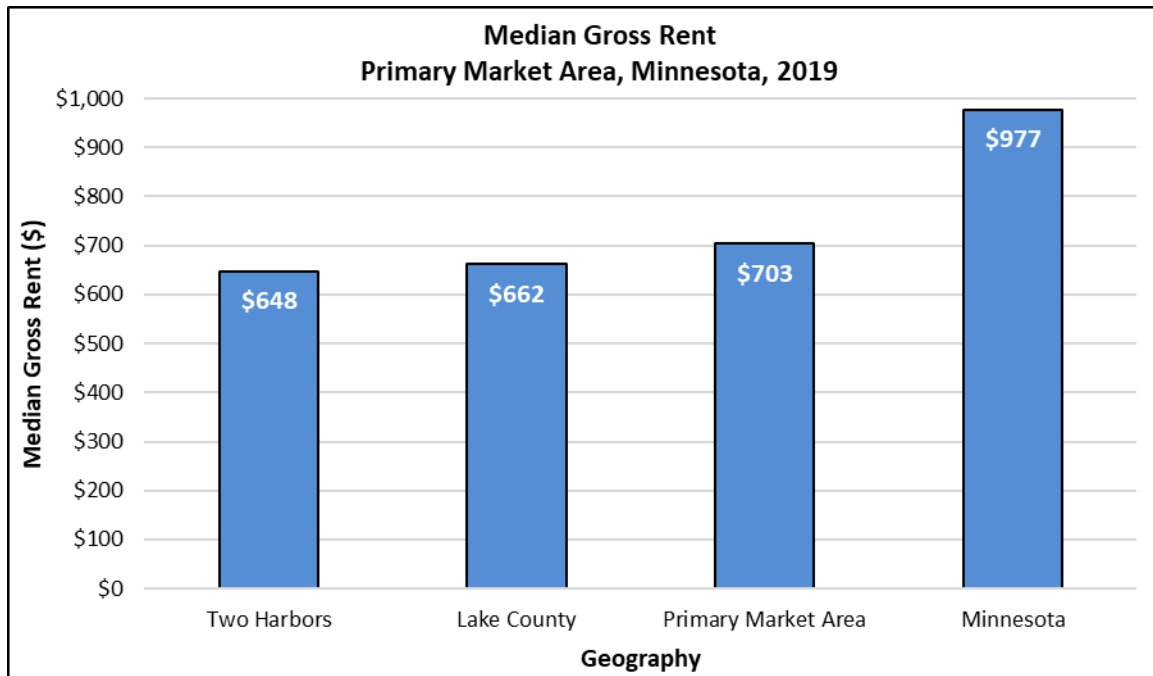
	Two Harbors		Lake County		PMA		MN
	#	% of Total	#	% of Total	#	% of Total	% of Total
Total:	621	100%	933	100%	1,006	100%	100%
Median Gross Rent	\$648		\$662		\$703		\$977
No Bedroom	0	0%	44	5%	46	5%	6%
Less than \$300	0	0%	0	0%	0	0%	9%
\$300 to \$499	0	0%	0	0%	0	0%	10%
\$500 to \$749	0	0%	21	0%	23	0%	26%
\$750 to \$999	0	0%	12	0%	12	0%	28%
\$1,000 to \$1,499	0	0%	0	0%	0	0%	16%
\$1,500 or more	0	0%	5	0%	5	0%	8%
No cash rent	0	0%	6	0%	6	0%	2%
1 Bedroom	235	38%	283	30%	292	29%	32%
Less than \$300	9	4%	9	3%	9	3%	11%
\$300 to \$499	32	14%	32	11%	32	11%	11%
\$500 to \$749	161	69%	197	70%	203	70%	17%
\$750 to \$999	0	0%	12	4%	13	4%	29%
\$1,000 to \$1,499	0	0%	0	0%	0	0%	22%
\$1,500 or more	26	11%	26	9%	26	9%	9%
No cash rent	7	3%	7	2%	9	3%	1%
2 Bedrooms	185	30%	322	35%	341	34%	37%
Less than \$300	29	16%	29	9%	29	9%	3%
\$300 to \$499	28	15%	49	15%	49	14%	5%
\$500 to \$749	77	42%	88	27%	99	29%	14%
\$750 to \$999	9	5%	57	18%	63	18%	24%
\$1,000 to \$1,499	35	19%	41	13%	41	12%	37%
\$1,500 or more	0	0%	3	1%	5	1%	15%
No cash rent	7	4%	55	17%	55	16%	3%
3 or More Bedrooms	201	32%	284	30%	327	33%	24%
Less than \$300	0	0%	18	6%	18	6%	2%
\$300 to \$499	21	10%	28	10%	28	9%	4%
\$500 to \$749	78	39%	88	31%	93	28%	9%
\$750 to \$999	0	0%	16	6%	20	6%	13%
\$1,000 to \$1,499	102	51%	111	39%	129	39%	29%
\$1,500 or more	0	0%	0	0%	10	3%	33%
No cash rent	0	0%	23	8%	29	9%	10%

Sources: US Census Bureau - American Community Survey; Maxfield Research and Consulting, LLC.



- In Four Harbors, most monthly rents ranged from \$300 to \$499 (38.3% of units) and 29.4% of units had rents between \$750 and \$999. In the PMA, the most common rent range was \$300 to \$499, (34.8% of units), followed by the \$750 to \$999 range (23.9%).
- Units with no cash rent, which are often owned by a friend or family member, owned by a charitable organization, or are part of a subsidized rental program, represented 2.3% of rental units in Four Harbors and a larger proportion of units in the PMA (9.8%).





General-Occupancy Rental Properties

Analysis of the Primary Market Area's general occupancy rental market included a survey of six market rate apartment properties (10 units and larger) and two affordable/subsidized communities as of January 2022. These properties represent a combined total of 187 units, including 129 market rate units and 58 affordable/subsidized units. General occupancy units accounted for 68.4% of surveyed units.

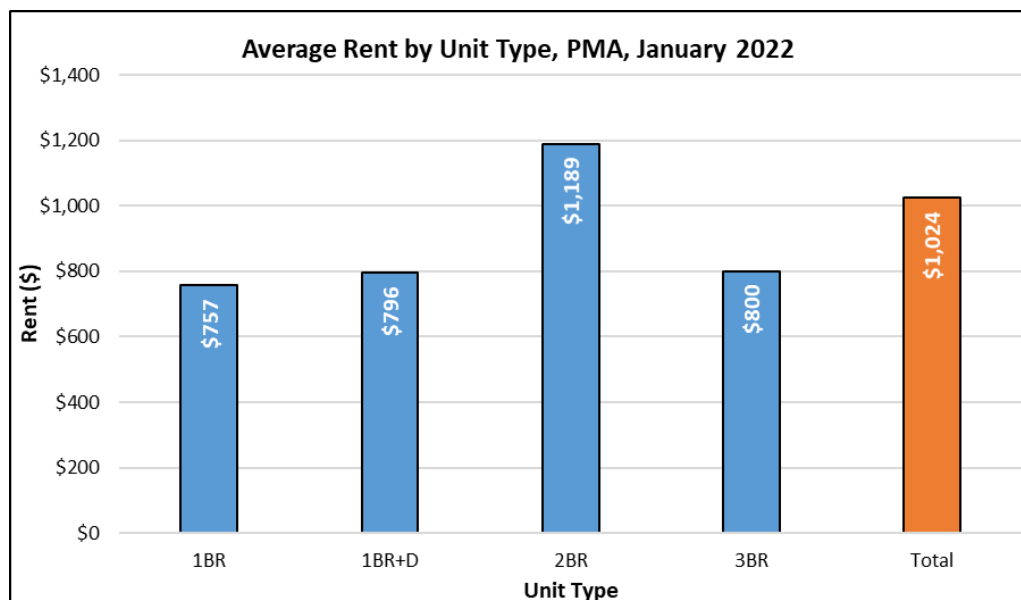
At the time of the survey, no market rate units and two affordable/subsidized units were vacant. As a result, market rate general occupancy units had a vacancy rate of 0.0% and affordable/subsidized units had a vacancy rate of 3.4%. The overall vacancy rate in the PMA for all property types was 1.1%. Vacancy rates were based on properties where total units and vacancies were obtained during the survey. Market rate vacancies are lower than the industry standard of 5% vacancy, which promotes competitive rates, ensures adequate choice and allows for unit turnover. In contrast, the affordable and subsidized vacancy rate of 3.4% is above the equilibrium vacancy rate of 2.0%.

Table R-2 summarizes information on market rate properties and Table R-3 provides a summary of unit type, vacancies and rent pricing for market rate properties. Table R-4 inventories affordable and subsidized properties.

RENTAL MARKET ANALYSIS

Market Rate

- Overall, six market rate properties with a combined 129 units were surveyed. These units had a vacancy rate of 0%. This is far below the equilibrium vacancy rate of 5.0% for market rate units and suggests there is significant pent-up demand for market rate rental units.
- Two-bedroom units accounted for most of the market rate units in the PMA. The unit breakout by unit type is summarized below.
 - One-bedroom units: 35 | 27.1%
 - One-bedroom with den units: 8 | 6.2%
 - Two-bedroom units: 78 | 60.5%
 - Three-bedroom units: 8 | 6.2%
- The following are the monthly rent ranges and average rent for each unit type:
 - One-bedroom units: \$650 to \$1,050 | Avg. \$757
 - One-bedroom with Den units: \$796 to \$796 | Avg. \$796
 - Two-bedroom units: \$700 to \$1,450 | Avg. \$1,189
 - Three-bedroom units: \$800 | Avg. \$800
- The higher end of the rent range for two-bedroom units is at Vermillion Homes, which are larger townhome units.
- One- and two-bedroom units are the most common unit types in the PMA. These units rented for averages of \$1.26 and \$1.31 per square foot, respectively. Three-bedroom units, of which there were only eight in the survey, rented for an average of \$1.00 per square foot.



RENTAL MARKET ANALYSIS

TABLE R-2
LARGER MARKET RATE GENERAL OCCUPANCY RENTAL PROPERTIES (10 Units or Larger)
TWO HARBORS
JANUARY 2022

Building Name/Address	Year Built	Total Units	Vacant Units	Unit Mix	Monthly Rents	Unit Sizes (Sq. Ft.)	Description/Comments
Laura Lane Townhomes 501 Laura Lane Two Harbors	1999/2002	48	0	48 - 2BR	\$1,400 - \$1,450	1,000	Managed by Vermillion Homes. Townhome units, w/ attached garage, small patio, in unit washer and dryer. Heat, water and sewer are included in rent.
Silverpointe Apartments 101 Banks Blvd Silver Bay	1996	25	0	9 - 1BR 8 - 1BR+D 8 - 2BR	\$695 \$796 \$860	600 650 700	Managed by DW Jones, owned by Lake County Off street parking, controlled access, community patio and garden, community room with kitchen, common laundry room. Heat, water, trash/sewer, and cable are included in rent. Tenants pay electric.
Agate Bay Apartments 530 1st Ave Two Harbors	1924	17	0	12 - 1BR 5 - 2BR	\$750 - \$1,050 \$890	N/A N/A	Managed by Bachand Group. Most tenants are very long term. Amenities include off street parking and coin operated laundry facilities. Resident pays electric.
Marks Drive Apartments 31 Marks Drive Silver Bay	1978	16	0	8 - 2BR 8 - 3BR	\$700 \$800	600 800	The property has 15 detached parking stalls for an additional \$50 a month and tenants pay electric and heat.
Tower Apartments 710 and 712 3rd ave Two Harbors	1976	11	0	7 - 1BR 4 - 2BR	\$650 \$800	600 750	Managed by Long Ventures, LLC. All utilities are included except electric. Previously a church. Parsonage was also converted to rental units. Has a laundry facility.
Wakeya Apartments 120 4th ave Two Harbors	1960s	12	0	7 - 1BR 5 - 2BR	\$699 \$850	600 750	All utilities are included except electric. Amenities include off street parking, common areas, and storage. Previously a resort. Some of the suite rooms are larger. Has a laundry facility. Many of the tenants are elderly.
Total/Vacant Units		129	0				
Vacancy Rate		0.0%					
Sources: Apartment Listings Sites & Property Management Companies; Maxfield Research and Consulting, LLC.							

RENTAL MARKET ANALYSIS

- The majority of the properties surveyed offer common laundry facilities on-site. It is also common for properties to include heat, water, sewer and trash in the monthly rent.

TABLE R-3 MARKET RATE RENT SUMMARY PRIMARY MARKET AREA JANUARY 2022								
				Monthly Rents				
Unit Type	Unit Mix Pct.	Size Low High		Avg. Size	Rent Range Low High		Rent Avg.	Avg. Rent/ Sq.Ft.
1BR	27.1%	600 - 600		600	\$650 - \$1,050		\$757	\$1.26
1BR+D	6.2%	N/A - N/A		N/A	\$796 - \$796		\$796	N/A
2BR	60.5%	600 - 1,000		911	\$700 - \$1,450		\$1,189	\$1.31
3BR	6.2%	800 - 800		800	\$800 - \$800		\$800	\$1.00
Total	100.0%	600	1,000	1,041	\$800	\$1,450	\$1,024	\$0.98
Notes: If unit sizes were not known, those units are omitted from average size and rent per square foot calculations.								
Sources: Maxfield Research and Consulting, LLC.								

Affordable/Subsidized

- There are two subsidized properties in the PMA, both in Two Harbors. These properties provide 58 units of subsidized rental product.
- The two subsidized properties offer a high proportion of two-bedroom (46.6%), three-bedroom units (24.1%), and efficiency (20.7%) units. Only 8.6% of these units were one-bedroom units.
- Among subsidized properties, there was a vacancy rate of 3.4% (2 out of a total of 58 units) that were available at the time of the survey. Properties may keep waiting lists for specific unit types based on the qualifications of the renter household.
- Trash is included at Rustic Creek Townhomes while Bayview Terrace includes all utilities.
- No affordable/income-restricted properties can be found currently in the PMA.

RENTAL MARKET ANALYSIS

TABLE R-4
AFFORDABLE/SUBSIDIZED GENERAL OCCUPANCY RENTAL PROPERTIES
TWO HARBORS
JANUARY 2022

Building Name/Address	Year Built	Total Units	Vacant Units	Unit Mix	Monthly Rents	Unit Sizes (Sq. Ft.)	Description/Comments
Subsidized Rental Housing							
Rustic Creek Townhomes 1425 9th Ave Two Harbors	1981	40	0	26 - 2BR 14 - 3BR	30% AGI 30% AGI	650 800	Section 8. Garage, washer and dryer hook-ups, air conditioning, playground, extra storage. Two 2BRs units are handicap accessible units.
Bayview Terrace* 505 1st Avenue Two Harbors	1968	18	2	12 - Eff 5 - 1BR 1 - 2BR	30% AGI 30% AGI 30% AGI	380 530 680	Section 8. Allows both seniors and the disabled. Laundry room, community room, activity room, library. All utilities included in rent. Tenants pays for AC, Cable TV, Telephone. Managed by Two Harbors HRA. Flat rents until 3/1/22 are as follows: Efficiency: \$388; One-Bedroom: \$474; and Two-Bedroom: \$648. Flat rents after 3/1/22 are as follows: Efficiency: \$480; One-Bedroom: \$528; and Two-Bedroom: \$648.
		58	3.4%				
		2					
*Unit Mix is an Estimate - Out of 58 total units, 34 units are occupied by the disabled, and 40 units are occupied by the seniors. This results in overlap between units that are occupied by the disabled who are also seniors. We estimate 18 units are occupied by seniors who are not disabled (50 total units - 40 senior units) . We utilize the unit mix of all disabled residents (34 units) and apply them to the 18 units; effieciency units (4.0% of all units), one-bedroom units (17.0% of all units), and two bedroom units (4.0% of all units).							
Sources: Apartment Listings Sites & Property Management Companies; Maxfield Research and Consulting, LLC.							

Rental Housing Properties



General Occupancy Rental Properties (February 2022)



Tower Apartments (Two Harbors)



Agate Bay Apartments (Two Harbors)



Laura Lane Townhomes (Two Harbors)



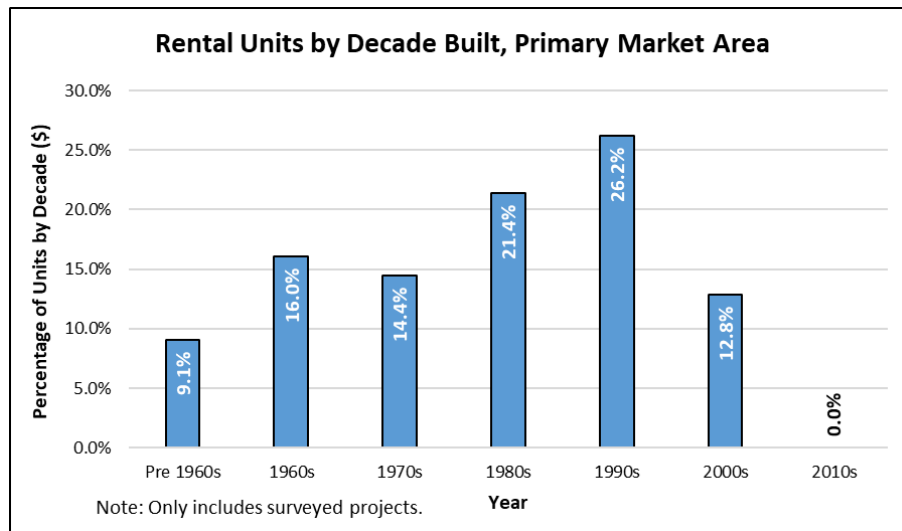
Rustic Creek Townhomes (Two Harbors)



Wakeya Apartments (Two Harbors)



Silverpointe Apartments (Silver Bay)



As the chart above shows, the most rental units surveyed were built in the 1990s, with the next most active decade being the 1980s.

Short Term/Vacation Rentals

Two Harbors' location along Lake Superior has made it a popular North Shore tourist destination. As a result, short-term leasing of homes and other housing units has become more prominent in Two Harbors. Airbnb lists most short-term rentals properties in Two Harbors in the low to mid \$100s per night.² Similar to Airbnb, Vrbo properties in Two Harbors are listed primarily in the \$100s per night but can be substantially higher for select properties.³ Rental rates can also vary by time of year and for specific events, such as Grandma's Marathon, which occurs annually in June and attracts more than 20,000 participants in addition to spectators.

Short-term rentals are a commercial business venture. Owners of properties leasing out their homes or apartments in the manner of a hotel, are essentially moving these properties from a traditional long-term residence to a revenue generating enterprise. The shifting from residential to commercial use creates a valuation shift, which in most cases results in a significantly higher valuation of these properties when placed on the market for-sale. If the property remains homesteaded, then valuation of the property is not affected for property tax purposes. If non-homesteaded, then property tax rates increase and upon sale, these units may be viewed as a commercial unit rather than a residential unit. The significant lack of permanent, long-

² Airbnb. (n.d.). Map of Two Harbors Rentals. Retrieved March 3, 2022. https://www.airbnb.com/s/Two-Harbors--Minnesota--United-States/homes?adults=2&place_id=ChIJWw6lUGAWr1IRq5OBbRr3iGc&tab_id=home_tab&refinement_paths%5B%5D=%2Fhomes&query=Two%20Harbors%2C%20Minnesota%2C%20United%20States&flexible_trip_lengths%5B%5D=weekend_trip&date_picker_type=calendar&ne_lat=47.03891954411262&ne_lng=-91.64981844573401&sw_lat=47.01888167847891&sw_lng=-91.69372084288977&zoom=15&search_by_map=true&search_type=user_map_move.

³ Vrbo. (n.d.). Map of Two Harbors Rentals. Retrieved March 3, 2022. <https://www.vrbo.com/search/keywords:two-harbors-minnesota-united-states/@47.024788746274695,-91.68907013441284,47.04488288184321,-91.64516773725708,15z/minNightlyPrice/0?filterByTotalPrice=true&petIncluded=false&ssr=true>.

term housing in Two Harbors is exacerbated by conversion of or utilization of existing residential units for transient purposes. Once converted to a revenue-generating enterprise, it is very difficult to convert these units back to the traditional housing market and it is often very expensive to do so.

Planned and Proposed Rental Developments

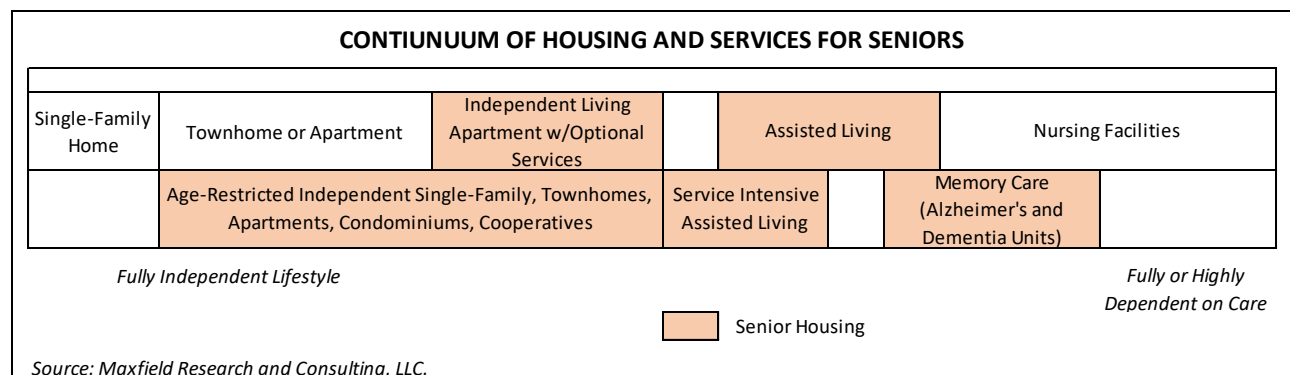
Maxfield Research interviewed planning staff members in PMA communities to identify housing developments under construction, planned, or pending. As of January 2022, there are no rental developments under construction, in progress, or planned/proposed.

Introduction

This section provides an assessment of the market support for senior housing (active adult, independent living, assisted living, and memory care) in the Primary Market Area. An overview of the demographic and economic characteristics of the senior population in the PMA is presented along with an inventory of existing and pending senior housing developments in the PMA. Demand for senior housing is calculated based on demographic, economic and competitive factors that would impact demand for additional senior housing units in the PMA. Our assessment concludes with an estimate of the proportion of PMA demand that could be captured by senior housing in Two Harbors.

Senior Housing Defined

Senior housing is a concept that generally refers to the integrated delivery of housing and services to seniors. However, as Figure 1 illustrates, senior housing embodies a wide variety of product types across the service-delivery spectrum. Products range from independent apartments and/or townhomes with virtually no services on one end, to highly specialized, service-intensive assisted living units or housing geared for people with dementia-related illnesses (termed "memory care") on the other end of the spectrum. In general, independent senior housing attracts people 65 years of age and over while assisted living typically attracts people 80 years of age and older who need assistance with activities of daily living (ADLs). For analytical purposes, Maxfield Research Inc. classifies market rate senior housing into five categories based on the level and type of services offered:



- Active Adult properties (or independent living without services available) are similar to a general-occupancy building, in that they offer virtually no services but have age-restrictions (typically 55 or 62 or older). Residents are generally age 70 or older if in an apartment-style building. Organized entertainment, activities and occasionally a transportation program represent the extent of services typically available at these properties. Because of the lack of services, active adult properties generally do not command the rent premiums of more service-enriched senior housing. Active adult properties can have a rental or owner-occupied (condominium or cooperative) format.

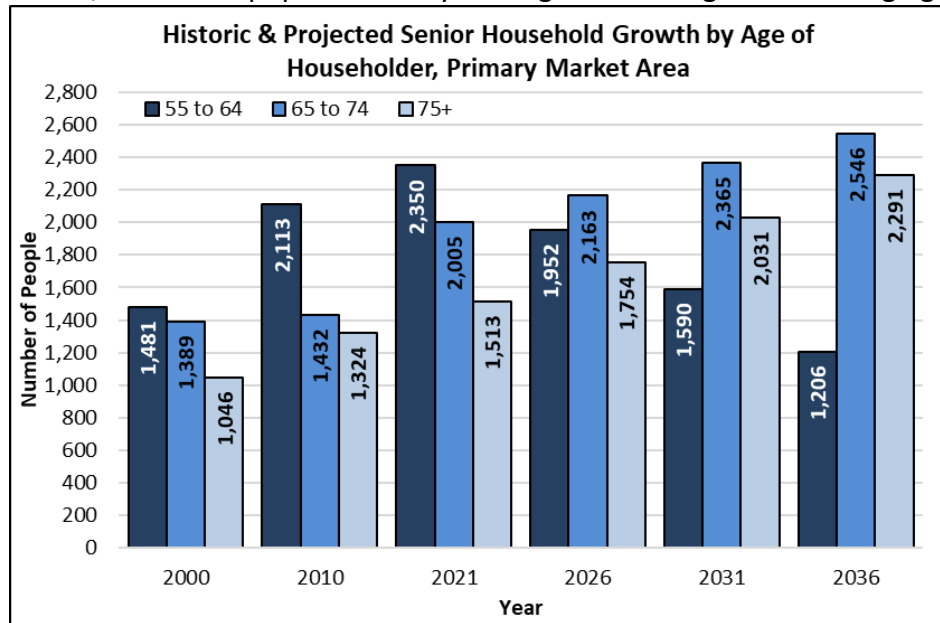
- Independent living properties offer support services such as meals and/or housekeeping, either on an optional basis or a limited amount included in the rents. These properties often dedicate a larger share of the overall building area to common areas, in part, because the units are smaller than in adult housing and in part to encourage socialization among residents. Independent living properties attract a slightly older target market than adult housing, typically seniors 75 years of age or older. Rents are also above those of the active adult buildings. Sponsorship by a nursing home, hospital or other health care organization is common.
- Assisted Living properties come in a variety of forms, but the target market for most is generally the same: very frail seniors, typically age 80 or older (but can be much younger, depending on their particular health situation), who are in need of extensive support services and personal care assistance. Absent an assisted living option, these seniors would otherwise need to move to a nursing facility. At a minimum, assisted living properties include two meals per day and weekly housekeeping in the monthly fee, with the availability of a third meal and personal care (either included in the monthly fee or for an additional cost). Assisted living properties also have either staff on duty 24 hours per day or at least 24-hour emergency response.
- Memory Care properties, designed specifically for persons suffering from Alzheimer's disease or other dementias, is one of the newest trends in senior housing. Properties consist mostly of suite-style or studio units or occasionally one-bedroom apartment-style units, and large amounts of communal areas for activities and programming. In addition, staff typically undergoes specialized training in the care of this population. Because of the greater amount of individualized personal care required by residents, staffing ratios are much higher than traditional assisted living and thus, the costs of care are also higher. Unlike conventional assisted living, however, which addresses housing needs almost exclusively for widows or widowers, a higher proportion of persons afflicted with Alzheimer's disease are in two-person households. That means the decision to move a spouse into a memory care facility involves the caregiver's concern of incurring the costs of health care at a special facility while continuing to maintain their home.

Older Adult (Age 55+) Population and Household Trends

The Demographic Analysis section of this study presented general demographic characteristics of the Primary Market Area's population. The following points summarize key findings from that section as they pertain to the older adult population in the PMA.

- Between 2021 and 2031, the fastest growing proportion of the population is projected to be those age 75 to 84, which are anticipated to experience a 45.9% increase in population, an

addition of 488 people. Between 2021 and 2031, the 55 to 64 cohort is projected to contract by 32.3%, as the less populous “baby bust” generation ages into this age group.

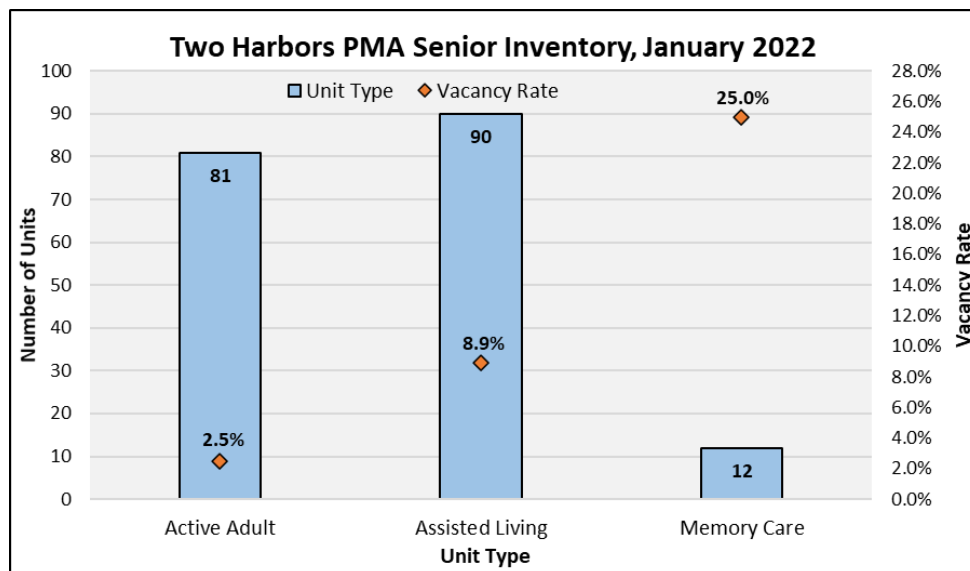


- The primary market for service-enhanced housing is senior households age 75 and older. While individuals in their 50s and 60s typically do not comprise the market base for service-enhanced senior housing, they often have elderly parents to whom they provide support when they decide to relocate to senior housing. Since elderly parents typically prefer to be near their adult caregivers, growth in the older adult age cohort (age 55 to 64) generally results in additional demand for service-enriched products, and may result in increased demand for active adult rentals or ownership
- Homeownership 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 Primary Market Area maintains very high rates of homeownership in the older adult age cohorts due to the lack of viable rental alternatives. The homeownership rate in 2021 was 83.5% for age 55 to 64 households. Seniors typically begin to consider moving into senior housing alternatives or more convenient housing such as apartment buildings or twin homes in their early to mid-70s. This movement pattern is demonstrated by the drop in homeownership from 93.0% in the 65 to 74 age cohort, to 88.1% in the 75 to 84 age cohort, and 82.9% in the 85+ age cohort.
- The higher homeownership rate in the 65 to 74 age group (93.0%) than the 55 to 64 age group is unique to Two Harbors and the PMA. This suggests that those younger than 65 are renting and may be doing so for convenience or economic necessity.

- With a homeownership rate of 87.8% for all households over the age of 65, a large number of residents would be able to use the 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. However, a lack of product exists in the City that meets the needs of seniors for characteristics such as price, features, and location. These considerations are factored into demand calculations.

Supply of Senior Housing in the Two Harbors Market Area

As of January 2022, Maxfield Research identified seven senior housing developments in the Primary Market Area. Six of the seven properties are in Two Harbors (85.7%) while one of the seven properties is in Silver Bay (14.3%). Combined, these properties contain 183 units. Two of the properties are subsidized, while the remaining five are market rate. Table S-1 inventories these properties and shows information by service-level. Information in the table includes year built, number of units, unit mix, number of vacant units, rents, and general comments about each project. Table S-3 shows features and amenities for senior properties in the PMA.



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

- Subsidized senior housing offers rents affordable to qualified low-income seniors and handicapped/disabled persons. However, note that subsidized senior housing does not provide housing to those under 62 with a disability. Those under 62, with a disability, are only allowed at subsidized properties with a waiver clarifying their disability.

- Typically, rents at subsidized properties are tied to residents' incomes and based on 30% of adjusted gross income (AGI), or a rent that is below the fair market rent. For those households meeting the age and income qualifications, subsidized senior housing is usually the most affordable rental option available.
- Harbor Point, at 101 3rd Avenue in Two Harbors, is a Section 8 senior property and is one of two, income-and age- restricted in Two Harbors. All but four of the units have one-bedroom. At the time of the survey, there was one vacant unit, for a vacancy rate of 2.4%, which is slightly above the equilibrium vacancy rate of 2.0% for deep-subsidy rental units. Units have an occupancy restriction, so a two-bedroom unit cannot be rented by a one-person household unless there are extenuating circumstances. Amenities include a community room, library, controlled access, off street parking and laundry room.
- There are currently no independent living properties in either Two Harbors or the Remainder of the PMA.
- Bayview Terrace, at 505 1st Avenue in Two Harbors, is a Section 8 property limited to seniors (62 plus) and/or the disabled (58 total units). Of the 58 units, 40 are occupied by seniors and two of those 40 units are currently vacant (5.0% vacancy rate - above the equilibrium vacancy rate of 2.0% for deep-subsidy rental units). The property has efficiency, one-bedroom, and two-bedroom units. Amenities include a clubhouse and laundry facilities.
- There were five market rate senior properties in the PMA, Westerview Shores, Barross Cottage I, Barross Cottage II, Agate Bay, and Carefree Living – Silver Bay, at 36 Bell Circle in Silver Bay. Together, they have 90 assisted living units and 12 memory care units.
- Westerview Shores, formerly Ecumen Scenic Shores, is a 41-unit assisted living facility located at 402 13th Avenue in Two Harbors. Amenities and services include free Wifi, a walking path and patio, barbershop, three meals a day, housekeeping and laundry.
- Barross Cottage I, at 401 South Avenue, and Barross Cottage II, located at 806 13th Avenue are two assisted living properties. Barross Cottage I contains seven units and one was vacant at the time of the survey. Barross Cottage II, formerly, Lakeview Cottage, contains 10-units and two units were vacant at the time of the survey. Both properties have small one-bedroom unit in detached single-family homes. Pricing, which includes housing, utilities and meals begins at \$1,100. However, this includes any additional personal care services.
- Agate Bay, similar to Barross Cottage I and Barross Cottage II is a house consisting of 10 rooms. There is currently one vacant room at the property.
- Carefree Living, outside of Two Harbors in Silver Bay, has 34 units. Of those 34 units, 22 units are classified as assisted living units and 12 units are categorized as memory care units. Of the 22 assisted living units, 3 are currently vacant while 3 of the 12 memory care units are vacant. All utilities are included in the rent.

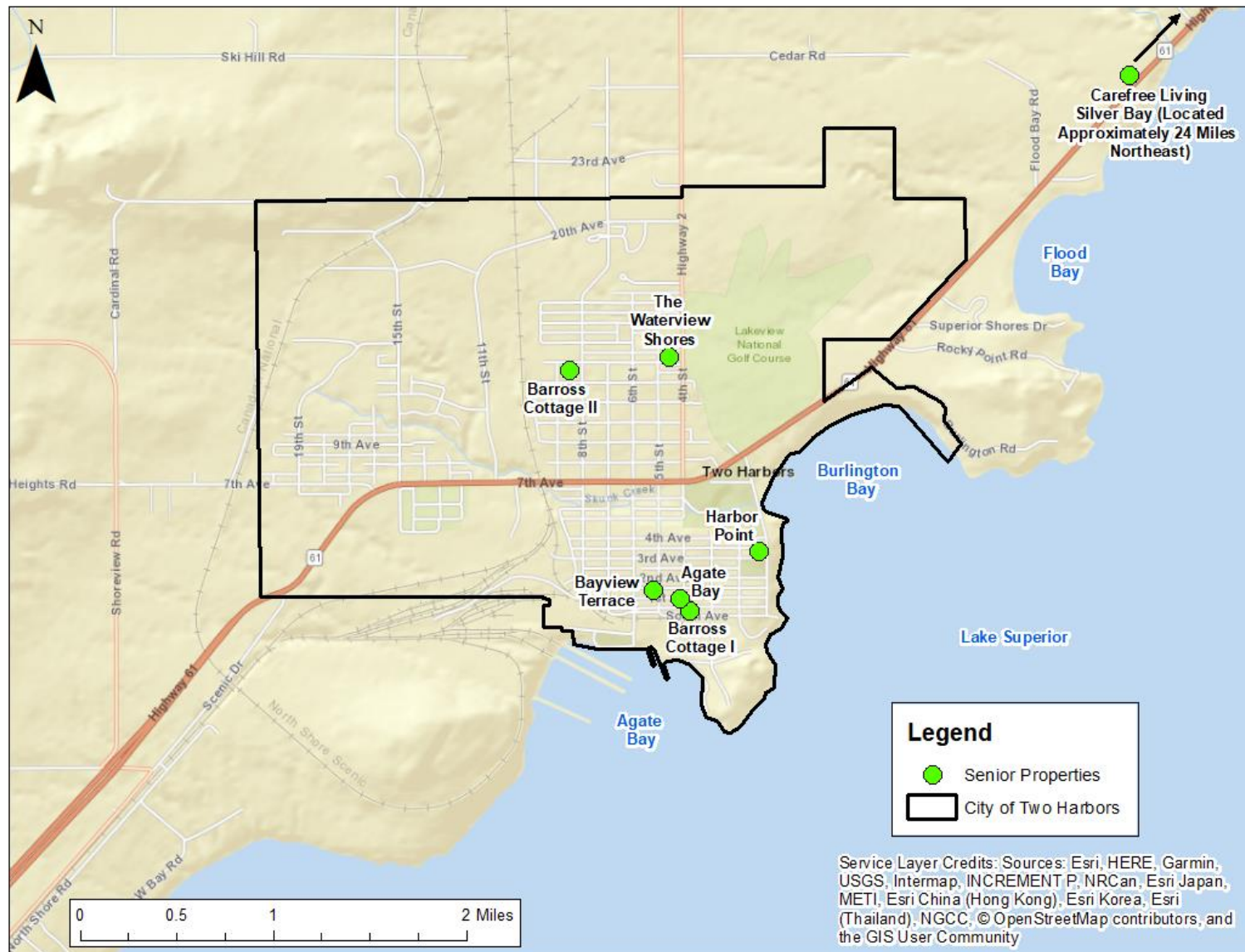
SENIOR MARKET ANALYSIS

TABLE S-1 SENIOR HOUSING PROPERTIES PRIMARY MARKET AREA JANUARY 2022							
Building Name/Address	Year Built	Total Units	Vacant Units	Unit Mix	Monthly Rents	Unit Sizes (Sq. Ft.)	Description/Comments
Active Adult - Affordable Subsidized							
Harbor Point	1978	41	0	37 - 1BR	30% of Income	548	Age 62+. Income Restrictions. Laundry Room, community room, library, controlled access, off street parking. Tenant pays electric.
101 3rd Avenue				4 - 2BR	30% of Income	727	
Two Harbors							
Bayview Terrace	1968	40	2	20 - Eff	30% of Income	380	Allows both seniors and the disabled. Amenities include a clubhouse and laundry facilities. All utilities are included. About 69% (40 units) of all apartments are occupied by seniors (62+). Flat rents until 3/1/22 are as follows: Efficiency: \$388; One-Bedroom: \$474; and Two-Bedroom: \$648. Flat rents after 3/1/22 are as follows: Efficiency: \$480; One-Bedroom: \$528; and Two-Bedroom: \$648.
505 1st Ave				16 - 1BR	30% of Income	530	
Two Harbors				4 - 2BR	30% of Income	680	
Total Units/Vacancies		81	2				
Vacancy Rate		2.5%					
Assisted Living							
Waterview Shores	2001/2011	41	1	25 - 1BR	\$3,150 - \$3,525	510 - 784	Senior facility with both assisted living and skilled nursing units. Sold to Monarch Management from Ecumen in 2019. Only the 41 assisted living units are profiled. Amenities at Waterview Shores include the following: free Wifi, walking path and patio, barbershop, housekeeping, and laundry. Three meals a day a day and add \$1,000 to base price if additional resident in unit.
402 13th Ave				4 - 1BR+D	\$3,770	964	
Two Harbors				12 - 2BR	\$3,650	795	
Carefree Living	2010	22	3	18 - Eff	\$2,000	361 - 368	Most residents are from Lake County. All utilities are included in rent, except telephone. Accepts Elderly Waivers and CADI. Three meals daily, housekeeping, laundry.
Silver Bay - AL				4 - 1BR	\$2,300	509	
36 Bell Cir							
Silver Bay							
Barross Cottage I	2001	7	1	7 - 1BR	\$1,100	180	Property is a home and residents live in rooms within home. Services include meals and 24 hour customized care.
401 S Ave				(Room in House)	(Base Price - Before add. Services)		
Two Harbors							
Barross Cottage II	1994	10	2	10 - 1BR	\$1,100	168	Formerly Lakeview Cottages. Property is a home and residents live in rooms within home. Services include meals and 24 hour customized care.
806 13th Ave	(Some work			(Room in House)	(Base Price - Before add. Services)		
Two Harbors	done in 2014)						
Agate Bay	1883	10	1	10 - 1BR	NA	NA	Property is a home and residents live in rooms within home. Services offered include meals and care.
414 1st Ave				(Room in House)			
Two Harbors							
Total Units/Vacancies		90	8				
Vacancy Rate		8.9%					
Memory Care							
Carefree Living	2010	12	3	8 - Comp'n	\$2,000 plus add. Services	361	Most residents are from Lake County. All utilities are included in rent, except telephone.
Silver Bay - MC				4 - Private	\$2,300 plus add. Services	307 - 308	
36 Bell Circle							
Silver Bay							
Total Units/Vacancies		12	3				
Vacancy Rate		25.0%					
NA: Not Assessed.							
Sources: Property Managers and Sites; Senior Listing Sites; Lake County; Maxfield Research and Consulting, LLC.							

Planned and Proposed Senior Developments

Maxfield Research interviewed planning staff members in communities in the Primary Market Area to identify senior housing developments under construction, planned or pending. At the time of this study, there are no senior developments under construction, in progress, or planned/proposed as of January 2022.

Senior Housing Properties



Two Harbors Senior Properties (February 16, 2022)



Agate Bay



Harbor Point



Barross Cottage I



Barross Cottage II



Bayview Terrace



Waterview Shores

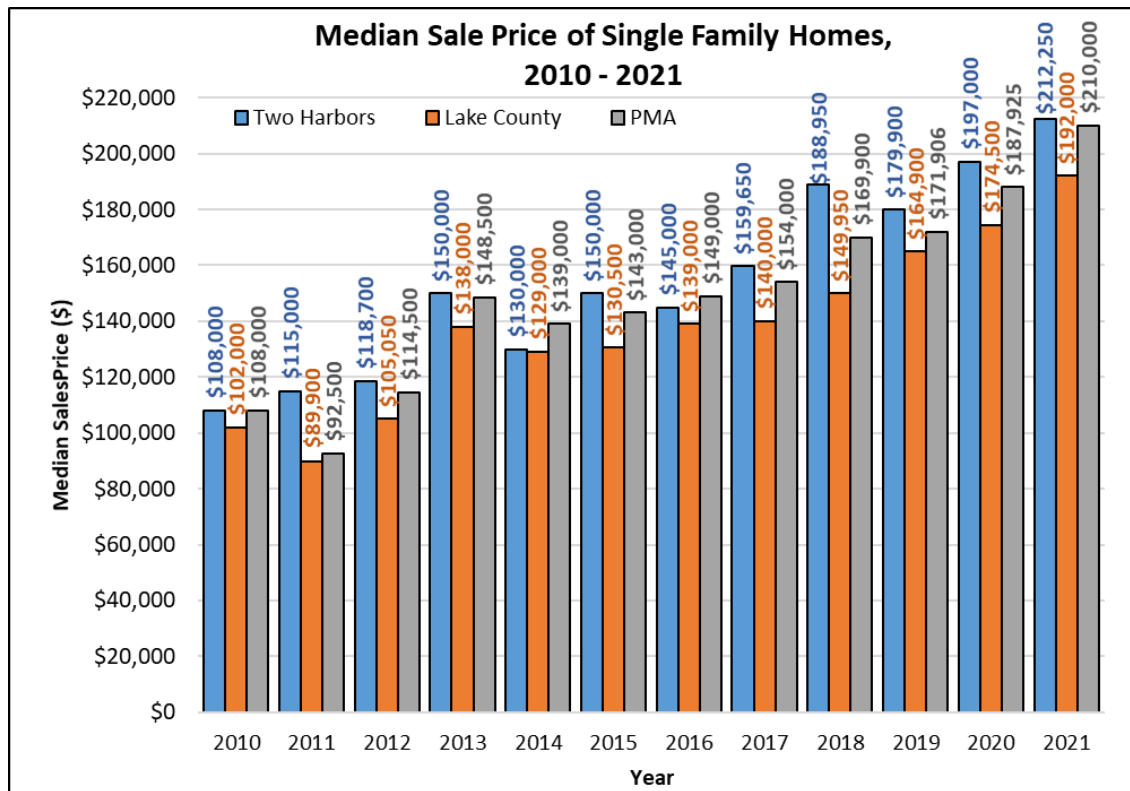
Introduction

Maxfield Research analyzed the for-sale housing market in Two Harbors and the Primary Market Area by collecting 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, builders, developers, and planning officials.

Home Resales in the Primary Market Area

Table FS-1 presents home resale data on single-family and owned multifamily housing in Two Harbors and the Primary Market Area from 2000 through 2021. The data shows the annual number of sales and median sales prices for Two Harbors, Lake County and the PMA. The table includes residential transactions and excludes agricultural dwellings. The following are key points from the data. A graph of annual single-family median sale prices for the three geographies between 2010 and 2021 is also shown.

- Since 2000, there has been an average of 81 residential sales per year in Two Harbors, 161 per year in Lake County and 182 per year in the PMA.
- Sales activity in Two Harbors has been high recently, with 105 sales in 2020 and 110 sales in 2021, which are 66.7% and 74.6% higher, respectively, than the 2010 average sales activity of 63 sales per year. Sales activity is trending up in the PMA as of 2021 (209 sales) and 2020 (200 sales), which are 58.3% and 51.5% higher, respectively, than the 2010 average sales activity of 132 sales per year. Two Harbors and the North Shore are proving popular for both buyers and renters from areas like the Twin Cities.
- The median sales price in Two Harbors was \$212,250 in 2021, up \$15,250 (7.7%) from its 2020 median sales price of \$197,000. Two Harbors' 2021 median sales price was 104.1% greater than in 2009 when it was \$104,000.
- The median sales price in the PMA was \$210,000 in 2021, up \$22,075 (11.7%) from the 2021 median sales price of \$187,925 in 2020. The PMA's 2021 median sales price was 110.2% greater than in 2009 when it was \$99,900.



- The average size of homes sold in Two Harbors decreased 15.4% from 1,894 square feet in 2018 to 1,601 square feet in 2021. In contrast, the average price per square foot in 2018 increased 33.2% during this period, from \$118.36 per square foot in 2018 to \$157.76 per square foot in 2021. The PMA trend is similar, with home sizes decreasing 5.2% from an average of 1,725 square feet in 2018 to an average of 1,636 in 2021. The PMA's average price per square foot, similar to Two Harbors, increased 39.4% from \$121.10 in 2018 to \$168.83 in 2021.
- Days on Market (DOM) is a useful statistic for measuring the velocity of sales. Typically, homes are listed for between 60 and 90 days before selling in a healthy market. Prior to the recession (2007 and earlier), single family homes in Two Harbors sold in an average of 70 days, compared to an average of 127 days from 2008 to 2016. Since 2017, single family homes in Two Harbors have sold in an average of 60 days.

FOR-SALE ANALYSIS

TABLE FS-1 SINGLE FAMILY RESALES TWO HARBORS, LAKE COUNTY, & PMA 2000 Through 2021							
Two Harbors							
Year	No of Sales	Average Sale Price	Median Sale Price	Average DOM	Median Year Built	Average Sq. Ft.	Average Price/ Sq. Ft.
2021	110	\$252,572	\$212,250	20	1950	1,601	\$157.76
2020	105	\$250,133	\$197,000	63	1952	1,687	\$148.27
2019	101	\$225,970	\$179,900	70	1956	1,687	\$133.95
2018	92	\$224,169	\$188,950	83	1955	1,894	\$118.36
2017	117	\$189,969	\$159,650	62	1953	1,643	\$115.62
2016	115	\$170,680	\$145,000	136	1952	1,690	\$100.99
2015	109	\$166,890	\$150,000	111	1953	1,616	\$103.27
2014	89	\$164,934	\$130,000	129	1955	1,700	\$97.02
2013	99	\$167,484	\$150,000	126	1957	1,717	\$97.54
2012	77	\$142,307	\$118,700	139	1954	1,512	\$94.12
2011	59	\$113,859	\$115,000	130	1952	1,647	\$69.13
2010	63	\$142,238	\$108,000	132	1952	1,397	\$101.82
2009	61	\$148,190	\$104,000	119	1950	1,396	\$106.15
2008	72	\$151,087	\$117,500	124	1953	1,498	\$100.86
2007	54	\$160,453	\$133,900	87	1953	1,563	\$102.66
2006	78	\$156,079	\$127,950	66	1949	1,503	\$103.84
2005	82	\$183,480	\$145,000	82	1949	1,528	\$120.08
2004	63	\$168,446	\$126,000	59	1952	1,467	\$114.82
2003	78	\$134,681	\$112,000	62	1947	1,611	\$83.60
2002	64	\$104,659	\$94,250	61	1944	1,469	\$71.25
2001	49	\$98,134	\$78,500	65	1948	1,549	\$63.35
2000	43	\$92,071	\$69,000	75	1949	1,296	\$71.04
Lake County							
Year	No of Sales	Average Sale Price	Median Sale Price	Average DOM	Median Year Built	Average Sq. Ft.	Average Price/ Sq. Ft.
2021	209	\$260,255	\$192,000	38	1956	1,563	\$166.51
2020	200	\$230,468	\$174,500	84	1957	1,576	\$146.24
2019	189	\$202,629	\$164,900	89	1957	1,543	\$131.32
2018	168	\$191,919	\$149,950	106	1959	1,669	\$114.99
2017	193	\$169,610	\$140,000	106	1955	1,531	\$110.78
2016	191	\$179,274	\$139,000	137	1961	1,611	\$111.28
2015	177	\$155,811	\$130,500	149	1960	1,504	\$103.60
2014	153	\$176,684	\$129,000	148	1960	1,621	\$109.00
2013	165	\$163,721	\$138,000	453	1956	1,426	\$114.81
2012	146	\$129,792	\$105,050	175	1956	1,426	\$91.02
2011	153	\$105,079	\$89,900	138	1956	1,414	\$74.31
2010	132	\$142,801	\$102,000	132	1954	1,356	\$105.31
2009	169	\$139,313	\$89,900	120	1954	1,386	\$100.51
2008	218	\$162,040	\$115,000	137	1957	1,458	\$111.14
2007	160	\$179,450	\$108,500	96	1956	1,439	\$124.70
2006	166	\$139,311	\$120,000	76	1954	1,386	\$100.51
2005	186	\$163,424	\$121,225	77	1954	1,390	\$117.57
2004	157	\$137,974	\$103,400	92	1954	1,383	\$99.76
2003	121	\$127,447	\$103,000	74	1954	1,513	\$84.23
2002	110	\$93,605	\$85,500	75	1954	1,287	\$72.73
2001	93	\$90,264	\$74,000	78	1953	1,411	\$63.97
2000	91	\$89,656	\$65,000	75	1955	1,234	\$72.65
Continued							

Table FS-1 (Continued) Primary Market Area							
Year	No of Sales	Average Sale Price	Median Sale Price	Average DOM	Median Year Built	Average Sq. Ft.	Average Price/ Sq. Ft.
2021	232	\$276,209	\$210,000	36	1957	1,636	\$168.83
2020	230	\$244,552	\$187,925	80	1960	1,600	\$152.85
2019	215	\$212,669	\$171,906	85	1958	1,586	\$134.09
2018	193	\$208,895	\$169,900	101	1960	1,725	\$121.10
2017	221	\$181,942	\$154,000	102	1956	1,564	\$116.33
2016	219	\$193,414	\$149,000	128	1962	1,647	\$117.43
2015	203	\$164,237	\$143,000	135	1964	1,512	\$108.62
2014	173	\$184,387	\$139,000	141	1962	1,676	\$110.02
2013	185	\$169,945	\$148,500	411	1963	1,628	\$104.39
2012	164	\$137,113	\$114,500	168	1960	1,465	\$93.59
2011	164	\$120,240	\$92,500	145	1956	1,440	\$83.50
2010	175	\$149,949	\$108,000	131	1957	1,384	\$108.34
2009	195	\$154,269	\$99,900	121	1957	1,433	\$107.65
2008	234	\$166,853	\$122,000	133	1957	1,481	\$112.66
2007	171	\$183,529	\$113,300	95	1956	1,484	\$123.67
2006	178	\$147,693	\$123,350	75	1954	1,394	\$105.95
2005	207	\$173,028	\$129,000	82	1954	1,455	\$118.92
2004	168	\$145,470	\$109,500	90	1954	1,427	\$101.94
2003	138	\$143,557	\$110,950	71	1954	1,526	\$94.07
2002	132	\$109,020	\$89,450	72	1954	1,404	\$77.65
2001	110	\$101,739	\$78,250	77	1954	1,459	\$69.73
2000	104	\$98,224	\$68,750	72	1956	1,276	\$76.98

Sources: Duluth Area Association of Realtors; Maxfield Research and Consulting, LLC.

Current Supply of Homes on the Market

To examine the market more closely for available owner-occupied housing in City of Two Harbors, we reviewed the current supply of homes on the market (listed for sale), with information on single-family and owned multifamily units listed on Table FS-2. Table FS-3 shows homes currently listed for sale in Two Harbors distributed into eight price ranges.

- As of January 2022, there were four, single family homes and nine condo/townhomes listed for sale in Two Harbors.
- The median list price in the PMA for a single-family home was \$279,900. The median sale price is generally a more accurate indicator of housing values in a community than the average sale price. Average sale prices can be easily skewed by a few very high-priced or low-priced home sales in any given year, whereas the median sale price better represents the pricing of a majority of homes in a given market.
- Based on a median list price of \$279,900 for active single-family home listings in Two Harbors, the income required to afford a home at this price would be between \$80,000 and \$93,300; 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. An estimated 32% (31.7%) of PMA households have annual incomes at or above \$80,000.

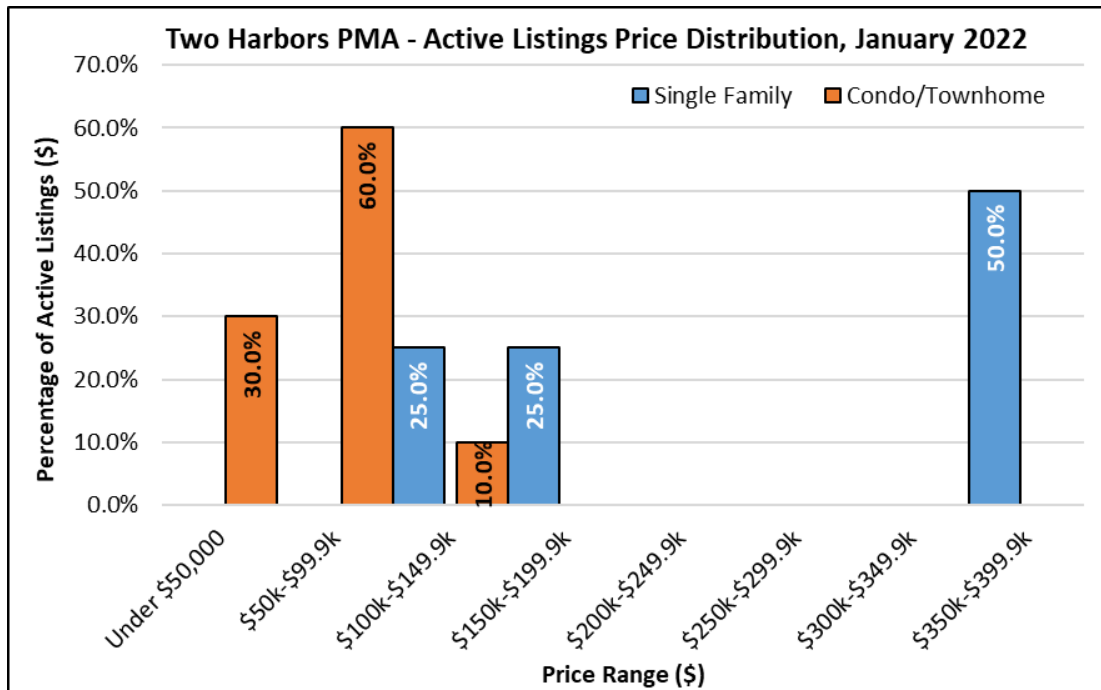
- With only 32% of PMA households being able to afford single-family homes at the median active listing price of \$279,900 in Two Harbors many buyers are coming from outside the City or Market Area; driving up home prices on the already low for sale housing inventory. In addition, many buyers are deciding to use properties they purchase as short-term rental opportunities. The high number of short-term rentals, combined with the already low housing stock are challenges the City needs to address.

TABLE FS-2 ACTIVE LISTINGS CITY OF TWO HARBORS JANUARY 2022		
	<u>Single Family</u>	<u>Condo/Townhome</u>
No. of Listings	4	9
Median List Price	\$279,900	\$55,900
Avg. No. Bedrooms	4.0	1.8
Avg. No. Bathrooms	2.0	1.8
Avg. Square Feet	2,084	1,200
Avg. Price/SQFT	\$134.31	\$46.58
Median Year Built	1964	1989
Note: Condo listings are typically for either a 1/8th share, which is one week every two months.		
Sources: Duluth Area Association of Realtors; Maxfield Research and Consulting, LLC.		

- The price distribution of listed homes is diverse, with about 21.4% of homes priced under \$50,000; 42.9% between \$50,000 and \$99,999; 14.3% between \$100,000 and \$149,999, 7.1% between \$150,000 and \$199,999 and 14.3% between \$250,000 and \$399,999.
- Condo/Townhome units in Two Harbors under \$100,000 make up 90% of active listings in Two Harbors. Units priced less than \$100,000 are often fractional ownership, which allows someone to purchase the use of a unit for a short period of time, such as eight to twelve weeks per year. The other 10% of active listings are priced between \$100,000 and \$149,999.
- Single family homes in Two Harbors listed between \$100,000 and \$199,999 make up 50.0% of active listings while the other 50.0% of active listings are priced between \$350,000 and \$399,999. Similar to condo/townhome units, the City has a lack of homes on the market priced in the \$200,000 to \$349,999 range.

FOR-SALE ANALYSIS

- Condos accounted for 71.4% of listings for Two Harbors with single-family listings accounting for the other 28.6%. All of the condo/townhome units were a part of the Superior Shores Resort on Lake Superior. Condo listings are either for a full or partial fractional share in a vacation unit, typically a 1/8th share, which gives the owner access to the property for six weeks per year, or one week every other month. Note that due to limited active listings in the City, median prices may be skewed.

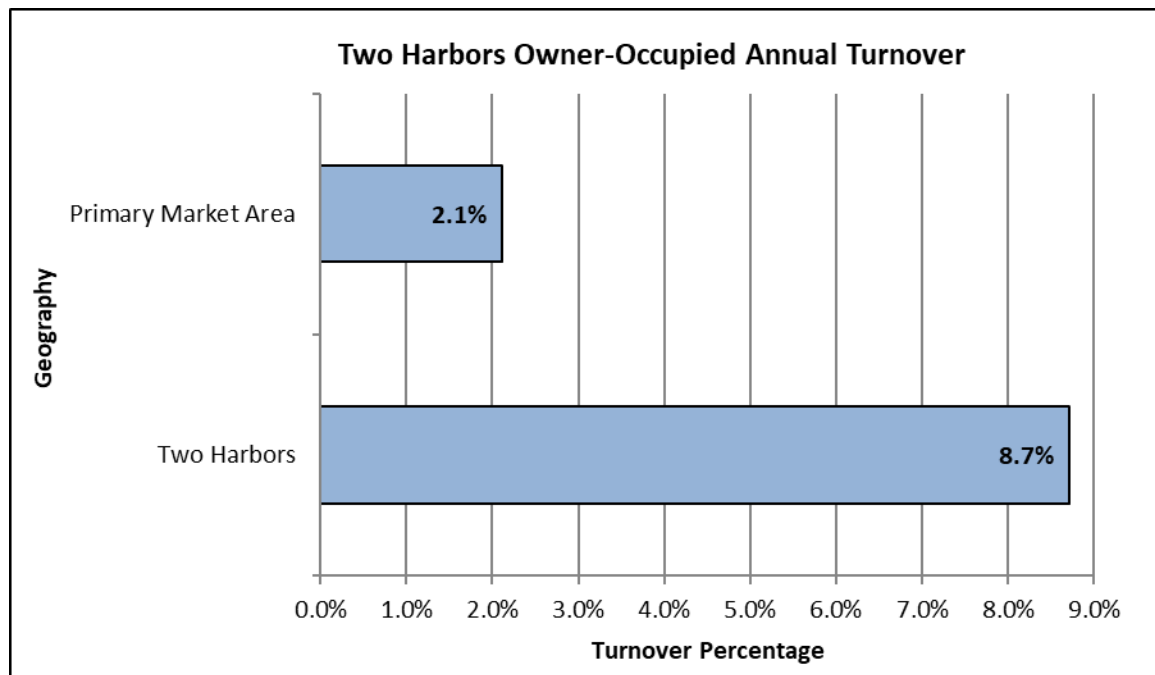


Owner-Occupied Turnover

Table FS-3 illustrates existing home turnover as a percentage of owner-occupied units in Two Harbors and the Primary Market Area. Resales are based on historic transaction volume between 2010 and 2021. Owner-occupied housing units are sourced to the American Community Survey as of 2019.

As displayed in the table, an estimated 8.7% of Two Harbor's owner-occupied housing stock is sold annually. The turnover rate in the PMA is 2.1%, much lower than Two Harbors. Subtracting out Two Harbor's housing stock and average annual resales results in a turnover rate of 1.2%. Typically, we find owner-occupied turnover ranges from 3% at the low-end to 8% at the high-end in many non-metro communities in the Midwest.

TABLE FS-3 OWNER-OCCUPIED TURNOVER Primary Market Area			
Submarket	Owner-occupied Housing Units ¹	Resales Annual Avg. ²	Turnover Pct.
Two Harbors	1,091	95	8.7%
Primary Market Area	9,342	198	2.1%
¹ Owner-occupied housing units in 2019.			
² Annual average of resales between 2010 and 2021.			
Sources: U.S. Census Bureau; Duluth Area Association of Realtors; Maxfield Research and Consulting, LLC.			



Actively Marketing Subdivisions

Table FS-4 identifies newer subdivisions with available lots in Two Harbors and Silver Bay. The table identifies the number of lots, available lots, typical lot sizes, and assessed and marketing values for lots and homes. Please note that the table does not include scattered, infill lots. Key points from the table follow.

- There are 9 vacant lots in Two Harbors, located in the Hidden Springs and Harbor Hills subdivisions. Both subdivisions were platted before the recession and neither sold out before the market dropped off. Homes have steadily developed since the recession and of the 45 total lots, only 9 remain. Lots sizes in these subdivisions range from 0.19 to 0.60 acres.
- Lot prices in Hidden Springs range from \$22,000 to \$73,600 while home prices in the subdivision range from \$193,400 to \$455,600.
- In Harbor Hills, lot prices range from \$24,000 to \$59,400 while home prices in the subdivision range from \$213,500 to \$397,000.
- In Silver Bay, 8 vacant lots remain in Ramsdells Addition. Lot prices in the subdivision range from \$56,800 to \$95,800.

TABLE FS-4 ACTIVE FOR-SALE SINGLE-FAMILY DEVELOPMENTS LAKE COUNTY FEBRUARY 2022									
Development	Year Platted	Total Lots	Available Lots	Lot Sizes		Lot Prices		Home Prices	
				Min	Max	Min	Max	Min	Max
Two Harbors									
Hidden Springs	2007	22	3	8,470 - 26,150		\$22,000 - \$73,600		\$193,400 - \$455,600	
			Average:	11,600					
Harbor Hills	2006	23	6	9,000 - 16,150		\$24,000 - \$59,400		\$213,500 - \$397,000	
			Average:	11,100					
Silver Bay									
Ramsdells Addition	2010	9	8	5.0 Acres - 8.8 Acres		\$56,800 - \$95,800		\$225,700 - \$225,700	
			Average:	5.83 acres					
Source: City of Two Harbors; Lake County Parcel Map; & Maxfield Research and Consulting, LLC.									

Single-Family Homes in the PMA (February 16, 2022)



Typical single-family homes (Two Harbors)



Typical single-family home (Two Harbors)



Typical single-family homes (Two Harbors)



Typical single-family homes (Two Harbors)



Typical single-family homes (Two Harbors)



Larger single-family home (Two Harbors)

Single-Family Homes in the PMA (February 16, 2022)



*Newer construction: Harbor Hills Subdivision
(Two Harbors)*



*Newer construction: Hidden Springs
Subdivision (Two Harbors)*



Typical single-family homes (Silver Bay)



Typical single-family homes (Silver Bay)



Typical single-family home (Silver Bay)



Newer construction (Silver Bay)

Realtor Interviews

Maxfield Research interviewed real estate agents, city officials and other professionals familiar with Two Harbors' owner-occupied market to solicit their impressions of the for-sale housing market throughout the PMA. Key points are summarized by topic as follows.

Market Overview

- Homes are typically selling in the high \$100,000s and more owned homes are greatly needed in the City.
- For sale housing targeting seniors is especially lacking in the City. Many seniors are either staying in their homes or apartments or deciding to move to other places in the country.
- Many of those moving to Two Harbors are from the Twin Cities. One effect of this relocation is the high median home sales price in the City. Higher incomes in the Twin Cities Metro allow transplants to purchase higher priced homes. This situation often prices out current Two Harbors residents from the City's limited housing supply.
- One of the greatest challenges to for sale housing in the City is the high number of short-term rentals. The high number of short-term rental homes combined with the lack of homes for sale has made it difficult for current residents as well as those wanting to move to Two Harbors long-term find housing that fits their needs.
- In addition to the need for additional for sale housing, Realtors and housing professionals also stressed the need for more rental housing in the City.

Planned and Proposed For-Sale Housing Developments

Maxfield Research interviewed planning staff members in communities in the PMA to identify housing developments under construction, planned or pending. There are currently no development plans for additional for-sale housing products in the PMA as of January 2022.

Introduction

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

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

FIGURE 1 AREA MEDIAN INCOME (AMI) DEFINITIONS	
Definition	AMI Range
Extremely Low Income	0% - 30%
Very Low Income	31% - 50%
Low Income	51% - 80%
Moderate Income Workforce Housing	80% - 120%
Note: Lake County 4-person AMI = \$72,500 (2021).	

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

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

According to the *Joint Center for Housing Studies of Harvard University*, the privately unsubsidized housing stock supplies three times as many low-cost affordable units than assisted projects nationwide. Unlike assisted rental developments, most unsubsidized affordable units are scattered across small properties (one-to-four-unit structures) or in older multifamily structures. Many of these older developments may be vulnerable to redevelopment due to their age, modest rents, and deferred maintenance.

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

Based on the review of Two Harbors' housing stock and the inventory of rental properties; we find a substantial portion of the housing stock would be classified as naturally-occurring affordable housing.

Rent and Income Limits

Table HA-1 shows the maximum allowable incomes by household size to qualify for affordable housing and maximum gross rents that can be charged by bedroom size in the PMA. These incomes are published and revised annually by the Minnesota Housing and based on the date the project was placed into service. Fair market rent is the amount needed to pay gross monthly rent at modest rental housing in a given area. Fair market rents are used as the standard by which local housing authorities consider the availability of private market units to be considered for potential availability through the Housing Choice Voucher Program. This table is used as a basis for determining the payment standard amount used to calculate the maximum monthly subsidy for families at financially assisted housing.

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

HOUSING AFFORDABILITY

TABLE HA-1 MHFA/HUD INCOME AND RENT LIMITS LAKE COUNTY- 2021 (Effective 04/01/21)								
Income Limits by Household Size								
	1 pph	2 phh	3 phh	4 phh	5 phh	6 phh	7 phh	8 phh
30% of median	\$15,660	\$17,880	\$20,130	\$22,350	\$24,150	\$25,950	\$27,720	\$29,520
50% of median	\$26,100	\$29,800	\$33,550	\$37,250	\$40,250	\$43,250	\$46,200	\$49,200
60% of median	\$31,320	\$35,760	\$40,260	\$44,700	\$48,300	\$51,900	\$55,440	\$59,040
80% of median	\$41,760	\$47,680	\$53,680	\$59,600	\$64,400	\$69,200	\$73,920	\$78,720
100% of median	\$52,200	\$59,600	\$67,100	\$74,500	\$80,500	\$86,500	\$92,400	\$98,400
120% of median	\$62,640	\$71,520	\$80,520	\$89,400	\$96,600	\$103,800	\$110,880	\$118,080
Maximum Gross Rent								
	EFF	1BR	2BR	3BR	4BR			
30% of median	\$391	\$447	\$503	\$558	\$603			
50% of median	\$652	\$745	\$838	\$931	\$1,006			
60% of median	\$783	\$894	\$1,006	\$1,117	\$1,207			
80% of median	\$1,044	\$1,192	\$1,342	\$1,490	\$1,610			
100% of median	\$1,305	\$1,490	\$1,677	\$1,862	\$2,012			
120% of median	\$1,566	\$1,788	\$2,013	\$2,235	\$2,415			
Fair Market Rent								
	EFF	1BR	2BR	3BR	4BR			
Fair Market Rent	\$484	\$592	\$734	\$992	\$995			

Sources: HUD; Novogradac; Maxfield Research and Consulting LLC.

Sources: HUD; Novogradac; Maxfield Research and Consulting LLC.

TABLE HA-2 MAXIMUM RENT BASED ON HOUSEHOLD SIZE AND AREA MEDIAN INCOME LAKE COUNTY - 2021 (Effective 04/01/21)								
Unit Type ¹	HHD Size		Maximum Rent Based on Household Size (@30% of Income)					
	Min	Max	30%		50%		60%	
			Min.	Max.	Min.	Max.	Min.	Max.
Studio	1	1	\$392	- \$392	\$653	- \$653	\$783	- \$783
1BR	1	2	\$392	- \$447	\$653	- \$745	\$783	- \$894
2BR	2	4	\$447	- \$559	\$745	- \$931	\$894	- \$1,118
3BR	3	6	\$503	- \$649	\$839	- \$1,081	\$1,007	- \$1,298
4BR	4	8	\$559	- \$738	\$931	- \$1,230	\$1,118	- \$1,476
Unit Type ¹	HHD Size		Maximum Rent Based on Household Size (@30% of Income)					
	Min	Max	80%		100%		120%	
			Min.	Max.	Min.	Max.	Min.	Max.
Studio	1	1	\$1,044	- \$1,044	\$1,305	- \$1,305	\$1,566	- \$1,566
1BR	1	2	\$1,044	- \$1,192	\$1,305	- \$1,490	\$1,566	- \$1,788
2BR	2	4	\$1,192	- \$1,490	\$1,490	- \$1,863	\$1,788	- \$2,235
3BR	3	6	\$1,342	- \$1,730	\$1,678	- \$2,163	\$2,013	- \$2,595
4BR	4	8	\$1,490	- \$1,968	\$1,863	- \$2,460	\$2,235	- \$2,952
¹ One-bedroom plus den and two-bedroom plus den units are classified as 1BR and 2BR units, respectively. To be classified as a bedroom, a den must have a window and closet.								
Note: Lake County 4-person AMI = \$72,500 (2021)								
Sources: HUD; Maxfield Research and Consulting, LLC.								

Housing Cost Burden

Table HA-3 shows the number and percent of owner and renter households in Two Harbors, Lake County, the PMA, and the State of Minnesota that pay 30% or more of their gross income for housing. This information was compiled from the American Community Survey 2019 estimates. The Federal standard for affordability is 30% of income for housing costs. Without a separate break out for households that pay 35% or more, there are likely a number of households that elect to pay slightly more than 30% of their gross income to select the housing that they choose. Moderately cost-burdened is defined as households paying between 30% and 49% of their income to housing; while severely cost-burdened is defined as households paying 50% or more of their income for housing.

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

Key findings from Table HA-3 follow.

- In the PMA, 19.5% of owner households and 38.0% of renter households are considered cost-burdened. In Two Harbors, 21.1% of all owner households are cost-burdened and 38.2% of renter households are cost-burdened. Relative to Lake County and the State of Minnesota, the total proportion of cost-burdened owner households is similar (19.6% of Lake County owner households are cost-burdened and 18.2% of Minnesota owner households are cost-burdened).
- Among owner households earning less than \$50,000, 40.7% were cost-burdened in the PMA, compared to 43.3% in Two Harbors, 40.0% in Lake County, and 49.7% in Minnesota.
- Renter households are more likely to be cost-burdened in Two Harbors, the PMA, Lake County, and the State of Minnesota compared to owner households. In the PMA, 38.0% of renter households were cost-burdened, compared to 38.1% of Two Harbors renter households, 37.5% of Lake County renter households, and 43.3% of Minnesota renter households.
- Renter households with incomes less than \$35,000 per year are more likely to be cost-burdened, with 64.4% of Two Harbors' renters with incomes below \$35,000 per year considered cost-burdened, 65.0% of PMA renters, 65.8% in Lake County and 73.1% of Minnesota renters.

HOUSING AFFORDABILITY

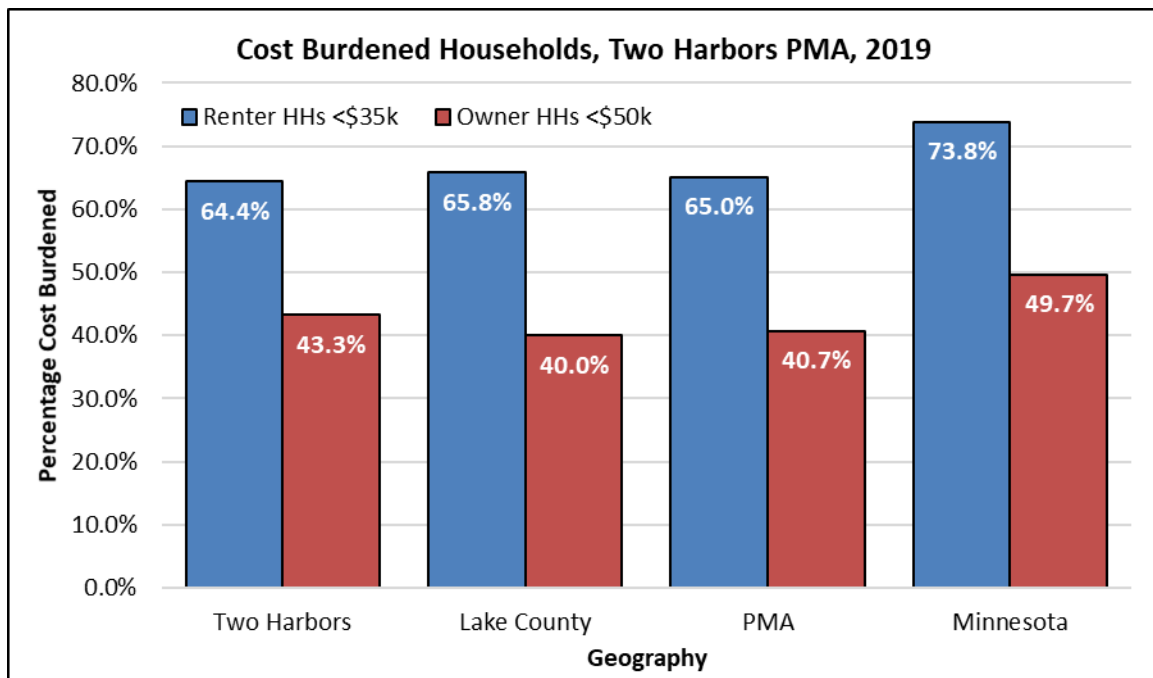
**TABLE HA-3
HOUSING COST BURDEN
TWO HARBORS PRIMARY MARKET AREA
2019**

	Two Harbors		Lake County		PMA		Minnesota	
Community	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Owner Households								
All Owner Households	1,091		4,259		5,083		1,564,870	
Cost Burden 30% or greater	230	21.1%	836	19.6%	992	19.5%	285,508	18.2%
Owner Households w/ incomes <\$50,000	430		1,548		1,749		383,722	
Cost Burden 30% or greater	186	43.3%	619	40.0%	712	40.7%	190,707	49.7%
Renter Households								
All Renter Households	621		933		1,006		620,733	
Cost Burden 30% or greater	237	38.2%	350	37.5%	382	38.0%	268,764	43.3%
Renter Households w/ incomes <\$35,000	289		436		469		276,411	
Cost Burden 30% or greater	186	64.4%	287	65.8%	305	65.0%	203,980	73.8%
Median Contract Rent ¹	\$599		\$596		\$609		\$886	

¹ Median Contract Rent 2019

Note: Calculations exclude households not computed.

Sources: American Community Survey 2019 estimates; Maxfield Research and Consulting LLC.



Housing Choice Vouchers

In addition to subsidized apartments, “tenant-based” subsidies like *Housing Choice Vouchers*, can help lower income households afford market-rate rental housing. The tenant-based subsidy is funded by the Department of Housing and Urban Development (HUD) and is managed by the Lake County Housing and Redevelopment Authority. Under the Housing Choice Voucher program (also referred to as Section 8) qualified households are issued a voucher that the household can take to an apartment that has rent levels with Payment Standards. The household then pays 30% of their adjusted gross income for rent and utilities, and the Federal government pays the remainder of the rent to the landlord. The maximum income limit to be eligible for a Housing Choice Voucher is 50% AMI based on household size, as shown in Table HA-1. The Lake County HRA does not administer housing choice vouchers. The Housing Choice Voucher program is administered by the Arrowhead Economic Opportunity Agency.

Housing Costs as Percentage of Household Income

Housing costs are generally considered affordable at 30% of a households’ adjusted gross income. Table HA-4 on the following page illustrates key housing metrics based on housing costs and household incomes in the Primary Market Area. The table estimates the percentage of PMA householders that can afford rental and for-sale housing based on a 30% allocation of income to housing. Housing costs are based on the PMA 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 per 2019 ACS adjusted to 2021 by Maxfield Research

Rental Housing

- Background check on tenant to ensure credit history
- 30% allocation of income
- Renter household income per 2019 ACS adjusted to 2021 by Maxfield Research

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

HOUSING AFFORDABILITY

- The median income of all PMA households in 2021 was estimated at \$65,088, up from the most recent American Community Survey's 2019 Five-Year Estimate of \$63,272. The median income however, varies by tenure. According to the 2019 American Community Survey, the median income of a homeowner was \$66,961 compared to \$40,353 for renters.
- In Table HA4, according to our understanding of the local market, entry level homes average approximately \$165,000, move-up homes average \$215,000 and executive homes average \$315,000. Multifamily ownership units (excluding fractional ownership vacation homes) are not as prevalent in the PMA, but are less expensive than single-family homes.
- An estimated 66.7% of all households and 70.7% of owner households could afford to purchase an entry-level home in Two Harbors (\$165,000). When adjusting for move-up buyers (\$215,000), 54.6% of all households and 57.9% of owner households would income qualify. As data indicates, a high percentage of households can afford entry-level homes. However, the lack of available housing makes it difficult to find homes for both entry-level and move up buyers.
- An estimated 82% of existing renter households can afford to rent a one-bedroom unit in the PMA (\$700/month). The percentage of renter income-qualified households decreases to 63.0% that can afford an existing three-bedroom unit (\$1,025/month). After adjusting for new construction rental housing, the percentage of renters that are income-qualified decreases. An estimated 71.7% of renters can afford a new market rate one-bedroom unit while 50.0% can afford a new two-bedroom unit. New rental housing is needed in Two Harbors. Challenges to new construction are the high costs associated to construction. As a result, one-bedroom units will need to start at approximately \$1,000/month.

HOUSING AFFORDABILITY

TABLE HA-4						
TWO HARBORS HOUSING AFFORDABILITY - BASED ON HOUSEHOLD INCOME						
For-Sale (Assumes 10% down payment and good credit)						
	Single-Family			Townhome/Twinhome		
	Entry-Level	Move-Up	Executive	Entry-Level	Move-Up	Executive
Price of House	\$165,000	\$215,000	\$315,000	\$140,000	\$200,000	\$275,000
Pct. Down Payment	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Total Down Payment Amt.	\$16,500	\$21,500	\$31,500	\$14,000	\$20,000	\$27,500
Estimated Closing Costs (rolled into mortgage)	\$4,950	\$6,450	\$9,450	\$4,200	\$6,000	\$8,250
Cost of Loan	\$153,450	\$199,950	\$292,950	\$130,200	\$186,000	\$255,750
Interest Rate	4.375%	4.375%	4.375%	4.375%	4.375%	4.375%
Number of Pmts.	360	360	360	360	360	360
Monthly Payment (P & I)	-\$766	-\$998	-\$1,463	-\$650	-\$929	-\$1,277
(plus) Prop. Tax	-\$239	-\$312	-\$457	-\$203	-\$290	-\$399
(plus) HO Insurance/Assoc. Fee for TH	-\$55	-\$72	-\$105	-\$100	-\$100	-\$100
(plus) PMI/MIP (less than 20%)	-\$66	-\$87	-\$127	-\$56	-\$81	-\$111
Subtotal monthly costs	-\$1,127	-\$1,468	-\$2,151	-\$1,009	-\$1,399	-\$1,886
Housing Costs as % of Income	30%	30%	30%	30%	30%	30%
Minimum Income Required	\$45,076	\$58,735	\$86,054	\$40,380	\$55,971	\$75,460
Pct. of ALL PMA HHDS who can afford ¹	66.7%	54.6%	34.0%	71.3%	56.9%	40.6%
No. of PMA HHDS who can afford ¹	3,810	3,116	1,942	4,071	3,249	2,318
Pct. of PMA owner HHDs who can afford ²	70.7%	57.9%	37.2%	75.6%	60.3%	43.2%
No. of PMA owner HHDs who can afford ²	3,370	2,758	1,772	3,602	2,875	2,059
No. of PMA owner HHDS who cannot afford ²	1,397	2,009	2,995	1,165	1,892	2,708
Rental (Market Rate)						
	Existing Rental			New Construction Rental		
	1BR	2BR	3BR	1BR	2BR	3BR
Monthly Rent	\$700	\$1,025	\$1,100	\$1,000	\$1,200	\$1,450
Annual Rent	\$8,400	\$12,300	\$13,200	\$12,000	\$14,400	\$17,400
Housing Costs as % of Income	30%	30%	30%	30%	30%	30%
Minimum Income Required	\$28,000	\$41,000	\$44,000	\$40,000	\$48,000	\$58,000
Pct. of ALL PMA HHDS who can afford ¹	81.9%	70.7%	67.8%	71.7%	63.9%	55.2%
No. of PMA HHDS who can afford ¹	4,679	4,037	3,870	4,093	3,647	3,151
Pct. of PMA renter HHDs who can afford ²	63.0%	49.4%	47.4%	50.0%	44.7%	38.4%
No. of PMA renter HHDs who can afford ²	595	466	447	472	422	362
No. of PMA renter HHDS who cannot afford ²	349	478	497	472	522	582
¹ Based on 2021 household income for ALL households.						
² Based on 2019 ACS household income by tenure adjusted to 2021 by Maxfield Research.						
Source: Maxfield Research & Consulting, LLC.						

Introduction

Previous sections of this study analyzed the existing housing supply and the growth and demographic characteristics of the population and household base in the Primary Market Area. This section of the report presents estimates of housing demand for Two Harbors from 2022 to 2036.

Demographic Profile and Housing Demand

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

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

6. *Older seniors*

- May need to move out of their single-family homes due to physical and/or health constraints or a desire to reduce their responsibilities for upkeep and maintenance
- Generally seniors in their early to mid-80's or older. Seniors in their mid-70s are typically staying in their single-family homes for as long as they are able.

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

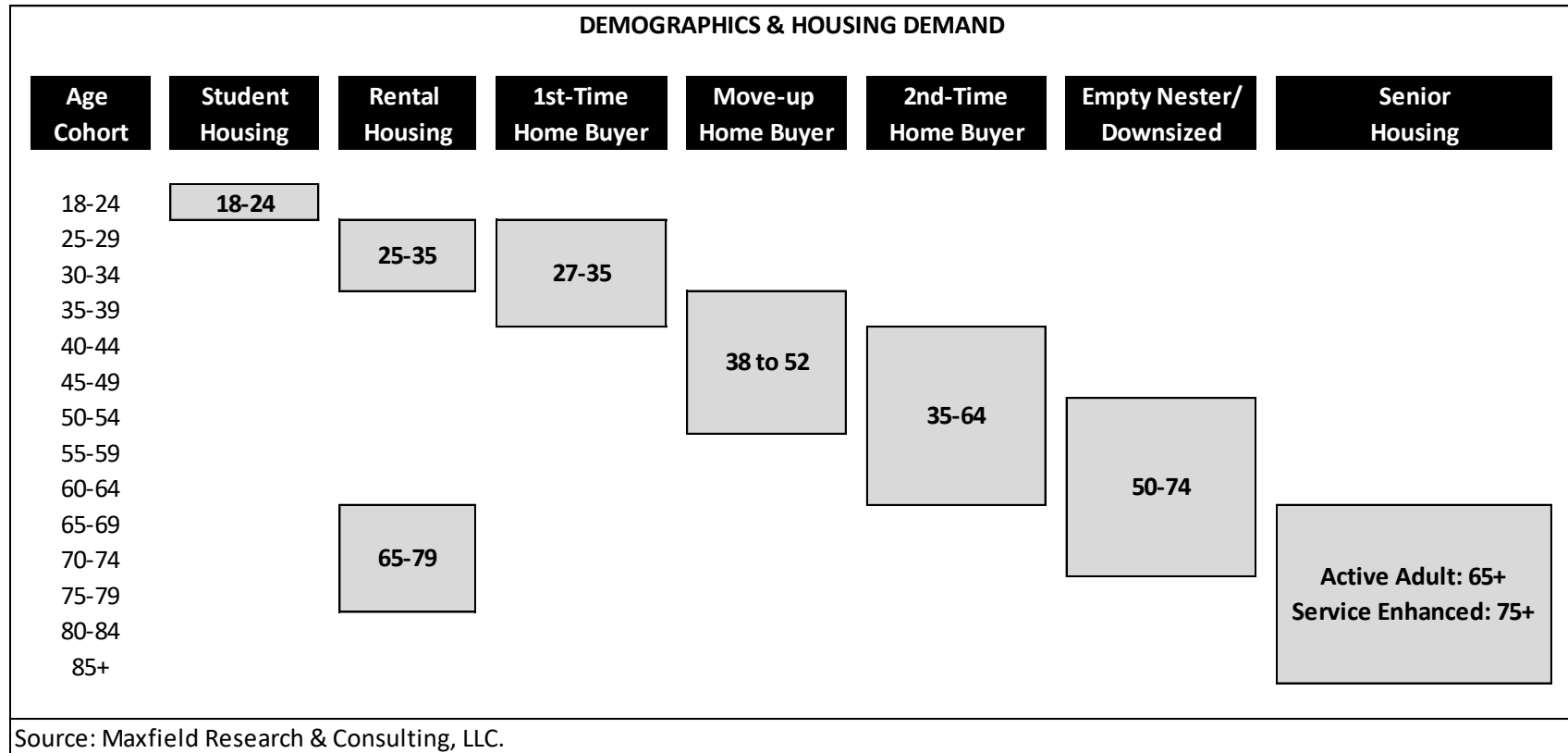
The graphics on the following pages provide greater detail of various housing types supported in each life cycle. Information on square footage, average bedrooms/bathrooms, and lot size is provided on a later graphic.

Housing Demand Overview

The previous sections of this assessment focused on demographic and economic factors driving demand for housing in the Primary Market Area. In this section, we utilize findings from the economic and demographic analysis to calculate demand for new general occupancy housing units in the PMA. We calculate the demand that Two Harbors could capture from the PMA.

Housing markets are driven by a range of supply and demand factors that vary by location, demographic trends, and current market conditions. The following bullet points outline several key variables that drive housing demand.

HOUSING DEMAND ANALYSIS



Demographics

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

Economy & Job Growth

The economy and housing market are intertwined; the health of the housing market affects the broader economy and vice versa. Housing market growth depends on job growth (or the prospect of); stable jobs encourage families and drive household formation. Lack of job growth leads to slow or diminishing household growth, which in-turn, relates to reduced housing demand. Additionally, low-income growth results in fewer move-up buyers which results in diminished housing turnover across all income brackets. Job growth or business opportunities outside of the immediate community can also affect the need/demand for various housing products in the existing community if people are commuting to jobs in other locations.

Consumer Choice/Preferences

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

Supply (Existing Housing Stock)

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

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

Housing Finance

Household income is the fundamental measure that dictates what a householder can afford to pay for housing costs. According to the U.S. Department of Housing and Urban Development (HUD), the definition of affordability is for a household to pay no more than 30% of its annual income on housing (including utilities). Families who pay more than 30% of their income for

housing (either rent or mortgage) are considered cost-burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care.

Mobility

Demand is somewhat fluid between markets and will be impacted by development activity in nearby areas, including other communities outside the PMA. Demand in a given location or within a specific period may be affected by the delivery to the market of other proposed and/or planned developments.

For-Sale Demand

DMD-1, which is split into two tables, presents demand calculations for owned single-family and multifamily housing that is not age-restricted in the Two Harbors PMA between 2021 and 2036. The first of the two tables shows single-family demand while the second shows owned multifamily demand. These analyses identify potential for-sale housing demand generated from new and turnover households. The following points summarize the findings.

- Households age 75 years or older are not usually a target market for new owned housing and therefore, we limit demand from household growth to households under age 75. According to our projections, the PMA is expected to experience a decrease of 3.1% in households under age 75 between 2021 and 2036 (a loss of 146 households). PMA growth is highest in the 75 to 84 age population(15.9%). Since this group is excluded, it contributes to the lack of growth under age 75.
- Based on household tenure data from the US Census, we estimate that 75% of the demand will be for owner-occupied housing units. Therefore, no household growth is anticipated for either owned or multifamily households.
- The preference for single-family homes is greater for those under 65 than for those between 65 and 74, who are more likely to consider single-level townhomes. As a result, for the single-family chart we include owner households 65 and under, while in the multi-family chart we include owner households 75 and under.
- As of 2021, there were an estimated 4,034 owner households under age 75 in the PMA and 2,932 owner households under age 65. Based on household turnover data from the 2019 American Community Survey, we estimate that 52.5% of owner households under 75 will turn over between 2021 and 2036.
- We estimate the percent of existing owner households turning over that would prefer to purchase new housing. Considering the older age of the PMA's housing stock, we estimate

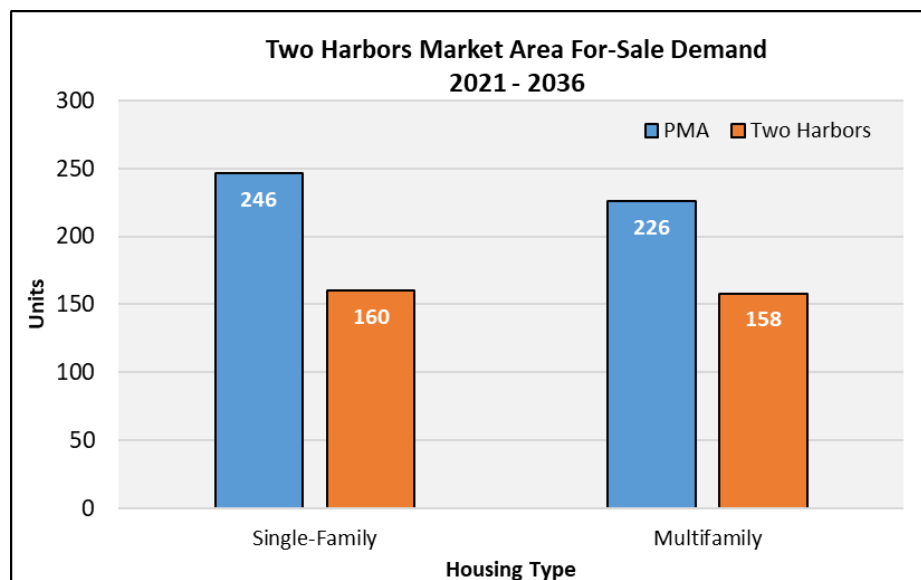
that 20% of households turning over will desire new housing. This estimate results in demand from existing households for 308 new single-family and 424 multi-family residential units in the PMA between 2021 and 2036. Together demand from new household growth and existing households remains at 308 new single-family and 424 multi-family residential units, as there is no demand from existing units.

- Next, we estimate that a portion of the total demand for new for-sale units in Two Harbors will come from people currently living outside of the Primary Market Area (25.0%). Many of these individuals will likely be from the Duluth Area, desiring a small-town community and with an easy commute to jobs in the City. Adding demand from outside the PMA to the existing demand potential results in a total estimated demand for 410 single-family and 565 multi-family for-sale housing units by 2036.
- Based on available land, building trends, and the existing housing stock and demographic shifts (increasing older adult population), we project that 60% of the for-sale owners in the PMA will prefer traditional single-family product types while the remaining 40% will prefer a maintenance-free multifamily product (i.e. twin homes, townhomes, detached townhomes, or condominiums). This results in demand for 246 single-family and 226 multifamily units in the PMA to 2036.
- Two Harbors will be able to capture a large portion of the demand in the PMA, estimated at 65% of single-family units and 70% of multifamily units, which correlates to 160 single-family homes and 158 multifamily units between 2021 and 2036.

TABLE DMD-1 DEMAND FOR ADDITIONAL OWNED SINGLE-FAMILY HOMES PRIMARY MARKET AREA 2021 to 2036	
	Primary Market Area
DEMAND FROM NEW HOUSEHOLD GROWTH	
Household growth under age 75, 2021 to 2036	0
(times) % propensity to own ¹	75.0%
(Equals) Demand from new household growth	0
DEMAND FROM EXISTING HOUSEHOLDS	
Total owner households under age 75, 2021	4,034
(times) % of owner turnover 2021-2036 ²	52.5%
(times) % desiring new owner housing	20.0%
(Equals) Demand from existing households	424
TOTAL MARKET DEMAND	
Total demand from new HH growth and turnover	424
(Plus) Demand from outside Primary Market Area (25.0%)	25.0%
(Equals) Total demand potential for ownership housing	565
(times) Proportion Single-Family Homes	60.0%
(Equals) No. of Single-Family Homes	339
Percent Capturable in Two Harbors (65.0%)	65.0%
No. of Units Capturable in Two Harbors between 2021 and 2036	220
¹ Based on percent owner households under age 65 in 2021	
² Based on household turnover and mobility data (2019 American Community Survey, Five-Year Estimates)	
Source: Maxfield Research and Consulting LLC.	

HOUSING DEMAND ANALYSIS

TABLE DMD-1 (CONTINUED) DEMAND FOR ADDITIONAL OWNED MULTIFAMILY HOUSING PRIMARY MARKET AREA 2021 to 2036	
	Primary Market Area
DEMAND FROM NEW HOUSEHOLD GROWTH	
Household growth under age 75, 2021 to 2036	0
(times) % propensity to own ¹	75.0%
(Equals) Demand from new household growth	0
DEMAND FROM EXISTING HOUSEHOLDS	
Total owner households under age 75, 2021	4,034
(times) % of owner turnover 2021-2036 ²	52.5%
(times) % desiring new owner housing	20.0%
(Equals) Demand from existing households	424
TOTAL MARKET DEMAND	
Total demand from new HH growth and turnover	424
(Plus) Demand from outside Primary Market Area (25.0%)	25.0%
(Equals) Total demand potential for ownership housing	565
(times) Proportion Owned Multifamily Homes	40.0%
(equals) No. of Multifamily Homes ³	226
Percent Capturable in Two Harbors (70.0%)	70.0%
No. of Units Capturable in Two Harbors between 2021 and 2036	158
¹ Based on percent owner households under age 65 in 2021 ² Based on household turnover and mobility data (2019 American Community Survey, Five-Year Estimates) ³ Includes twinhomes, townhomes, detached townhomes, condos, etc.	
Source: Maxfield Research and Consulting LLC.	



Rental Demand Analysis

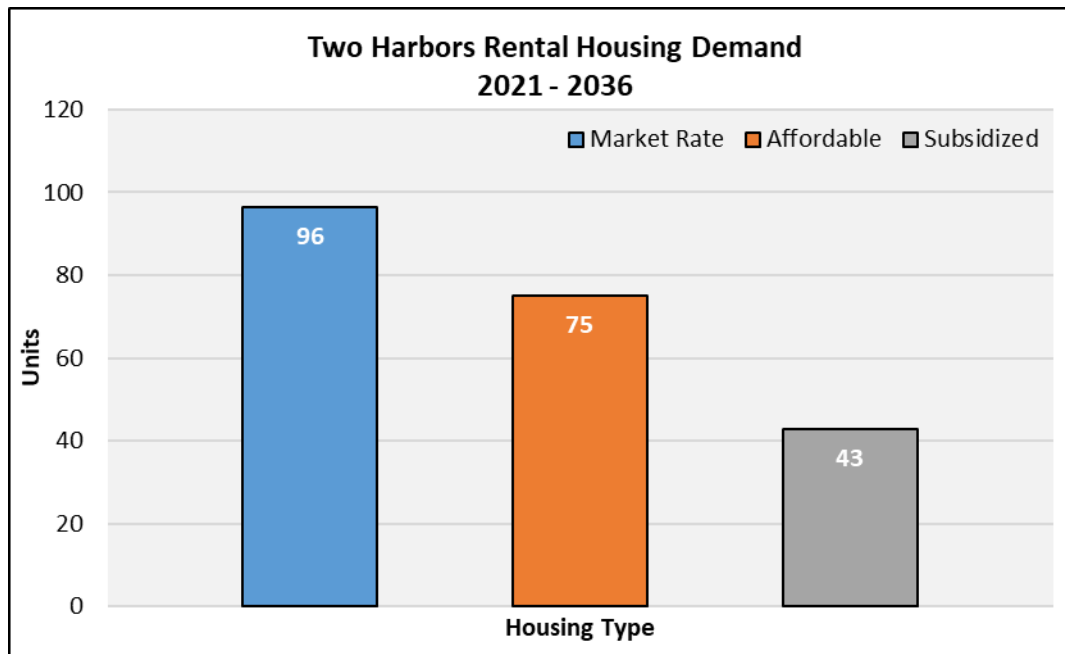
Table DMD-2 presents a calculation of market rate rental demand (not age-restricted) for the Two Harbors Primary Market Area. This analysis identifies potential demand for rental housing that is generated from new households and turnover households.

- According to our projections, the PMA household base is expected to decrease among those under age 65 between 2021 and 2036.
- Next, we identify the percentage of households that are likely to rent their housing based on 2019 tenure data. The propensity to rent for households less than age 65 is 18.7%. After accounting for 20% of renter households over 65, the propensity to rent increases to 18.8%. However, we believe that a higher percentage would choose to rent if newer product were available and estimate that the percentage is more likely around 25%. However, since the PMA household base is expected to decrease, no new household growth is expected between 2021 and 2036.
- Second, we calculate demand from existing households under age 65 in the Primary Market Area that could be expected to turnover between 2021 and 2036. As of 2021, there are 646 renter households under age 65 in the PMA. In addition, we also include 20% of all households over 65 (427 households) which leads to a total of 1,073 households. Based on household turnover data from the 2019 American Community Survey, we estimate that 86.1% of under-65 renter households will relocate between 2021 and 2036.
- We then estimate the percent of existing renter households turning over that would prefer to rent in a new rental development. Considering the age of the PMA's housing stock, we estimate that 25.0% of the households turning over in the PMA will desire new rental housing. This estimate results in demand from existing households for
- Given that there is no estimated demand from household growth, demand from turnover results in total demand in the PMA for 231 rental units between 2021 and 2036.
- We estimate that 30% of the total demand for new rental housing units in the PMA will come from people currently living outside of the PMA. As a result, we find demand for 330 renter households based on household growth and existing households alone between 2021 and 2036.
- Two Harbors is the largest draw in the PMA but will not capture 100% of excess demand in the Market Area. To account for this, we apply a 65% capture rate to Two Harbors. This results in 214 units of rental housing demand capturable in Two Harbors between 2021 and 2036.

TABLE DMD-2 DEMAND FOR ADDITIONAL RENTAL HOUSING PRIMARY MARKET AREA 2021 to 2036	
	Primary Market Area
DEMAND FROM NEW HOUSEHOLD GROWTH	
Projected Household growth under age 65, 2021 to 2036 ¹	0
(times) % propensity to rent ²	25.0%
(Equals) Number of potential renter hhds from new HH growth	0
(Equals) Demand from new household growth	0
DEMAND FROM EXISTING HOUSEHOLDS	
Total renter households under age 65, 2021 ³	1,073
(times) % of renter turnover 2021-2036 ⁴	86.1%
(times) % desiring new rental housing	25.0%
(Equals) Demand from existing households	231
TOTAL MARKET DEMAND	
Total demand from new HH growth and turnover	231
(Plus) Demand from outside Primary Market Area	30.0%
(Equals) Total demand potential for rental housing	330
(Times) Percent Capturable in Two Harbors (65.0%)	65.0%
(Equals) Number of Units Capturable in Two Harbors	214
	Two Harbors
Percent Market Rate ⁵	45.0%
Number	96
Percent Affordable ⁵	35.0%
Number	75
Percent Subsidized ⁵	20.0%
Number	43
¹ Estimated household growth based on under age 65 in 2021 plus 20% of households age 65 and older. ² Pct. Of renter households under age 65 in 2021 as well as 20% of those over 65 in 2021. ³ Renter households age 64 and younger plus 20% of renter households age 65 and older. ⁴ Based on household turnover and mobility data (2019 American Community Survey, Five Year Estimates) ⁵ Based on the pricing of current rental product and household incomes of area renters (i.e. excludes owner incomes)	
Source: Maxfield Research and Consulting LLC.	

HOUSING DEMAND ANALYSIS

- Based on a review of renter household incomes and sizes and monthly rents at existing properties, we estimate that 45% of the total demand will be for market rate housing. To 2036, demand exists for 96 market rate rental units in Two Harbors.
- We estimate that 35% (75 units to 2036) of the total demand in Two Harbors will be for affordable housing and 20% (43 units to 2036) will be for subsidized housing.



Senior Demand Analysis

Tables DMD-3 through DMD-7 shows demand calculations for senior housing in the Two Harbors Market Area in 2021 to 2036. Demand methodology employed by Maxfield Research and Consulting, LLC utilizes capture and penetration rates that blend national senior housing trends with local market characteristics, preferences, and patterns. Demand calculations are provided for each target market segment based on different senior housing products.

Market Rate Active Adult Rental and Ownership Housing: Target market includes age 55+ older adult and senior households who could dedicate 40% of their income to housing with incomes of \$35,000 or more and senior homeowners with incomes between \$25,000 and \$34,999.

Affordable/Subsidized Independent Housing: The target market includes age 55+ older adult and senior households with incomes of \$35,760 or less. Households are typically required to pay the quoted rent for affordable rentals or 30% of their income for rent for subsidized senior housing.

Independent Living Housing: Target market base includes primarily age 75+ seniors who would be financially able to pay for housing and service costs associated with independent living. Income ranges considered capable of paying for independent living are the same as for active adult housing. Households typically dedicate a higher proportion of income (65%) to pay for additional services.

Assisted Living Housing: The target market includes older seniors (age 75+) who would be financially able to pay for private pay assisted living housing (incomes of \$40,000 or more and some homeowners with incomes below \$40,000). Households typically dedicate 80% of income toward assisted living housing.

Memory Care Housing: Target market base includes age 65+ seniors who would be financially able to pay for housing and service costs associated with memory care housing. Income ranges considered capable of paying for memory care housing (\$60,000 or more and 25% of homeowner households with incomes under \$60,000) are higher than other service levels due to the increased cost of care. Households dedicate 90% to 100% of incomes and may receive assistance from family members.

Existing senior housing units are subtracted from overall demand for each product type.

HOUSING DEMAND ANALYSIS

TABLE DMD-3
ACTIVE ADULT HOUSING DEMAND
PRIMARY MARKET AREA
2021 & 2036

	2021			2036		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of >\$35,000 ¹	1,137	929	526	884	894	462
# of Households w/ Incomes of \$30,000 to \$34,999 ¹	+ 27	35	79	+ 44	60	77
(times) Homeownership Rate	x 89.0%	93.0%	82.0%	x 89.0%	93.0%	82.0%
(equals) Total Potential Market Base	= 1,161	962	591	= 923	950	525
(times) Potential Capture Rate	x 1.0%	7.5%	15.0%	x 1.0%	7.5%	15.0%
(equals) Potential Demand	= 12	72	89	= 9	71	79
	<div><div></div></div>			<div><div></div></div>		
Potential Demand from PMA Residents	= 172			= 159		
(plus) Demand from Outside Market Area (25.0%)	+ 57			+ 53		
(equals) Total Demand Potential	= 230			= 212		
(minus) Existing and Pending Adult/Few Services Units ²	- 0			- 0		
(equals) Excess Demand Potential	230			212		
(times) Percent capturable by Two Harbors	x 30.0%			x 30.0%		
(equals) # of units supportable in Two Harbors	= 69			= 64		
(times) Percent Owner-Occupied	x 50.0%			x 50.0%		
(equals) Demand for Owner- Occupied Active Adult	= 34			= 32		
(times) Percent Renter-Occupied	x 50.0%			x 50.0%		
(equals) Demand for Owner- Occupied Active Adult	= 34			= 32		

¹ 2021 calculations define income-qualified households as all households with incomes greater than \$35,000 and owner households with incomes between \$30,000 and \$34,999. In 2036, calculations include households with incomes greater than \$50,000 and owner households with incomes between \$45,000 and \$49,999.

² Existing and pending are deducted at market equilibrium, or 95.0% occupancy.

Source: Maxfield Research and Consulting, LLC.

HOUSING DEMAND ANALYSIS

TABLE DMD-4
DEMAND FOR SUBSIDIZED/AFFORDABLE SENIOR HOUSING
PRIMARY MARKET AREA
2021 & 2036

	2021			2036		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of <\$35,760	221	266	432	274	410	661
Less Households w/ Incomes of \$25,761 to \$35,759	- 59	75	157	- 88	119	146
(times) Homeownership Rate	x 89.0%	93.0%	82.0%	x 89.0%	93.0%	82.0%
(equals) Total Potential Market Base by Age	= 168	196	303	= 196	299	541
(equals) Total Potential Market Base	= 668			= 1,036		
(times) % of Seniors Needing/Desiring Affordable Hsg	x 20.0%			x 20.0%		
(equals) Potential Demand from PMA	= 134			= 207		
(plus) Demand from Outside PMA (25.0%)	+ 45			+ 69		
(equals) Total Demand Potential	= 178			= 276		
(times) % by Product Type	<u>Deep-Sub.</u>		<u>Shallow-Sub.</u>	<u>Deep-Sub.</u>		<u>Shallow-Sub.</u>
	x 60.0%		x 40.0%	x 60.0%		x 40.0%
(equals) Demand Potential by Product Type	= 107		= 71	= 166		= 111
(minus) Existing and Pending Subsidized/Affordable Units ²	- 77		- 0	- 77		- 0
(equals) Excess Demand for Subsidized Units	= 30		= 71	= 89		= 111
(times) Percent capturable in Two Harbors	x 30.0%			x 30.0%		
(equals) # of units supportable in Two Harbors	9	21		27	33	
¹ 2036 calculations define income-qualified households as all households with incomes less than \$50,757. Homeowner households with incomes between \$40,758 and \$50,756 are excluded from the market potential for financially-assisted housing. ² Existing units are deducted at market equilibrium, or 98.0% occupancy.						
Source: Maxfield Research, & Consulting, LLC						

TABLE DMD-5				
MARKET RATE INDEPENDENT LIVING RENTAL HOUSING DEMAND				
PRIMARY MARKET AREA				
2021 & 2036				
	2021		2036	
	Age of Householder		Age of Householder	
	65-74	75+	65-74	75+
# of Households w/ Incomes of >\$35,000 ¹	929	526	894	462
# of Households w/ Incomes of \$30,000 to \$34,999 ¹	+ 35	79	+ 89	115
(times) Homeownership Rate	x 93.0%	82.0%	x 93.0%	82.0%
(equals) Total Potential Market Base	= 962	591	= 977	556
(times) Potential Capture Rate ²	x 1.5%	13.5%	x 1.5%	13.5%
(equals) Potential Demand	= 14	+ 80	= 15	+ 75
Potential Demand from PMA Residents	= 94		= 90	
(plus) Demand from Outside Market Area (20.0%)	+ 24		+ 22	
(equals) Total Demand Potential	= 118		= 112	
(minus) Existing and Pending Independent Living Units ³	- 0		- 0	
(equals) Excess Independent Living Demand Potential	= 118		= 112	
(times) Percent Capturable by Two Harbors	x 30.0%		x 30.0%	
(equals) Demand capturable by Site	= 35		= 34	

¹ 2021 calculations define income-qualified households as all households with incomes greater than \$35,000 and owner households with incomes between \$30,000 and \$34,999. In 2036, calculations include households with incomes greater than \$50,000 and owner households with incomes between \$45,000 and \$49,999.

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

³ Competitive units include independent living units at 95.0% occupancy (market equilibrium).

Source: Maxfield Research and Consulting, LLC.

HOUSING DEMAND ANALYSIS

TABLE DMD-6 MARKET RATE ASSISTED LIVING DEMAND PRIMARY MARKET AREA 2021 & 2036						
Age group	2021			2036		
	People	Percent Needing Assistance ¹	Number Needing Assistance ¹	People	Percent Needing Assistance ¹	Number Needing Assistance ¹
75 - 79	637	25.5%	162	1,207	25.5%	308
80 - 84	425	33.6%	143	590	33.6%	198
85+	451	51.6%	233	496	51.6%	256
Total	1,513		538	2,293		762
Percent Income-Qualified²			49.3%			59.3%
Total potential market			265			452
(times) Percent living alone		x	43.3%		x	43.3%
(equals) Age/income-qualified singles needing assistance		=	115		=	195
(plus) Proportion of demand from couples (12%) ³		+	16		+	27
(equals) Total age/income-qualified market needing assistance		=	130		=	222
(times) Potential penetration rate ⁴		x	40.0%		+	40.0%
(equals) Potential demand from PMA residents		=	52		=	89
(plus) Proportion from outside the PMA (20.0%)		+	13		+	22
(equals) Total potential assisted living demand		=	65		=	111
(minus) Existing market rate assisted living units ⁵		-	71		-	71
(equals) Total excess market rate assisted living demand		=	-6		=	40
(times) Percent Capturable in Two Harbors (65.0%)		x	30.0%		x	30.0%
(equals) Demand capturable in Two Harbors		=	0		=	12
¹ The percentage of seniors unable to perform or having difficulty with ADLs, based on the publication Health, United States, 2018 Health and Aging Chartbook, conducted by the Centers for Disease Control and Prevention and the National Center for Health Statistics.						
² Includes households with incomes of \$40,000 or more (who could afford monthly rents of \$2,800+ per month) plus 40.0% of estimated owner households with incomes below \$40,000 (who will spend down assets, including home-equity, in order to live in assisted living housing). In 2036 households with incomes of \$55,000 or more plus 40.0% of estimated owner households with incomes below \$55,000 are included.						
³ The 2009 Overview of Assisted Living (a collaborative project of AAHSA, ASHA, ALFA, NCAL & NIC) found that 12.0% of assisted living residents						
⁴ We estimate that 60.0% 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 93.0% occupancy. We exclude 15.0% of units to account for seniors utilizing public subsidy.						
Source: Maxfield Research and Consulting, LLC.						

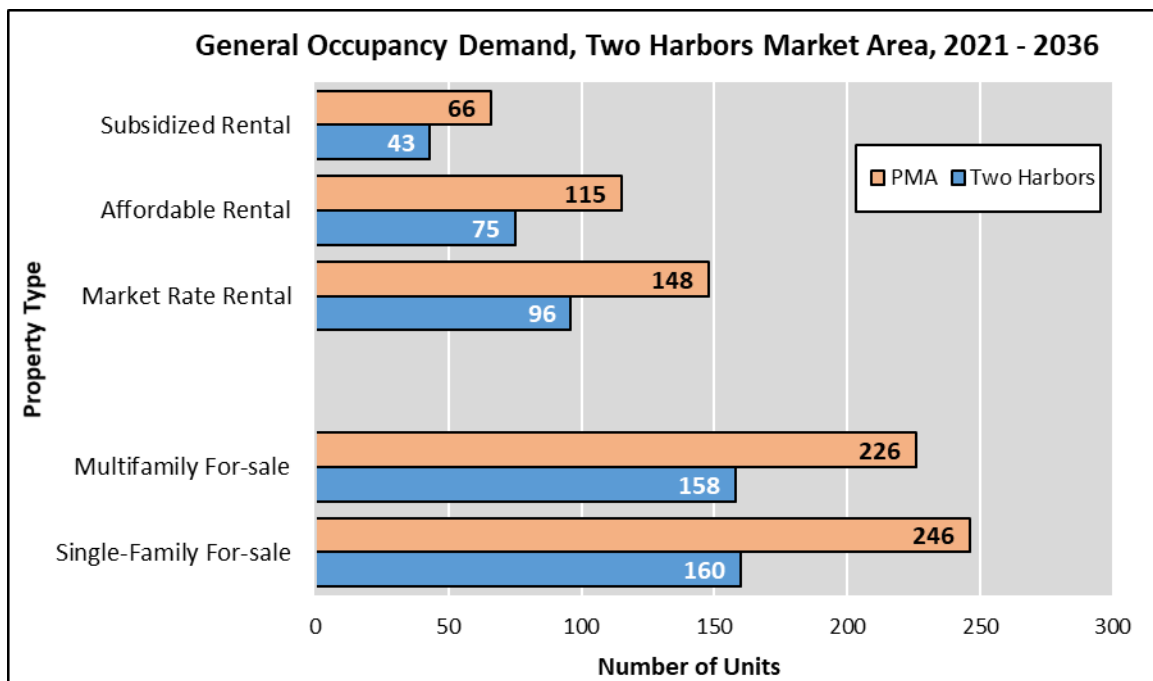
TABLE DMD-7 MARKET RATE MEMORY CARE DEMAND PRIMARY MARKET AREA 2021 & 2036		
	2021	2036
65 to 74 Population	2,005	2,546
(times) Dementia Incidence Rate ¹	x <u>5.3%</u>	x <u>5.3%</u>
(equals) Estimated Age 65 to 74 Pop. with Dementia	= 106	= 135
75 to 84 Population	1,062	1,797
(times) Dementia Incidence Rate ¹	x <u>13.8%</u>	x <u>13.8%</u>
(equals) Estimated Age 75 to 84 Pop. with Dementia	= 147	= 248
85+ Population	451	496
(times) Dementia Incidence Rate ¹	x <u>34.6%</u>	x <u>34.6%</u>
(equals) Estimated Age 85+ Pop. with Dementia	= 156	= 172
(equals) Total Senior Population with Dementia	= 409	= 555
(times) Percent Income/Asset-Qualified ²	x <u>55.1%</u>	x <u>51.4%</u>
(equals) Total Income-Qualified Market Base	= 225	= 285
(times) Percent Needing Specialized Memory Care Assistance	x <u>25.0%</u>	x <u>25.0%</u>
(equals) Total Need for Dementia Care	= 56	= 71
(plus) Demand from Outside the PMA (20.0%)	+ <u>14</u>	+ <u>18</u>
Total Demand for Memory Care Units	= 70	= 89
(minus) Existing and Pending Memory Care Units ³	- <u>9</u>	- <u>9</u>
(equals) Excess PMA Demand Potential	= 61	= 80
(times) Percent Capturable by Two Harbors 40.0%	x <u>30.0%</u>	x <u>30.0%</u>
(equals) Demand capturable by Two Harbors	= 18	= 24
¹ Alzheimer's Association: Alzheimer's Disease Facts & Figures (2021) ² Includes seniors with income at \$60,000 or above (\$75,000 in 2036) plus 25.0% of homeowners with incomes below this threshold (who will spend down assets, including home-equity, in order to live in memory care housing). ³ Existing memory care units at 7.0% vacancy rate. We exclude 20.0% of units to account for seniors utilizing public subsidy. Source: Maxfield Research and Consulting, LLC.		

Two Harbors Market Area Demand Summary

The housing demand calculations in Tables HD-1 through HD-7 indicate that between 2021 and 2036, 472 for-sale housing units, 329 rental units and 232 senior units would be needed in the Two Harbors Market Area to satisfy the housing demand for current and future residents. Tables CR-1 and CR-2 provide summaries of demand tables for general occupancy and senior housing.

Two Harbors is in great need of new for sale housing. Over the next 15 years there is demand for 220 single-family lots and 158 multifamily lots. This equates to approximately 14 to 15 single family lots and 10 to 11 multifamily lots per year. Particularly over the next five years (2022 to 2027) move up single and multifamily as well as executive single family homes are needed and we believe should be a priority for development.

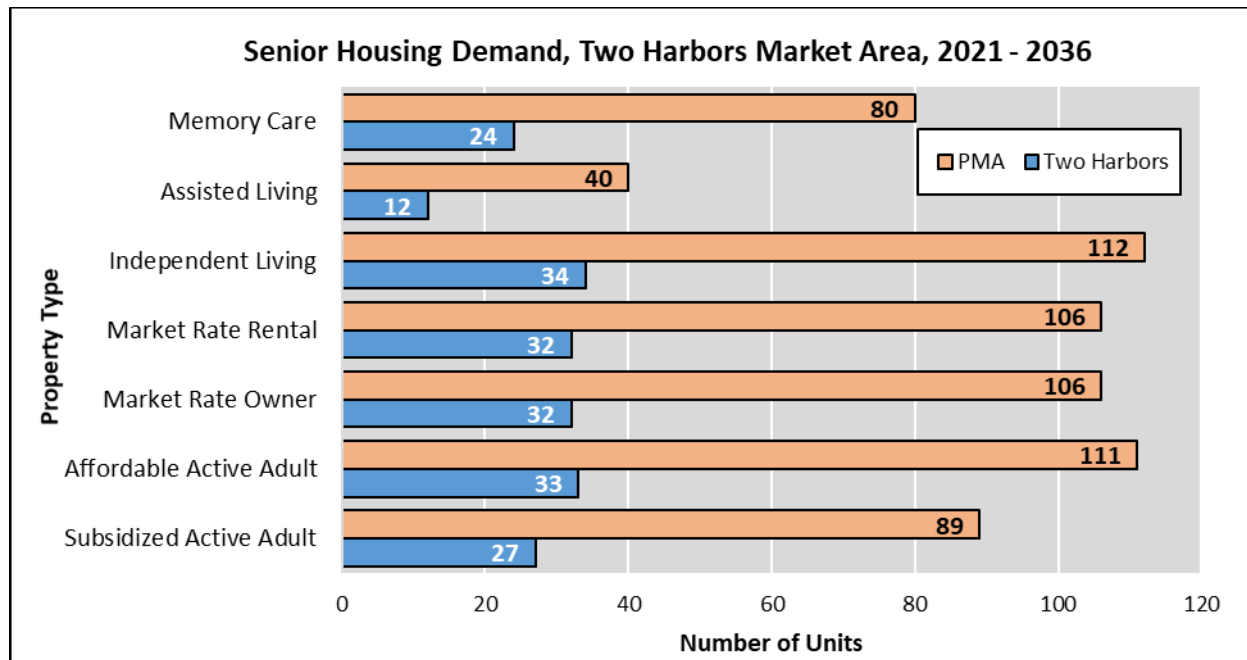
There is a 1.6% vacancy rate in the existing general-occupancy rental market in the PMA. Because the vacancy rate is well below market equilibrium (5%) and there are no planned or pending developments, additional market rate rental units are needed. With a tight rental market, we find the current supply of rental units inadequate in the short-term to satisfy turnover of existing households. Demand was identified for 330 general-occupancy rental units in the Two Harbors PMA to 2036, 148 units of which would be market rate. In the next five years (2022 to 2027) demand is especially high for a new market rate apartment style development.



HOUSING DEMAND ANALYSIS

TABLE CR-1 GENERAL OCCUPANCY EXCESS DEMAND SUMMARY PRIMARY MARKET AREA 2021 to 2036							
2021 to 2036							
	FOR-SALE			RENTAL			
	Single-family	Multifamily	Total	Market Rate	Affordable	Subsidized	Total
Two Harbors	160	158	318	96	75	43	214
Primary Market Area	246	226	472	148	115	66	329
Source: Maxfield Research & Consulting, LLC.							

TABLE CR-2 SENIOR HOUSING EXCESS DEMAND SUMMARY PRIMARY MARKET AREA 2021 to 2036								
2021								
	ACTIVE ADULT					SERVICE-ENHANCED*		
	Subsidized Rental	Affordable Rental	MR Owner	MR Rental	Total	Independent Living	Assisted Living	Memory Care
Two Harbors	9	21	34	34	98	35	0	18
Primary Market Area	30	71	115	115	331	118	0	61
2036								
	ACTIVE ADULT					SERVICE-ENHANCED*		
	Subsidized Rental	Affordable Rental	MR Owner	MR Rental	Total	Independent Living	Assisted Living	Memory Care
Two Harbors	27	33	32	32	124	34	12	24
Primary Market Area	89	111	106	106	412	112	40	80
* Service-enhanced demand is calculated for private pay seniors only; additional demand could be captured if Elderly Waiver and other sources of non-private payment sources are permitted.								
Sources: Maxfield Research & Consulting, LLC.								



Finally, there is strong senior housing demand in the Two Harbors Market Area due to the aging of the population and growing baby boom generation. Across the PMA, demand exists for 644 senior housing units to 2036. Of those 644 units, 30.1% or 194 units are projected to be in Two Harbors. Demand is high for senior housing in the PMA because of the large population of seniors in the market area as well as the high capture rates.

TABLE CR-3 SENIOR HOUSING DEMAND SUMMARY PRIMARY MARKET AREA 2022 to 2026 and 2026 to 2036		
PMA		
	2022 - 2026	2026-2036
General Occupancy		
For Sale: Single-Family	82	164
For Sale: Multifamily	75	151
Rental: Market Rate	49	99
Rental: Affordable	38	77
Rental: Subsidized	22	44
Senior Housing		
Active Adult Rental: Market Rate	115	106
Active Adult Rental: Affordable	71	111
Active Adult Rental: Subsidized	30	89
Active Adult: For Sale	115	106
Indepedent Living	118	112
Assisted Living	0	40
Memory Care	61	80
Two Harbors		
	2022 - 2026	2026-2036
General Occupancy		
For Sale: Single-Family	53	107
For Sale: Multifamily	53	105
Rental: Market Rate	32	64
Rental: Affordable	25	50
Rental: Subsidized	14	29
Senior Housing		
Active Adult Rental: Market Rate	34	32
Active Adult Rental: Affordable	21	33
Active Adult Rental: Subsidized	9	27
Active Adult: For Sale	34	32
Indepedent Living	35	34
Assisted Living	0	12
Memory Care	18	24
Sources: Maxfield Research & Consulting, LLC.		

Summary of Demographic and Housing Characteristics

Key demographic and housing market findings for Two Harbors from the housing study are highlighted on the following page. For comparison, figures are also shown for the PMA.

Demographic and Housing Characteristics Summary				
	Two Harbors		Primary Market Area	
Demographics				
Population (2021 & 2036)	3,635 3,685		13,275 13,400	
Pct. Population Under 18 (2021 & 2036)	21.5% 25.4%		18.2% 20.0%	
Pct. Population 65+ (2021 & 2036)	23.5% 27.7%		26.5% 36.1%	
Households (2021 & 2036)	1,649 1,672		5,711 5,735	
Household Growth (2021 to 2036)	23		24	
Avg. HH Size (2021 & 2036)	2.20 2.20		2.32 2.34	
Median Household Income (2021)	\$56,156		\$65,088	
Homeownership Rate (2021)	63.7%		83.5%	
Housing Characteristics				
Number of single-family units permitted (2010-2020)	19		N/A	
Number of multifamily units permitted (2010-2020)	0		N/A	
Median age of housing stock (2020)	1954		1967*	
Housing stock built before 1950	735	44%	1,292	21%
Housing stock built between 1950 and 1990	738	44%	3,144	51%
Housing stock built after 1990	196	12%	1,705	28%
Employment				
			<u>Arrowhead EDR 3**</u>	
Total Employees (2021 Q2)	1,661		135,008	
Average Annual Wage (2021 Q2)	\$36,972		\$49,296	
For-Sale Housing				
Median resale price of existing homes (2021)	\$212,250		\$210,000	
Median list price of actively marketing homes (January 2022)	\$279,900		N/A	
Owner-occupied one-unit structures (2020)	1,091 97.8%		8,495 96.6%	
Median home value of owner-occupied units (2020)	\$153,800		\$174,300*	
General Occupancy Rental Housing				
Renter-occupied one-unit structures (2020)	138 25.0%		390 44.6%	
Renter-occupied 10+ unit structures (2020)	203 36.7%		246 28.1%	
Median contract rent for renter-occupied units (2020)	\$658		\$680*	
Senior Housing				
Distribution of senior housing by type (2021 - 2036)				
Affordable/Subsidized Active Adult	195 / 25.5%		301 / 25.6%	
Market Rate Active Adult	302 / 39.5%		463 / 39.4%	
Independent Living	150 / 19.6%		230 / 19.6%	
Assisted Living	26 / 3.4%		40 / 3.4%	
Memory Care	92 / 12.0%		141 / 12.0%	
*Includes only Lake County. Excludes data for Alden Twp, Pequaywan Twp, and Duluth Twp.				
**Includes the following counties in EDR Region 3: Aitkin, Carlton, Cook, Itasca, Koochiching, Lake, and St Louis.				
N/A: Not Assessed or Not Available.				
Sources: American Community Survey; HUD; MNDEED; Maxfield Research and Consulting, LLC.				

Two Harbors Recommendations

Two Harbors is the Lake County seat and population center, accounting for 33.3% of the county population in 2021 and 27.4% of the PMA's population. By 2036, Two Harbors is anticipated to account for 34.4% of Lake County's population and 27.5% of the PMA's population as rural Lake County's population ages. Similarly, the household base in Two Harbors is expected to expand slightly from 2021 to 2031 (1.4%), while households in Lake County, are expected to decline by -0.8% during this period. The following descriptions detail housing recommendations for rental, for sale, and senior housing within Two Harbors.

For-Sale Housing: To 2036, we estimate demand for an additional 160 single family homes in the city of Two Harbors and 158 multifamily homes. With 9 vacant lots in its newest subdivisions and an average of approximately 4 single-family building permits issued annually, between 2000 and 2021, the current lot supply should be sufficient in the short term. However, moving forward, new lots would be needed to keep up with additional demand. Especially needed are one level housing products such as single level detached or attached townhomes catered towards older adults and seniors.

There is a significant lack of vacant developable lots in Two Harbors with Harbor Hills and Hidden Springs the only newer subdivisions in the City that still have lots available. According to conversations with local Realtors, there is significant demand for new single-family housing in Two Harbors. This, combined with a limited amount of developable land, due to a prevalence of wetlands in the area, serve to increase the challenges associated with single-family development.

A public-private partnership to assist in developing vacant lots would be a nice option to help keep lot costs low in order to incentivize builders to construct move-up level homes (opposed to executive priced homes). Organizations such as the Arrowhead Economic Opportunity Agency (AEOA) could serve as a City partner. Other strategies the City can use are allowing developments with smaller lot sizes, supporting the extension of infrastructure (sewer, water, etc.), and tax abatement.

Demand also exists for multifamily ownership homes. Younger seniors, in particular, lack options for single level for sale multifamily homes. One of the only options for seniors desiring single family living in Two Harbors are townhomes located along Laura Lane. Seniors who can are desiring to stay in their homes as long as possible. However, if able, many desire one-level living options such as townhomes. Thus, not only are senior housing options needed but also for sale options targeting older adults and seniors.

Rental Housing: There is demand for market rate general occupancy rental units, as well as affordable and subsidized rental housing in Two Harbors. To 2036, there is demand for 96 market rate units, 75 affordable units and 43 subsidized units.

CONCLUSIONS & RECOMMENDATIONS

The vacancy rate for market rate general occupancy rental housing was 0% at the time of the survey, indicating significant pent-up demand. A new market rate property might be difficult to develop in Two Harbors given that the average rent per square foot is in the low \$1.00s. Options to consider are the extension of infrastructure (sewer, water etc.), utilizing funds from the CARES Act, and considering assistance from groups like the Greater Minnesota Housing Fund.

In recent history, subsidized units (which require residents to have incomes at or below 50% of the Area Median Income) are nearly impossible to develop. Among subsidized properties, there were only two vacant units. Additionally, in Lake County, there are currently no LIHTC developments. A LIHTC development could be a way for the City to develop much needed affordable, income-restricted housing. With demand for 96 units of affordable housing to 2036 in the PMA, of which 63 units could be captured in Two Harbors, it is likely that a project could be feasible.

A project with 45 market rate units, 25 affordable units (at 60% of AMI) and 10 subsidized units at 50% AMI would be able satisfy a portion of excess general occupancy demand in Two Harbors.

Senior Housing: There is currently unmet demand for 30 units of senior subsidized rental housing in the Primary Market Area, of which Two Harbors could potentially capture 30%, or 9 units in 2021, increasing to 27 units in 2036. There are currently two subsidized senior projects in Two Harbors. Harbor Point, one of the two subsidized properties in Two Harbors has 41 units, all of which are occupied. Bayview Terrace is the other subsidized senior project. The property consists of 58-units and is managed by the Two Harbors HRA. However, Bayview Terrace is not only limited to seniors but also the disabled. Of the 58 units, approximately 40 are occupied by seniors. There were two vacant units at Bayview Terrace at the time of this study.

In 2021, there was demand for 331 active adult (age 55+) units in the PMA, increasing to 412 units by 2036. Maxfield Research believes that seniors interested in market rate active adult housing would likely be split evenly between those preferring ownership options and those preferring rental options, which leads to approximately 115 units of each in 2021 and 106 units of each in 2036. Two Harbors can likely capture 30% of this demand, or 34 ownership units and 34 rental units in 2021 and 32 units each in 2036.

Maxfield Research inventoried five market rate senior housing developments with a combined 102 units, 90 of which are assisted living, with the remaining 12 units of memory care at Carefree Living in Silver Bay. Among assisted living units, there were eight vacancies, a vacancy rate of 8.9%. This is above the equilibrium vacancy rate of 7.0% for assisted living units. There were three vacant memory care units at the time of our survey at Carefree Living Silver Bay, representing a vacancy rate of 25.0%.

Maxfield Research estimates that there is excess demand for 179 units of service-enhanced senior housing in the PMA in 2021, rising to 232 units in 2036. The strongest demand is for independent living, which comprises 118 of the 179 units in 2021, and 112 units of the 232 total

CONCLUSIONS & RECOMMENDATIONS

units in 2036. This is not surprising, as demand calculations for service enhanced senior living subtract out existing units, and there are no independent living units in the PMA. Two Harbors can capture a portion of excess demand in the PMA, which breaks out to 35 units of independent living demand, no units of assisted living and 18 units of memory care in 2021 and 35 units of independent living demand, 12 units of assisted living and 24 units of memory care by 2036.

Given the current amount of excess demand capturable in Two Harbors in 2021, and the aging of the population by 2036, there is enough demand to support both active adult and additional service enhanced senior housing, particularly at the independent service level, where residents typically need light assistance but are largely independent. However, despite the demand for both active adult and service enhanced senior housing, a greater focus needs to be put on the development of for sale housing targeting seniors. For sale products such as one-level townhomes should be given high priority. One potential option is the development of active adult age restricted townhomes.

Development Timeline

Based on the findings of our analysis and demand calculations, Tables CR-1, CR-2, and CR-3 provided a summary of housing demand in Two Harbors and the PMA to 2036. Demand exists in Two Harbors for a variety of product types. However, many of the housing types are in demand from the existing population base due to changes in family status, aging, lack of supply, and housing types that are desired as household needs change. The following section summarizes housing concepts and housing types that will be in demand from various target markets. Not all housing types will be needed immediately and demand illustrated in Tables CR-1, CR-2, and CR-3 may not directly coincide with housing development due to a variety of factors (i.e. economies of scale, infrastructure capacity, land availability, etc.).

Due to the largely rural nature of the PMA and declining populations and household sizes, it will be especially difficult to develop any multifamily housing products in rural Lake County due to the density and economies of scale needed to be financially viable. Therefore, the lesser populated communities will experience additional challenges as the population continues to age and resident needs change, and Two Harbors, and to a lesser extent Silver Bay, will likely serve as the center of multifamily development for the PMA in the future.

Two Harbors, with its close proximity to Duluth, about thirty minutes to the south, has the opportunity to capitalize on its location. Table CR-4 outlines a development timeline for the City over the next five years (2021 to 2026) as well as between 2026 and 2036. The table recommends a suggested number of units that Maxfield Research believes Two Harbors could support over the specified number of years.

Because of the strong growth in the population over age 55 between 2010 and 2021 there will be strong demand for low-maintenance and association-maintained housing products, both for sale, and rental. In fact, nearly all of population growth over the next fifteen years is within the 65+ demographic, further driving the need for housing products to serve this age group. Especially needed are products such as single level-townhomes whether detached or attached.

There is immediate demand for nearly all housing products, with the exception of assisted living and memory care senior housing, which has been developed more recently. New single-family homes are needed immediately, especially at entry level and move-up price points, as well as age-restricted housing. Executive level home demand is satisfied in the short term, as the current development is custom built.

It is possible developments in the short term could be targeted to several potential markets. A mixed-income general occupancy rental project could have a mix of market rate, affordable and subsidized units, which could be developed in the next few years, and depending on the success of the project and its reception by the community, additional projects could be constructed. However, as specified earlier we believe for sale housing targeted towards older adults and seniors such be of high priority in the near future.

CONCLUSIONS & RECOMMENDATIONS

TABLE CR-4 HOUSING RECOMMENDATIONS DEVELOPMENT TIMEFRAME 2021 to 2036				
Housing Type/Program		Purchase Price/ Monthly Rent Range	Two Harbors	
			21-'26	26-'36
For-Sale Housing				
Single-family by Price				
	Entry-Level	>\$215,000	20	20
	Move-up	\$215,000 - \$315,000	35	70
	Executive	\$275,000+	30	45
Twinhomes/Townhomes/Condos				
	Entry-level	>\$140,000	15	30
	Move-up	\$190,000+	40	70
General Occupancy Rental Housing				
	Market Rate Traditional	\$1,000/1BR - \$1,450/3BR	40	45
	Market Rate Townhomes	\$1,200/2BR - \$1,450/3BR	4	6
	Affordable/Subsidized	Per Income Guidelines	40	35
Senior Housing				
Market Rate				
	Active Adult - For-Sale Coop	\$55,000+ (plus monthly fee)	30	30
	Active Adult - Rental	\$1,000 - \$1,450	30	30
	Independent Living	\$1,650 - \$2,150	35	30
	Assisted Living	\$2,750/EFF - \$3,750/2BR		10
	Memory Care	\$3,700 - \$4,500		20
Affordable Senior Housing				
	Active Adult	Per Income Guidelines	20	30
Housing Programs				
	Demolition Programs			x
	Renovation Programs			x
	Code Enforcement			x
	Tax Abatement			x
	Developer\Builder Incentives			x
	Short Term Rental Moratorium			x
Source: Maxfield Research & Consulting, LLC.				

Challenges and Opportunities

This section of the report identifies challenges and opportunities in Two Harbors that may be encountered and could affect new housing development. They are broad and may have a large or small impact.

Table CR-1 identifies and recommends housing products to satisfy short-term housing needs in the Primary Market Area and Two Harbors over the next five years. The following outlines challenges and opportunities for developing the recommended housing types (in order of priority.

- **Affordability.** Based on current home prices, about two-thirds (66.7%) of Two Harbors householders could afford to purchase an entry-level resale home priced at \$165,000 in 2021. Similarly, most householders (81.1%) can also afford the average market rate rent for a one-bedroom apartment in Two Harbors (\$700/month rent). Because of the pricing of the existing housing stock, most of the rental and for-sale properties in Two Harbors are considered naturally occurring affordable housing. However, only about 55% (54.6%) of PMA households can afford move up homes priced at \$215,000. In addition, note that the entry and move up level prices include both existing and new homes. Newly constructed homes would be priced even higher and thus a lower percentage of the PMA would be able to afford.

The affordability chart on the following page (also on page 107 in the Housing Affordability Section of the report) compares the costs of homeownership to rentals given today's housing costs based on a 30% allocation of income to housing. However, not all householders have credit scores and/or down payments that would qualify them to purchase for-sale housing.

CHALLENGES & OPPORTUNITIES

TABLE HA-4						
TWO HARBORS HOUSING AFFORDABILITY - BASED ON HOUSEHOLD INCOME						
For-Sale (Assumes 10% down payment and good credit)						
	Single-Family			Townhome/Twinhome		
	Entry-Level	Move-Up	Executive	Entry-Level	Move-Up	Executive
Price of House	\$165,000	\$215,000	\$315,000	\$140,000	\$200,000	\$275,000
Pct. Down Payment	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Total Down Payment Amt.	\$16,500	\$21,500	\$31,500	\$14,000	\$20,000	\$27,500
Estimated Closing Costs (rolled into mortgage)	\$4,950	\$6,450	\$9,450	\$4,200	\$6,000	\$8,250
Cost of Loan	\$153,450	\$199,950	\$292,950	\$130,200	\$186,000	\$255,750
Interest Rate	4.375%	4.375%	4.375%	4.375%	4.375%	4.375%
Number of Pmts.	360	360	360	360	360	360
Monthly Payment (P & I)	-\$766	-\$998	-\$1,463	-\$650	-\$929	-\$1,277
(plus) Prop. Tax	-\$239	-\$312	-\$457	-\$203	-\$290	-\$399
(plus) HO Insurance/Assoc. Fee for TH	-\$55	-\$72	-\$105	-\$100	-\$100	-\$100
(plus) PMI/MIP (less than 20%)	-\$66	-\$87	-\$127	-\$56	-\$81	-\$111
Subtotal monthly costs	-\$1,127	-\$1,468	-\$2,151	-\$1,009	-\$1,399	-\$1,886
Housing Costs as % of Income	30%	30%	30%	30%	30%	30%
Minimum Income Required	\$45,076	\$58,735	\$86,054	\$40,380	\$55,971	\$75,460
Pct. of ALL PMA HHDS who can afford ¹	66.7%	54.6%	34.0%	71.3%	56.9%	40.6%
No. of PMA HHDS who can afford ¹	3,810	3,116	1,942	4,071	3,249	2,318
Pct. of PMA owner HHDs who can afford ²	70.7%	57.9%	37.2%	75.6%	60.3%	43.2%
No. of PMA owner HHDs who can afford ²	3,370	2,758	1,772	3,602	2,875	2,059
No. of PMA owner HHDS who cannot afford ²	1,397	2,009	2,995	1,165	1,892	2,708
Rental (Market Rate)						
	Existing Rental			New Construction Rental		
	1BR	2BR	3BR	1BR	2BR	3BR
Monthly Rent	\$700	\$1,025	\$1,100	\$1,000	\$1,200	\$1,450
Annual Rent	\$8,400	\$12,300	\$13,200	\$12,000	\$14,400	\$17,400
Housing Costs as % of Income	30%	30%	30%	30%	30%	30%
Minimum Income Required	\$28,000	\$41,000	\$44,000	\$40,000	\$48,000	\$58,000
Pct. of ALL PMA HHDS who can afford ¹	81.9%	70.7%	67.8%	71.7%	63.9%	55.2%
No. of PMA HHDS who can afford ¹	4,679	4,037	3,870	4,093	3,647	3,151
Pct. of PMA renter HHDs who can afford ²	63.0%	49.4%	47.4%	50.0%	44.7%	38.4%
No. of PMA renter HHDs who can afford ²	595	466	447	472	422	362
No. of PMA renter HHDS who cannot afford ²	349	478	497	472	522	582
¹ Based on 2021 household income for ALL households.						
² Based on 2019 ACS household income by tenure adjusted to 2021 by Maxfield Research.						
Source: Maxfield Research & Consulting, LLC.						

Modular, Manufactured and Tiny Homes

The previous Housing Market Analysis identified various options for constructing single-family homes and small apartment buildings using a modular or manufactured home construction process. Modular or manufactured homes are most often placed on a concrete slab similar to twinhomes but can be fit onto a full basement if desired. Incorporating a full basement will increase the cost of the home by about \$30,000 dollars.

Modular homes are constructed to be fit onto a basement or crawlspace. Manufactured homes are built primarily for piers or slabs. A homebuyer can usually save between 20% and 30% of the cost of a traditional site-built home. Homes can be custom designed to the buyer's specifications. These new homes are built to "green" standards and high energy efficiencies. Brand

CHALLENGES & OPPORTUNITIES

name fixtures and finishes are incorporated into these homes such as Moen, Pella windows, Owens Corning insulation and others.

Providers of single-family detached Modular, Manufactured and Tiny Homes include:

Lifestyle Homes of MN – Litchfield, MN (works with Friendship Homes as manufacturer)

Ideal Homes – Barnum, MN – works with:

Dynamic Homes – Detroit Lakes, MN,

Commodore Homes – Goshen, IN

Midcountry Homes – Dorchester, WI

Woodlund Homes – Wyoming, MN

Excelsior Homes West – Hutchinson, MN – works with:

Schult Homes – Redwood Falls, MN

Stratford Homes -

Highland Homes -

Village Homes of Walker – Walker, MN

Anderson Homes – Sebeka, MN works with:

Schult Homes – Redwood Falls, MN

Dynamic Homes – Detroit Lakes, MN

Wisconsin Homes – Marshfield, WI

Friendship Homes – Montevideo, MN

Many of these homes are manufactured at plants in Minnesota and are constructed to the rigorous standards of the Minnesota building code.

Modular homes appreciate/depreciate similar to stick-built/site-built homes if maintained properly. Most modular homes today incorporate new “green” technologies and contemporary energy efficient building materials and systems.



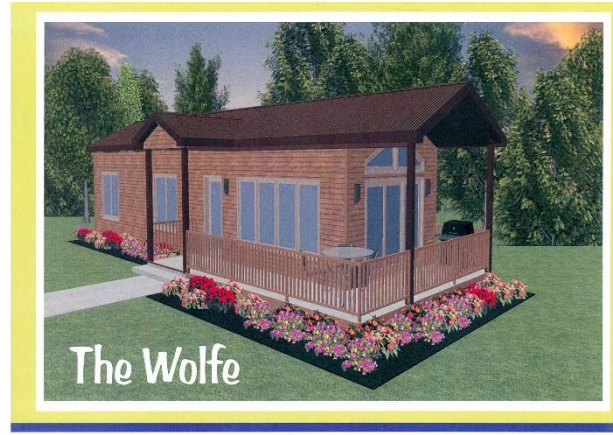
Lifestyle Homes – Model I



Lifestyle Homes – Model II



Lifestyle Homes – Model III



The Wolfe-Tiny Home (700 SF)

Rise Modular – Construction of Modular Multifamily Buildings

Rise Modular is in Minneapolis, Minnesota and their production plant is in Owatonna, Minnesota. Rise Modular focuses on construction of multifamily buildings of all sizes, from smaller properties with four units to larger buildings with more than 100 units.

Rise is partnering with private developers and with public entities to build modular rental housing that saves costs, is highly energy efficient and provides rental rates that are more affordable than traditional site-built buildings of the same size and type.

Most of their recent development is in the Twin Cities Metro Area. They are also considering development in Rogers and St. Michael, Minnesota.



Rise Modular – Mpls Public Housing (Aff)



Rise Modular – Stinson Apartments (Aff)

Constructing Residential Units with SIPS (Structured Insulated Panels)

Structural Insulated Panels (SIPs) are a high-performance system for residential and light commercial construction. The panels consist of an insulating form core sandwiched between two structural facings, typically oriented over strand board (OSB). SIPs are manufactured under factory-controlled conditions and can be fabricated to fit nearly any building design. The result is a building system that is extremely strong, energy efficient and cost effective.

Building with SIPs generally costs the same as building with wood frame construction when you factor in the labor savings resulting from shorter construction time and less jobsite waste. Other savings are realized because smaller heating and cooling systems are required with SIP Construction.

- **Transient Rentals** – Since the advent of companies such as Air BnB and VRBO, more private owners are leasing their residences part-time or full-time for short-term and vacation rentals. Two Harbors is an attractive tourist location along the North Shore of Minnesota. Buyers from outside of Two Harbors are purchasing single-family homes in the City, primarily south of MN Highway 61, and renting these homes to visitors for transient use (similar to hotel stays). This also makes it more difficult for buyers that want to own and homestead the residence to find housing that is affordable. This practice disrupts the local housing market and converts traditional homes to commercial properties with valuations that reflect investment property (similar to apartment buildings) rather than standard home pricing. Once converted, these homes rarely return to the traditional ownership market and the cost to purchase and convert is expensive.
- **Shadow Rental Inventory (i.e. Single-Family Rentals).** Shadow rentals are generally considered nontraditional rentals, primarily single-family detached homes that were previously owner-occupied. Previously owned townhomes are also included in this category. Renters have sought out single-family homes, in part because of the lack of rental housing development in the county and a need from families desiring larger rentals. As of 2019, almost one-quarter (24.2%) of rental units were detached structures (single-family homes). This is a significant amount of the City's housing stock. Once the home has converted from traditional ownership to a landlord-owned rental unit, it often does not convert back to the ownership inventory.
- **Lot Size & Home Style Preference.** Median lot sizes have dropped in the US. Lot sizes have decreased in part due to increasing lot prices and rising regulatory and infrastructure costs (i.e. curb and gutter, streets, etc.). While lot widths are smaller in the Downtown area of Two Harbors (approximately 40 feet), the City's two newest subdivisions, Hidden Springs, and Harbor Hills, still have larger lot widths. To reduce construction costs the City could consider a new subdivision with smaller lot widths than in Hidden Springs or Harbor Hills. We believe that lot widths should range from 60 feet to 65 feet to help and should target entry level and move-up level homes.

- **Construction & Development Costs.** The cost to build and develop new single-family housing increased significantly during the Pandemic with higher costs due to factors such as fewer workers and disrupted supply chains. Thus, affordable new construction homes are rare as builders are unable to pencil-out modestly-priced new construction to meet the needs of individual communities. New homes need to be built to free up more of the housing stock for those unable to afford the prices of a new build. Options like smaller lot sizes and the City covering infrastructure hook up costs are two potential ways to keep costs down.

According to the National Association of Home Builders/Wells Fargo builder sentiment index, the lack of qualified labor and subcontractors is the top issue with builders today. Other key issues for builders' today are the lack of buildable lots and rising mortgage interest rates and home price appreciation. Together these issues are raising the cost of new construction and putting upward pressure on the retail price of homes.

Many newly constructed homes in Two Harbors have been ranch or rambler style homes, with one level. Many buyers prefer this housing type as it allows householders to age in place and they have a high resale value. However, ranch style homes typically require a larger lot width resulting in increased land premiums. Furthermore, ranch style homes require larger foundations, expanded roof system and electrical and plumbing systems that are more expensive than a two-story home. Ranch or rambler homes can command a new construction premium of between 20% and 30%, further increasing the cost of new construction. In addition, one-level townhomes are also needed and an attractive option for older adults and seniors. Two Harbors currently lacks this product type other than the Laura Lane Townhomes.

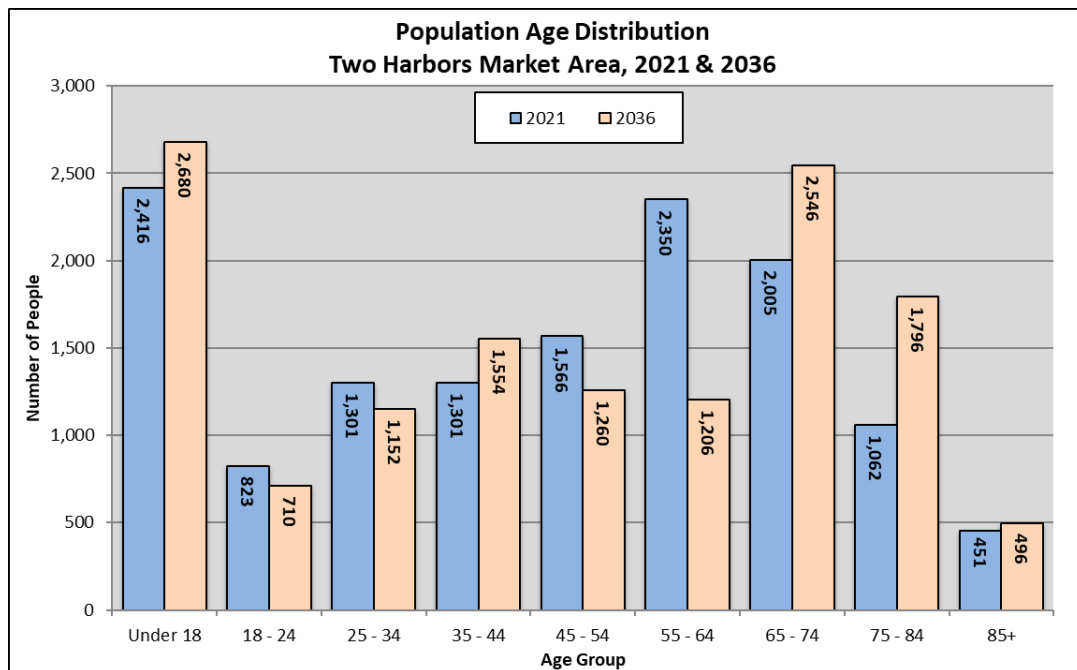
- **Developers Lot Carrying Costs.** Land development and entitlement carries a large financial risk for builders and/or investors. Prior to the Great Recession, developing land was considered a profitable side of the housing business. Today, land development continues to be dominated by larger builders that can absorb the lot inventory more easily than smaller builders or land developers. Even in larger metropolitan areas, private land developers are rarer as larger builders control the lot supply. Due to raw land costs, entitlements, and the cost to develop infrastructure, developers will be cautious given the lot price they could achieve. Prolonged carrying costs due to slow lot absorption are deterrents for builders and developers who must absorb project development costs until the lots are sold. Ways the City can help to mitigate some of these costs are through helping to cover infrastructure costs.
- **Builder/Developer/Construction Labor Force.** Table E-3 showed that Two Harbors has about 15 jobs in the construction industry. However, the construction field includes all construction-related jobs and does not represent availability of builders for new home construction. Because of the low supply of contractors and inability to increase economies of scale, construction costs in the county are higher because of limited labor and higher infrastructure costs. Attracting builders to the area has been very challenging.

- **Multifamily Development Costs.** It will be challenging to construct new market rate multifamily product given achievable rents and development costs. Per the *Rental Housing Section* of the report, the average rents in Two Harbors are low and average about \$0.98 per square foot. Maxfield Research finds in most rural communities the average rent per square foot can easily exceed \$1.10 to \$1.20 per square foot to cover the total project and development costs. This level of costs will require per square foot rents much higher than the existing product in Two Harbors. It will be difficult to develop multifamily housing structures by the private sector based on achievable market rents. As a result, a private-public partnership or other financing programs will likely be required to spur development (i.e. tax abatement, TIF, etc.).
- **Renovation of Existing Housing Stock (owned and rental).** As illustrated in the *Housing Characteristics* section of this report, the median year built of all housing in Two Harbors was 1950 (67 years old in 2019). An estimated 37% of Two Harbors' housing stock was built pre-1940, with the next highest decade in the 1950s (14.0%). Only 8% of Two Harbors' housing stock was built since 2000. Because of the older housing stock, many housing units in Two Harbors become affordable through a combination of factors such as age of structure, condition, square footage, functional obsolescence, etc. Housing units that are older with low rents or low market values are considered "naturally occurring affordable housing" as the property values on these units are low (see *Affordability* above). Naturally occurring affordable housing is desirable for moderate- and low-income households. However, housing that is physically or functionally obsolete will need to be upgraded or improved.

Since Two Harbors housing stock is older, the demand for remodeling and replacement and demolition needs will continue to increase as today's consumer's desire updated features and amenities. We recommend Two Harbors consider purchasing dilapidated housing structures and infill lots and reposition the land for future development while enhancing neighborhoods from the removal of substandard housing.

- **Code Enforcement.** Most local governments have housing codes to ensure safe and habitable housing in their communities. Code enforcement is important as it protects the safety and welfare of residents, maintains/increases in property values, reduces vandalism and overall increases the attractiveness of the community which should result in continued reinvestment and development. Most residents support code compliance as a means to protect their home investment and their property value. Examples of exterior deferred maintenance may include peeling paint, broken windows, damaged siding or chimneys, poor foundation, or other signs of neglect. Interior conditions may include plumbing and heating problems, electrical issues, damaged walls, or flooring and/or unsanitary conditions, among others. In addition to deferred maintenance, nuisance concerns include tall grass and weeds, rubbish and garbage, junk cars or other items left outside in a yard or driveway that are not intended for outdoor use.
- **Aging Population.** As illustrated in Table D-2, the Primary Market Area's population is expected to remain roughly stable, with significant growth projected in the 65+ population. In

addition, Table D-10 shows the PMA homeownership rate among seniors 75+ is 84.2%. High homeownership rates among seniors indicate there may be a lack of senior housing options or simply that many seniors prefer to live in their homes and age in place. The number of seniors aging in place tends to be higher in rural vs. urban settings as many rural seniors do not view senior housing as an alternative retirement destination but a supportive living option only when they can no longer live independently. Because of the rising population of older adults, demand for alternate low maintenance housing products is expected to increase. In addition, demand for home health care services and home remodeling programs to assist seniors with retrofitting their existing homes is also likely to increase.



- Geographic Location.** Two Harbors has the opportunity to capitalize on its geographic location. The City is about 30 minutes from Downtown Duluth and the City limits can be reached in an estimated 20 to 25 minutes. As a result, Two Harbors is a short drive from over 54,000 jobs in Duluth. Two Harbors maintains its small town feel with a walkable Downtown and picturesque views of Lake Superior near its Downtown, one of its dominant attractions to prospective buyers. The City has the opportunity to maintain the character and history of its homes in the core area of Downtown while at the same time offering newer and more suburban style homes in subdivisions like Harbor Hills and Hidden Springs. This newer housing stock will appeal to younger professionals with children looking for more of a small-town experience to raise their families with the benefits of living near a larger city like Duluth (entertainment, more shopping, regional hospitals, etc.)
- Entertainment/Recreation Opportunities.** Two Harbors has the benefit of numerous recreational opportunities helping make it desirable to a broad range of renters and buyers. For those interested in sports, the City is home to Lake County Ice Arena, a Skate Park, a swimming pool at Two Harbors High School, Erkki Harju Ski Trail and Lakeview National Golf

CHALLENGES & OPPORTUNITIES

Course and Curling Club. The City is also home to several parks and beaches including: Agate Bay Beach, Burlington Beach, Lakeview Park, Odegaard Park and Paul Hoven. The City annually hosts the start of Grandma's Marathon, a nationally recognized and attended event and features other events such as a local/regional art fair. The following page shows examples of recreation facilities and beaches/parks in the City



Burlington Bay Beach



Lake County Ice Arena



Lakeview Golf Course & Curling Club



Lakeview Park

APPENDIX

Definitions

Absorption Period – The time necessary for newly constructed or renovated properties to achieve the stabilized level of occupancy. The absorption period begins when the first certificate of occupancy is issued and ends when the last unit necessary to reach the stabilized level of occupancy (usually 95% for market rate units and 98% for publicly assisted units) has signed a lease.

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

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

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

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

The term affordable housing is not a general term or reference used to describe the price of housing in Two Harbors, or any respective City, County, or market area.

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

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

Assisted Living – Assisted Living properties come in a variety of forms, but the target market for most is generally the same: very frail seniors, typically age 80 or older (but can be much younger, depending on their particular health situation), who are in need of extensive support services and personal care assistance. Absent an assisted living option, these seniors would otherwise need to move to a nursing facility. At a minimum, assisted living properties include two meals per day and weekly housekeeping in the monthly fee, with the availability of a third meal and personal care (either included in the monthly fee or for an additional cost). Assisted living properties also have either staff on duty 24 hours per day or at least 24-hour emergency response.

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

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

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

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

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

COVID-19 Pandemic – The COVID-19 Pandemic began in 2019 and became widespread in the US in the Spring of 2020. The Pandemic initially resulted in shutdowns and job layoffs but the rollout of vaccines is helping the economy recover.

Demand – The total number of households that would potentially move into a proposed new or renovated housing project. These households must be of appropriate age, income, tenure, and size for a specific proposed development. Components vary and can include, but are not limited to: turnover, people living in substandard conditions, rent over-burdened households, income-qualified households, and age of householder. Demand is project specific.

APPENDIX

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

Effective Rents – Contract rent less applicable concessions.

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

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

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

Fair Market Rent Lake County – 2021 (Effective 04/01/2021)

Fair Market Rent					
	EFF	1BR	2BR	3BR	4BR
Fair Market Rent	\$484	\$592	\$734	\$992	\$995

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

Great Recession – Global economic decline beginning in December 2007 and ended in June 2009 with the official recovery beginning shortly thereafter. The Great Recession was initially sparked by the collapse of the United States housing bubble, which caused the values of securities tied to United States real estate pricing to plummet, damaging financial institutions globally. The Great Recession led to worldwide austerity, high levels of household debt, trade imbalances, high unemployment, and limited prospects for global growth.

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

Gross Rent
Lake County – 2021 (Effective 04/01/2021)

	Maximum Gross Rent				
	EFF	1BR	2BR	3BR	4BR
30% of median	\$391	\$447	\$503	\$558	\$603
50% of median	\$652	\$745	\$838	\$931	\$1,006
60% of median	\$783	\$894	\$1,006	\$1,117	\$1,207
80% of median	\$1,044	\$1,192	\$1,342	\$1,490	\$1,610
100% of median	\$1,305	\$1,490	\$1,677	\$1,862	\$2,012
120% of median	\$1,566	\$1,788	\$2,013	\$2,235	\$2,415

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

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

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

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

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

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

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

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

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

**Income Limits
Lake County – 2021 (Effective 04/01/2021)**

	Income Limits by Household Size							
	1 pph	2 pph	3 pph	4 pph	5 pph	6 pph	7 pph	8 pph
30% of median	\$15,660	\$17,880	\$20,130	\$22,350	\$24,150	\$25,950	\$27,720	\$29,520
50% of median	\$26,100	\$29,800	\$33,550	\$37,250	\$40,250	\$43,250	\$46,200	\$49,200
60% of median	\$31,320	\$35,760	\$40,260	\$44,700	\$48,300	\$51,900	\$55,440	\$59,040
80% of median	\$41,760	\$47,680	\$53,680	\$59,600	\$64,400	\$69,200	\$73,920	\$78,720
100% of median	\$52,200	\$59,600	\$67,100	\$74,500	\$80,500	\$86,500	\$92,400	\$98,400
120% of median	\$62,640	\$71,520	\$80,520	\$89,400	\$96,600	\$103,800	\$110,880	\$118,080

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

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

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

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

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

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

Market study – A comprehensive study of a specific proposal including a review of the housing market in a defined market or geography. Project specific market studies are often used by developers, property managers or government entities to determine the appropriateness of a proposed development, whereas market specific market studies are used to determine what house needs, if any, existing within a specific geography.

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

Median Rent/Home Price – The median refers to the price point where half of the rents/homes are priced above the point, and half are priced below it. The median is a more accurate gauge of housing costs as averages tend to skew prices at the high and low end of the market.

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

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

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

Mobility – The ease at which people move from one location to another.

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

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

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

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

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

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

Population – All people living in a geographic area.

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

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

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

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

Rent burden – gross rent divided by adjusted monthly household income.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Workforce housing – Housing that is income-restricted to households earning between 80% and 120% AMI. Also referred to as moderate-income housing.

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