

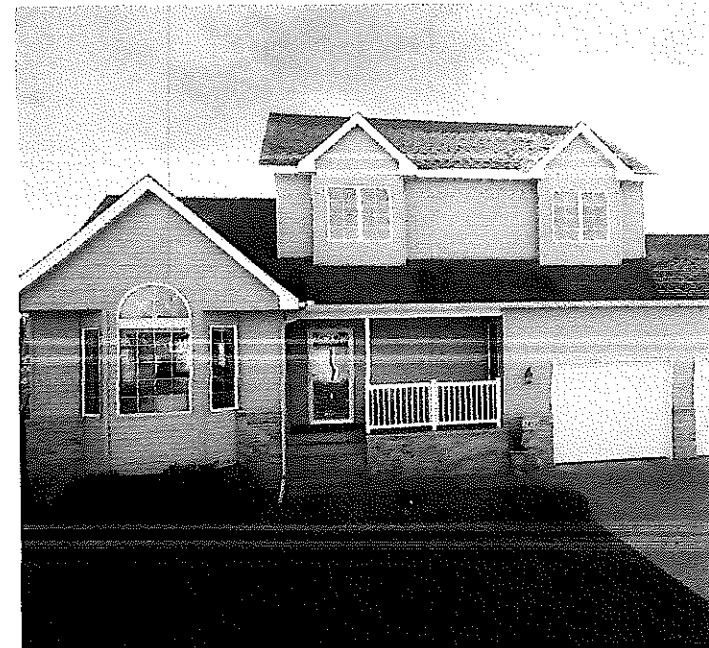


# CITY OF MONTICELLO HOUSING MARKET REPORT 2017

JULY 3, 2017

Prepared for  
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Project No. 2596-34



## Acknowledgements

We would like to thank everyone who participated in the development of the Monticello Housing Study, including the Monticello City staff, Wright County Assessor's Office and the various realtors in the community.

Completed in coordination with:



WSB & Associates, Inc.

# PURPOSE AND SCOPE OF RESEARCH

Housing is an important component of all communities. Housing quality, availability, affordability and diversity enhances the quality of life, supports economic development, and contributes to a community's sense of place. WSB & Associates, Inc. was engaged by the City of Monticello to conduct a Housing Study to assess the housing market conditions and provide recommendations for housing needs within the City of Monticello. The market analysis focused on the housing needs within the City of Monticello including market rate, subsidized, and move-up housing for various age categories including owner-occupied and renter occupied housing options.

Monticello's Housing Market Study ("Study") should be used as a reference to guide planning efforts, financial initiatives and strategies, and provide direction to the City regarding the approach it should take; the types of housing opportunities the City should promote, and the roles in providing those opportunities. This Study is intended to be flexible to meet unforeseen housing needs and future land use decisions. It should be noted that the findings presented in this report should not be used to determine the market feasibility of any single development or project; rather, it is designed to be a broad analysis of the entire Monticello housing market and is intended to guide planning efforts, especially as they relate to future land use designations.

The Study contains data from both primary and secondary research. Primary research includes interviews with local officials, and the real estate community. Secondary research data includes data from the US Census, American Community Survey, Department of Employment and Economic Development (DEED), Wright County, Business Analyst<sup>1</sup>, and other local planning agencies. Secondary research is always used as a basis for analysis and is carefully reviewed along with other factors that may impact projections. All the information on pending developments was gathered by WSB & Associates, Inc. and is accurate to the best of our knowledge.

## INVENTORY AND ANALYSIS

### DEMOGRAPHIC CHARACTERISTICS

This section looks at the demographic characteristics that underlie the need for various types of housing in Monticello. The U.S. Census and Business Analyst served as the primary sources for the demographic overview. While population projections are an effective planning tool when used correctly, their accuracy is dependent on several factors including assumptions for birth rates, death rates, migration, and economic conditions. Assumptions are based on past trends and the best information available at the time, but assumptions do not always remain true, and unexpected changes can occur. Therefore, Monticello should use the population projections presented in this Market Study as a general guide and not as an absolute certainty. Moreover, the City should periodically review and update the population projections based upon new conditions.

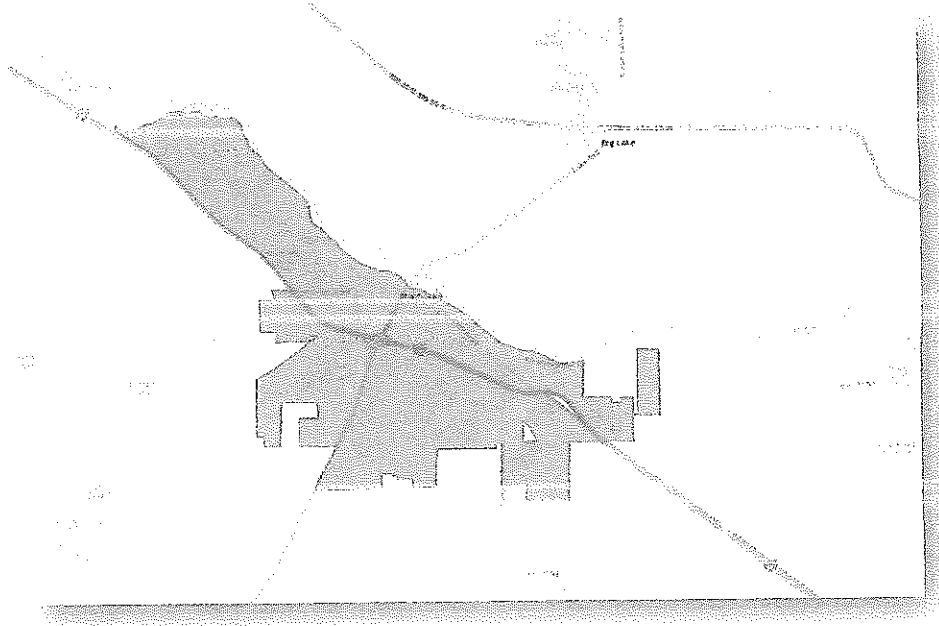
WSB & Associates, Inc. determined the Study Area to be used as comparison points. The area was based on geographic and man-made boundaries, community orientation, our knowledge of the area, and the dictates of the proposal. Considering these factors, we determined a Study Area to include the cities of Monticello, Big Lake, Buffalo, Elk River, Becker, and Rogers. In addition, Wright County and the State

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<sup>1</sup> Business Analyst is a data processing service that uses ESRI technology, U.S. Census data, and American Community Survey data.

of Minnesota are also included as part of the analysis in the report. Though outside the scope of this report, it is important to note that surrounding communities' populations and available housing stock may affect Monticello's housing market.

Figure 1: City of Monticello, MN



## HISTORIC POPULATION CHANGE

The total population of Monticello has grown substantially since the 1980s. Between 1980 and 2010, the City has grown by 597% adding 10,929 new residents, accounting for 18% of the study areas total growth. During the last U.S. Census period (2000-2010), Monticello saw a 38% growth with the addition of 4,891 new residents. Please refer to *Table 1-A* for further details.

Table 1-A: POPULATION CHANGE 1980-2010

Place	US Census				Change					
	1980	1990	2000	2010	1980-1990		1990-2000		2000-2010	
					No.	%	No.	%	No.	%
Monticello	1,830	4,941	7,868	12,759	3,111	170.0%	2,927	59.2%	4,891	62.2%
Big Lake	2,210	3,113	6,063	10,060	903	40.9%	2,950	94.8%	3,997	65.9%
Buffalo	4,560	6,856	10,097	15,453	2,296	50.4%	3,241	47.3%	5,356	53.0%
Elk River	6,785	11,143	16,447	22,974	4,358	64.2%	5,304	47.6%	6,527	39.7%
Becker	601	902	2,673	4,538	301	50.1%	1,771	196.3%	1,865	69.8%
Rogers	652	698	3,588	11,197	46	7.1%	2,890	414.0%	7,609	212.1%
<b>Study Area Total</b>	<b>16,638</b>	<b>27,653</b>	<b>46,736</b>	<b>76,981</b>	<b>11,015</b>	<b>66.2%</b>	<b>19,083</b>	<b>69.0%</b>	<b>30,245</b>	<b>64.7%</b>
Wright County	58,681	68,710	89,986	124,700	10,029	17.10%	21,276	30.90%	34,714	38.50%
Minnesota	3,806,103	4,075,907	4,375,099	4,919,479	269,804	7.10%	299,192	7.30%	544,380	12.40%

Source: U.S. Census Bureau

Monticello's age distribution has remained relatively consistent from 2000 to 2010 with the largest age group being 25 to 34 in both census periods. The percentage of people 19 and younger decreased from 33.7% to 32.8% while the percentage of those 65 and older increased from 8.9% to 9.8%. Keeping with national trends, the median age increased in Monticello from 2000 to 2010 from 29.8 to 31.6. Please refer to Table 2-A for further details.

Table 2-A: MONTICELLO HISTORIC AGE DEMOGRAPHICS 2000-2010

	2000		2010	
	Number	%	Number	%
<b>Total Population</b>	<b>7,868</b>	<b>100.0</b>	<b>12,759</b>	<b>100.0</b>
Under 5 years	799	10.2	1,292	10.1
5 to 9 years	725	9.2	1,101	8.6
10 to 14 years	610	7.8	969	7.6
15 to 19 years	511	6.5	823	6.5
20 to 24 years	547	7	731	5.7
25 to 34 years	1,571	20	2,255	17.7
35 to 44 years	1,215	15.4	1,991	15.6
45 to 54 years	719	9.1	1,505	11.8
55 to 59 years	271	3.4	490	7.0
60 to 64 years	202	2.6	395	3.1
65 to 74 years	316	4	584	5.0
75 to 84 years	260	3.3	394	3.0
85 years and over	122	1.6	229	1.8
Median age (years)	29.8	(X)	31.4	(X)

Source: U.S. Census Bureau

## POPULATION ESTIMATES AND PROJECTIONS

Population projections are an effective planning tool when used correctly. They are based upon assumptions for birth rates, death rates, migration, and economic conditions. In 2010, the U.S. Census reported Monticello's population as 12,759. Monticello's estimated population was 13,568 in 2016, and is projected to increase to 14,383 in 2021. Again, it is impossible to know with certainty what Monticello's future population will be, but it is reasonable to believe that any future population increases resulting from new housing development or redevelopment in Monticello will be offset (to some extent) by population trends resulting from an aging population and diminishing household size. However, based on available data, Monticello's population will likely see a continued increase through year 2021. It is anticipated that Monticello will account for 18.8% of the Study Area's population growth between 2016 and 2021. Monticello's expected rate of population change is roughly equal to the County and double the State. Refer to Table 1-B: *Projected Population Change: 2010-2021* for additional information.

**TABLE 1-B: PROJECTED POPULATION CHANGE: 2010-2021**

Place	U.S. Census Bureau			Change			
	2010	2016	2021	2010-2016		2016-2021	
				No.	%	No.	%
Monticello	12,759	13,568	14,383	809	6.3%	815	6.0%
Big Lake	10,060	10,629	11,080	569	5.7%	451	4.2%
Buffalo	15,453	16,093	16,699	640	4.1%	606	3.8%
Elk River	22,974	23,984	24,891	1,010	4.4%	907	3.8%
Becker	4,538	4,858	5,253	320	7.1%	395	8.1%
Rogers	11,197	12,675	13,844	1,478	13.2%	1,169	9.2%
<b>Study Area Total</b>	<b>76,981</b>	<b>81,807</b>	<b>86,150</b>	<b>4,826</b>	<b>6.3%</b>	<b>4,343</b>	<b>5.3%</b>
Wright County	124,700	132,801	140,895	8,101	6.5%	8,094	6.1%
Minnesota	4,919,479	5,541,669	5,720,647	622,190	12.6%	178,978	3.2%

Source: U.S. Census Bureau, ESRI forecasts

The City of Monticello has developed its own projections based on building permits and certificates of occupancy over the past two years. The Minnesota State Demographer's 2015 Annual estimate was utilized as base reference point. It indicated the City had 13,311 residents at the end of 2014. During the 2015-2016 time-frame, the City issued permits for 307 additional housing units. Using ESRI's estimated household size of 2.72, this yields an estimated population of 14,146 at the end of 2016. In recognition of the trend of increasing household size and the moderate pace of new residential development and household formation in the City, the projections for the 2017-2021 period indicate an increase of 893 people (2.74 persons per 326 new units or 65 +/- units per year). The annual population increase of 179 is sixteen (16) people higher than ESRI's annual projections based on U.S. Census Bureau data estimates. Again, ESRI's figures appear to have under-accounted for the sizeable number of new units in the community during 2015-2016. Basically, ESRI does not factor in the steady recovery in building permit issuance in this period and applies its projections to a lower beginning population figure than a more realistic number. Refer to Tables 1-C and 2-C for more inf

TABLE 1-C: MONTICELLO HOUSING PERMITS &amp; POPULATION FORECAST CALCULATIONS

Year:	Single-Family Detached	Single-Family Attached	Multifamily	Total	
2010	2	0	0	2	
2011	2	0	0	2	
2012	22	0	0	22	
2013	49	3	0	52	
2014	70	3	0	73	
2015	38	6	136	180	
2016	61	0	66	127	Average
Total	244	12	202	458	65.2 per year
POPULATION FORECAST CALCULATIONS					
Time-Frame	New Housing Units	Average HH Size	New Residents (Permits x HH Size)	2014 Pop	End of 2016 Pop
2015 - 2016	307	2.72	835	13,311	14,146
Time-Frame	New Housing Units	Average HH Size	New Residents (Permits x HH Size)	2016 Pop	End of 2021 Pop
2017 - 2021	326 (65.2 x 5)	2.74	893	14,146	15,039

Source: City of Monticello, Minnesota State Demographer

TABLE 2-C: POPULATION PROJECTION DIFFERENCE

	2016	2021	Annual Growth
City of Monticello	14,146	15,039	179
ESRI	13,568	14,383	163
Difference	578	656	16

Source: ESRI forecasts, The City of Monticello

## HOUSEHOLD CHARACTERISTICS AND FORECASTS

In 2010, the US Census reported 4,693 households in Monticello and 3,164 families. A household refers to a housing unit occupied by at least one person. A household can involve a family living in a housing unit or it can involve unrelated people sharing an apartment or housing unit. A family refers to a household consisting of a householder and one or more other people related to the householder by birth, marriage, or adoption. In the future, it is likely that the percentage of married couples without children living with them will increase. The percentage of single parent households will also increase. Family households with no spouse present accounted for approximately 30% of the family households in Monticello in 2010.

The average household size in Monticello in 2000 was 2.64 persons compared to 2.68 in 2010 according to the U.S. Census Bureau. These figures were projected to increase, according to ESRI, to 2.72 in 2016 and 2.74 by 2021. According to the American Community Survey 5-Year Estimates, Monticello has seen a decrease in family households, a decrease in households with children under the age of 18, and an increase in non-family households (see *Table 1-D: Household Occupancy Characteristics* for further details). These trends held true from 2009-2014 aside from an outlying year (2014 - highlighted in gray on *Table 1-D*) when there was an increase in family households, an increase in families with children, and a decrease in nonfamily households. This may have been caused by an increased availability of single-family housing units. These trends have implications for the demand of future housing types in Monticello. Since the average household size is projected to decrease and the trend of family households has been decreasing, a shift in demand will likely occur less for 3-4 bedroom, single-family homes and more for smaller housing units, and multi-family units.

**TABLE 1-D: HOUSEHOLD OCCUPANCY CHARACTERISTICS – 2009-2014**

	Family	Family with Children	Nonfamily	1-person	2-person	3-person	4-or-more-person
2009	72.2%	47.0%	27.8%	22.0%	29.8%	18.8%	29.4%
2010	69.6%	46.4%	30.4%	25.1%	25.8%	18.6%	30.6%
2011	68.5%	45.3%	31.5%	25.8%	26.9%	16.9%	30.9%
2012	66.8%	43.8%	33.2%	26.5%	25.3%	19.1%	29.1%
2013	66.2%	42.3%	33.8%	27.0%	27.0%	16.4%	29.6%
2014	68.8%	43.8%	31.2%	24.9%	29.0%	13.7%	32.4%

Source: American Community Survey 5-year Estimates

Between 2010 and 2016, the number of new households (4,693 and 4,936 respectively) has grown proportionally to the increase in population (12,759 and 13,568 respectively) suggesting stability in household size (see *Table 1-E: Historic and Projected Households: 2010-2021*). The number of households in Monticello is projected to increase by 5.3% by 2021 accounting for 18.2% of the study area's projected household growth.

**TABLE 1-E: HISTORIC AND PROJECTED HOUSEHOLDS: 2010-2021**

Place	US Census			Change			
	2010	2016	2021	2010-2016		2016-2021	
				No.	%	No.	%
Monticello	4,893	4,936	5,199	243	5.2%	263	5.3%
Big Lake	3,377	3,566	3,720	189	5.6%	154	4.3%
Buffalo	5,700	5,872	6,058	172	3.0%	186	3.2%
Elk River	8,080	8,452	8,780	372	4.6%	328	3.9%
Becker	1,526	1,635	1,772	109	7.1%	137	8.4%
Rogers	3,748	4,232	4,610	484	12.9%	378	8.9%
<b>Study Area Total</b>	<b>27,124</b>	<b>28,693</b>	<b>30,139</b>	<b>1,569</b>	<b>5.8%</b>	<b>1,446</b>	<b>5.0%</b>
Wright County	44,473	46,817	49,383	2,344	5.3%	2,566	5.5%
Minnesota	2,087,227	2,176,475	2,258,733	89,248	4.3%	82,258	3.8%

Source: U.S. Census Bureau, ESRI forecasts



## AGE COMPOSITION & IMPACT ON HOUSING

In addition to knowing how many people currently live and will likely live in Monticello, an understanding of the population's age composition can help the City plan for and provide necessary and desired services for its residents. The following provides an overview of the existing age composition of Monticello's residents and the anticipated changes in age composition that will occur through the year 2021 (see *Table 1-F: Age Composition 2010-2021*). Composition will remain relatively consistent outside of a slight decrease in the 25-34 age category (by 2.1%) and slight increase in the 55-64 age category (by 2.5%) which reflects aging baby boomers and a smaller succeeding generation.

Extrapolating further past year 2021, Monticello can expect a surge of 7,438 residents entering the over-sixty-five (65) age group as is indicated by the red box in *Table 1-F*. The age cohort closest to age sixty-five (65) typically is comfortable downsizing their living situation. This is a substantial number of households who will be causing the demand in housing types to change in Monticello for future years as current projections do not have a corresponding offset in future age groups.

TABLE 1-F: AGE COMPOSITION 2010-2021

Age	2010		2016		2021	
	Number	%	Number	%	Number	%
Age 0 - 4	1,292	10.1%	1,206	8.90%	1,293	9.00%
Age 5 - 9	1,101	8.6%	1,150	8.50%	1,226	8.50%
Age 10 - 14	969	7.6%	1,033	7.60%	1,163	8.10%
Age 15 - 19	823	6.5%	924	6.80%	949	6.60%
Age 20 - 24	731	5.7%	901	6.60%	903	6.30%
Age 25 - 34	2,255	17.7%	1,968	14.50%	2,246	15.60%
Age 35 - 44	1,991	15.6%	2,065	15.20%	2,157	15.00%
Age 45 - 54	1,505	11.8%	1,771	13.10%	1,682	11.70%
Age 55 - 64	885	6.9%	1,240	9.10%	1,353	9.40%
Age 65 - 74	584	4.6%	751	5.50%	836	5.80%
Age 75 - 84	394	3.1%	372	2.70%	404	2.80%
Age 85+	229	1.8%	185	1.40%	171	1.20%
Median Age	31.6	--	33.1	--	32.3	--

Source: U.S. Census Bureau, ESRI forecasts

## HOUSING SUPPLY

### Number and Types of Housing Units

The US Census indicates that there were 4,693 households in Monticello in 2010: 1,749 more units than identified in 2000 (2,944). Data describing the household type, as shown below in *Table 1-E*, was only available as an estimate. The most recent data is from the 2014 American Community Survey. Roughly, 54.5% of the housing units in 2014 were single-family detached houses: this is considerably lower than Wright County (76.4%) and lower than the State of Minnesota (67.2%). In 2014, roughly 18.2% of the housing units in Monticello were single-family attached units (townhouses): this is almost double the figure for Wright County (9.8%) and much higher than the State (7.5%). In 2014, the City also had a considerably higher percentage of multi-family housing than Wright County but was consistent with the State of Minnesota. Refer to *Table 1-G: Housing Supply by Type - 2014*, for more information.

TABLE 1-G: HOUSING SUPPLY BY TYPE - 2014

Housing Type	Monticello Units	Monticello %	Wright County Units	Wright County %	State Units	State %
Single-Family Detached	2,663	54.5%	37,715	76.4%	1,589,773	67.2%
Single-Family Attached	889	18.2%	4,863	9.8%	176,173	7.5%
2-4 Unit Multi-Family	123	2.5%	799	1.6%	104,411	4.4%
5+ Unit Multi-Family	787	16.1%	3,609	7.3%	410,648	17.4%
Mobile Home	422	8.6%	2,335	4.7%	82,441	3.5%
Other	-	0.0%	50	0.1%	703	0.0%
<b>Total Units</b>	<b>4,884</b>	<b>100%</b>	<b>49,371</b>	<b>100%</b>	<b>2,364,149</b>	<b>100%</b>

Source: 2010-2014 American Community Survey 5-Year Estimates

### Comparison and Forecast of Owner-Occupied and Renter-Occupied Units

It is important to have a balance of owner-occupied and renter-occupied units. In general, many communities strive to have roughly 65-70% of their housing units owner-occupied and 30-35% renter occupied. In 2010, approximately 68% of the housing units in Monticello were owner-occupied; this is slightly lower than Wright County (75%), and about the same as the State of Minnesota (68%). During 2016, the City of Monticello's housing occupancy ratio (owner:renter) has changed slightly, with 69% of the housing units being owner occupied and 25% being renter occupied. In 2021, the housing occupancy ratio is forecasted to remain consistent with past trends. Refer to *Table 1-H: Housing Tenure by Type – 2010*, for additional information. Please be aware that there is roughly a 6% gap between owner occupied housing units and renter occupied housing units; this gap will be addressed in the following section.

TABLE 1-H: HOUSING TENURE - 2010 - 2021

Location:	Owner Occupied Housing Units %			Renter Occupied Housing Units %		
	2010	2016	2021	2010	2016	2021
Monticello	68.2%	68.7%	68.1%	26.2%	25.3%	24.9%
Wright County	75.8%	74.7%	74.7%	14.9%	15.8%	15.9%
State of MN	64.9%	64.0%	63.9%	24.0%	24.8%	24.9%

Source: U.S. Census Bureau, ESRI forecasts

### Vacancies

Today, the City of Monticello faces an overall housing vacancy rate of 6.0%, which is 3.4% lower than the vacancy rate for Wright County, and 5.2% lower than that of the State. Monticello's vacancy rate has increased by 0.4% since 2010 and is projected to increase by 1% in 2021 which will still be significantly lower than the County and State. Both the County and State are projected to remain consistent through year 2021. The increase of vacant housing units in Monticello can partly be explained by the fact that the number of housing units in the City increased by nearly 6% from 2010-2016, and the housing market experienced a significant decline. Please see *Table 1-I* for further details.

**TABLE 1-I: VACANT HOUSING FORECAST & COMPARISON – 2010-2021**

Year	City Vacant Units	City Percent Vacant	County Percent Vacant	State Percent Vacant
2010	280	5.6%	9.2%	11.1%
2016	315	6.0%	9.4%	11.2%
2021	391	7.0%	9.4%	11.2%

Source: U.S. Census Bureau, ESRI forecasts

The rental housing vacancy rate is fairly low in Monticello. *Table 2-I* indicates specific vacancy rates for eight of the rental properties in the City.

**TABLE 2-I: RENTAL APARTMENTS – VACANCIES AND RATES**

	Vacancy	Rates
Ridgemont Apartments	0.0%	\$566 - \$610
River Park View Apartments	0.0%	30% of income
Ridgway Apartments	2.3%	\$460 - \$725
Hillside Terrace	0.0%	30% of income
Cedar Crest Apartments	0.0%	30% of income
Broadway Square	0.0%	30% of income
7th Street Townhomes	6.7%	\$825
Monticello Crossings	11.0%	\$925 - \$2,535

Source: WSB & Associates

### Value of Housing

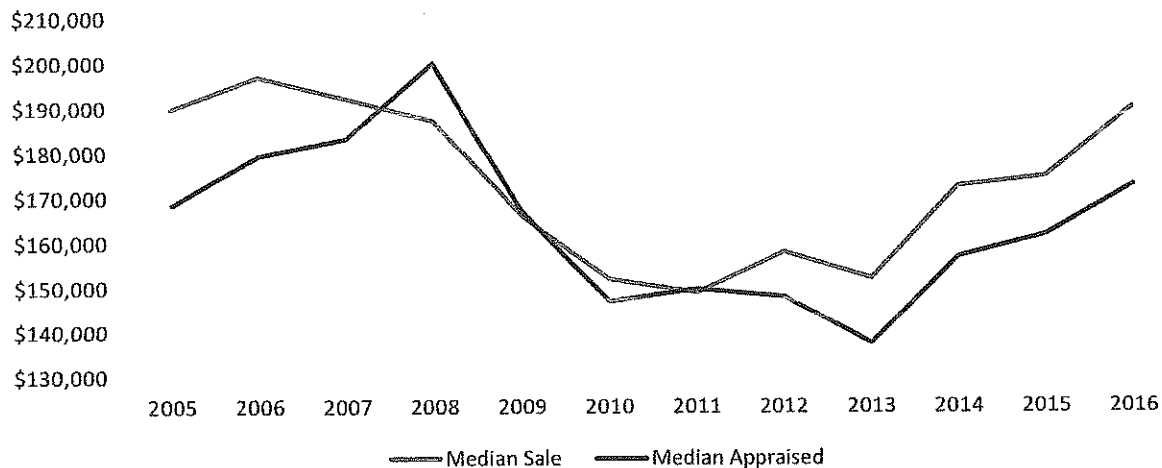
The median value of owner-occupied housing units in Monticello in 2016 was \$179,095 and is projected to increase by \$30,314 in 2021. Most housing in Monticello is valued in the range of \$150,000 to \$199,999, which is consistent with the County and State. In comparison to low and moderate valued housing, there is a relatively limited choice of higher valued housing units in Monticello. Only 16.5% of owner-occupied housing units have a value of \$250,000 or greater compared to 38.8% in the County and 36.7% in the State. The median value of owner-occupied housing in Wright County was \$216,395 and \$205,288 in the State of Minnesota. Monticello needs to focus on later-stage housing opportunities to meet the demand for higher valued housing units. Refer to *Table 1-J: Owner-Occupied Housing by Value -2016* for additional information. *Table 2-J* illustrates the affect that the Great Recession had on housing values in Monticello. Note that median sale price fell below median appraised value in mid-2007, then recovered and surpassed appraised value in 2011 to regain a more traditional relationship. Data from *Table 2-J* came from the Wright County Assessor.

TABLE 1-J: OWNER-OCCUPIED HOUSING BY VALUE - 2016

Value	City Units	City %	Wright County %	State %
Less than \$50,000	411	11.4%	6.5%	6.5%
\$50,000 to \$99,999	240	6.7%	4.8%	9.4%
\$100,000 to \$149,999	407	11.3%	11.8%	14.7%
\$150,000 to \$199,999	1282	35.5%	21.4%	17.9%
\$200,000 to \$249,999	672	18.6%	16.7%	14.7%
\$250,000 to \$299,999	269	7.5%	11.5%	10.3%
\$300,000 to \$399,999	217	6.0%	13.2%	12.2%
\$400,000 to \$499,999	65	1.8%	6.4%	6.1%
\$500,000 to \$749,999	18	0.5%	4.5%	4.9%
\$750,000 to \$999,999	22	0.6%	1.8%	1.9%
\$1,000,000 or More	5	0.1%	1.4%	1.3%
<b>Median Value</b>	<b>\$179,095</b>		<b>\$216,395</b>	<b>\$205,288</b>

Source: ESRI Forecasts

CHART 2-J: MONTICELLO HOUSING VALUES THROUGH THE GREAT RECESSION



#### Owner Monthly Costs as Percentage of Household Income

Housing decisions should not be based solely on the value of housing, but also the cost of housing expenses in relation to household income. In general, housing costs (taxes, insurance, principal, interest, etc.) should not exceed 30% of total household income. In 2014, only 19% of homeowners in Monticello had monthly costs that were more than 30% of their household income, compared to 27% in Wright County and 29% in the State of Minnesota (see Table 1-K: *Owner Monthly Costs as Percent of Household Income -2014*). These figures suggest that housing was more affordable in Monticello than in Wright County and the State of Minnesota in 2014 possibly due to age and livability of housing units. This is an important strength for the City as it continues to grow and evolve into a regional center linking the Twin Cities Metro with the St. Cloud MSA.

Monticello should consider a goal to maintain appropriate amounts of affordable housing to mitigate the negative impacts of a housing price correction like that seen during the Great Recession (2007-2010). This will allow for the community to see steady and modestly increasing home values and reduce the

likelihood of rapidly increasing home prices causing homeowners to be required to spend a larger portion of their income on housing. While the provision of affordable housing is one side of the coin, the City should also incorporate a plan to encourage the development and attraction of livable wage employment opportunities in the City.

**TABLE 1-K: OWNER MONTHLY COSTS AS PERCENT OF HOUSEHOLD INCOME - 2014**

Percent of Household Income	City Units*	City %	County %	State %
Less than 20%	1,286	47.0%	39.0%	41.3%
20.0 to 24.9%	611	22.3%	18.9%	17.8%
25.0 to 29.9%	611	11.4%	14.8%	12.3%
30.0 to 34.9%	169	6.2%	7.6%	7.9%
35.0% or More	361	13.2%	19.6%	20.8%
<b>Total</b>	<b>2,738</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: 2010-2014 American Community Survey \*Housing Units with a Mortgage

### Contract Rent

In 2014, rental housing units accounted for roughly 25% of the occupied housing units in Monticello. In 2014, roughly 88% of units had a monthly rent of \$500 or more, which is higher than Wright County (87%), and the State of Minnesota (79%). See *Table 1-L: Renter-Occupied Housing Units by Gross Rent – 2010*, for additional information.

**TABLE 1-L: RENTER-OCCUPIED HOUSING UNITS BY GROSS RENT - 2014**

Monthly Rent	City		County		State	
	Units	%	Units	%	Units	%
Less than \$200	23	2.0%	141	2.0%	24,764	4.2%
\$200 to \$299	57	4.9%	233	3.3%	31,166	5.3%
\$300 to \$499	66	5.6%	582	8.2%	68,601	11.6%
\$500 to \$749	367	31.2%	2136	30.1%	159,802	27.1%
\$750 to \$999	322	27.4%	2012	28.3%	139,386	23.6%
\$1000 to \$1,499	306	26.0%	1514	21.3%	105,182	17.8%
\$1,500 or more	34	2.9%	188	2.6%	34,297	5.8%
No Rent Paid	0	0.0%	300	4.2%	27,938	4.7%
Median Rent Paid	\$773		\$778		\$747	
<b>Total Specified Units</b>	<b>1,175</b>	<b>100%</b>	<b>7,106</b>	<b>100%</b>	<b>590,136</b>	<b>100%</b>

Source: 2010-2014 American Community Survey

### Renter Monthly Costs as Percentage of Household Income

In 2014, 46.5% of renters paid over 30% of their household income in rent (see *Table 1-M: Gross Rent as Percent of Household Income – 2014*). This number is slightly lower than Wright County (47.7%) but higher than the State of Minnesota (46.1%). This suggests that there is not an abundance of affordable rental units in Monticello and efforts should be made to decrease rental costs.

**TABLE 1-M: GROSS RENT AS A PERCENT OF HOUSEHOLD INCOME - 2014**

Percent of Household Income	Units	Percent	Wright County	State
Less than 10%	0	0.0%	3.2%	3.5%
10 to 14.9%	73	6.2%	8.1%	8.2%
15 to 19.9%	205	17.4%	13.6%	12.3%
20 to 24.9%	262	22.3%	13.1%	12.5%
25 to 29.9%	72	6.1%	9.1%	11.4%
30 to 34.9%	194	16.5%	9.7%	8.8%
35 to 39.9%	86	7.3%	8.1%	6.1%
40 to 49.9%	102	8.7%	9.8%	8.1%
50.0% or More	164	14.0%	20.1%	23.1%
Not Computed	17	1.4%	5.2%	6.0%
<b>Total Specified Units</b>	<b>1,175</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: 2010-2014 American Community Survey

### Age and Maintenance of Housing Stock

In 2014, roughly 39% (1,910 units) of the City's units were constructed before 1990 (greater than 27 years old). Just 5.4% of the housing units in Monticello were built before 1939. Monticello has a relatively new housing stock in comparison to Wright County and the State of Minnesota, with 60.8% of housing units being built since 1990 compared with 50.4% for the County and 29.0% for the State.

**TABLE 1-N: YEAR STRUCTURE BUILT**

Year Structure Built	Monticello Units	Percent	Wright County	State
2010 or later	0	0.0%	0.7%	0.8%
2000 to 2009	1,697	34.7	32.2%	14.6%
1990 to 1999	1,277	26.1%	18.5%	13.6%
1980 to 1989	748	15.3%	12.2%	13.0%
1970 to 1979	654	13.4%	16.0%	15.6%
1960 to 1969	63	1.3%	4.9%	9.8%
1950 to 1959	96	2.0%	4.1%	10.4%
1940 to 1949	86	1.8%	2.3%	4.8%
1939 or Earlier	263	5.4%	9.2%	17.3%
<b>Total Specified Units</b>	<b>4,884</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

Source: 2010-2014 American Community Survey

## LIFE-CYCLE HOUSING AND PROFILE OF HOUSEHOLDS

The housing needs of a community relate to the demographic profile of the household. Typically, households move through several life-cycle stages; including entry-level households, first time homeowners, move-up buyers, empty nesters/young seniors, and senior citizens.

The following describes each of these household types and the effect that they have on housing demands in Monticello.

### Entry-Level Households

People in the 18 to 24-year-old age group typically leave their childhood home and establish their own household. They often rent a house or an apartment because they generally do not have the income and savings needed to buy a home. In addition, many people in this age group move frequently, so they are hesitant to buy a house. They are also more likely to share housing with other unrelated people of similar age.

The entry-level household population in Monticello will fluctuate annually. Many Monticello residents that graduate from high school move to other communities to attend a university or to pursue other job opportunities. In the long term, unless current conditions and trends change, Monticello is projected to see a 0.5% decrease in the 15 to 24-year-old age group by year 2021 (*Table 1-F*). Job opportunities aimed at retaining this age cohort need to be strongly considered. Nevertheless, there will always be a strong need to provide affordable housing for people of all ages.

### First-Time Homeowners

First time homeowners are typically in their 20s and 30s. They are usually “move-up” renters, meaning they “move up” from an apartment to a home. They are often married with young children, but increasingly, first time homeowners are single. They are prone to moving within several years of buying their first home for several reasons; including, increased salaries allow them to move to more expensive housing, children may require larger housing, and job opportunities may require that they move to another community. Monticello is projected to see a 0.3% increase in the 20-44<sup>2</sup> age group by year 2021 (*Table 1-F*), which could translate into an increased demand for lower-end housing units.

### Move-Up Buyers

Move-up buyers are typically in their 30s and 40s. They move up from the smaller, less expensive house that they had previously purchased. From an economic growth perspective, this is an important age group of people. Typically, move-up buyers have children in school and an established career. They are less likely to move to another community and start over. Also, professionals who are moving to a community to advance their career are generally looking to move to a more expensive house than what they had in their previous community. Monticello is projected to see a 0.5% decrease in the 25-54<sup>3</sup> age group by the year 2021 (*Table 1-F*). This is 0.3% lower than the study area average of a 0.8% decrease. This may be an indicator that there is a shortage of available units for move-up buyers. Monticello must continue to ensure that it has adequate choices for those who are looking for move-up housing that will satisfy their needs until they are in their 50s and beyond.

### Empty Nesters and Young Seniors

Empty nesters and young seniors are generally in their 50s, 60s, and early 70s. Often, their children have moved out of their house and left them with a larger house than needed. Empty nesters and young seniors often want to live in a smaller home, like a townhouse or patio home, that has less maintenance.

The baby boom generation in Monticello is projected to increase by 0.6% by year 2021 (*Table 1-F*). A notable increase in apartment rentals in Monticello by members of this population segment is likely to occur. A large portion of these individuals will likely desire higher-end apartment complexes with quality

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<sup>2</sup> People in their 40s were included due to U.S. Census age groups.

<sup>3</sup> People in their 20s and 50s were included due to U.S. Census age groups.

amenities so they can maintain their current lifestyles.

### Senior Citizens

This age group is generally in their late 70s and older and are often looking for low maintenance or assisted living housing. As the population ages, Monticello must continually ensure that it has adequate housing to meet the needs of seniors. The City is projected to see a 0.1% decrease in the 75 and older age group by year 2021 (*Table 1-F*).

Monticello should continue to strive to be a senior-friendly community that values the contributions of seniors, promotes positive intergenerational interactions, considers the needs of seniors in community planning, supports the efforts of seniors to live independently, and acknowledges the role that family, friends, and neighbors play in the life of seniors.

### Special Needs

Housing for those with special needs includes housing for those with mental and/or physical disabilities or health issues and those who need temporary or transitional housing. The number of people with special housing needs is expected to increase as the population of Monticello continues to age and grow.

### Senior Housing Market

Monticello City staff members have identified a need for senior housing market analysis. Based upon population growth forecasts, household forecasts, and the current age of householders, we can extrapolate what the senior housing market will require. *Table 1-O: Senior Housing Projections 2010-2021* illustrates how the change in the sixty-five and older population will affect the number of occupied housing units. By year 2021, Monticello will need 940 units suitable for senior residents to meet demand, which is an increase of 136 units from 2010. We consider senior housing to be any housing unit (affordable, renter, duplex, patio house, etc.) that meets the needs of residents sixty-five (65) and older.

**TABLE 1-O: SENIOR HOUSING PROJECTIONS – 2010-2021**

Year	2010	2016	2021
Total Population	12,759	13,568	14,383
Total Occupied Units	4,693	4,936	5,199
65+ Population	1,207	1,308	1,411
65+ Population Percent	9.5%	9.6%	9.8%
<b>Units Occupied by 65+ Population</b>	<b>804</b>	<b>871</b>	<b>940</b>
Percentage of Units Occupied by 65+ Population	17.1%	17.7%	18.1%

Source: U.S. Census, ESRI Forecasts, WSB & Associates



# AFFORDABLE HOUSING

Affordable housing is important to a strong economy and a healthy community. Increasingly, housing is not affordable for many working families and the lack of affordable housing for people of all ages and incomes causes families stress, dampens productivity and stifles job growth. Various organizations define “affordable housing” in many ways. The Department of Housing and Urban Development (HUD) generally defines housing as affordable if it costs less than thirty (30) percent of a household’s income.

However, HUD’s Section 8 Income Guidelines are the basis for most affordable housing programs. Section 8 guidelines define low and moderate incomes on a sliding scale, depending on the number of persons in the family. For example, a four-person household is considered “moderate income” if their family income is eighty (80) percent of the area’s median family income.

Most housing affordability programs and data place emphasis on creating owner-occupied units at eighty (80) percent of the median family income (moderate income) and rental units at fifty (50) percent of the median family income (low income). Since low income persons are typically renters, the definition of “low income” is tied to the number of persons in each unit. This study identifies “affordable owner occupied units” as those affordable for moderate income families (eighty (80) percent of median income). Affordable rental units are based on fifty (50) percent of the median income and reflected on a per capita and per family basis.

It is very important to note that the definition of “affordable” in terms of a dollar amount will continue to change as the cost of living increases and interest rates change. Therefore, the City should periodically review income/housing statistics and update the definition as warranted. Factors such as interest rates will impact housing affordability in both a positive and negative manner.

## Income by Age of Householder

Looking at income data is also important when predicting future housing demands in the City of Monticello. In 2010, the median household income in Monticello was \$68,135 (\$67,963 in the County) and the largest employment industries were educational, health and social services, manufacturing, and retail trade. By 2016, the median household income increased significantly to approximately \$76,954 (\$73,798 in the County) and the top employment industries were the same. Monticello’s median household income is projected to increase to \$85,218 by 2021 (\$83,257 in the County) according to ESRI Business Analyst.

Income distributions as reported by the U.S. Census Bureau can be compared to affordability standards to determine how many households and families in the City of Monticello may require affordable housing. *Table 1-P: Monticello Affordable Housing Units Requirements – 2016 & 2021* depicts the number of households (renter and owner) that may require affordable housing (based on family income). The gray shaded area indicates family incomes of 80% or less of the median household income (\$61,449 in 2016 and \$68,174 in 2021). The red box indicates family incomes of 50% or less of the median household income (\$38,406 in 2016 and \$42,609 in 2021). By 2021, 2,214 owner households may require affordable housing, and 1,629 renter households may require affordable housing.

**TABLE 1-P: MONTICELLO AFFORDABLE HOUSING REQUIREMENTS – 2016 & 2021**

Annual Household Income	2016		2021	
	Number of Households	% of Total	Number of Households	% of Total
Less than \$15,000	378	7.7%	411	7.9%
\$15,000 to \$24,999	286	5.8%	271	5.2%
\$25,000 to \$34,999	332	6.7%	316	6.1%
\$35,000 to \$49,999	543	11.0%	631	12.1%
\$50,000 to \$74,999	834	16.9%	512	9.8%
\$75,000 to \$99,999	887	18.0%	937	18.0%
\$100,000 to \$149,999	1,262	25.6%	1,564	30.1%
\$150,000 to \$199,999	341	6.9%	472	9.1%
\$200,000 and over	74	1.5%	85	1.6%
Total Households	4,937	100%	5,199	100%

Source: U.S. Census Bureau, ESRI forecasts

The following table illustrated the maximum affordable housing costs for renters and owners based on median income. A direct relationship exists between monthly affordable housing costs and median income. Steps should be taken in Monticello to keep housing costs affordable as housing values increase such as maintaining current affordable housing stock and assuring opportunities for the construction of new affordable housing units.

**TABLE 1-Q: MAXIMUM AFFORDABLE HOUSING COSTS (RENTER & OWNER) - 2016 & 2021**

Year	Renter		Owner	
	2016	2021	2016	2021
Median Income	\$76,811	\$85,218	\$76,811	\$85,218
Affordable Income:				
50% Renter, 80% Owner	\$38,406	\$42,609	\$61,448.80	\$68,174.40
30% of Affordable Income	\$11,522	\$12,783	\$18,434.64	\$20,452.32
Monthly Housing Cost	\$960	\$1,065	\$1,536.22	\$1,704.36

Source: U.S. Census Bureau, ESRI forecasts

## OWNER-OCCUPIED HOUSING MARKET ANALYSIS

This section analyses the City of Monticello's owner occupied housing market. Analyzed in this section are single-family home resale trends, home foreclosures, actively marketing subdivisions, pending subdivisions, interviews with local real estate professionals and others involved in the local housing market to gain their feedback on existing market conditions and trends. The Wright County Assessor's Office provided data on resale trends. The following are key findings regarding the owner-occupied housing market.

### Home Resale Trends

The average resale price of single-family homes in Monticello in 2016 was \$202,073 and there were 342 sales. This was an increase in price from 2015 (\$169,025 and 266 sales). While some of the price changes from year to year can be attributed to the age and quality of the homes sold during a year, an

interview with a realty expert indicated the average resale price likely bottomed out in 2011 and slow price appreciation is expected to continue to bring prices back to a more market-neutral level.

Median sale price is often a more reliable measure of price trends. In Monticello, the median sale price of single-family homes increased from \$171,500 in 2015 to \$185,269 in 2016, which reflects an increase of 8% for that period.

**TABLE 1-R: RE-SALE TRENDS OF EXISTING SINGLE FAMILY HOMES**

Year	Number of Sales	Median Sale Price	Average Sale Price
2015	266	\$171,500	\$ 169,025
2016	342	185,269	\$ 202,073

Source: Wright County Assessor's Office; WSB & Associates, Inc.

Table 1-S shows the number of home sales in 2016 by the decade the homes were built. In 2016, 181 of the 342 (52.9%) single-family homes sold were built during year 2000 or later. Similarly, Table 1-N showed that approximately 34.7% of Monticello's owner-occupied single-family homes were built after 2000. Only 11.7% of the sales in 2016 were homes built prior to 1980. This highlights the relatively large supply of newer homes available to potential new residents moving to the community.

Table 1-S also highlights how the median sale price decreases as the homes get older. Most homes sold in Monticello in 2016 for under \$170,000 were built before 1980. Homes priced above \$180,000 were generally built since 2000.

**TABLE 1-S: HOME SALES BY DECADE BUILT 2016**

Decade	Number of Sales	Percentage	Median Sale Price
1970 and Older	27	7.9%	\$151,509
1971-1980	13	3.8%	\$166,000
1981-1990	23	6.7%	\$157,500
1991-2000	98	28.7%	\$181,467
2001-2010	132	38.6%	\$193,951
2010-2016	49	14.3%	\$221,050
<b>Total:</b>	<b>342</b>	<b>100.0%</b>	<b>-</b>

Source: Wright County Assessor's Office

## Foreclosures

Beginning in the middle of the last decade, home foreclosures began to have a significant impact on housing markets across the nation. Initially, most foreclosures occurred among buyers with lower credit ratings who had sub-prime mortgages. Gradually, foreclosure activity increased as jobs plummeted and home prices sank precipitously. Foreclosures have gradually decreased over the past few years as housing markets have stabilized. Table 1-T presents foreclosure data for Wright County and Minnesota. The data are considered "Sheriff's Sales Foreclosures" and was compiled by the Minnesota Homeownership Center and published on their website. There were 7,212 foreclosures in Minnesota in 2015. This was down from 8,313 in 2014 and significantly lower than 11,834 in 2013. Wright County had 205 foreclosures in 2015, down from 240 in 2014 and 372 in 2013.

Wright County has maintained a higher foreclosure rate than Minnesota. The foreclosure rate, as shown in *Table 1-T*, is defined as the number of foreclosed mortgages as a percent of total residential parcels. In 2015, Wright County's foreclosure rate was 0.49% compared to 0.40% in Minnesota.

Foreclosures have hindered Wright County's housing market as they have other areas of the State. Out of 87 counties in the State, only 6 had a higher foreclosure count than Wright County. Those counties were Saint Louis, Washington, Dakota, Anoka, Ramsey, and Hennepin.

**TABLE 1-T: HOME FORECLOSURES WRIGHT COUNTY, 2013 to 2015**

Year	Wright County		Minnesota	
	Number of Foreclosures	Foreclosure Rate	Number of Foreclosures	Foreclosure Rate
2013	372	0.89%	11,834	0.64%
2014	240	0.57%	8,313	0.46%
2015	205	0.49%	7,212	0.40%

Sources: Minnesota Homeownership Center, HousingLink

### Single-Family Listings

Based on a review of various Realtor websites, there were 77 single-family homes actively listed for sale in Monticello in November 2016. The homes were unevenly distributed by price range; weighted heavier toward higher priced homes. Only two (2) homes were priced below \$120,000 and 68 priced \$150,000 or higher listed for sale. Four (4) homes were listed for sale between \$100,000 and \$150,000.

The average list price of homes on the market was \$271,759 in November 2016. While homes typically sell for less than the list prices, the current prices suggest that Monticello should continue to see appreciation in home prices since the low point in 2011.

### Existing Lot Supply

There are currently a limited number of lots available to accommodate new single-family homes in Monticello. The City is experiencing a shortage in buildable lots as bank owned lots have been purchased and developed. As of the end of 2016, there are a total of 74 single-family lots and sites that can accommodate up to 101 multi-family units. Permit numbers have steadily recovered from the 2010 and 2011 low point (two single family permits issued each year) to the issuance of 61 single-family permits in 2016. Prior to the recession, the City issued more than 300 permits annually. During that time (2002-2007) housing lots were selling in the \$70,000-\$90,000 range. The sale price of lots fell by more than 80% after the recession. Bank foreclosures of developers resulted in existing lots becoming bank owned and ultimately being developed quickly. Many of the approved single family pre-plats were not completed due to the diminished demand for new homes. Refer to *Table 1-U* for full details.

**TABLE 1-U: AVAILABLE PLATTED & UTILITY SERVICED LOTS**

<b>Development</b>	<b>Single Family Lots</b>	<b>Multi Family Lots</b>
Featherstone	15	0
Hunters Crossing	0	0
Hillside Farm	22	0
Spirit Hills	0	5
Sunset Ponds	21	0
Carlisle Village	7	17
Autumn Ridge	0	79
Eastview	1	0
Club West	7	0
Pine View	1	0
<b>Total</b>	<b>74</b>	<b>101</b>

*Source: City of Monticello*

In mid-2016, the average price of a lot was about \$20,000. As the housing market has improved and lot prices have increased due to the limited supply, it has allowed for an increase in prices for new single family lots. The new housing price situation is further aggravated by the limited number of remaining small home builders which have either closed or changed professions due to the recession and is now resulting in higher construction costs. According to a Monticello realty expert, another critical factor impacting the demand for single family homes is the degree to which first-time home buyers are riddled with college debt and unable to afford the price of a new home.

The interest rate for new home loans has increased slightly from an all-time low of 3.4% during the depths of the recession to approximately 4.25% in late 2016.

Monticello's average re-sale price currently sits in the five to seven percent range and is expected to go up. There are no major complaints or concerns among current homeowners looking to move up into more expensive homes. However, Monticello currently lacks availability of lots that are attractive for higher end housing. The community should focus on the development or attraction of a high-end housing development. The two-major upper-bracket areas (Carlisle Village and Briar Oakes Boulevard) have limited availability of undeveloped lots and are surrounded by agricultural uses. City-annexed land west of Monticello provides development opportunities but is unattractive to developers looking to build higher-market homes due to the lack of natural amenities and features generally associated with high end housing areas.

### **Single-family Housing Permits**

The City of Monticello issued sixty-one (61) building permits in 2016. This number is up 38.6% from 2015 when forty-four (44) permits were issued (6 attached and 38 detached). To meet demand, the City will need to continue this trend. Please refer to *Table 1-C* for additional information.

# RENTAL HOUSING MARKET ANALYSIS

## Affordable Rental Housing

This section of the report analyses the affordable rental housing market in Monticello. The analysis includes data collected from Affordable Housing Online. All the properties in this section are general occupancy.

As shown in the demographic and housing stock overview sections, there are approximately 1,175 renter households in Monticello which is down 127 households from 2010. The overwhelming majority of renters live in larger multifamily properties. There are approximately 2,923 renters (24% of total population) living in Monticello. As of 2014, 25% of total Monticello households were renter-occupied, compared to 15.6% for Wright County, and 28% for the State of Minnesota.

Properties that include units assisted by federal programs were surveyed as part of this analysis. In total, eight (8) properties with 322 units were surveyed. Twenty-six (26) percent of the City's rental units are federally subsidized. Monticello's federally assisted affordable rental housing stock includes properties financed through the following programs:

**TABLE 1-V: FEDERALLY ASSISTED AFFORDABLE RENTAL HOUSING STOCK**

Program	Properties	Units
Section 8	2	74
LIHTC	3	102
RD 515	6	189
<b>Total</b>	<b>9</b>	<b>307</b>

Note: The total does not necessarily equal the sum of each program as some properties may participate in multiple funding programs  
Source: Affordable Housing Online

The average number of units per property for affordable rentals in Monticello is 34. The largest federally assisted affordable rental community in Monticello is Ridgemont Apartments at 48 units and the smallest is Hillside Terrace II at 12 units. Two apartment properties provide housing for seniors totaling 59 units. All 307 units include some form of rental assistance (like Section 8) to make rent more affordable for very low income families. In Monticello, a family of four must earn \$42,900 or less to qualify for Section 8 housing. See *Table 1-W: Federally Assisted Units by Property* for details.

**TABLE 1-W: FEDERALLY ASSISTED UNITS BY PROPERTY**

Name	Sec 8	LIHTC	RD 515	Senior
Broadway Square	-	-	-	28
Cedar Crest Apartments	38	-	-	-
Hillside Terrace -- Monticello	36	-	-	-
Hillside Terrace II	-	-	12	-
Ridgeway Apartments	-	-	44	-
River Park View Apartments	-	31	31	31
Ridgemont Apartments	-	-	48	-

Source: Affordable Housing Online  
Note: Not all unit counts are available from HUD

## Photographs of Monticello Apartment Buildings

Image 2: River Park View Apartments



Image 1: Ridgemont Apartments



Image 3: Hillside Terrace



Image 4: Cedar Crest Apartments



Image 6: Ridgeway Apartments



Image 5: Broadway Square

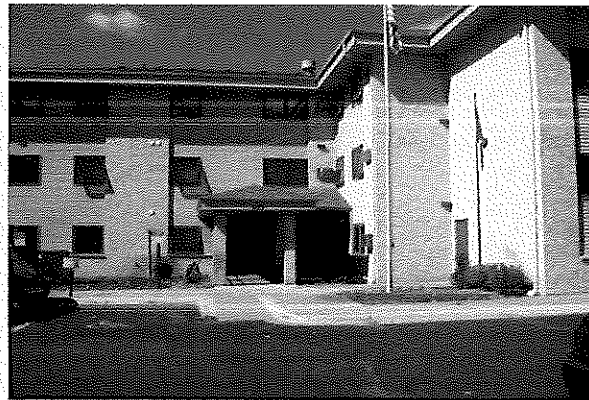


Image 8: 7th Street Townhomes



Image 7: Monticello Crossings



### Housing Development Opportunities

There are currently three future housing development sites that have been identified in Monticello.

**Site A** is an 11.93-acre area located at 506 Territorial Road and is the site of the historic registered Rand House which was the home of the Minnegasco founders. This site is zoned low density residential (R-1) and performance-based overlay and may be used for the development of a senior housing apartment complex with sixty to eighty units (60-80) in addition to forty (40) patio homes. The Rand House would be used as a community center and guest home for the development. Rezoning this area using the planned unit development (PUD) process may be the best option to allow for this higher density development. The uniqueness of the property and the City's need for additional senior housing units could be used to justify the PUD. Also, we believe the proposed housing development is consistent with the purpose of the performance based enhancement district.

**Site B** is a 6.4-acre area located north of the lake on the corner of Elm Street and 7<sup>th</sup> Street West. It is zoned for medium density residential (R-3) and may be used for multifamily, senior, or market-rate development. It is within proximity to the Cub Food Store and the Community Center. The site's southern exposure to the wetland pond offers an attractive natural amenity.

Finally, **Site C** is located at the corner of Locust Street and 3<sup>rd</sup> Street West and has already been approved for the construction of a twenty-three (23) unit three story residential development.

As stated earlier in the "Senior Housing Market" section, from 2010-2021 Monticello will need to construct 136 new senior housing units to meet the forecasted demand. Sites A and B have both been identified as ideal locations for senior housing development. Depending on the number of units permitted on each of these sites, and on how many senior housing units have been constructed from 2010-2016, Monticello may need to identify more sites suitable for senior housing.



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# DEMAND ANALYSIS AND CONCLUSIONS

This section of the report utilizes data collected in the previous sections to calculate demand for owned and rental housing in Monticello through 2021.

## Housing Demand Analysis

Table 1-X outlines our calculations for owner and rental housing demand in Monticello from 2016 to 2021. Demand for additional housing in Monticello will come primarily from household growth. Pent-up rental will also be a source of housing demand.

Monticello is projected to add 267 households between 2017 and 2021. This correlates to the need for 267 housing units to accommodate the household growth, or an average of about 53 new units annually. As discussed above, Monticello will experience strong growth among older adults through the end of this decade; it will also see strong growth among younger populations (25 to 34), as it did last decade. The growth of these younger households is creating demand for rental housing and entry-level homes.

**TABLE 1-X: POTENTIAL HOUSING DEMAND OVER NEXT 5 YEARS**

	2017 to 2021		
A. Household growth	267		
B. Replacement Demand	10		
<b>C. Total housing growth (A+B)</b>	<b>277</b>		
	<b>Range to occur over next 5 years:</b>		
D. Percent rental demand	25%	to	35%
E. Rental housing demand (C x D)	69	to	97
F. Pent-up rental demand	40	to	60
<b>G. Total rental housing demand (E+F)</b>	<b>109</b>	<b>to</b>	<b>157</b>
H. Percent owner demand	65%	to	75%
<b>I. Total owner housing demand (C x H)</b>	<b>180</b>	<b>to</b>	<b>208</b>

Sources: US Census Bureau, ESRI forecasts, WSB & Associates, Inc.

Replacement demand is generated from the loss of housing or the need to replace housing units that are physically or functionally obsolete. A review of Monticello's housing stock from the U.S. Census revealed that there are about 340 housing units built prior to 1950. It can be assumed that these homes' values are decreasing at a faster rate relative to other types of housing. Most of these homes are in good condition<sup>4</sup>, and we estimate that only about one-half percent per year should be removed annually from the housing supply because of obsolescence, which equates to two units every year or ten units over the next five years.

A healthy rental market is expected to have a vacancy rate of about 5% to allow for sufficient consumer choice and unit turnover. With pent-up demand, persons who would normally form their own rental households, instead decide to move in with other persons in a housing unit, live with their parents, or live in housing outside of the area. In 2016, Monticello issued a building permit for a 202-unit multi-family complex indicating pent-up rental demand. Based on past apartments buildings (95 units built in 2000/2001); this newest apartment should meet the pent-up demand for the next fifteen years. The pent-

<sup>4</sup> Good condition meaning that these homes do not need renovated or demolished.

up demand range of forty to sixty (40 to 60) in *Table 1-X* is the result of a 95% occupancy rate and the average pent up demand caused by all 297 units. We predict an annual pent-up demand of ten (10) units per year. Over five years, that would be fifty units, giving us the range of forty to sixty units.

Based on demographic and market trends, we project 25% to 35% of the housing demand from household growth and replacement-need in Monticello between 2017 and 2021 will be for rental housing. There is a total of demand for approximately 109 to 157 rental units. This demand is for all types of rental housing – from subsidized to market rate general occupancy housing to senior housing.

An estimate of 65% to 75% of housing demand in Monticello between 2016 and 2021 is projected to be for owner-occupied housing. This equates to demand for 180 to 208 homes from 2017 to 2021 (45 to 52 homes annually.). This would equate to the projected demand for single-family homes and townhomes. Please see *Table 1-X* for more details.

### Other Housing Recommendations

Projected demand for new housing products in Monticello through the remainder of the decade from current and future residents is outlined on the preceding pages. In addition, there are other programs that Monticello can implement to assist in meeting local housing needs and improving the quality of the existing stock. The key programs/initiatives that Monticello should pursue are outlined below.

- Monticello should work towards converting vacant housing units into renter-occupied to reach 30-35% of total housing units. In its current state, the rental housing inventory sits at 25% of total housing units. As seen in *Table 1-I*, the City is projected to have seventy-six (76) additional vacancies.
- Monticello needs to maintain its low housing costs and low percentage (19%) of residents paying more than 30% of their monthly household income on housing to reduce the negative impacts from another housing correction like 2006-08. This percentage is much lower than county and state averages (27% and 29% respectively).
- Monticello should make efforts to increase affordable rental housing inventory so they are available for younger generations of citizens as well as baby-boomers and empty-nesters. The latter two cohorts of residents are downsizing their living spaces and need affordable places to live. Combining affordable housing options with job opportunities could lead to an increase in 19-24-year-old residents.
- Monticello should also ensure an adequate amount of higher-end rental units for higher-income individuals looking to retire and downsize their living quarters. While these individuals are looking for smaller spaces, they are not willing to surrender the amenities to which they have grown accustomed.
- With the expected increase in the percentage of residents over the age of sixty-five (65), Monticello needs to increase their stock of senior housing units. Refer to *Table 1-O* for projected figures.
- Monticello should consider the development of housing in the downtown area to accommodate young seniors and millennial residents. Both cohorts share the same preference for areas that are rich with amenities and walkable, and housing properties that have lower maintenance requirements. Providing residents with downtown housing options is critical if the city wishes to achieve population age diversity and a complete life-cycle housing environment.

