

A Rental Housing Needs Analysis for the City of Albert Lea, Minnesota

Prepared for:

City of Albert Lea
Albert Lea, MN

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Ms. Boeck:

Attached is the market report titled, *"A Rental Housing Needs Analysis for the City of Albert Lea, Minnesota."* The Needs Analysis examines current general occupancy rental housing market conditions and provides detailed recommendations for rental housing types identified as needed in the short and long-term.

The scope of this study includes: an analysis of the demographic and economic characteristics of the City compared to the surrounding Market Area; a review of the existing rental housing stock and its characteristics; an evaluation of rental market conditions in the City and surrounding area; calculation of demand for general occupancy rental housing and an assessment of housing affordability. Recommendations on the number and types of rental housing products that should be considered in the City are also supplied.

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

Sincerely,

MAXFIELD RESEARCH AND CONSULTING, LLC

Mary C Bujold
President

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Attachment

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Purpose and Scope of Study

Maxfield Research and Consulting, LLC was engaged by the City of Albert Lea, Minnesota to prepare a Rental Housing Needs Analysis. The Needs Analysis examines current rental housing market conditions and provides detailed recommendations for rental housing types identified as needed in the short and long-term.

The scope of this study includes: an analysis of the demographic and economic characteristics of the City compared to the surrounding Market Area; a review of the existing rental housing stock and its characteristics; an evaluation of rental market conditions in the City and surrounding area; demand calculations for general occupancy rental housing and an assessment of housing affordability. Recommendations on the number and types of rental housing products that should be considered for development are also supplied.

Demographic Analysis

- As of 2010, Albert Lea had 18,016 people and 7,774 households. It is estimated that the City's population contracted by 1% between 2010 and 2020 to 17,840, while the number of households decreased 0.5% to 7,710.
- Between 2020 and 2030, Albert Lea's population is projected to decline by another 140 people (-1%) and 30 households (-0.4%).
- In 2020, the largest adult cohort by age in Albert Lea is estimated to be the 55 to 64 group, totaling an estimated 2,367 people (13% of the population), followed by the 75 and older age group with an estimated 2,231 people (12%).
- Although growth is not projected for Albert Lea overall, growth is expected to occur among older adults in Albert Lea. Aging of baby boomers led to an increase of 359 people (9%) in the 65 and older population in Albert Lea between 2010 and 2020. By 2025, the 65 and older age group is project to grow by another 7.5% (290 people).
- In 2020, the median household income was estimated at \$44,210 in Albert Lea. Based on the overall median household income, a household could afford rents of \$1,105, allocating 30% of their income on housing.
- An estimated 58% of households under age 25 rent in Albert Lea. The percentage of renters declines with age as 52% of the 25 to 34 age group rents, 36% of those ages 35 to 44 and 21% of those in the 45 to 54 age group.
- In 2020, an estimated 32% of households in Albert Lea were single-person households while 37% were two-person households. An estimated 11.5% were three-person and another 11% were four-person households. Five-, six- and seven-person households represented 7% of all households in the City.

Employment Analysis

- Due to job losses related to the COVID-19 pandemic, unemployment rates increased dramatically in the Market Area in the first half of 2020, climbing to 9.1% in Albert Lea in May 2020 and 5.7% in 2020 overall. Albert Lea has followed a similar pattern as the SE Minnesota economic region and the State of Minnesota.
- An estimated 37% of the jobs in Albert Lea are filled by workers commuting into the City. The highest proportion of workers coming into the City are aged 30 to 54 and earn more than \$3,333 per month (\$40,000 per year). The “All Other Services” sector brings in most of the employees (47%).
- An estimated 4,949 workers come into Albert Lea for employment (inflow) daily, while 3,908 resident workers commute out of the City (outflow). An estimated 5,193 people live and work in the City (interior flow).
- An estimated 61% of employees who work in Albert Lea commute less than 10 miles while 18% commute 10 to 24 miles. There is 14% of the job force that travel over 50 miles and another 7% 25 to 50 miles.
- The MN Department of Employment and Economic Development (MN DEED) identified Education & Health Services as the largest employment sector in Albert Lea (25% of total jobs) in Q3 2020. Trade, Transportation, & Utilities and Manufacturing sectors follow close behind representing 24% and 23% of total employment, respectively.
- Average weekly wages in Albert Lea were \$841 in Q3 2020. A household earning the average weekly wage in the City of Albert Lea should be able to afford an apartment renting for an estimated \$1,093 per month to not exceed 30% of its monthly income on housing costs, significantly higher than the average rent for existing market rate rental properties in the PMA (\$675).

Housing Characteristics

- A total of 152 residential housing units were permitted in Albert Lea from 2010 through 2020, averaging 15 new units per year.
- An estimated 43% of the housing permitted units since 2010 were for detached single-family homes (66 units), while 28% were for townhome units (42 units) and nearly 29% were for multifamily units (44 units).
- As of 2020, it was estimated that 28% of occupied housing units were renter households. One-unit, detached (single-family) homes accounted for the largest number of occupied rental units at 10% followed by units in buildings with 20 or more units (9%).

EXECUTIVE SUMMARY

- Albert Lea's housing stock is aging as over half the housing units were built prior to 1960. Another 25% were built from 1970 to 1980. Therefore, an estimated 80% of the housing units are 40 years or older.
- An estimated 73% of rental units in Albert Lea have median monthly contract rents ranging from \$250 to \$749. Only 9% of rental units have rents of more than \$1,000.

Rental Housing Market Analysis

- Maxfield Research compiled detailed information for general occupancy rental housing properties in Albert Lea and Freeborn County, including three shallow-subsidy (affordable) properties, eight deep-subsidy (subsidized) properties and 21 market rate properties. These properties represent 106 shallow-subsidy units, 292 deep-subsidy units and 444 market rate units.
- The inventory of rental properties in the PMA was 1.9% vacant as of March 2021, including a 0% vacancy rate among the affordable properties, 3.1% among the subsidized properties and a 1.6% vacancy rate in the market rate properties. The equilibrium vacancy rate for rental housing is considered to be 5.0%, which allows for normal turnover and an adequate supply of alternatives for prospective renters. The vacancy rates identified indicate that there is a substantial need for additional rental housing in Albert Lea and that the market appears exceptionally tight.
- The average rental rate across all market rate general occupancy properties is \$675 per month, with one-bedroom units averaging \$545 per month; two-bedroom units averaging \$781 per month and three-bedroom units averaging \$849 per month. On a per square-foot basis, the general occupancy market rate properties have an average rent of \$0.97 per square foot.
- There were two rental developments under construction at the time of the survey. The Marketplace grocery site is being developed into 50 market rate rental units and the former Ramsey School Building into 12 market rate units. Two additional developments are planned. Blazing Star Landing is planning 48 units with 38 market rate and 10 affordable units and the former VFW building is planned to be redeveloped into 21 market rate rental units.

Housing Affordability

- An estimated 44% of all renter households in Albert Lea pay more than 30% of their income on housing which is on par with Minnesota at 44%.
- The number of cost burdened households increases proportionally based on lower incomes. In Albert Lea, an estimated 70% of renters with incomes below \$35,000 are cost burdened.

EXECUTIVE SUMMARY

These percentages are lower than in Minnesota, where 74% of renter households and 50% of owner households, respectively, are cost burdened.

Housing Demand Analysis

- Maxfield Research calculated the following general occupancy rental housing demand for Albert Lea between 2020 and 2030. All rental units currently under construction were taken into consideration in the demand calculation.
 - Market rate rental 160 units
 - Shallow subsidy rental 118 units
 - Deep subsidy rental 42 units

Conclusions and Recommendations

- Based on the finding of the analysis, the following charts summarize the recommended development concepts by product type for Albert Lea to 2030. Detailed findings are described in the *Conclusions & Recommendations* section of this report.
- There are 121 units in the development process in Albert Lea. Of which, 62 market rate units are under construction and another 69 units have been approved. If all of these units are developed by 2022, they will satisfy some of the projected demand through 2030 in the short term.

RECOMMENDED RENTAL HOUSING DEVELOPMENT CITY OF ALBERT LEA 2020 to 2030			
	Monthly Rent Range ¹	No. of Units	Development Timing
Market Rate Rental Housing			
Townhome-style	\$1,100/2BR - \$1,300/3BR	30 - 40	2021+
Apartment-style	\$900/1BR - \$1,200/3BR	40 - 50	2023+
Apartment-style	\$900/1BR - \$1,200/3BR	40 - 50	2023+
Affordable Rental Housing			
Apartment-style	Moderate Income ² 1BR/2BR/3BR	35 - 40	2021+
Townhome-style	Moderate Income ² 2BR/3BR/4BR	25 - 35	2021+
¹ Pricing in 2021 dollars. Pricing can be adjusted to account for inflation. Pricing is an estimate of what the current rental market could absorb.			
² Affordability subject to income guidelines per US Department of Housing and Urban Development (HUD)			
Note - Recommended development concepts represent a hypothetical potential project and do not necessarily reflect total calculated demand			
Source: Maxfield Research & Consulting, LLC			

Purpose and Scope of Study

Maxfield Research and Consulting, LLC was engaged by the City of Albert Lea, Minnesota to prepare a Rental Housing Needs Analysis. The Needs Analysis provides recommendations on the amount and types of general occupancy rental housing that may be developed to meet the needs of current and future households residing in the City.

The scope of this study includes: an analysis of the demographic and economic characteristics of the City compared to the surrounding Market Area; a review of the existing rental housing stock and its characteristics; an evaluation of rental market conditions in the City and surrounding area; calculations of demand and an assessment of housing affordability. Recommendations on the number and types of rental housing products that should be considered in the City are also supplied.

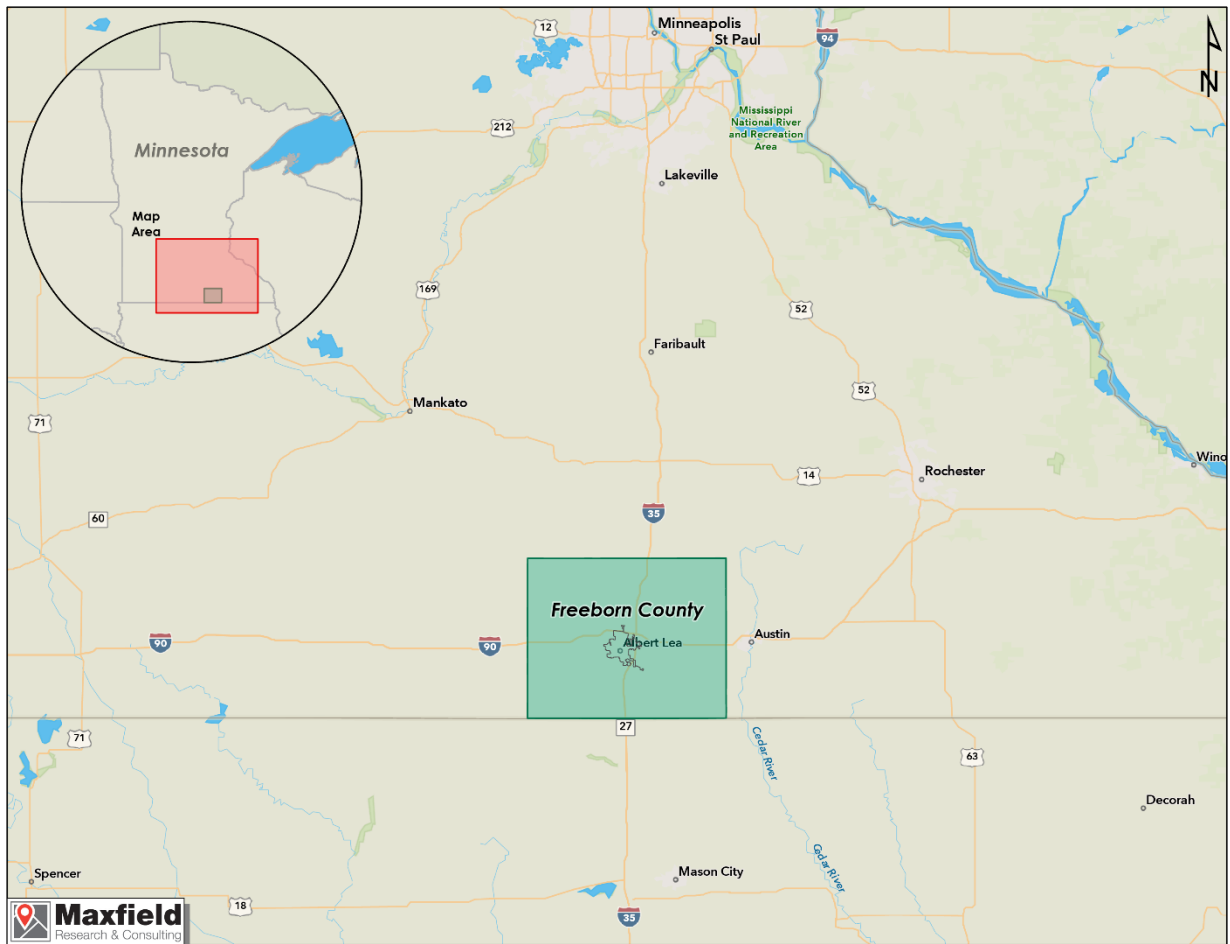
Introduction

Demographic characteristics and trends are important factors when evaluating housing needs in any given market. This section of the report examines the demographic and economic characteristics of Albert Lea and the surrounding Market Area. A review of these characteristics provides insight into the demand for various types and styles of rental housing in the City.

General occupancy rental housing demand in Albert Lea is expected to be driven primarily by demand and supply in the City. A portion of the housing demand, however, will be generated from outside the City, so comparisons are made to Freeborn County and the Southeast Economic Development Region. The “Albert Lea Market Area,” which is referenced throughout the study, consists of Freeborn County.

The following map illustrate Albert Lea’s location in the Market Area and its location in the region.

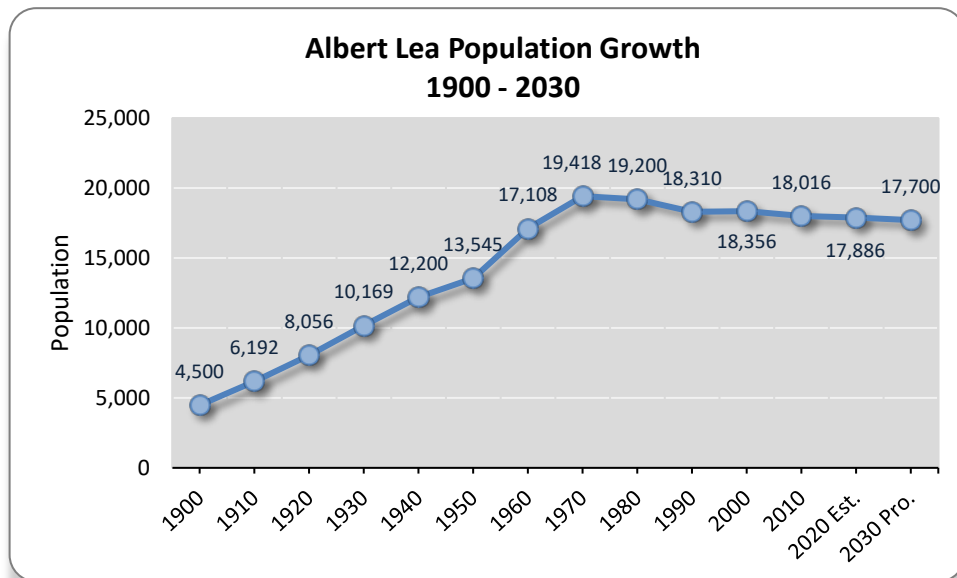
Regional Location Map



Population and Household Growth Trends

Table D-1 on the following page presents population and household growth trends in the Market Area from 1990 to 2030. The 1990, 2000, and 2010 figures are from the U.S. Census. The 2020 population and household estimates for Albert Lea, the Albert Lea Market Area (Freeborn County) and the Remainder of the Market Area are provided by ESRI Inc. (a nationally recognized demographics firm). Estimates for 2020 and projections to 2030 are based on information from ESRI (a national demographics service provider) and the Minnesota State Demographer and adjusted by Maxfield Research and Consulting, LLC.

- As depicted in the following graph, Albert Lea's population grew from 1900 to 1970, but declined between 1970 and 1990 before increasing slightly during the 1990s. Population then fell again by 2010 and is estimated and projected to continue to decline through 2030. The largest population increase occurred from 1950 to 1960 when the population increased by 3,563 people (26% growth).



- As of 2010, Albert Lea had 18,016 people and 7,774 households in which the City's population contracted 2% and households fell by less than 1%. We estimate that the City's population decreased by 1% between 2010 and 2020 to 17,886, while the number of households decreased by 0.5% to 7,736.
- The average household size in Albert Lea decreased from 2.43 persons per household in 1990 to 2.32 in 2010. The trend appears to be stabilizing as the Millennial generation enters their prime child-bearing years as the estimated household size declined to 2.31 in 2020 and down to 2.30 by 2030.

TABLE D-1 POPULATION AND HOUSEHOLD GROWTH TRENDS AND PROJECTIONS ALBERT LEA MARKET AREA 1990 to 2030						
Population						
	City of Albert Lea		Remainder of PMA		Freeborn County (PMA)	
1990	18,310		14,750		33,060	
2000	18,356		14,228		32,584	
2010	18,016		13,239		31,255	
2020 Estimate	17,886		12,836		30,722	
2025 Forecast	17,840		12,560		30,400	
2030 Forecast	17,700		12,200		29,900	
Change	No.	Pct.	No.	Pct.	No.	Pct.
1990 - 2000	46	0.3%	-522	-3.5%	-476	-1.4%
2000 - 2010	-340	-1.9%	-989	-7.0%	-1,329	-4.1%
2010 - 2020	-130	-0.7%	-403	-3.0%	-533	-1.7%
2020 - 2025	-46	-0.3%	-276	-2.2%	-322	-1.0%
2025 - 2030	-140	-0.8%	-360	-2.9%	-500	-1.6%
Households						
	City of Albert Lea		Remainder of PMA		Freeborn County (PMA)	
1990	7,533		5,496		13,029	
2000	7,785		5,571		13,356	
2010	7,774		5,403		13,177	
2020 Estimate	7,736		5,314		13,050	
2025 Forecast	7,710		5,290		13,000	
2030 Forecast	7,680		5,230		12,910	
Change	No.	Pct.	No.	Pct.	No.	Pct.
1990 - 2000	252	3.3%	75	1.4%	327	2.5%
2000 - 2010	-11	-0.1%	-168	-3.0%	-179	-1.3%
2010 - 2020	-38	-0.5%	-89	-1.6%	-127	-1.0%
2020 - 2025	-26	-0.3%	-24	-0.5%	-50	-0.4%
2025 - 2030	-30	-0.4%	-60	-1.1%	-90	-0.7%
Sources: Minnesota State Demographic Center; Minnesota Department of Employment and Economic Development (DEED); Maxfield Research & Consulting, LLC						

- Over the next decade, Albert Lea is project to continue to lose population and households. Between 2020 and 2030, Albert Lea is projected to lose 186 people (-1%) and 56 households (-1%). The decline is likely due to an aging population and a lack of affordable housing production to keep pace with job growth.

- Future household growth in Albert Lea will be highly dependent on the availability of suitable housing options. Growth in population and households will be difficult to realize without the addition of new housing units in the City catering to a variety of household types.

Age Distribution

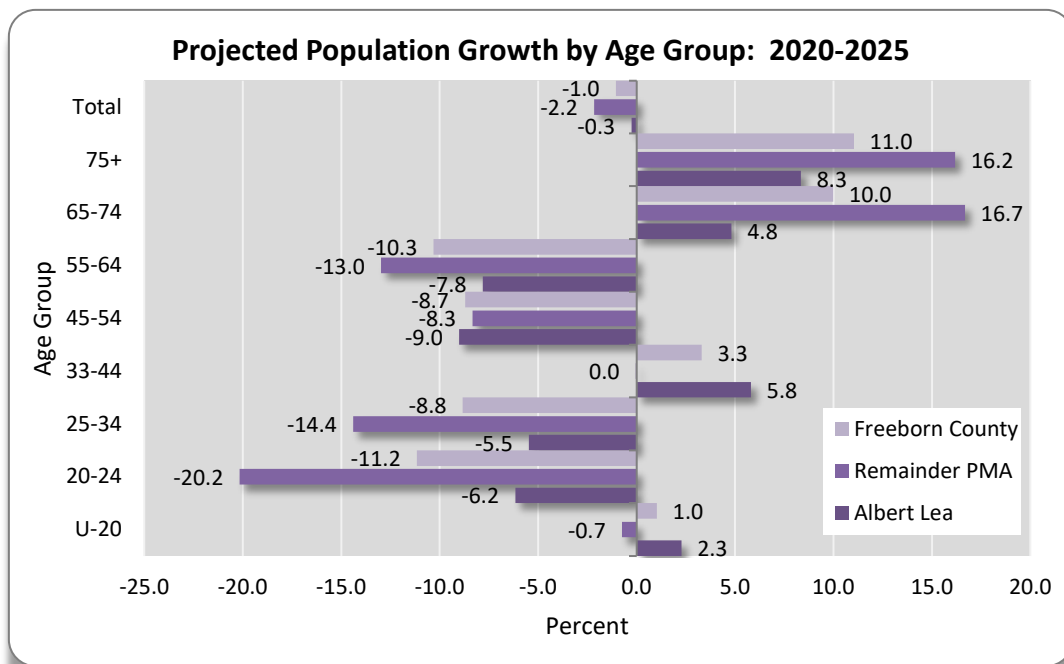
The age distribution of a community's population helps in assessing the type of housing needed. For example, younger and older people are more attracted to higher-density housing located near urban services and entertainment while middle-aged people (particularly those with children) traditionally prefer lower-density single-family homes.

Table D-2 presents the age distribution of the Market Area population from 2000 to 2025. Information from 2000 and 2010 is sourced from the U.S. Census. The 2020 estimates and projections for 2025 were provided by ESRI, with adjustments made by Maxfield Research.

- In 2020, the largest adult cohort by age in Albert Lea is 55 to 64, totaling an estimated 2,367 people (13% of the population), followed by the 75+ age group with an estimated 2,231 people (12.5%). In Freeborn County, the 55 to 64 cohort is the largest age group (15% of the population) in 2020, followed by 45 to 54 cohort and the 65 to 74 cohort (12%).
- The most rapid growth is estimated to have occurred among older adults in the Market Area. Aging of baby boomers led to an increase of 374 people (21%) in the 65 to 74 population in Albert Lea and 784 people (26%) in the Market Area between 2010 and 2020.
- As this group ages, the 65 and older age cohorts are expected to experience increases in the next several years. The 75 and older age group which is projected to grow 11% in the Market Area adding 376 people while the 65 to 74 age group is projected to expand 381 people (10%) from 2020 to 2025.
- The Market Area is expected to experience declines in most adult age cohorts with the largest decline expected in the 55 to 64 age group between 2020 and 2025, which is projected to contract 472 people (10%) and 185 people in Albert Lea (-8%).
- The loss projected for this cohort is a result of the comparatively small number of people who will move into this age group between 2020 and 2025, a phenomenon known as the "baby bust." The "baby bust" is often referred to the generation of children born between 1965 and 1980, an era when the United States birthrate dropped sharply.

DEMOGRAPHIC ANALYSIS

- Contraction is also forecast for younger adults in the Market Area between 2020 and 2025, as the 20 to 34 cohort is projected to decline 9.5% (-476 people). Albert Lea is projected to experience a decline in the 20 to 34 cohort of 178 people (-6%).
- After estimated growth for the 25 to 34 age cohort (5%) between 2010 and 2020, the PMA is expected to experience growth in the age 35 to 44 cohort, adding 111 people (3% growth), as the peak of the “echo boom” moves into this age group.
- Traditionally, this age group has been a target market for entry level and/or move-up ownership housing, although a higher proportion of this cohort is now likely to rent their housing longer than in the past versus shifting over into the for-sale market due to lifestyle and economic factors.



- Based on age distribution projections for Albert Lea, demand is expected to be strongest for housing units catering to the senior population and rental housing targeting the 35 to 44 age group.
- Typical housing products sought by households in various age groups include:
 - Rental housing targeting the young adult (25 to 34) age group;
 - Maintenance-free, single-level housing (ownership or rental) targeting the empty nester population (55 to 74 age group);
 - Entry-level ownership housing for first-time home buyers (age 25 to 34);
 - Entry-level and move-up ownership housing for family households (age 35 to 54); and,
 - Age-restricted active adult or service-enhanced (i.e. assisted living) housing for seniors.

DEMOGRAPHIC ANALYSIS

TABLE D-2 POPULATION AGE DISTRIBUTION ALBERT LEA MARKET AREA 2000 - 2025								
Age	Census		Estimate	Projection	Change			
					2010-2020		2020-2025	
	2000	2010	2020	2025	No.	Pct.	No.	Pct.
City of Albert Lea								
Under-20	4,664	4,293	4,088	4,181	-205	-4.8	93	2.3
20 to 24	1,000	1,007	966	906	-41	-4.1	-59	-6.2
25 to 34	1,998	2,033	2,182	2,063	149	7.3	-119	-5.5
35 to 44	2,518	1,921	1,928	2,040	7	0.4	112	5.8
45 to 54	2,365	2,462	1,969	1,791	-493	-20.0	-177	-9.0
55 to 64	1,893	2,273	2,367	2,182	94	4.1	-185	-7.8
65 to 74	1,675	1,781	2,155	2,259	374	21.0	104	4.8
75+	2,243	2,246	2,231	2,417	-15	-0.7	186	8.3
Total	18,356	18,016	17,886	17,840	-130	-0.7	-46	-0.3
Remainder of Market Area								
Under-20	4,016	3,297	2,860	2,839	-719	-17.9	-21	-0.7
20 to 24	582	529	535	427	-53	-9.1	-108	-20.2
25 to 34	1,437	1,296	1,319	1,129	-141	-9.8	-190	-14.4
35 to 44	2,369	1,574	1,436	1,435	-795	-33.6	-1	0.0
45 to 54	2,070	2,317	1,639	1,503	247	11.9	-137	-8.3
55 to 64	1,516	1,944	2,210	1,923	428	28.2	-287	-13.0
65 to 74	1,197	1,255	1,665	1,942	58	4.8	278	16.7
75+	1,041	1,027	1,171	1,361	-14	-1.3	189	16.2
Total	14,228	13,239	12,836	12,560	-989	-7.0	-276	-2.2
Freeborn County								
Under-20	8,680	7,590	6,948	7,020	-642	-8.5	72	1.0
20 to 24	1,582	1,536	1,501	1,333	-35	-2.3	-167	-11.2
25 to 34	3,435	3,329	3,501	3,192	172	5.2	-309	-8.8
35 to 44	4,887	3,495	3,364	3,475	-131	-3.8	111	3.3
45 to 54	4,435	4,779	3,608	3,294	-1,171	-24.5	-314	-8.7
55 to 64	3,409	4,217	4,577	4,105	360	8.5	-472	-10.3
65 to 74	2,872	3,036	3,820	4,202	784	25.8	381	10.0
75+	3,284	3,273	3,402	3,778	129	3.9	376	11.0
Total	32,584	31,255	30,722	30,400	-533	-1.7	-322	-1.0
Sources: U.S. Census Bureau; ESRI; Maxfield Research & Consulting, LLC								

Household Income

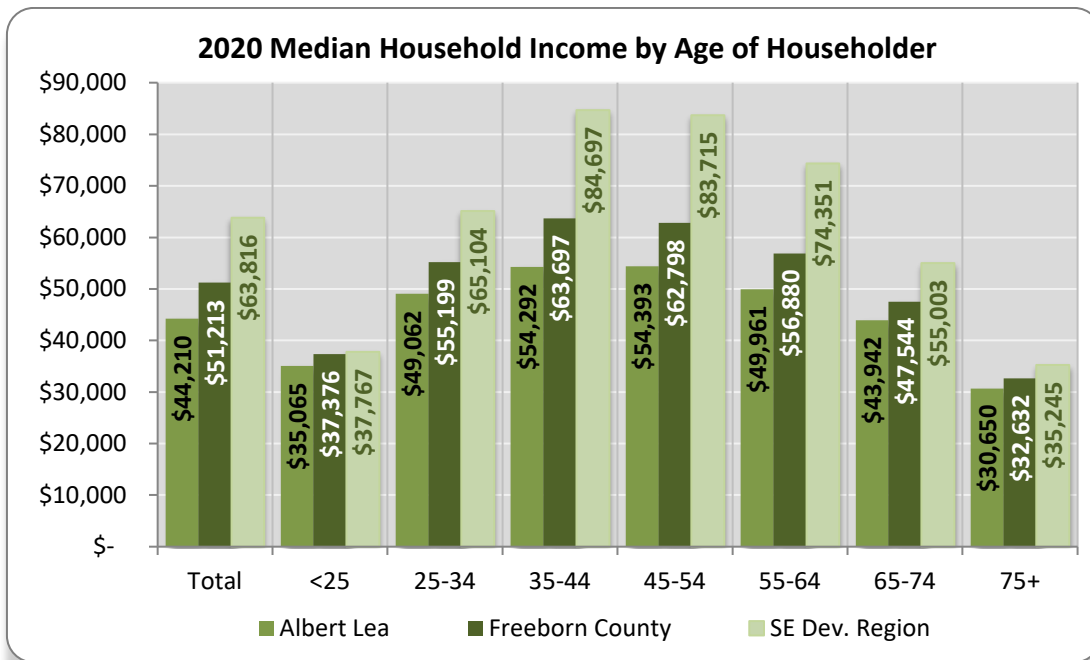
Household income data helps ascertain the demand for different types of owned and rented housing based on the size of the market at specific cost levels. In general, housing costs of up to 30% of income are considered affordable by the Department of Housing and Urban Development (HUD). Tables D-3 and Table D-4 present data on household income by age of householder for Albert Lea and the PMA in 2020 and 2025. The information is estimated by ESRI.

Household Income by Age of Householder

The estimated distribution of household incomes in the City of Albert Lea and the Freeborn County Market Area for 2020 and 2025 are shown in Tables D-3 and D-4. 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 \$40,000 per year would be able to afford a monthly housing cost of about \$1,000. Maxfield Research utilizes a figure of 30% for younger households and 40% or more for seniors, since seniors generally have lower living expenses and can often sell their homes and use the proceeds toward rent payments.

- In 2020, the median household income is estimated to be \$44,210 in Albert Lea, 44% lower than \$63,816 in the Southeast Development Region and 16% lower than Freeborn County (\$51,213) overall.
- By 2025, the median household income is projected to rise slightly by 1% to \$44,700 in Albert Lea, compared to 7% growth in the Southeast Development Region and 3% in Freeborn County. The average annual increase of 0.2% in Albert Lea is much lower than the historical annual inflation rate of 1.8% over the past ten years.
- As households age through the lifecycle, household incomes tend to peak in their mid-40s to mid-50s. This trend is evident in the Market Area as the age 45 to 54 cohort has the highest estimated income at \$54,393 in Albert Lea, compared to \$63,697 in Freeborn County for ages 35 to 44 and \$63,816 in the Southeast Development Region (35 to 44 age cohort).
- Rental housing typically targets younger renter households. The median household income in Albert Lea was estimated at \$35,065 for the under-25 age group and \$49,062 for the 25 to 34 age group as of 2020. Households earning the median income for these age groups could afford monthly housing costs based on spending 30% if their income estimated at \$877 and \$1,227, respectively.



- Based on the current market rate weighted average rent of \$675 for renter-occupied housing units in Albert Lea, a household would need to have an estimated annual income of \$27,000 or greater to not exceed 30% of its monthly income on rental housing costs. In 2020, an estimated 5,665 households in the City (73% of the total) were estimated to have incomes of at least \$27,000.
- Newer market rate properties are likely to have average monthly rents of \$900 for a one-bedroom unit and \$1,000 for a two-bedroom unit. To afford market rate units ranging from \$900 to \$1,000, a household would need estimated annual incomes of \$36,000 to \$40,000, allocating 30% of their adjusted gross income (AGI).
- In 2020, an estimated 4,841 households in the City (63% of all households) were estimated to have incomes of at least \$36,000 and 4,254 households (55% of all households) were estimated to have incomes of \$40,000 or more.
- Shallow-subsidy (i.e. LIHTC, low-income-housing-tax-credit) affordable housing units typically target households with incomes between 40% and 60% of AMI or lower if the household utilizes additional housing assistance such as a voucher. Households would need to qualify at or below \$20,360 for a one-person household at 40% to \$57,540 for an eight-person household at 60% of AMI. Freeborn County income guidelines are shown in Table HA-1 in the housing affordability section.

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- Based on affordability at 60% of AMI and average one-bedroom rents set at \$750, households would need incomes between \$30,000 and \$35,000 to qualify and afford a one-bedroom unit. In 2020, an estimated 450 households (6% of the total households) in Albert Lea have incomes of between \$30,000 and \$35,000.
- Households with incomes below \$15,000 are typically a market for deep-subsidy (i.e. project-based Section 8) rental housing. An estimated 13% (1,011 households) of Albert Lea's households in 2020 had incomes of less than \$15,000.

TABLE D-3 HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER CITY OF ALBERT LEA 2020 & 2025								
	Total	Age of Householder						
		<25	25-34	35-44	45-54	55-64	65 -74	75+
2020								
Less than \$15,000	1,011	70	146	122	115	178	136	246
\$15,000 to \$24,999	884	46	93	85	72	125	134	329
\$25,000 to \$34,999	897	41	106	94	92	123	152	290
\$35,000 to \$49,999	1,547	72	186	168	201	269	338	314
\$50,000 to \$74,999	1,517	50	218	230	283	319	257	162
\$75,000 to \$99,999	819	20	140	155	127	171	137	70
\$100,000 to \$199,999	969	16	145	185	197	183	140	105
\$200,000 or more	93	0	11	12	20	21	18	11
Total	7,736	315	1,043	1,049	1,105	1,387	1,311	1,526
Median Income	\$44,210	\$35,065	\$49,062	\$54,292	\$54,393	\$49,961	\$43,942	\$30,650
2025								
Less than \$15,000	954	63	130	116	100	149	137	260
\$15,000 to \$24,999	874	45	79	85	67	113	138	348
\$25,000 to \$34,999	895	36	100	94	78	117	155	316
\$35,000 to \$49,999	1,563	69	190	176	180	250	353	346
\$50,000 to \$74,999	1,485	53	205	239	248	289	273	177
\$75,000 to \$99,999	800	19	132	173	112	151	142	73
\$100,000 to \$199,999	1,041	16	149	211	199	187	152	128
\$200,000 or more	99	0	10	14	22	20	20	13
Total	7,710	300	993	1,107	1,005	1,275	1,368	1,661
Median Income	\$44,700	\$35,924	\$49,889	\$56,451	\$55,590	\$50,480	\$44,494	\$31,246
Change 2020 - 2025								
Less than \$15,000	-58	-7	-16	-6	-15	-29	1	15
\$15,000 to \$24,999	-10	-1	-14	-0	-5	-12	4	19
\$25,000 to \$34,999	-2	-5	-6	-0	-14	-6	3	27
\$35,000 to \$49,999	16	-3	4	8	-21	-18	15	33
\$50,000 to \$74,999	-31	3	-12	10	-34	-29	17	15
\$75,000 to \$99,999	-19	-1	-8	18	-15	-20	5	3
\$100,000 to \$199,999	72	-0	4	27	3	4	12	23
\$200,000 or more	6	0	-1	2	2	-1	2	2
Total	-26	-14	-50	58	-100	-112	57	135
Median Income	\$490	\$859	\$827	\$2,159	\$1,197	\$519	\$552	\$596
Sources: ESRI; US Census Bureau; Maxfield Research & Consulting, LLC								

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TABLE D-4
HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER
ALBERT LEA MARKET AREA
2020 & 2025

	Age of Householder							
	Total	<25	25-34	35-44	45-54	55-64	65 -74	75+
2020								
Less than \$15,000	1,344	80	173	148	157	259	198	327
\$15,000 to \$24,999	1,245	59	122	105	94	182	198	485
\$25,000 to \$34,999	1,326	51	143	121	129	201	259	421
\$35,000 to \$49,999	2,402	116	276	249	272	419	552	517
\$50,000 to \$74,999	2,780	67	382	422	522	644	478	264
\$75,000 to \$99,999	1,606	30	230	314	282	385	260	106
\$100,000 to \$199,999	2,096	32	302	400	443	441	302	176
\$200,000 or more	252	1	26	37	56	78	38	17
Total	13,050	436	1,653	1,796	1,956	2,610	2,284	2,314
Median Income	\$51,213	\$37,376	\$55,199	\$63,697	\$62,798	\$56,880	\$47,544	\$32,632
2025								
Less than \$15,000	1,239	72	148	137	130	204	197	349
\$15,000 to \$24,999	1,199	57	100	100	83	152	202	505
\$25,000 to \$34,999	1,294	41	126	119	106	175	266	461
\$35,000 to \$49,999	2,367	108	260	245	236	364	577	577
\$50,000 to \$74,999	2,686	71	344	420	446	560	540	306
\$75,000 to \$99,999	1,584	30	210	332	255	344	292	122
\$100,000 to \$199,999	2,366	34	313	463	467	464	384	242
\$200,000 or more	265	1	22	40	62	74	46	19
Total	13,000	414	1,522	1,856	1,785	2,336	2,505	2,582
Median Income	\$52,522	\$38,598	\$56,846	\$67,528	\$66,736	\$59,453	\$50,286	\$34,275
Change 2020 - 2025								
Less than \$15,000	-105	-8	-25	-11	-27	-55	-0	22
\$15,000 to \$24,999	-45	-2	-22	-5	-11	-30	4	21
\$25,000 to \$34,999	-32	-10	-17	-1	-23	-26	6	39
\$35,000 to \$49,999	-35	-8	-16	-5	-36	-55	25	60
\$50,000 to \$74,999	-94	4	-38	-3	-76	-84	62	42
\$75,000 to \$99,999	-21	-0	-19	18	-27	-41	32	17
\$100,000 to \$199,999	271	2	11	63	24	23	82	66
\$200,000 or more	12	-0	-4	4	6	-4	9	2
Total	-50	-23	-131	60	-171	-274	221	268
Median Income	\$1,309	\$1,222	\$1,647	\$3,831	\$3,938	\$2,573	\$2,742	\$1,643
Sources: ESRI; US Census Bureau; Maxfield Research & Consulting, LLC								

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

Household Tenure by Income

Demographic Analysis Table 5 shows estimated household tenure by income in the Market Area in 2020. Data is based on an estimate from the 2015-2019 American Community Survey and adjusted by Maxfield Research to reflect the year 2020.

As stated earlier, the Department of Housing and Urban Development determines affordable housing as not exceeding 30% of the household's income. The higher the income, the lower the percentage a household typically allocates to housing. Many lower income households, as well as many young and senior households, spend more than 30% of their income on housing,

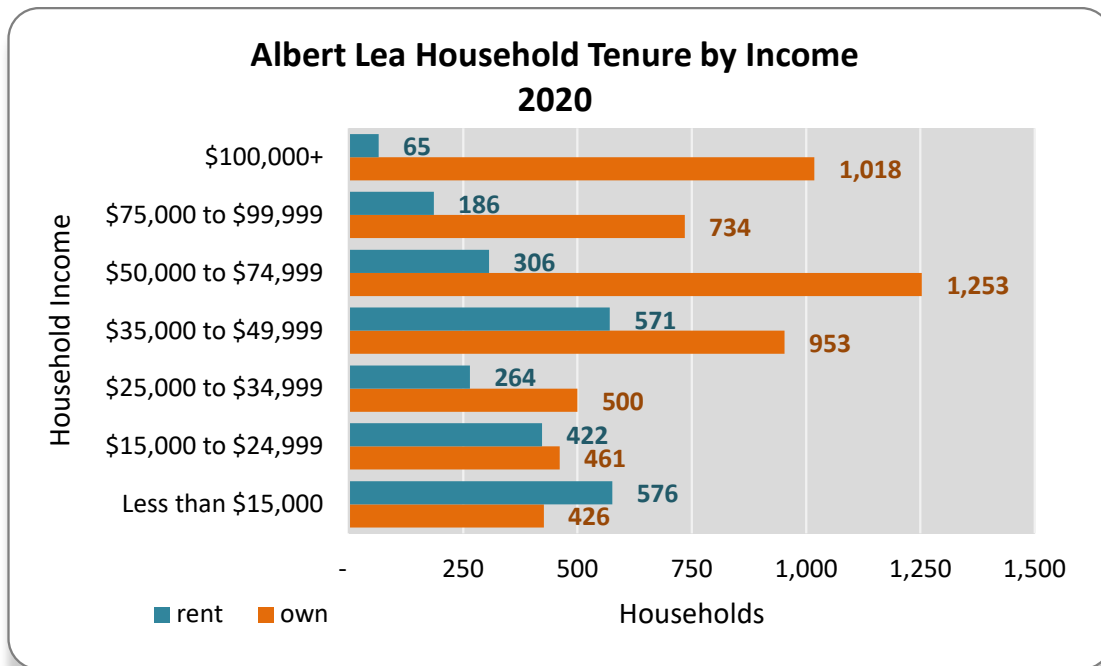
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while middle-aged households in their prime earning years typically allocate 20% to 25% of their income to housing.

- Typically, as income increases, so does the rate of homeownership. This can be seen in Albert Lea where the homeownership rate increases from 42.5% of households with incomes below \$15,000 to 94% of households with incomes above \$100,000.

TABLE D-5 TENURE BY HOUSEHOLD INCOME ALBERT LEA MARKET AREA 2020						
	Albert Lea		Remainder of MA		Freeborn County	
	No.	Pct.	No.	Pct.	No.	Pct.
Owner Households						
Less than \$15,000	426	42.5	212	67.0	638	48.4
\$15,000 to \$24,999	461	52.2	317	78.0	778	60.3
\$25,000 to \$34,999	500	65.4	353	81.8	853	71.3
\$35,000 to \$49,999	953	62.5	594	81.2	1,547	68.6
\$50,000 to \$74,999	1,253	80.4	1,072	91.3	2,325	85.1
\$75,000 to \$99,999	734	79.8	794	92.0	1,529	85.7
\$100,000+	1,018	94.0	1,318	94.8	2,336	94.4
Subtotal:	5,346	69.1	4,660	87.7	10,006	76.7
Renter Households						
Less than \$15,000	576	57.5	104	33.0	680	51.6
\$15,000 to \$24,999	422	47.8	89	22.0	512	39.7
\$25,000 to \$34,999	264	34.6	79	18.2	343	28.7
\$35,000 to \$49,999	571	37.5	137	18.8	708	31.4
\$50,000 to \$74,999	306	19.6	102	8.7	408	14.9
\$75,000 to \$99,999	186	20.2	69	8.0	255	14.3
\$100,000+	65	6.0	73	5.2	137	5.6
Subtotal:	2,390	30.9	654	12.3	3,044	23.3
Total Households	7,736	100.0	5,314	100.0	13,050	100.0
Sources: U.S. Census Bureau; ESRI; Maxfield Research & Consulting, LLC						

- The highest proportion of renter households had incomes less than \$15,000 and \$35,000 to \$49,999 in Albert Lea, both consisting of 24% of the total renter households. By comparison, the highest proportion of renters in the Remainder of Freeborn County had incomes from \$35,000 to \$49,999. Households with incomes under \$15,000 accounted for 16% of renter households in the Remainder of the County. Renters with household incomes of \$100,000 or more accounted for only 3% of renter households in Albert Lea but 11% in the Remainder of the County.
- An estimated 576 households had incomes less than \$15,000 and 1,000 renter households in Albert Lea had incomes less than \$25,000 (i.e. the income threshold for one- and two-person households the target market for deep-subsidy rental housing), which represents an estimated 24% and 32% of all renter households in the City, respectively.



Household Tenure by Age

Table D-6 shows household tenure by age of householder for the Market Area in 2010 and 2020. Data for 2010 is obtained from the Decennial Census, while the 2020 data is based on the 2015-2019 American Community Survey and adjusted by Maxfield Research to reflect updated household estimates. The table shows the number and percent of renter- and owner-occupied households in the Market Area. All data excludes unoccupied units and group quarters such as dormitories and nursing homes.

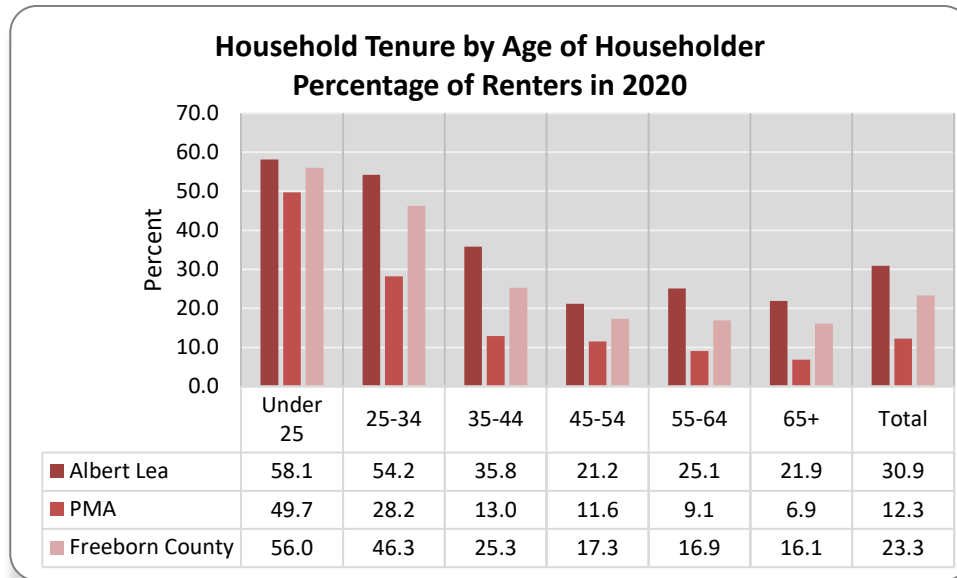
Household tenure information is important in understanding households' preferences to rent or own their housing. In addition to preferences, factors that contribute to these proportions include mortgage interest rates, household age and lifestyle considerations, among others.

- In Albert Lea, 69% of all households owned in 2020, giving it a homeownership rate lower than the Remainder of the Market Area (88%) and Freeborn County (77%).
- Typically, the youngest and oldest households rent their housing in greater proportions than middle-age households. This pattern is apparent among the younger Market Area households as 55% of the population under the age of 35 rented in Albert Lea compared to 32% in the Remainder of the Market Area.

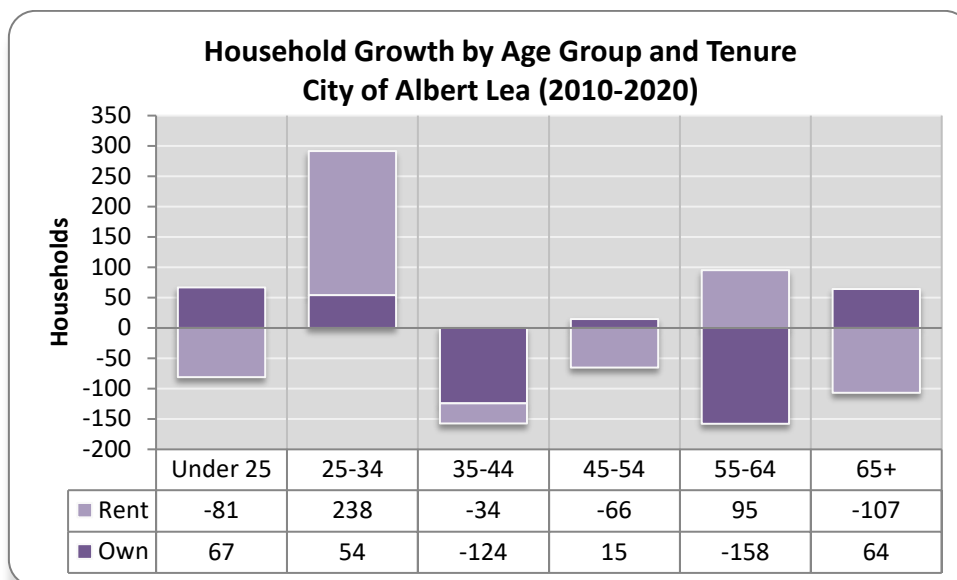
**TABLE D-6
TENURE BY AGE OF HOUSEHOLDER
ALBERT LEA MARKET AREA
2010 & 2020**

Age		City of Albert Lea				Remainder of Market Area				Market Area (Freeborn County)			
		2010		2020		2010		2020		2010		2020	
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under 25	Own	75	21.2	142	41.9	58	42.3	56	50.3	133	27.1	198	44.0
	Rent	278	78.8	197	58.1	79	57.7	55	49.7	357	72.9	252	56.0
	Total	353	100.0	338	100.0	137	100.0	111	100.0	490	100.0	449	100.0
25-34	Own	535	53.8	589	45.8	448	73.6	407	71.8	983	61.3	996	53.7
	Rent	460	46.2	698	54.2	161	26.4	160	28.2	621	38.7	858	46.3
	Total	995	100.0	1,286	100.0	609	100.0	567	100.0	1,604	100.0	1,854	100.0
35-44	Own	703	66.4	579	64.2	690	82.0	671	87.0	1,393	73.3	1,250	74.7
	Rent	356	33.6	322	35.8	151	18.0	100	13.0	507	26.7	422	25.3
	Total	1,059	100.0	901	100.0	841	100.0	771	100.0	1,900	100.0	1,672	100.0
45-54	Own	1,054	74.9	1,069	78.8	1,094	88.9	801	88.4	2,148	81.5	1,870	82.7
	Rent	353	25.1	287	21.2	136	11.1	105	11.6	489	18.5	392	17.3
	Total	1,407	100.0	1,356	100.0	1,230	100.0	906	100.0	2,637	100.0	2,262	100.0
55-64	Own	1,120	83.1	962	74.9	1,010	92.0	1,223	90.9	2,130	87.1	2,185	83.1
	Rent	227	16.9	322	25.1	88	8.0	122	9.1	315	12.9	444	16.9
	Total	1,347	100.0	1,284	100.0	1,098	100.0	1,345	100.0	2,445	100.0	2,629	100.0
65 +	Own	1,942	74.3	2,006	78.1	1,360	91.4	1,502	93.1	3,302	80.5	3,508	83.9
	Rent	671	25.7	564	21.9	128	8.6	111	6.9	799	19.5	675	16.1
	Total	2,613	100.0	2,570	100.0	1,488	100.0	1,613	100.0	4,101	100.0	4,183	100.0
TOTAL	Own	5,429	69.8	5,346	69.1	4,660	86.2	4,660	87.7	10,089	76.6	10,006	76.7
	Rent	2,345	30.2	2,390	30.9	743	13.8	654	12.3	3,088	23.4	3,044	23.3
	Total	7,774	100.0	7,736	100.0	5,403	100.0	5,314	100.0	13,177	100.0	13,050	100.0

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



- Renter household growth was estimated to have occurred only among the 25 to 34 and 55 to 64 age groups.
- As depicted in the following chart, the largest overall increase in renter households occurred in 25 to 34 age group in Albert Lea between 2010 and 2020, as 238 renter households (52% growth) were added.



- Strong renter household growth was also estimated to have occurred in the 55 to 64 age group, adding 95 renter households (42% growth). Overall, Albert Lea grew by an estimated 45 renter households over the decade, or 2%.

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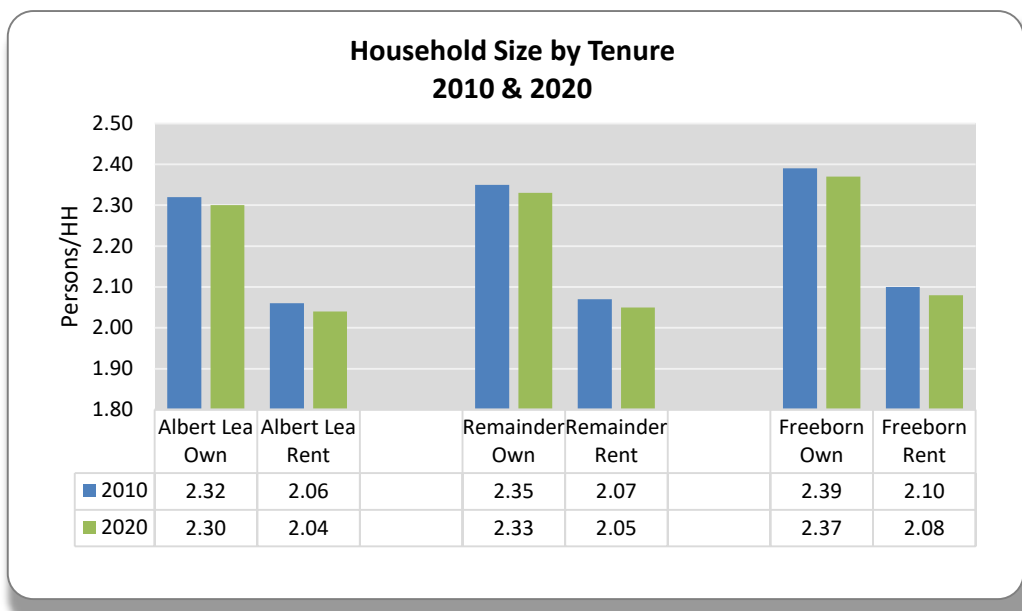
- The under-25 age group declined by an estimated 81 renter households (-29%) and the 35 to 44 age group also declined by an estimated 34 renter households (-9.5%).
- By comparison, owner households declined overall in Albert Lea, losing an estimated 83 households (-1.5%).

Tenure by Household Size

Table D-7 shows household tenure by size of household in the Market Area during 2010 and 2020 from the U.S. Census and American Community Survey, with adjustments made by Maxfield Research to reflect updated household estimates. The table shows the number and percent of renter- and owner-occupied housing units by household size.

Household size for renters tends to be smaller than for owners. This trend is a result of the typical market segments for rental housing, including households that are younger and less likely to be married with children, as well as older adults and seniors who choose to downsize from their single-family homes.

- In 2010, the average renter household in Albert Lea had 2.06 people, while the average owner household included 2.32 people. By 2020, the average renter household size is estimated to have decreased to 2.04 people and the average owner household size decreased to 2.30 people.



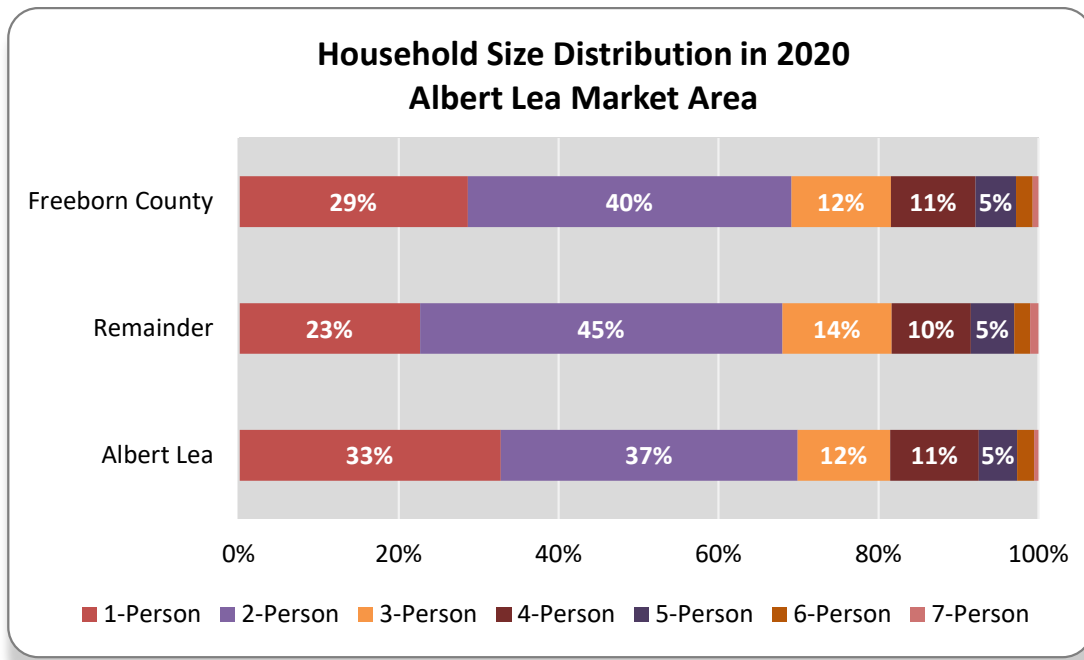
- As depicted in the following table, two-person households were the most common household size in the Market Area, followed closely by one-person households.

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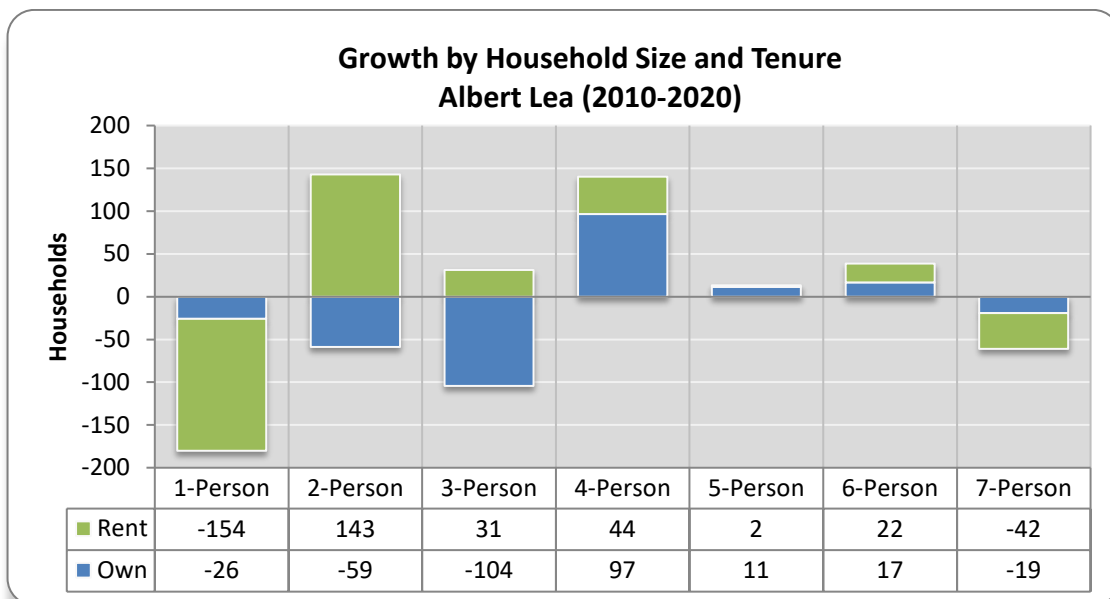
**TABLE D-7
TENURE BY HOUSEHOLD SIZE
ALBERT LEA MARKET AREA
2010 & 2020**

HH Size		CITY OF ALBERT LEA				REMAINDER OF MARKET AREA				FREEBORN COUNTY			
		2010		2020		2010		2020		2010		2020	
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
1-Person	Own	1,480	54.5	1,454	57.4	938	75.3	938	77.7	2,418	61.0	2,392	63.9
	Rent	1,235	45.5	1,081	42.6	308	24.7	268	22.3	1,543	39.0	1,349	36.1
	Total	2,715	100	2,535	100	1,246	100	1,206	100	3,961	100	3,741	100
2-Person	Own	2,314	83.1	2,255	78.6	2,088	91.5	2,225	92.4	4,402	86.8	4,480	84.9
	Rent	472	16.9	615	21.4	195	8.5	182	7.6	667	13.2	797	15.1
	Total	2,786	100	2,870	100	2,283	100	2,407	100	5,069	100	5,277	100
3-Person	Own	708	73.0	604	67.3	655	87.2	664	91.4	1,363	79.2	1,268	78.1
	Rent	262	27.0	293	32.7	96	12.8	63	8.6	358	20.8	356	21.9
	Total	970	100	897	100	751	100	727	100	1,721	100	1,624	100
4-Person	Own	541	75.5	638	74.4	590	89.0	455	86.6	1,131	82.0	1,092	79.0
	Rent	176	24.5	220	25.6	73	11.0	70	13.4	249	18.0	290	21.0
	Total	717	100	857	100	663	100	525	100	1,380	100	1,382	100
5-Person	Own	249	69.6	260	70.2	274	84.6	248	85.9	523	76.7	509	77.1
	Rent	109	30.4	111	29.8	50	15.4	41	14.1	159	23.3	151	22.9
	Total	358	100	371	100	324	100	289	100	682	100	660	100
6-Person	Own	75	60.5	92	56.4	81	84.4	89	83.6	156	70.9	181	67.2
	Rent	49	39.5	71	43.6	15	15.6	17	16.4	64	29.1	88	32.8
	Total	124	100	163	100	96	100	106	100	220	100	269	100
7-Person	Own	62	59.6	43	100.0	34	85.0	42	77.9	96	66.7	85	87.6
	Rent	42	40.4	0	0.0	6	15.0	12	22.1	48	33.3	12	12.4
	Total	104	100	43	100	40	100	54	100	144	100	97	100
TOTAL	Own	5,429	69.8	5,346	69.1	4,660	86.2	4,660	87.7	10,089	76.6	10,006	76.7
	Rent	2,345	30.2	2,390	30.9	743	13.8	654	12.3	3,088	23.4	3,044	23.3
	Total	7,774	100	7,736	100	5,403	100	5,314	100	13,177	100	13,050	100
Avg. HH Size	Own	2.32		2.30		2.35		2.33		2.39		2.37	
	Rent	2.06		2.04		2.07		2.05		2.10		2.08	

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



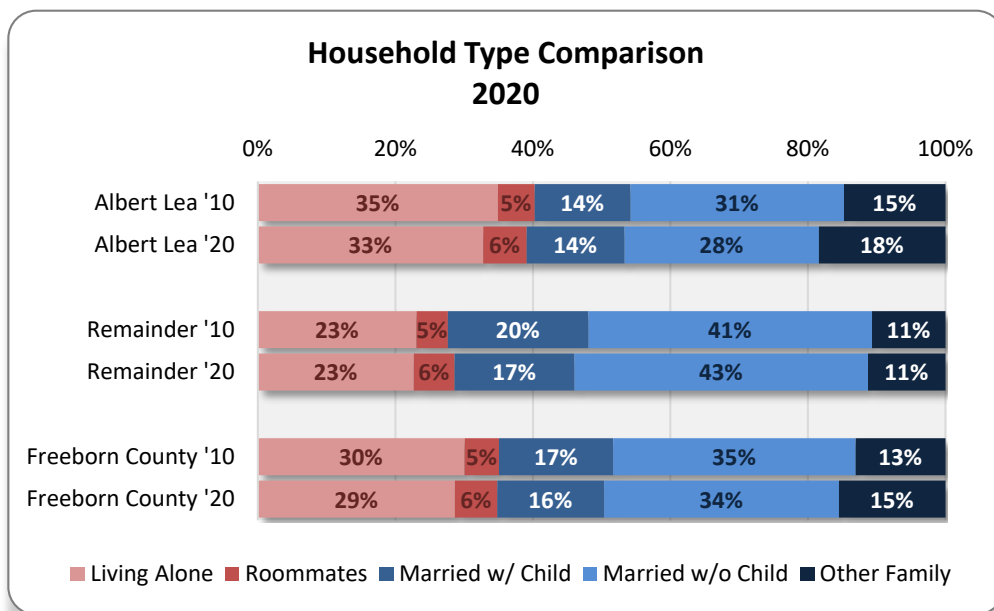
- Between 2010 and 2020, the largest increase occurred in the number of two-person renter households, climbing an estimated 30% with the addition of 143 households in Albert Lea. One-person renter households declined an estimated 12.5% (-154 households).
- Smaller households comprised the largest proportions of renter households in Albert Lea as of 2020 where an estimated 45% of renter households were singles and 25% were two-person households.



Household Type

Table D-8 shows household type trends in Albert Lea compared to the Remainder of the Market Area and Freeborn County in 2010 and 2020. Data for 2010 is obtained from the Decennial Census, while the 2020 data is based on the 2015-2019 American Community Survey and adjusted by Maxfield Research to reflect current year household estimates. Shifting household types can stimulate demand for a variety of housing products.

- Married couple family households typically generate demand for single-family detached ownership housing.
- Married couples without children often desire multifamily housing for convenience reasons. Married couple families without children are generally made up of younger couples that have not had children (and may not have children) and older couples with adult children that have moved out of the home.
- Other family households, defined as a male or female householder with no spouse present (typically single-parent households), often require affordable housing.
- Changes in non-family households (households living alone and households composed of unrelated roommates) often drive demand for rental housing.



- In 2020, family households comprised an estimated 61% of all households in Albert Lea compared to 71% in the Remainder of the MA.
- In Albert Lea, single-person households were estimated to be the most common household type in 2020 (33%), followed by married couples without children (28%).

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- Family households experienced an estimated 1% growth between 2010 and 2020 in Albert Lea, increasing by 67 households, while family households declined 3% in the Remainder of the MA.
- Albert Lea experienced an estimated 9% decrease in the number of married couples without children after subtracting 227 households between 2010 and 2020, while the number of married couples with children grew slightly by 2% (18 households). The reverse was experienced in the Remainder of the MA as married couples with children declined 3% while married without children grew 2%.
- Between 2010 and 2020, non-family households decreased by an estimated 3% (-105 households) in Albert Lea but increased 2% in the Remainder of the PMA.
- The number of single-person households decreased by an estimated 7% (-180 households) in Albert Lea while the number of roommate households increased by 75 households (18%) from 2010 to 2020.

TABLE D-8 HOUSEHOLD TYPE ALBERT LEA MARKET AREA 2010 & 2020						
	Albert Lea		Remainder of MA		Freeborn County	
	2010	2020	2010	2020	2010	2020
Total Households	7,774	7,736	5,403	5,314	13,177	13,050
Non-Family Households	3,130	3,025	1,492	1,520	4,622	4,544
Living Alone	2,715	2,535	1,246	1,206	3,961	3,741
Other (Roommates)	415	490	246	314	661	804
Family Households	4,644	4,711	3,911	3,794	8,555	8,506
Married w/ Children	1,082	1,100	1,105	928	2,187	2,027
Married w/o Children	2,416	2,189	2,230	2,269	4,646	4,458
Other Family	1,146	1,422	576	598	1,722	2,020
Change (2010 - 2020)	Albert Lea		Remainder of MA		Freeborn County	
	No.	Pct.	No.	Pct.	No.	Pct.
Total Households	-38	-0.5%	-89	-1.6%	-127	-1.0%
Non-Family Households	-105	-3.4%	28	1.8%	-78	-1.7%
Living Alone	-180	-6.6%	-40	-3.2%	-220	-5.6%
Other (Roommates)	75	18.1%	68	27.5%	143	21.6%
Family Households	67	1.4%	-117	-3.0%	-49	-0.6%
Married w/ Children	18	1.6%	-177	-16.1%	-160	-7.3%
Married w/o Children	-227	-9.4%	39	1.7%	-188	-4.0%
Other Family	276	24.1%	22	3.9%	298	17.3%

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

Introduction

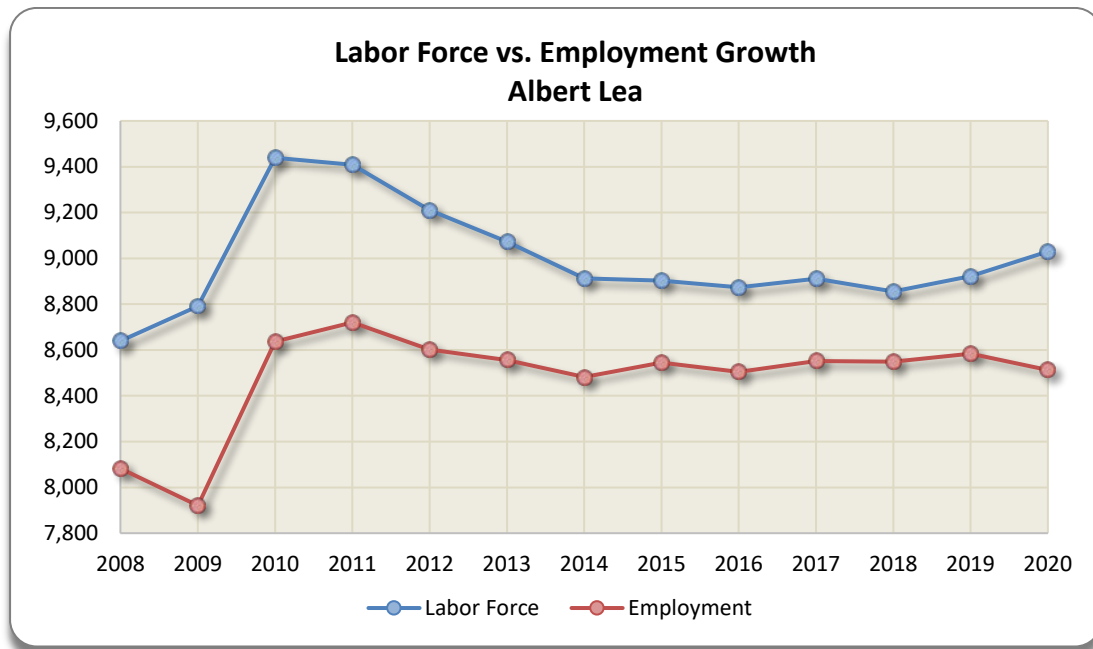
Employment characteristics are pertinent when evaluating housing needs in any given market area. These trends warrant consideration since employment growth often fuels household growth. Typically, households prefer to live near work for convenience, which is a primary factor in choosing a housing location. Many households commute greater distances to work provided their housing is affordable enough to offset the additional transportation costs.

Resident Employment

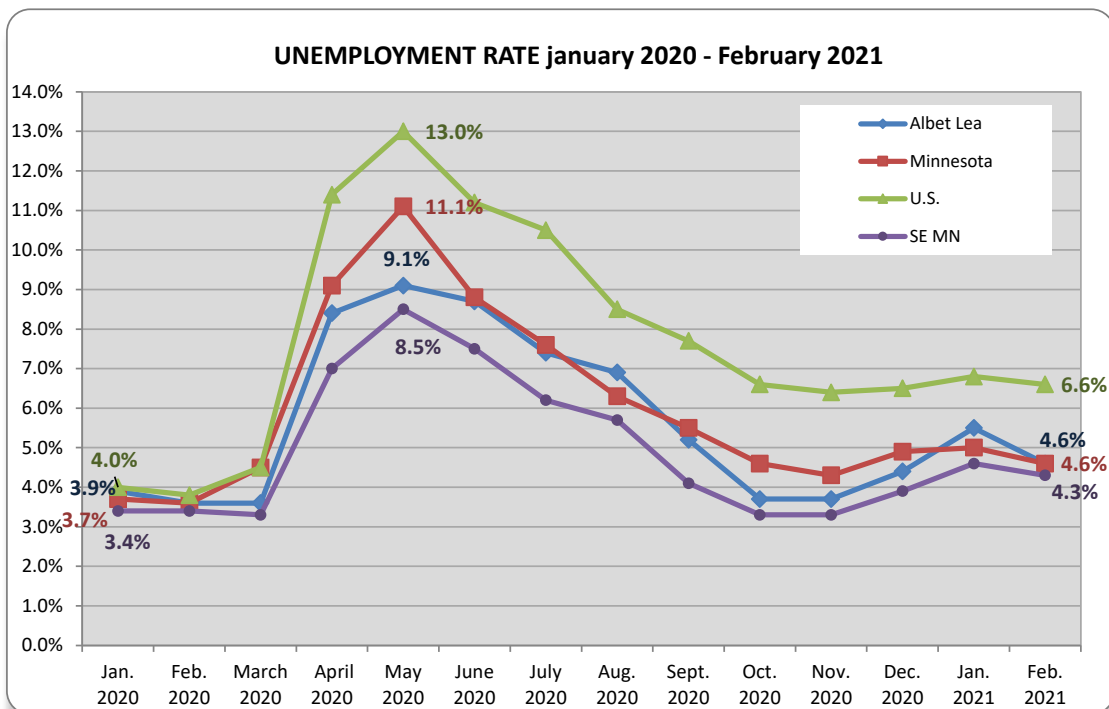
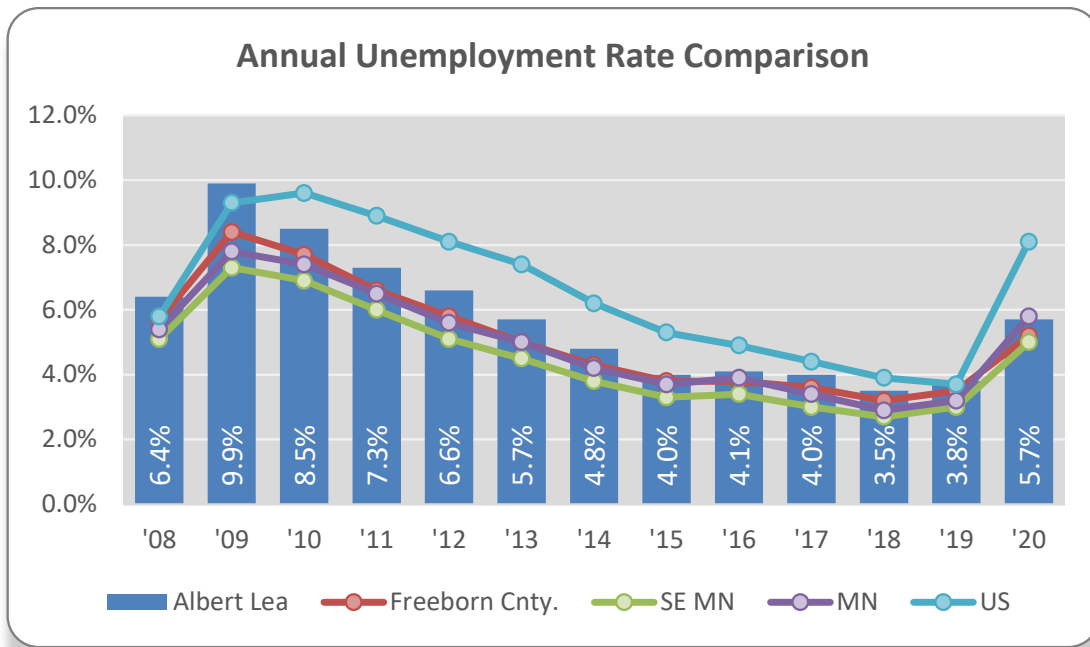
Table E-1 shows information on the resident labor force and employment in Albert Lea compared to Freeborn County and the Southeast Development Region. The data is sourced from the Minnesota Department of Employment and Economic Development (MN DEED). Resident employment data reveals the workforce and number of employed people living in the area. Not all these individuals necessarily work in the area.

TABLE E-1 LABOR FORCE AND RESIDENT EMPLOYMENT TRENDS ALBERT LEA MARKET AREA 2008 through 2020									
Year	ALBERT LEA			Freeborn County (MA)			Southeast Development Region		
	Labor Force	Employed Residents	UE Rate	Labor Force	Employed Residents	UE Rate	Labor Force	Employed Residents	UE Rate
2020*	9,030	8,513	5.7%	16,336	15,484	5.2%	286,002	271,769	5.0%
2019	8,922	8,584	3.8%	16,185	15,612	3.5%	288,108	279,431	3.0%
2018	8,855	8,549	3.5%	16,044	15,532	3.2%	283,416	275,864	2.7%
2017	8,911	8,552	4.0%	16,145	15,565	3.6%	282,049	273,488	3.0%
2016	8,873	8,505	4.1%	16,331	15,708	3.8%	281,883	272,251	3.4%
2015	8,903	8,545	4.0%	16,341	15,727	3.8%	278,869	269,557	3.3%
2014	8,912	8,482	4.8%	16,245	15,541	4.3%	276,399	265,774	3.8%
2013	9,073	8,556	5.7%	16,459	15,640	5.0%	277,839	265,343	4.5%
2012	9,210	8,602	6.6%	16,675	15,707	5.8%	277,984	263,876	5.1%
2011	9,408	8,720	7.3%	17,051	15,919	6.6%	276,515	260,038	6.0%
2010	9,439	8,637	8.5%	17,087	15,767	7.7%	276,681	257,676	6.9%
2009	8,792	7,921	9.9%	16,527	15,136	8.4%	273,813	253,779	7.3%
2008	8,640	8,083	6.4%	16,347	15,417	5.7%	269,365	255,673	5.1%
*2020 Data during COVID-19 Pandemic									
Sources: Minnesota DEED; Maxfield Research & Consulting, LLC									

- In 2020, Albert Lea had a labor force of 9,030 with 8,513 employed residents, which equates to a 5.7% unemployment rate. By comparison, unemployment rates were at 5.2% in Freeborn County and 5.0% in the Southeast Development Region.
- It is unknown to what extent the shutdowns in response to Covid-19 will have on long term employment projections. The data in Table E-1 shows employment is down in Albert Lea, Freeborn County and the Southeast Development Region but not significantly.



- Albert Lea's labor force declined steadily from 2010 through 2016, losing an estimated 565 people (-6%) before fluctuating over the next four years and ultimately increasing by 157 people (2%) from 2016 to 2020. Overall, the labor force in Albert Lea declined by 4% over the decade.
- Resident employment in Albert Lea declined at lesser rate (-1%, -124 jobs) over the decade compared to the labor force -4% (-409 people).
- Increased hiring over the decade drove the unemployment rate down in Albert Lea as growth in the number of employed residents outpaced labor force growth since 2010.
- Albert Lea's unemployment rate has consistently tracked higher than Freeborn County and the Southeast Development Region.
- The following charts illustrate how unemployment in the Market Area has mirrored national trends but has remained well below the national rate throughout much of the past decade. Albert Lea's and Southeast Minnesota Economic Development Region's unemployment rates have consistently tracked with unemployment trends in the State.

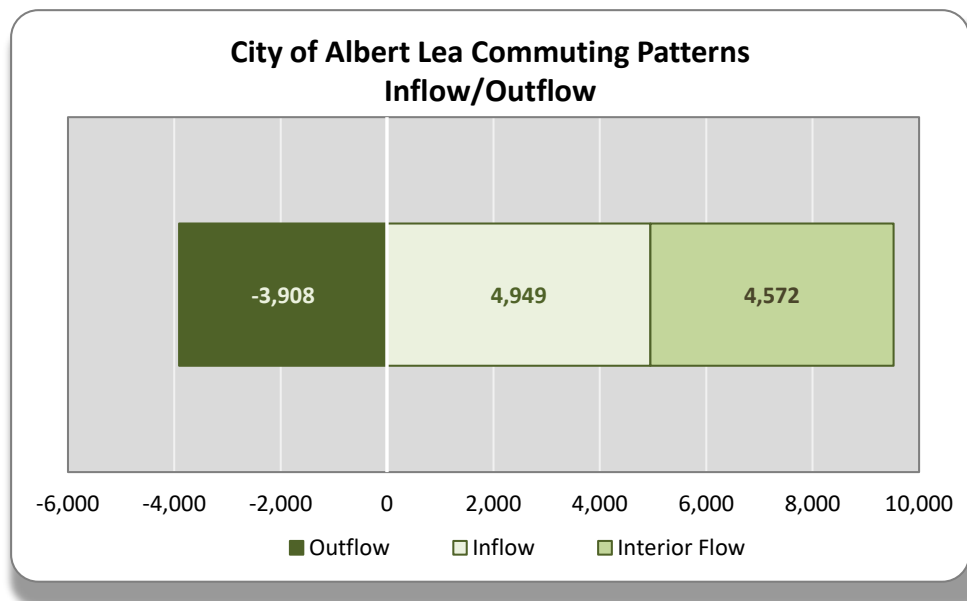


Commuting Patterns

Proximity to employment is often a primary consideration when choosing where to live, particularly for younger and lower income households since transportation costs often account for a greater proportion of their budgets. For this analysis, we reviewed commuting patterns in the City of Albert Lea. Table E-2 provides a summary of the inflow and outflow characteristics of the workers in the City based on data from the U.S. Census Bureau Local Employment Dynamics data for 2018, the most recent data available.

Outflow reflects the number of workers living in the area but employed outside the City, while inflow measures the number of workers that are employed in the City but live outside the area. Interior flow reflects the number of workers that live and work in Albert Lea.

- Overall, Albert Lea is an importer of workers as a higher number of non-residents commute into the City for work than residents leave the City for work.
- An estimated 4,949 workers come into Albert Lea for employment (inflow) daily, while 3,908 resident workers commute out of the City (outflow). An estimated 4,570 people both live and work in the City (interior flow).
- An estimated 52% of the jobs in Albert Lea are filled by workers commuting into the City. The highest proportion of workers coming into the City are aged 30 to 54 and earn more than \$3,333 per month (\$40,000 per year). The “All Other Services” sector brings in most of the employees (53%).



EMPLOYMENT TRENDS

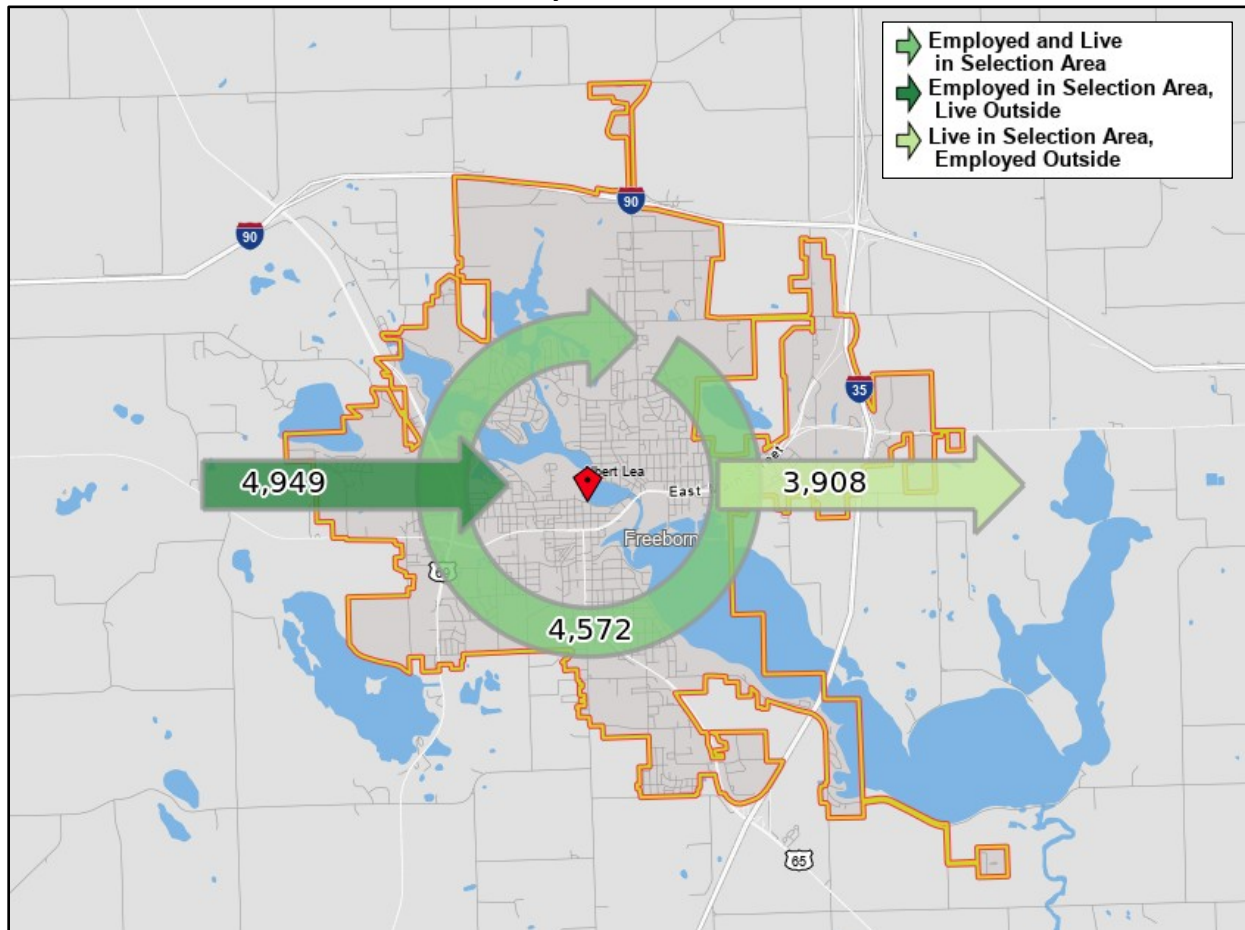
TABLE E-2
COMMUTING INFLOW/OUTFLOW CHARACTERISTICS
CITY OF ALBERT LEA
2018

	Outflow		Inflow		Interior Flow	
Primary Jobs	3,908	100.0%	4,949	100.0%	4,572	100.0%
By Age						
Workers Aged 29 or younger	1,071	27.4%	1,138	23.0%	1,161	25.4%
Workers Aged 30 to 54	1,921	49.2%	2,464	49.8%	2,159	47.2%
Workers Aged 55 or older	916	23.4%	1,347	27.2%	1,252	27.4%
By Monthly Wage						
Workers Earning \$1,250 per month or less	1,009	25.8%	1,128	22.8%	1,329	29.1%
Workers Earning \$1,251 to \$3,333 per month	1,311	33.5%	1,667	33.7%	1,717	37.6%
Workers Earning More than \$3,333 per month	1,588	40.6%	2,154	43.5%	1,526	33.4%
By Industry						
"Goods Producing"	893	22.9%	1,435	29.0%	1,253	27.4%
"Trade, Transportation, and Utilities"	757	19.4%	1,156	23.4%	1,032	22.6%
"All Other Services"*	2,258	57.8%	2,358	47.6%	2,287	50.0%

*includes the following sectors: Information, Financial Activities, Professional & Business Services, Education & Health Services, Leisure & Hospitality, Other Services, and Public Administration

Sources: US Census Bureau Local Employment Dynamics; Maxfield Research & Consulting, LLC

2018 Inflow/Outflow City of Albert Lea



EMPLOYMENT TRENDS

Table E-3 highlights the commuting patterns, including distance and destination, of workers in Albert Lea based on data from the U.S. Census Bureau Local Employment Dynamics data. Home Destination summarizes where workers live who are employed in the City, while Work Destination represents where workers are employed who live in the City.

- As the table illustrates, about 52% of the workers employed in Albert Lea reside outside the City, while 48% (4,572) reside in the City. The largest proportions of workers commuting into Albert Lea come from Austin (5%), Alden (1%), Owatonna (1%), Glenville (1%), and Rochester (1%).
- An estimated 61% of the workers in Albert Lea reside within ten miles of their place of employment while 18% travel from 10 to 24 miles. An estimated 7% of the workers commute from 25 to 50 miles and another 14% come from more than 50 miles away.
- An estimated 54% of the workers living in Albert Lea also have jobs in the City. The remaining 46% commute to other communities, most notably to Austin (6%), Rochester (5%), Owatonna (4%), and Minneapolis (1%).

TABLE E-3 COMMUTING PATTERNS CITY OF ALBERT LEA 2018					
Home Destination			Work Destination		
<u>Place of Residence</u>	<u>Count</u>	<u>Share</u>	<u>Place of Employment</u>	<u>Count</u>	<u>Share</u>
Albert Lea city, MN	4,572	48.0%	Albert Lea city, MN	4,572	53.9%
Austin city, MN	493	5.2%	Austin city, MN	472	5.6%
Alden city, MN	130	1.4%	Rochester city, MN	403	4.8%
Owatonna city, MN	124	1.3%	Owatonna city, MN	348	4.1%
Glenville city, MN	122	1.3%	Minneapolis city, MN	117	1.4%
Rochester city, MN	100	1.1%	Faribault city, MN	82	1.0%
St. Paul city, MN	75	0.8%	Mankato city, MN	71	0.8%
Northwood city, IA	73	0.8%	Bloomington city, MN	65	0.8%
Clarks Grove city, MN	67	0.7%	Waseca city, MN	63	0.7%
Emmons city, MN	65	0.7%	St. Paul city, MN	59	0.7%
All Other Locations	3,700	38.9%	All Other Locations	2,228	26.3%
Distance Traveled			Distance Traveled		
Total Jobs	9,521	100.0%	Total Jobs	8,480	100.0%
Less than 10 miles	5,844	61.4%	Less than 10 miles	4,907	57.9%
10 to 24 miles	1,679	17.6%	10 to 24 miles	887	10.5%
25 to 50 miles	665	7.0%	25 to 50 miles	796	9.4%
Greater than 50 miles	1,333	14.0%	Greater than 50 miles	1,890	22.3%
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: US Census Bureau Local Employment Dynamics; Maxfield Research & Consulting, LLC					

EMPLOYMENT TRENDS

- Over 58% of the resident workers in Albert Lea travel less than ten miles for their jobs, while 10.5% have a commute distance from 10 to 24 miles. An estimated 9% commute between 25 and 50 miles and 22% commute more than 50 miles for employment.
- With 4,949 workers commuting into Albert Lea for employment daily and 21% coming from over 25 miles, there appears to be an opportunity to provide housing options for a portion of these workers.

Employment Growth Trends

Table E-4 shows employment growth trends and projections from 2000 to 2030 based on the most recent information available from MN DEED. Data for 2000, 2010, and 2019 represents the annual average employment for that year. Data for 2020 is 3rd quarter information, the most recent available. Employment projections for 2025 and 2030 are approximated by Maxfield Research based on data from MN DEED.

Information is sourced from the Quarterly Census of Employment and Wages (QCEW). All establishments covered under the Unemployment Insurance Program are required to report wage and employment statistics quarterly to MN DEED. Federal government establishments are also covered by the QCEW program. The Unemployment Insurance Program covers roughly 97% of Minnesota employment. Workers and jobs excluded from these statistics include the self-employed, family farm workers, and those who work only on a commission basis.

TABLE E-4 EMPLOYMENT GROWTH TRENDS AND PROJECTIONS ALBERT LEA MARKET AREA 2000 to 2030						
Annual Employment	City of Albert Lea		Freeborn County (Market Area)		Southeast MN Development Area	
2000	11,786		13,749		225,387	
2005	10,742		12,561		229,647	
2010	10,518		12,135		225,090	
2015	10,468		12,069		237,642	
2019	10,384		12,086		246,760	
2020*	9,823		11,409		232,187	
2025 Forecast	10,000		11,500		240,000	
2030 Forecast	10,100		11,750		250,000	
Change	No.	Pct.	No.	Pct.	No.	Pct.
2000 - 2010	-1,268	-10.8%	-1,614	-11.7%	-297	-0.1%
2010 - 2019	-134	-1.3%	-49	-0.4%	21,670	9.6%
2019 - 2030	-284	-2.7%	-336	-2.8%	3,240	1.3%
*2020 average employment data as of Q3 during COVID-19 Pandemic						
Sources: MN DEED; Maxfield Research & Consulting, LLC						

EMPLOYMENT TRENDS

- In 2000, there were 11,786 jobs in Albert Lea and 13,749 jobs in Freeborn County. Between 2000 and 2010, Albert Lea employment dropped by 11%, losing 1,268 jobs while Freeborn County lost 1,614 jobs (-12%).
- The data indicates that between 2010 and 2019, Albert Lea lost another 134 jobs (-1% growth).
- Job growth in Albert Lea and Freeborn County has contracted steadily since 2000 declining 12% and between 2000 and 2019, while employment in the Southeast Development Region increased 9.5%.
- As of 3rd quarter 2020, Albert Lea and Freeborn County experienced a substantial decline in employment due to the COVID-19 pandemic of 6% from 2019.
- The forecast for Albert Lea and Freeborn County labor force is expected to recover from the pandemic and increase by 2% from 2019 to 2025.
- Employment in the Southeast Development Region is projected to grow with most of the growth occurring in Olmsted County, a result of growth expected to due to the development of the Destination Medical Center (DMC) in Rochester.
- Major employers interviewed in Albert Lea project a stable economy in the area with no indications of major declines to existing industries. In fact, employers indicated immediate job openings that could be filled if it were not for the lack of housing options in the Albert Lea area.

Industry Employment and Wage Data

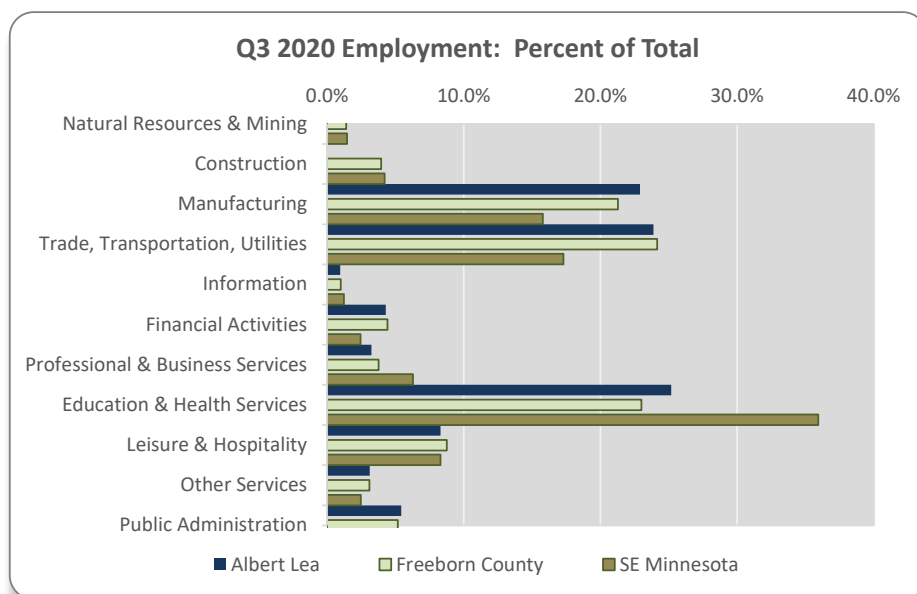
Table E-5 on the following page displays information on the employment and wage situation in Albert Lea and the PMA compared to Southeast Minnesota Economic Development Region. The Quarterly Census of Employment and Wages (QCEW) data is sourced from MN DEED and represents average annual data for Q3 2019 compared to Q3 2020, the most recent data available.

All establishments covered under the Unemployment Insurance (UI) Program are required to report wage and employment statistics to DEED quarterly. 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.

EMPLOYMENT TRENDS

Technically some farming/agricultural employment is covered in QCEW, however, because that data omits big sections of the industry namely the self-employed and family farms, it isn't deemed a reliable source of data for overall industry analysis.

- Albert Lea experienced job losses between Q3 of 2019 and Q3 2020 of 5% (-529 jobs). Only the Trade, Transportation, & Utilities and Information sectors were the only industries not to experience job losses of the year in Albert Lea. Trade, Transportation, & Utilities experienced small gains of 2% (37 jobs) while the Information sector remained relatively stable with an increase of two employees (1%).
- The largest contraction occurred within the Education & Health Services sector which declined 159 jobs (-6%) followed by the Leisure and hospitality sector with 129 jobs (14%).
- Freeborn County experienced a 5% decline in jobs (-636 jobs). The most notable losses were similar to Albert Lea and occurred within the Education & Health Services and Leisure & Hospitality sectors.
- The Southeast Economic Development Region suffered similar job losses over the period compared to that of Albert Lea and Freeborn County. The Southeast Region suffered a 6% decline in employment (-13,748 jobs) with the Leisure & Hospitality sector bearing the largest loss of nearly 5,000 jobs (-20.5%).
- Education & Health Services is the largest employment sector in Albert Lea (25% of total jobs), while the Trade, Transportation, Utilities sector is the largest employment sector in the county with 24% of the jobs (2,756 jobs). Education & Health Services is the largest employment sector in Southeast Minnesota Economic Development Region (36% of total employment).



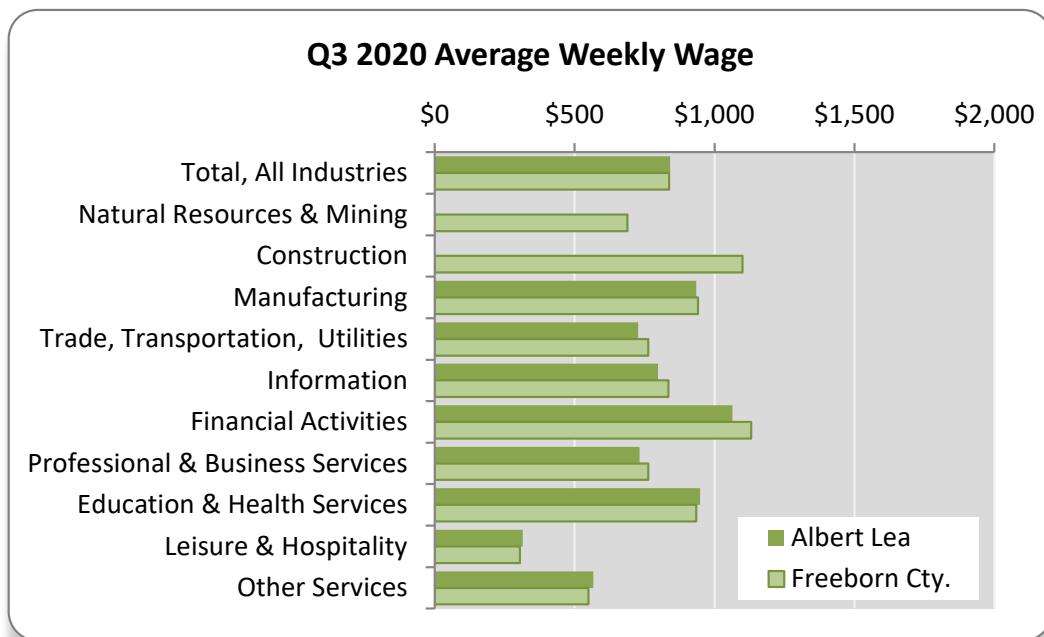
EMPLOYMENT TRENDS

TABLE E-5 QUARTERLY CENSUS OF EMPLOYMENT AND WAGES ALBERT LEA MARKET AREA Q3 2019 - Q3 2020										
Industry	Q3 2019			Q3 2020			Change Q3 2019 - Q3 2020			
	Establish- ments	Employ- ment	Weekly Wage	Establish- ments	Employ- ment	Weekly Wage	Employment # %		Wage # %	
CITY OF ALBERT LEA										
Total, All Industries	528	10,352	\$797	532	9,823	\$841	-529	-5.1%	\$45	5.6%
Natural Resources & Mining	--	--	--	--	--	--	--	--	--	--
Construction	--	--	--	--	--	--	--	--	--	--
Manufacturing	37	2,327	\$892	36	2,249	\$935	-78	-3.4%	\$43	4.8%
Trade, Transportation, Utilities	143	2,308	\$679	141	2,346	\$727	37	1.6%	\$48	7.1%
Information	9	92	\$639	9	93	\$797	2	1.8%	\$158	24.8%
Financial Activities	56	450	\$992	55	420	\$1,064	-30	-6.6%	\$72	7.2%
Professional & Business Services	54	363	\$712	54	318	\$732	-45	-12.4%	\$20	2.9%
Education & Health Services	59	2,632	\$934	64	2,474	\$948	-159	-6.0%	\$13	1.4%
Leisure & Hospitality	63	943	\$304	62	814	\$314	-129	-13.7%	\$10	3.4%
Other Services	55	358	\$458	57	307	\$566	-51	-14.3%	\$109	23.7%
Public Administration	13	584	\$1,006	14	533	\$1,092	-51	-8.7%	\$86	8.6%
FREEBORN COUNTY (MARKET AREA)										
Total, All Industries	813	12,044	\$791	819	11,409	\$838	-636	-5.3%	\$47	5.9%
Natural Resources & Mining	24	154	\$667	26	158	\$689	4	2.8%	\$21	3.2%
Construction	84	472	\$1,052	84	451	\$1,100	-21	-4.4%	\$48	4.5%
Manufacturing	54	2,535	\$897	53	2,427	\$941	-108	-4.3%	\$44	4.9%
Trade, Transportation, Utilities	234	2,742	\$712	229	2,756	\$763	14	0.5%	\$50	7.1%
Information	13	111	\$688	13	114	\$835	4	3.3%	\$147	21.4%
Financial Activities	70	534	\$1,058	70	503	\$1,131	-31	-5.9%	\$73	6.9%
Professional & Business Services	69	471	\$739	69	429	\$763	-42	-8.8%	\$24	3.2%
Education & Health Services	72	2,791	\$920	82	2,625	\$935	-166	-5.9%	\$15	1.6%
Leisure & Hospitality	84	1,164	\$294	83	998	\$305	-166	-14.2%	\$10	3.5%
Other Services	78	415	\$438	75	353	\$549	-62	-15.0%	\$111	25.3%
Public Administration	33	653	\$943	35	591	\$1,033	-62	-9.5%	\$90	9.5%
SE MINNESOTA ECONOMIC DEVELOPMENT REGION										
Total, All Industries	12,585	245,936	\$1,004	12,831	232,188	\$1,051	-13,748	-5.6%	\$47	4.6%
Natural Resources & Mining	411	3,305	\$682	413	3,366	\$720	61	1.8%	\$38	5.6%
Construction	1,449	9,901	\$1,116	1,469	9,784	\$1,152	-117	-1.2%	\$36	3.2%
Manufacturing	672	38,797	\$1,153	667	36,662	\$1,194	-2,135	-5.5%	\$41	3.6%
Trade, Transportation, Utilities	2,818	41,693	\$766	2,805	40,173	\$804	-1,520	-3.6%	\$38	4.9%
Information	192	3,159	\$987	192	2,836	\$1,072	-323	-10.2%	\$84	8.5%
Financial Activities	1,021	7,259	\$1,300	1,029	5,668	\$1,184	-1,591	-21.9%	(\$116)	-8.9%
Professional & Business Services	1,302	14,407	\$971	1,323	14,574	\$1,113	167	1.2%	\$142	14.6%
Education & Health Services	1,747	85,479	\$1,243	1,927	83,428	\$1,267	-2,052	-2.4%	\$24	2.0%
Leisure & Hospitality	1,355	24,239	\$371	1,368	19,267	\$374	-4,972	-20.5%	\$3	0.7%
Other Services	1,262	6,524	\$524	1,270	5,721	\$575	-803	-12.3%	\$51	9.7%
Public Administration	357	11,169	\$1,057	369	10,706	\$1,117	-463	-4.1%	\$60	5.6%
Sources: Minnesota Department of Employment and Economic Development; Maxfield Research & Consulting, LLC										

- Average weekly wages in Albert Lea (\$841) are essentially the same as Freeborn County (\$838) but nearly 20% lower than the Southeast Economic Development Region (\$1,051).
- Highest average weekly wages in Albert Lea are found in the Public Administration (\$1,092) and Financial Activities (\$1,064) sectors. The lowest wages in Albert Lea are in the Leisure & Hospitality sector at \$314 per week.

EMPLOYMENT TRENDS

- A household earning the average weekly wage in the PMA (\$841) would be able to afford an apartment renting for an estimated \$1,093 per month to not exceed 30% of its monthly income on housing costs, significantly higher than the average rent for existing market rate rental properties in the Market Area (\$675).
- The data indicates the existing housing stock in Albert Lea is relatively affordable proportionate to average wages in the PMA and the City.



Major Employers

The following list provides a summary of the major employers in Albert Lea and Freeborn County with 50 employees or more. This data is sourced from the Albert Lea Economic Development Agency.

- The Mayo Clinic Health System is the largest employer in the City, with over 1,000 employees, followed by the Albert Lea Public School District # 241, with 635 employees.
- Based on the industry sector composition of the major employers, it appears that Albert Lea's employment base is diverse, as the major employers represent multiple industry sectors.
- Combined, the major employers have an estimated 5,337 workers. There are 13 employers that employ 200 or more employees. Another six companies employ 100 to 200 employees and nine businesses with 50 to 100 employees.

EMPLOYMENT TRENDS

**TABLE E-6
MAJOR EMPLOYERS*
CITY OF ALBERT LEA
March 2021**

Employer	Products/Services	Employee Count*
Mayo Clinic Health System	General Medical & Surgical Hospitals	1000+
Albert Lea Public School Dist. #241	Technical & Trade Schools	635
Select Foods	Protein Processing Plant	530
Innovance	Industrial Machinery Manufacturing	379
Freeborn County	Local Government	324
St John's Lutheran Home	Nursing Care Facilities	330
City of Albert Lea	Local Government	147
Walmart	Retail	230
Hy-Vee	Grocery Stores	307
Cargill	Protein Processing Plant	263
Mrs. Gerry's	Fruit & Vegetable Preserving & Spec. Food Mfg.	225
Zumbro River Brand	Food Manufacturing	222
Ventura Foods	Grocery & Related Product Wholesalers	200
Good Samaritan Center	Outpatient Care Centers	200
Minnesota Corrugated Box Inc	Converted Paper Product Manufacturing	179
Trails Travel Center	Automotive Repair & Maintenance	175
Thornecrest Retirement	Senior Housing and Nursing Care Facilities	157
Dave Syverson's Auto & Truck	Automobile Dealership	128
Interstate Packaging	Converted Paper Product Manufacturing	100+
Ulland Brothers	Nonmetallic Mineral Mining & Quarrying	100
Streater	Lumber & Other Const. Materials Merchant Wholesalers	80
Alerus	Securities & Commodity Contracts Interm.& Brokerage	80
Wedgewood Cove	Golf Club	77
Agilis	Donation Processing and Fulfillment Services	72
Crossroad's Trailers	Trailer Sales & Service	71
Freeborn-Mower Cooperative	Electric Power Generation, Transmission & Dist.	65
Larson Manufacturing	Window and Door Manufacturer and Distributor	58
Pro Advantage	Metal Fabrication	53
REG Biorefinery/Poet	Renewable Energy Production	50
Total		5,337
* Data last updated August 2020.		
Sources: Albert Lea Economic Development Agency; Maxfield Research & Consulting, LLC		

Employer Survey

Maxfield Research surveyed representatives from a select group of the largest employers in Albert Lea. Employers were asked their opinions regarding housing-related issues in the area, specifically whether the supply of suitable housing meets the needs of their workforce. The following points summarize our findings.

- Employers indicated that there is an overall lack of housing in the area for both for-sale and rental. Specifically, employers state that the unavailability of affordably priced housing in the City of Albert Lea is an issue. Attracting and retaining workers is an issue for the major employers surveyed.

EMPLOYMENT TRENDS

- While affordably priced for-sale and rental options seem to be the strongest need, new rental housing units at any price point added to the market would alleviate some of the pressure on the market.
- Typical commuting distance is 20 to 30 miles depending on the employer. Employers struggle to retain commuters long term because ultimately, they find employment closer to home.
- Employers noted that salaried employees are often willing to commute a greater distance than hourly employees.
- Most employers stated that the economy has held up well in the Albert Lea area and though they were all impacted by the COVID-19 pandemic, the impact was not as significant as other areas in the country. Major employers have maintained employment figures and expect their employment base to hold steady and in fact, many could hire for positions immediately if it were not for the lack of housing options.
- Generally, employers surveyed expect their employment base to hold steady over the next few years even with the negative effects of COVID-19.
- Employers indicated current salaries are at or above the midpoint for any given position and the average wages provided could afford most of the rental housing available in Albert Lea.
- The biggest impediment for employers currently is recruiting and sustaining the workforce due to the lack of housing availability in the area.

Introduction

The variety and condition of the housing stock in a community provides the basis for an attractive living environment. We examined the housing market in Albert Lea in comparison to the Albert Lea Market Area and Minnesota by reviewing data on the total number of housing units by occupancy status, housing types, age of the housing supply and residential construction trends. Housing unit is defined as a house, an apartment, a group of rooms, or a single room occupied or intended for occupancy as separate living quarters. Householder refers to a person who owns or rents a house; the head of a household.

Housing Unit Occupancy

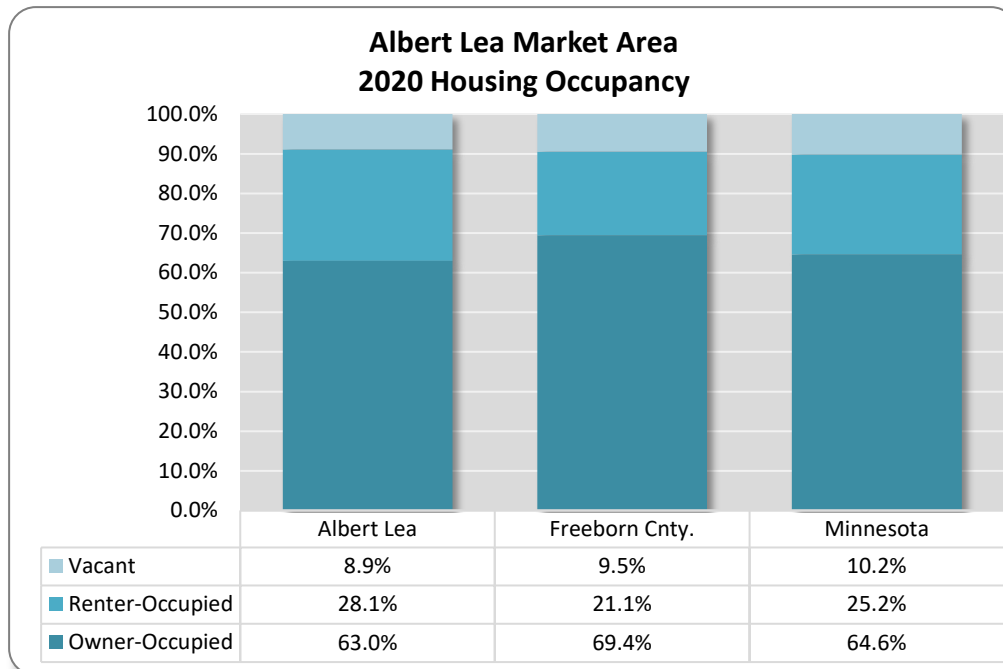
Housing unit occupancy is a key variable used to assess neighborhood stability. Table HC-1 on the following page shows the total number of housing units, as well as the occupancy status in 2010 and 2020. The data is sourced from the U.S. Census (2010) and the 2015-2019 American Community Survey (“ACS”) which is an ongoing statistical survey administered by the U.S. Census Bureau, the most recent data available and adjusted by Maxfield Research to 2020 estimated figures.

The Census’ definition of a vacant housing unit includes: units that were listed for sale or for rent at the time of the Census survey; units that have been rented or sold but were not yet occupied; seasonal housing (vacation or second homes); and, “other” vacant housing. Other vacant housing units include housing for migratory workers, housing units held for occupancy of a caretaker, and units in the foreclosure process.

Based on the ACS definition, a housing unit is considered vacant if no one is living in it at the time of the survey. Also, units occupied at the time of survey entirely by persons who are staying two months or less and who have a more permanent residence elsewhere are considered temporarily occupied and are classified as vacant. Vacant units are excluded from the housing inventory if they are open to the elements (roof, walls, windows, and/or doors no longer protect the interior), if they have been condemned, or if they are to be demolished. Gross rent is defined as the amount of the contract rent plus the estimated average monthly cost of utilities and fuels if these are paid by the renter.

The ACS vacancy estimate is often higher than what is found in apartment buildings due to the inclusion of other types of rental situations (i.e. vacant single-family rental properties). However, as reflected in our survey of apartment buildings, the actual rental vacancy rate in the PMA is substantially lower than ACS estimates.

- As of 2020, Albert Lea contained an estimated 8,492 housing units, of which 91% were occupied (7,736 units) and 8.9% were vacant (756 units).



- An estimated 63% of Albert Lea's housing units were owned in 2020, 28% were rented and 9% were vacant.
- In Freeborn County, 69% of the housing units were owned, 21% were rented and 9.5% were vacant. In Minnesota, 65% of housing units were owned, 25% were rented and an estimated 10% were vacant in 2020.

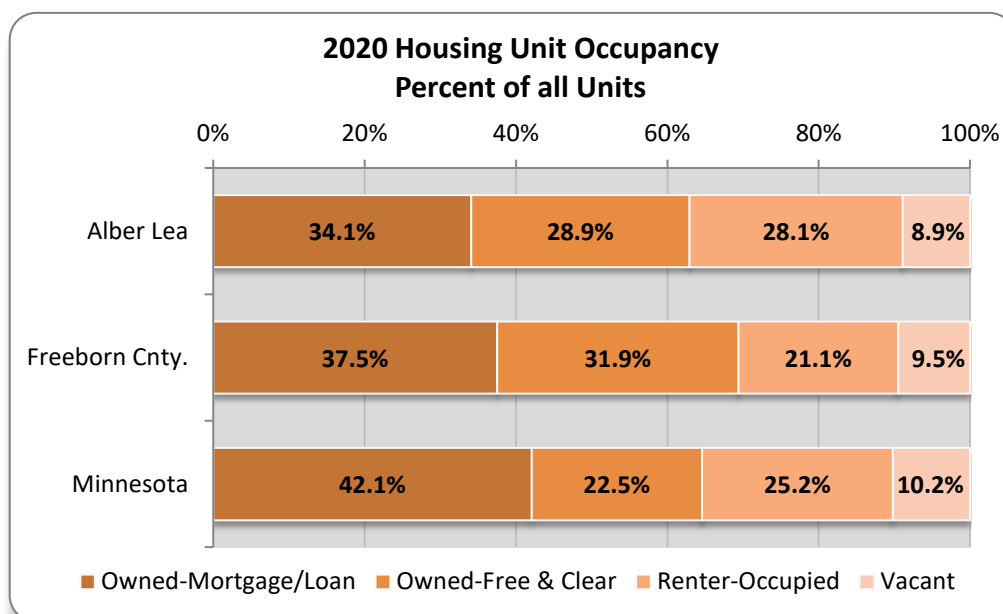


TABLE HC-1 HOUSING UNIT OCCUPANCY ALBERT LEA MARKET AREA 2020					
	Albert Lea		Freeborn County		Minnesota
	No.	Pct.	No.	Pct.	Pct.
2020					
Total Housing Units	8,492	100%	14,418	100%	100%
Occupied Units	7,736	91.1%	13,050	90.5%	89.8%
Owner-Occupied	5,346	63.0%	10,006	69.4%	64.6%
mortgage or loan	2,895	34.1%	5,411	37.5%	42.1%
free and clear	2,451	28.9%	4,595	31.9%	22.5%
Renter-Occupied	2,390	28.1%	3,044	21.1%	25.2%
Vacant Units	756	8.9%	1,368	9.5%	10.2%
For Rent	130	1.5%	191	1.3%	1.1%
For Sale Only	71	0.8%	109	0.8%	0.7%
Seasonal/Recreational	47	0.6%	123	0.9%	5.6%
Rented/Sold, Not Occupied	113	1.3%	148	1.0%	0.7%
Other	394	4.6%	798	5.5%	2.2%
2010					
Total Housing Units	8,398	100%	14,231	100%	100%
Occupied Units	7,762	92.4%	13,177	92.6%	88.9%
Owner-Occupied	5,426	64.6%	10,089	70.9%	64.9%
mortgage or loan	3,257	38.8%	6,030	42.4%	47.3%
free and clear	2,169	25.8%	4,059	28.5%	17.7%
Renter-Occupied	2,336	27.8%	3,088	21.7%	24.0%
Vacant Units	636	7.6%	1,054	7.4%	11.1%
For Rent	208	2.5%	272	1.9%	2.0%
For Sale Only	152	1.8%	230	1.6%	1.3%
Seasonal/Recreational	53	0.6%	108	0.8%	5.6%
Rented/Sold, Not Occupied	38	0.5%	64	0.4%	0.4%
Other	185	2.2%	380	2.7%	1.8%

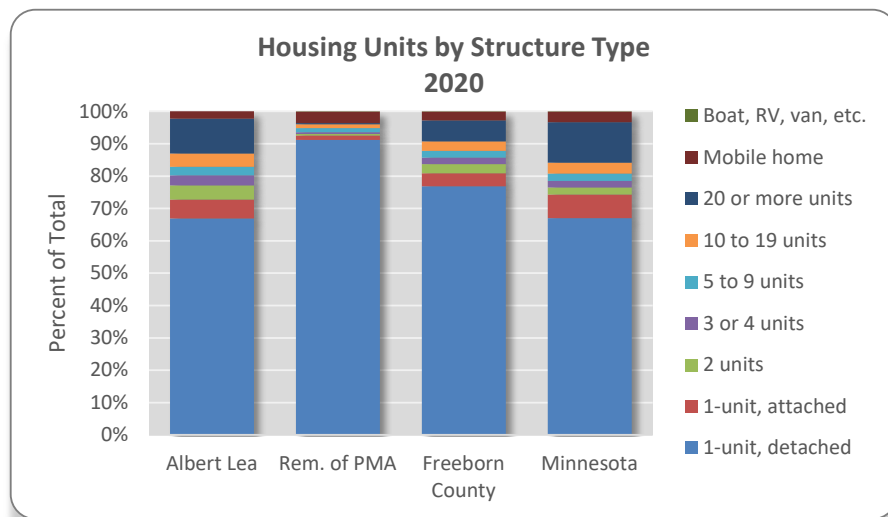
Sources: US Census; 2015-2019 American Community Survey; Maxfield Research & Consulting, LLC

- The estimated vacancy rate in Albert Lea of 9% in 2020 was lower than Freeborn County (9.5%) and Minnesota (10%). In Albert Lea, the proportion of vacant units for rent (1.5%), units rented or sold but not occupied (1%), for sale only units (1%), and other units (5%) were all higher than the PMA and Minnesota.
- Occupancy rates decreased between 2010 and 2020, falling 1% in Albert Lea with the loss of 26 occupied housing units, compared to a 2% decrease in the PMA. Minnesota experienced an increase of occupied units of 1%.
- Renter-occupied units expanded 2% in the Albert Lea, while owner-occupied units decreased 1.5%. Vacant units expanded 19%.

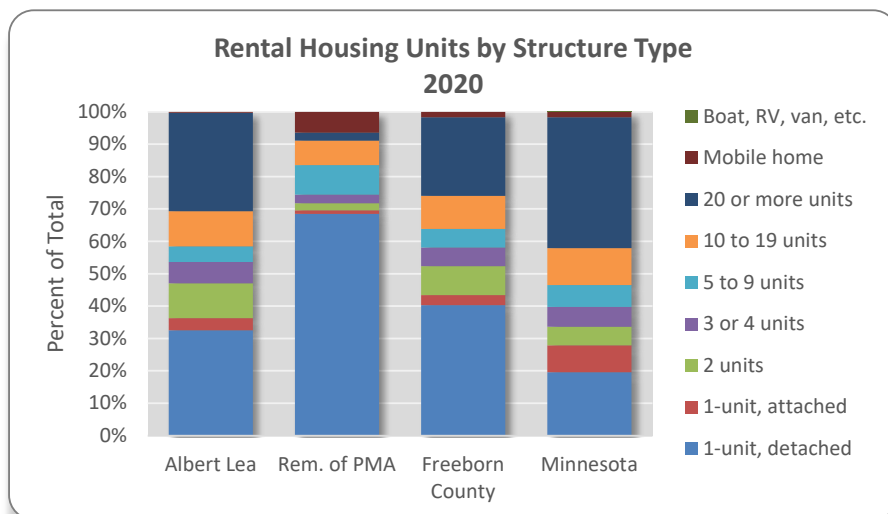
Housing Stock by Structure Type

The data in Table HC-2 is sourced from the American Community Survey, highlighting data collected between 2015 and 2019, the most recent ACS data available and adjusted by Maxfield Research to 2020 estimates. The following points summarize key findings.

- Single-family (one-unit) detached units are the most common housing type in the Market Area, comprising 67% of all housing units in Albert Lea, compared to 91% in the Remainder of the MA and 67% in Minnesota.



- An estimated 30% of the renter-occupied housing units in the City (725 units) are in structures with 20 or more units, while 32.5% are in single-unit attached structures (778 units). Two-unit structures (257 units) and 10- to 19-unit structures (259 units) each accounted for 11% of the rental units.



HOUSING CHARACTERISTICS

- Single-family (1-unit, detached) homes that are rented comprise the highest proportion of rental units in the Remainder of the PMA (68.5%). In Minnesota, single-family rental units represented 67% of the total.

TABLE HC-2 HOUSING UNITS BY STRUCTURE TYPE AND TENURE ALBERT LEA MARKET AREA 2020							
	Albert Lea		Rem. of PMA		Freeborn County		Minnesota
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
Total Housing Units	8,492	100%	5,926	100%	14,418	100%	100%
1-unit, detached	5,684	66.9%	5,402	91.2%	11,086	76.9%	67.0%
1-unit, attached	498	5.9%	82	1.4%	579	4.0%	7.3%
2 units	370	4.4%	29	0.5%	399	2.8%	2.1%
3 or 4 units	262	3.1%	33	0.6%	295	2.0%	2.1%
5 to 9 units	222	2.6%	77	1.3%	298	2.1%	2.2%
10 to 19 units	354	4.2%	67	1.1%	422	2.9%	3.4%
20 or more units	914	10.8%	25	0.4%	939	6.5%	12.5%
Mobile home	188	2.2%	210	3.5%	398	2.8%	3.3%
Boat, RV, van, etc.	0	0.0%	2	0.0%	2	0.0%	0.0%
Total Occupied Housing Units	7,736	100%	5,314	100%	13,050	100%	100%
Owner-Occupied	5,346	69.1%	4,660	87.7%	10,006	76.7%	71.6%
1-unit, detached	4,578	59.2%	4,450	83.7%	9,027	69.2%	85.5%
1-unit, attached	414	5.4%	48	0.9%	462	3.5%	7.5%
2 units	31	0.4%	6	0.1%	37	0.3%	0.7%
3 or 4 units	16	0.2%	8	0.2%	24	0.2%	0.5%
5 to 9 units	8	0.1%	4	0.1%	12	0.1%	0.4%
10 to 19 units	60	0.8%	0	0.0%	60	0.5%	0.3%
20 or more units	96	1.2%	1	0.0%	96	0.7%	0.7%
Mobile home	144	1.9%	141	2.7%	285	2.2%	3.1%
Boat, RV, van, etc.	0	0.0%	2	0.0%	2	0.0%	0.0%
Renter-Occupied	2,390	30.9%	654	12.3%	3,044	23.3%	28.4%
1-unit, detached	778	10.1%	447	8.4%	1,226	9.4%	19.6%
1-unit, attached	88	1.1%	7	0.1%	95	0.7%	8.3%
2 units	257	3.3%	14	0.3%	272	2.1%	5.8%
3 or 4 units	158	2.0%	17	0.3%	175	1.3%	6.0%
5 to 9 units	117	1.5%	60	1.1%	177	1.4%	6.7%
10 to 19 units	259	3.4%	50	0.9%	309	2.4%	11.4%
20 or more units	725	9.4%	16	0.3%	740	5.7%	40.5%
Mobile home	8	0.1%	42	0.8%	50	0.4%	1.6%
Boat, RV, van, etc.	0	0.0%	0	0.0%	0	0.0%	0.1%
Sources: 2015-2019 American Community Survey; Maxfield Research & Consulting, LLC							

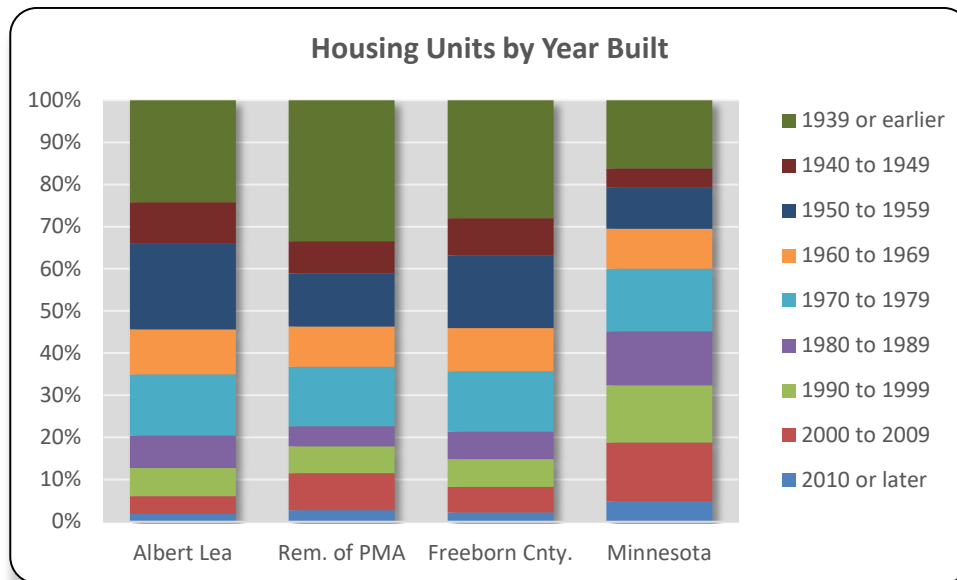
Age of Housing Stock

Similar to the structure type data presented in the previous table, housing age data presented in Table HC-3 is also sourced from the 2015-2019 American Community Survey. The table includes the number of housing units built prior to 1940 and during each subsequent decade. The Census Bureau began collecting year-built data in 1940.

- An estimated 24% of the housing units in Albert Lea (2,058 units) were built prior to 1940, compared to 34% in the Remainder of the MA and 16% in Minnesota.
- While many homes built before 1940 may be in good condition, housing units this age are at risk of becoming substandard or functionally obsolete and maintenance costs are generally higher.

TABLE HC-3 HOUSING UNITS BY YEAR STRUCTURE BUILT ALBERT LEA MARKET AREA 2020							
	Albert Lea		Rem. of PMA		Freeborn Co. (PMA)		Minnesota
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
Total	8,492	100%	5,926	100%	14,418	100%	100%
2014 or later	80	0.9%	56	1.0%	137	0.9%	2.3%
2010 to 2013	75	0.9%	107	1.8%	182	1.3%	2.4%
2000 to 2009	358	4.2%	517	8.7%	876	6.1%	14.1%
1990 to 1999	567	6.7%	380	6.4%	947	6.6%	13.5%
1980 to 1989	656	7.7%	284	4.8%	940	6.5%	12.8%
1970 to 1979	1,230	14.5%	835	14.1%	2,066	14.3%	14.9%
1960 to 1969	911	10.7%	567	9.6%	1,477	10.2%	9.5%
1950 to 1959	1,735	20.4%	744	12.6%	2,479	17.2%	9.9%
1940 to 1949	821	9.7%	453	7.6%	1,274	8.8%	4.4%
1939 or earlier	2,058	24.2%	1,982	33.5%	4,040	28.0%	16.2%
Sources: 2015-2019 American Community Survey; Maxfield Research & Consulting, LLC							

- The 1950s was the most active homebuilding decade in Albert Lea since before 1940. An estimated 20% of City's housing stock was built during the 1950s (1,735 units), followed by the 1970s with 1,230 units (14.5%). Thus, 59% of housing was built during these periods.
- Overall, 80% of Albert Lea's housing was built prior to 1980. In Minnesota, only 55% of housing was built prior to 1980.
- By comparison, pre-1940s housing is the most common housing type in Minnesota with 16% of the total supply, followed by housing units constructed in the 1970s (15% of the inventory).



- The housing stock in Albert Lea is relatively older when compared to Remainder of the MA but is considerably older when compared to Minnesota. Only 13% of Albert Lea's housing inventory is estimated to have been constructed since 1990, compared to 18% in the Remainder of the MA and 32% in Minnesota.
- Housing unit production has dropped off in the Market Area since the 2000s. An estimated 358 units were built from 2000 to 2009 in Albert Lea (4% of all units), while 9% of the of the Remainder of the MA supply of housing and 14% of the Minnesota housing inventory was added during the same period.
- During the 2010s, housing production in Albert Lea accounted for 2% of the overall housing stock compared to 3% in the Remainder of the MA and 5% in Minnesota.

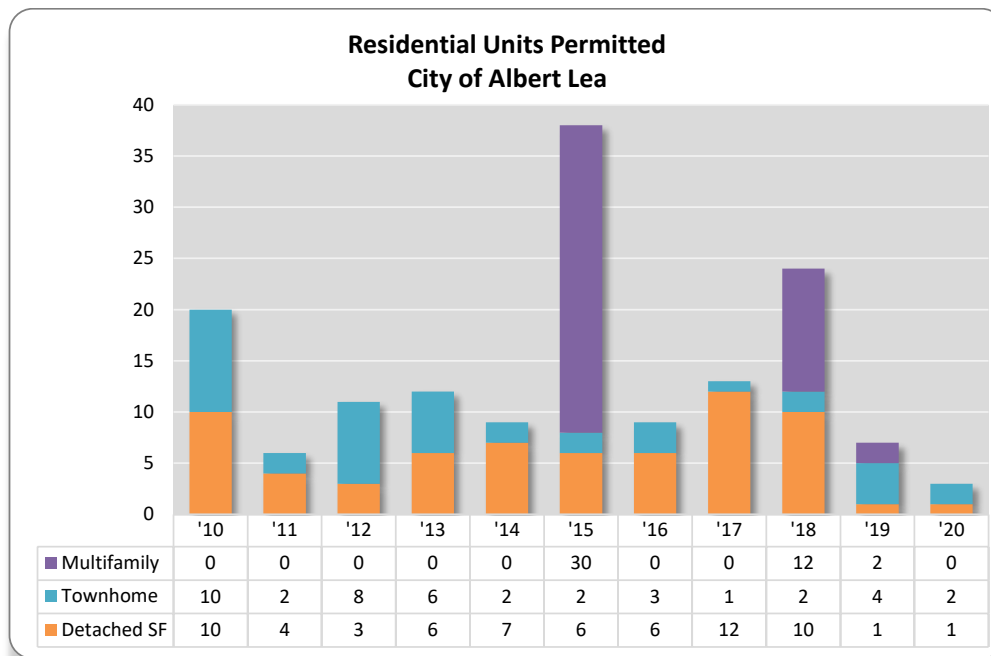
Residential Construction Trends

Table HC-4 on the following page displays the number of residential units permitted for detached single-family homes, townhomes and multifamily structures in Albert Lea from 2010 through 2020. Data from 2010 through 2020 was provided by the City of Albert Lea.

Detached single-family is defined as fully detached housing units. Multifamily housing includes for-sale and rental projects includes duplex, triplex, and four-plex structures, in addition to buildings with five or more units. A multifamily structure is generally defined as a residential building containing units built one on top of another and those built side-by-side which do not have a ground-to-roof wall and/or have common facilities. Townhomes include attached single-family units, semi-attached units, side-by-side units, and rowhouses.

HOUSING CHARACTERISTICS

- A total of 152 residential housing units was permitted in Albert Lea from 2010 through 2020, averaging 14 new units per year in the City.



- Multifamily construction activity has been minimal over the decade with only 42 units permitted. It is important to note that the 12 permitted units in 2018 have yet to be constructed and it is unclear when these 12 units will come on the market.

TABLE HC-4 RESIDENTIAL BUILDING PERMIT TRENDS CITY OF ALBERT LEA 2010 - 2020				
Year	Detached Single-family	Townhome	Multifamily*	Total
2010	10	10	0	20
2011	4	2	0	6
2012	3	8	0	11
2013	6	6	0	12
2014	7	2	0	9
2015	6	2	30	38
2016	6	3	0	9
2017	12	1	0	13
2018	10	2	12	24
2019	1	4	2	7
2020	1	2	0	3
Total	66	42	44	152
* The multifamily units permitted in 2018 and 2019 are still under construction as of March 2021.				
Sources: City of Albert Lea; Maxfield Research & Consulting, LLC				

HOUSING CHARACTERISTICS

- Since 2010, 43% of the permitted housing units in Albert Lea were detached single-family homes (66 units), while 28% were townhome units (42) and nearly 29% were multifamily units (44 units).
- Development activity been steady but not overwhelming with an average of six detached single-family homes built per year and four townhomes units built per year since 2010. Development in the years 2019 and 2020 were lowest over the decade in addition to 2011. Only 16 units were developed over these three years accounting for only 10.5% of the total units built.

Renter-Occupied Units by Contract Rent

Table HC-5 presents information on the monthly housing cost 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. Data is sourced from the 2015-2019 American Community Survey.

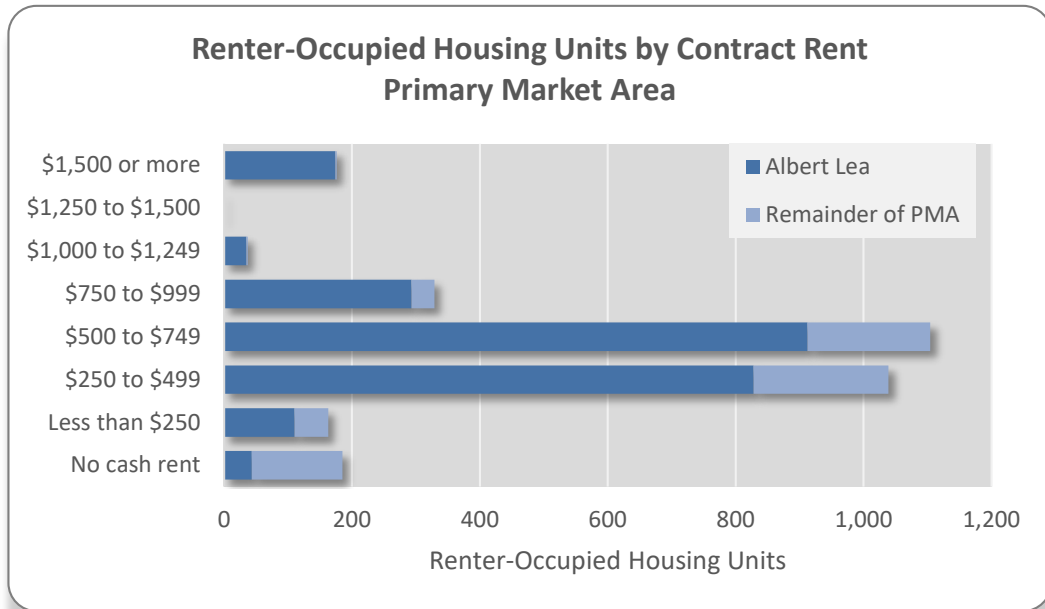
- Based on ACS data, there was an estimated 2,395 renter-occupied housing units in Albert Lea which represented roughly 79% of the Market Area’s supply of rental units.

TABLE HC-5 RENTER-OCCUPIED HOUSING UNITS BY CONTRACT RENT ALBERT LEA MARKET AREA 2020							
	Albert Lea		Rem. of PMA		Freeborn Co. (PMA)		Minnesota
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
Total:	2,395	100%	639	100%	3,034	100%	100%
Median Contract Rent*	\$573		\$490		\$546		\$929
Less than \$250	110	4.6%	53	8.3%	163	5.4%	5.1%
\$250 to \$499	828	34.6%	211	33.0%	1,039	34.2%	9.8%
\$500 to \$749	912	38.1%	192	30.0%	1,104	36.4%	15.9%
\$750 to \$999	293	12.2%	36	5.6%	329	10.8%	24.5%
\$1,000 to \$1,249	35	1.5%	2	0.3%	37	1.2%	16.5%
\$1,250 to \$1,500	0	0.0%	1	0.2%	1	0.0%	10.7%
\$1,500 or more	174	7.3%	2	0.3%	176	5.8%	13.7%
No cash rent	43	1.8%	142	22.2%	185	6.1%	3.9%
*Median contract rent for the Remainder of PMA weighted by number of renter-occupied housing units in each county subdivision							
Sources: 2015-2019 American Community Survey; Maxfield Research & Consulting, LLC							

- The median contract rent in Albert Lea was \$573 per month as of 2019, roughly 14.5% higher than the Remainder of the Market Area (\$490 per month) and roughly 38% lower than the Minnesota median of \$929 per month.

HOUSING CHARACTERISTICS

- Based on a 30% allocation of income to housing, a household in Albert Lea would need an annual income of roughly \$22,920 to afford an average monthly rent of \$573.
- By comparison, in the entire Albert Lea Market Area, a household would need an income of roughly \$19,600 to afford the median contract rent of \$490, while households in Minnesota would need an income of roughly \$37,160 to afford the median rent (\$929).



- Albert Lea has a limited supply of renter-occupied housing units in the higher rent ranges with only 209 of the 2,395 units with asking rents of more than \$1,000. An estimated 89.5% of renter-occupied units in Albert Lea have median asking rents below \$1,000 per month.
- Housing units without payment of rent (“no cash rent”) were estimated to account for 2% of units in Albert Lea compared to 22% in the Remainder of the MA and 4% in Minnesota. Typically, these units may be owned by a relative or friend who lives elsewhere who allows occupancy without charge. Other sources may include caretakers or ministers who may occupy a residence without charge.

Introduction

The following section of the report analyzes current market conditions for general occupancy rental housing in Albert Lea and the surrounding area. Topics covered include rental housing information from the American Community Survey, detailed information on individual rental developments in the Albert Lea Market Area including pending developments.

Overview of Rental Market Conditions

Maxfield Research utilized data from the American Community Survey (ACS) to summarize rental market conditions in the PMA. Table RM-1 on the following page shows estimated rental vacancy rates and gross rental rates for the City of Albert Lea and the Market Area compared to Minnesota from the 2015-2019 ACS (the most recent data available) compared to estimates from the previous four surveys.

As described on page 39, a housing unit is considered vacant if no one is living in it at the time of the survey and units occupied at the time of survey entirely by persons who are staying two months or less and who have a more permanent residence elsewhere are considered temporarily occupied and are classified as vacant. Vacant units are excluded from the housing inventory if they are open to the elements (roof, walls, windows, and/or doors no longer protect the interior), if they have been condemned, or if they are to be demolished. Gross rent is defined as the amount of the contract rent plus the estimated average monthly cost of utilities and fuels if these are paid by the renter.

It is important to note the ACS vacancy estimate is often higher than what is found in apartment buildings due to the inclusion of other types of rental situations as described on page 39. The actual rental vacancy rate in the PMA is substantially lower than ACS estimates based on our survey.

- Estimated reported vacancies in Albert Lea have tracked higher than Minnesota over the past several years, ranging from a low of 4.7% in 2018 to a high of 9.4% in 2015 while vacancy rates in Minnesota ranged from 4.0% in 2016 to a high of 4.3% in 2015.
- In 2019, it was estimated that the rental vacancy rate in Albert Lea and the County was 5.5% and 5.7%, respectively, higher than the State of Minnesota (4.2%).
- Median gross rents in Albert Lea have been steadily increasing from \$597 in 2015 to \$687 in 2019 (15%), while Minnesota experienced a 15% increase in the median gross rent to \$977.

TABLE RM-1 RENTAL HOUSING VACANCY & RENT ESTIMATES CITY OF ALBERT LEA 2015 - 2019					
	2015	2016	2017	2018	2019
Vacancy					
City of Albert Lea	9.4%	8.9%	6.6%	4.7%	5.5%
Freeborn County	8.3%	8.3%	6.5%	4.7%	5.7%
Minnesota	4.3%	4.0%	4.1%	4.2%	4.2%
Rent					
City of Albert Lea	\$597	\$621	\$647	\$670	\$687
Freeborn County	\$598	\$616	\$642	\$668	\$681
Minnesota	\$848	\$873	\$906	\$944	\$977
Note: Rent equals median gross rent					
Sources: American Community Survey; Maxfield Research & Consulting					

Table RM-2 on the following pages 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 in Albert Lea and the Market Area compared to Minnesota.

- As depicted in the following chart, two-bedroom units represent the largest proportion of renter-occupied units in Albert Lea at 40%. An estimated 24% have three or more bedrooms and 33% have one bedroom. Units without a bedroom (i.e. studio units) represent the smallest portion of units (3%).

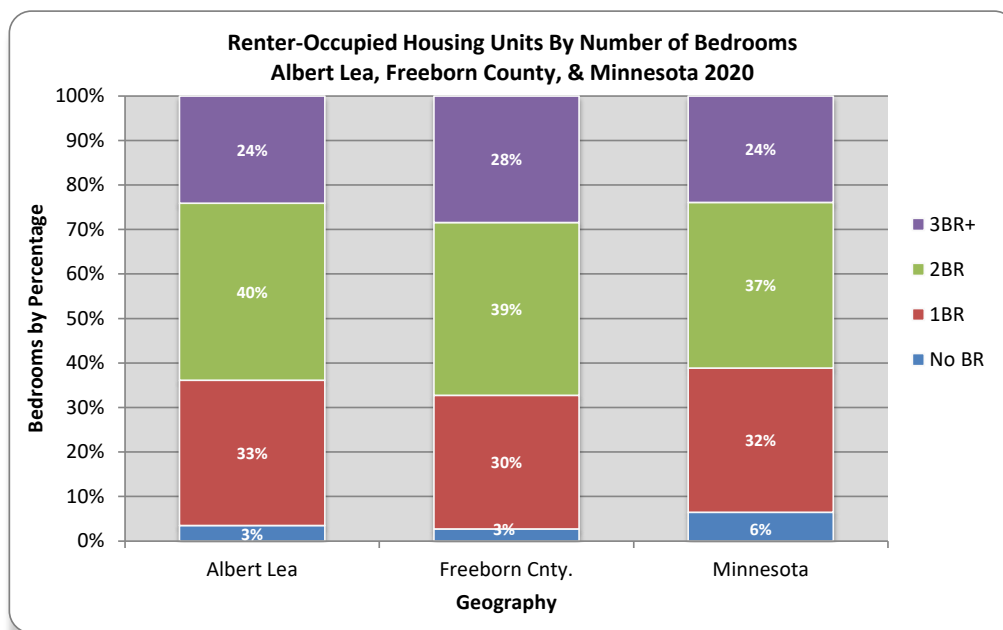
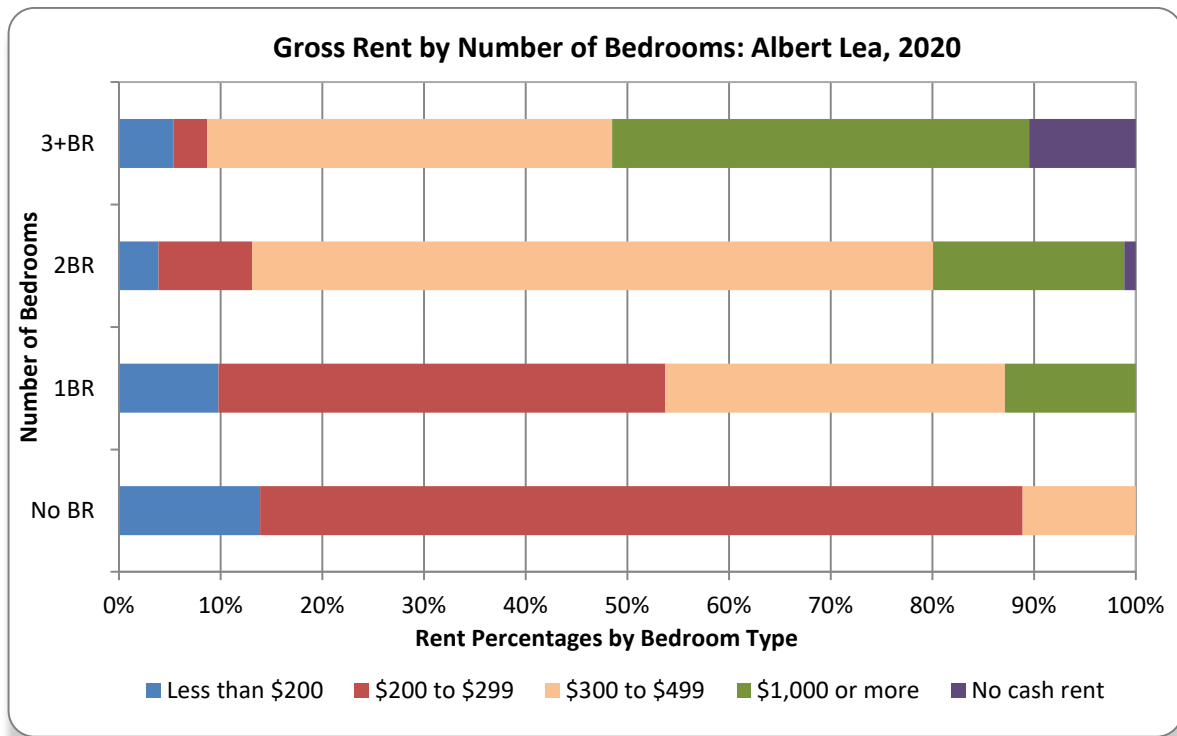


TABLE RM-2 BEDROOMS BY GROSS RENT, RENTER-OCCUPIED HOUSING UNITS PRIMARY MARKET AREA 2020								
	Albert Lea		PMA Remainder*		PMA		Minnesota	
	#	% of Total	#	% of Total	#	% of Total	#	% of Total
Total:	2,390	100%	650	100%	3,040	100%	620,733	100%
Median Gross Rent	\$687		\$684		\$681		\$977	
No Bedroom	83	3%	0	0%	83	3%	40,093	6%
Less than \$300	10	0%	0	0%	10	0%	3,670	1%
\$300 to \$499	54	2%	0	0%	54	2%	4,209	1%
\$500 to \$749	8	0%	0	0%	8	0%	10,458	2%
\$750 to \$999	11	0%	0	0%	11	0%	11,369	2%
\$1,000 or more	0	0%	0	0%	0	0%	9,753	2%
No cash rent	0	0%	0	0%	0	0%	634	0%
1 Bedroom	781	33%	131	20%	912	30%	201,100	32%
Less than \$300	73	3%	17	3%	90	3%	21,177	3%
\$300 to \$499	328	14%	72	11%	400	13%	21,580	3%
\$500 to \$749	249	10%	29	4%	278	9%	34,191	6%
\$750 to \$999	35	1%	8	1%	43	1%	58,068	9%
\$1,000 or more	96	4%	4	1%	100	3%	63,637	10%
No cash rent	0	0%	1	0%	1	0%	2,447	0%
2 Bedrooms	950	40%	231	36%	1,181	39%	231,193	37%
Less than \$300	28	1%	9	1%	37	1%	6,159	1%
\$300 to \$499	66	3%	24	4%	90	3%	10,480	2%
\$500 to \$749	481	20%	98	15%	579	19%	31,705	5%
\$750 to \$999	232	10%	33	5%	265	9%	56,263	9%
\$1,000 or more	135	6%	22	3%	157	5%	118,999	19%
No cash rent	8	0%	45	7%	53	2%	7,587	1%
3 or More Bedrooms	576	24%	288	44%	864	28%	148,347	24%
Less than \$300	18	1%	4	1%	22	1%	2,317	0%
\$300 to \$499	11	0%	22	3%	33	1%	6,504	1%
\$500 to \$749	133	6%	66	10%	199	7%	13,864	2%
\$750 to \$999	242	10%	62	10%	304	10%	19,909	3%
\$1,000 or more	137	6%	38	6%	175	6%	91,229	15%
No cash rent	35	1%	96	15%	131	4%	14,524	2%
Sources: American Community Survey (2014-2019); Maxfield Research and Consulting, LLC								

- An estimated 36% of rental units in Albert Lea have gross rents from \$500 to \$749 per month, while 22% have monthly rents ranging from \$750 to \$999. Another 19% have monthly rents in the \$300 to \$499 range and 15% have rents over \$1,000. Only 5% have rents less than \$300 per month.
- Minnesota in contrast has an estimated 46% of rental units with gross monthly rents over \$1,000 and 23.5% have a rental rate ranging from \$750 to \$999.



- An estimated 2% of the renter-occupied units in Albert Lea were reported as having no cash rent. These units may be owned by friends or relatives who live elsewhere and who allow occupancy at no charge. Rent-free houses or apartment units may be provided to compensate caretakers, ministers, tenant farmers, or others.
- By comparison, 22% of the renter-occupied units in the Remainder of the MA and 4% of the units in Minnesota do not pay any rent or are not charged any rent by the landlord.
- As bedroom size increases, so does the gross rent in the Market Area. The following presents the proportion of households paying gross rent by unit type.

	<u>Albert Lea</u>	<u>Remainder of MA</u>	<u>Minnesota*</u>
- No Bedroom Under \$500	77%	No Units	19%
- One-Bedroom \$300 to \$749	74%	77%	28%
- Two-bedroom \$500 to \$999	75%	56%	38%
- Three-bedroom over \$750	66%	36%	74%

* Note: Gross rents in Minnesota are significantly higher than in Albert Lea and Freeborn County. The proportion of households in Minnesota are for all bedroom types for gross rent over \$750.

General Occupancy Rental Housing Properties

Maxfield Research compiled detailed information for rental housing properties in Albert Lea and the surrounding area, including three shallow-subsidy (affordable) properties, seven deep-subsidy (subsidized) properties and 21 general occupancy market rate properties. Data for these rental housing properties was collected by contacting managers and owners for each of the properties in February and March 2021.

The rents shown represent quoted rents and have not been adjusted to reflect the inclusion or exclusion of utilities at this time. Rental Market Analysis Tables RM-3 through RM-5 on the following pages summarize information on these properties.

Shallow-subsidy/Deep-Subsidy Rental Property Summary

Table RM-3 summarizes key observations for shallow-subsidy (affordable) and deep-subsidy (subsidized) rental units in Albert Lea and Freeborn County. The per square foot average rents reflect a weighted average based on the number of units in each development. Therefore, developments with a larger number of units of any one type contribute more toward the average than those with only a few units of a specific type. The table excludes the 50 scattered units managed by the Albert Lea HRA.

- We identified three, shallow-subsidy developments with 106 units in the Market Area. The units average 917 square feet, ranging from 656 square feet for one-bedroom units to 1,238 for three-bedroom units.
- The weighted average rent across the affordable properties is \$642 per month (\$0.70 per square foot), including \$524 for one-bedroom units (\$0.80 per square foot), \$656 for two-bedroom units (\$0.89 per square foot) and \$733 for units with three or more bedrooms (\$0.63).
- Deep-subsidy properties financed with Section 515 loans made by the United States Department of Agriculture's (USDA) Rural Development Housing and Community Facilities Program target very low-, low-, and moderate-income family households. Tenants pay basic rent or 30% of their adjusted income, whichever is greater. In the project-based Section 8 properties and public housing properties, rent is based on 30% of income and households qualify with an income at or less than 50% AMI (Section 8) and at or less than 80% AMI (public housing).
- There are seven deep-subsidy rental developments in the Market Area with 242 units. An additional 50 units are scattered throughout the county and managed by the Albert Lea HRA for a total of 292 deep-subsidy units. Base rents at one-bedroom units in the Market Area range from \$420 to \$515 and two-bedroom units range from \$453 to \$540.

- At the time of the survey of affordable and subsidized rental properties, there were no vacant affordable units (0.0% vacancy rate) and nine vacant subsidized units (3.1% vacancy rate) in the Market Area. As such, the supply of affordable/subsidized rental housing in the Market Area is well below equilibrium (5.0% vacancy).

TABLE RM-3 UNIT TYPE SUMMARY SELECTED AFFORDABLE/SUBSIDIZED RENTAL DEVELOPMENTS ALBERT LEA MARKET AREA February 2021						
SHALLOW-SUBSIDY (AFFORDABLE)*						
Unit Type	Total Units	% of Total	Avg. Size	Monthly Rents		
				Range Low - High	Avg. Rent	Avg. Rent/ Sq. Ft.
1BR	25	23.6%	656	\$515 - \$525	\$524	\$0.80
2BR	57	53.8%	736	\$630 - \$690	\$656	\$0.89
3BR	24	22.6%	1,157	\$685 - \$780	\$733	\$0.63
Total:	106	100%	917	\$515 - \$780	\$642	\$0.70
DEEP-SUBSIDY (SUBSIDIZED)**						
Unit Type	Total Units	% of Total	Avg. Size	Monthly Rents		
				Range Low - High	Avg. Rent	Avg. Rent/ Sq. Ft.
1BR	155	64.0%	456	\$420 - \$515	\$500	n.a.
2BR	70	28.9%	810	\$453 - \$540	\$487	n.a.
3BR	17	7.0%	1,066	n.a. - n.a.	n.a.	n.a.
Total:	242	100%	605	\$420 - \$540	n.a	n.a
* Shallow-subsidy rents are set by development and involve state income guidelines. ** Rents listed for deep-subsidy are base rents. USDA development funded developments require tenants to pay base rent or 30% or their AGI whichever is higher. Rent for project based Section 8 buildings is base on 30% of AGI.						
Source: Maxfield Research & Consulting, LLC						

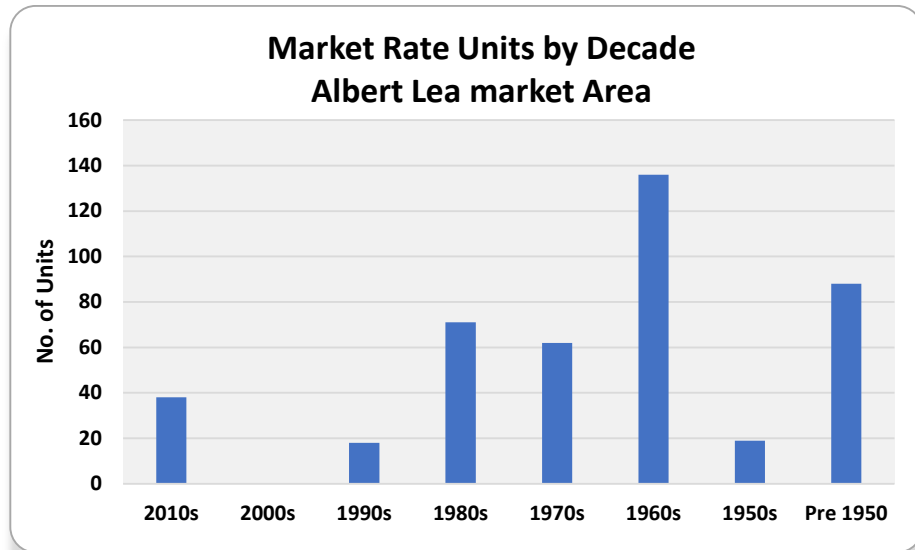
Market Rate Summary

Table RM-4 provides a summary of the unit mix, vacancies, average sizes, and average rental rates among the market rate rental properties. Rental rates presented in the table are a weighted average based on the number of units at each property. Therefore, buildings with a larger number of units of any one type contribute more toward the average than those with only a few units of a specific type.

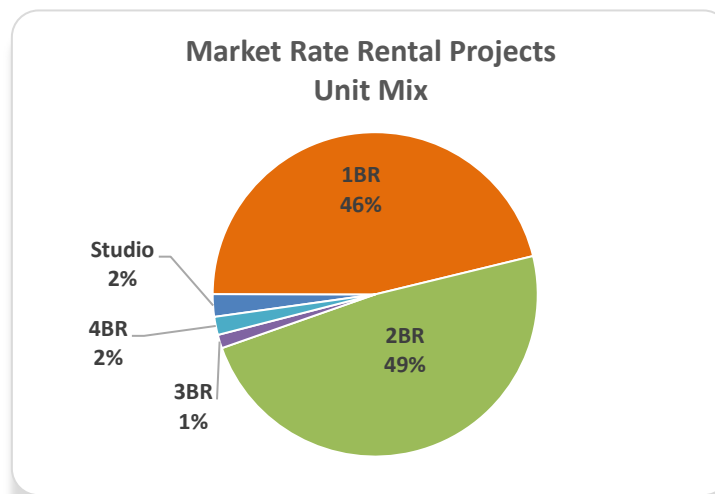
- We inventoried 21 general occupancy market rate apartment properties with a total of 444 units in the Market Area.

RENTAL MARKET ANALYSIS

- Most of the market rental housing in the Market Area is older. The newest development is Wedgewood Cove Townhomes built in 2015 and consists of 30 townhome units. There also was a conversion (2019) of a residence for disabled individuals into eight four-bedroom unit community-based complex call It Takes a Village on Plainview.



- The market is dominated by one- and two-bedroom units which account for just over 94% of all units inventoried. One-bedroom units total 46% while two-bedroom units are 48% of the inventory. Just under 3% of the units are three- and four-bedroom apartments.



- As shown in Table HC-2 in the Housing Characteristics section of the report, the US Census, American Community Survey estimates that there are 1,225 single family homes rented in the Albert Lea Market Area. These homes likely have two, three-, and some -four bedrooms.

TABLE RM-4 UNIT TYPE SUMMARY SELECTED MARKET RATE RENTAL DEVELOPMENTS ALBERT LEA MARKET AREA February 2021						
Unit Type	Total Units	% of Total	Avg. Size	Monthly Rents		
				Range Low - High	Avg. Rent	Avg. Rent/Sq. Ft.
Studio	10	2.3%	375	\$450 - \$525	\$517	\$1.38
1BR	205	46.2%	555	\$470 - \$680	\$545	\$0.98
2BR	215	48.4%	815	\$585 - \$1,200	\$781	\$0.96
3BR	6	1.4%	n.a.	\$849 - \$849	\$849	n.a.
4BR	8	1.8%	1,200	\$999 - \$999	\$999	\$0.83
Total:	444	100%	697	\$450 - \$1,200	\$675	\$0.97
Source: Maxfield Research & Consulting, LLC						

- At the time of the survey, there were six vacant units, for a market rate vacancy of 1.6% in the PMA. The equilibrium vacancy rate for rental housing is 5.0% which allows for normal turnover and an adequate supply of alternatives for prospective renters. In effect, the supply of market rate rental housing in the PMA is well below the level to adequately meet demand. Most of the vacant units (four) were at Fountain Lake Estates.
- On average, units in these general occupancy market rate properties have 697 square feet. One-bedroom units average 555 square feet and two-bedroom units average 815 square feet.
- The average rental rate across all market rate general occupancy properties is \$675 per month with a range of \$450 for studio units at Landmark Apartments to a high of \$1,200 for a two-bedroom unit at Wedgewood Cove Townhomes. Wedgewood Cove is the newest rental development in the Market Area built in 2015.
- Studio units average monthly rents of \$517 per month while one-bedroom unit rents average \$545 per month. Two-bedroom units average \$781 per month and three-bedroom units average \$849 per month. Four-bedroom units are priced at an average of \$999 per month.
- While each property manages utilities differently, heat, trash removal, water, and sewer are included in the rent at most properties.
- Most of the properties surveyed provide kitchen appliances and wall unit air conditioning, and most properties provide surface parking with garage parking available at a few of the rental properties for a monthly fee averaging about \$50.

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TABLE RM-5 GENERAL OCCUPANCY RENTAL PROJECTS FREEBORN COUNTY February 2021								
Project Name/ Address	Year Opened	Total Units	Vacant	Unit Mix	Rent Range	Unit Size	Resident Profile	Comments
Shallow Subsidy								
Gray Gable Apartments 1904 Bridge Ave. Albert Lea	1994	45	0	3 - 1BR 30 - 2BR 12 - 3BR	\$515 \$630 \$685	656 827 1,076	Singles, single parents, couples & seniors.	LIHTC Section 42 (40% of AMI). Three 2-story buildings. Detached garages (\$40/mo.). Tenant pays electricity. No pets. Accepts Section 8 vouchers.
Lofts at Lea Center 139 East William Street Albert Lea	1916	37	0	22 - 1BR 15 - 2BR	\$525 \$690	656 1,076	Mix of ages. 50/50 under and over the age of 60.	LIHTC Section 42 (40% of AMI). 6-story brick building Donwton. Off-street City parking lot and underground parking avail for \$40/mo. 1st floor commercial space. Tenant pays heat & electric. No pets. No waiting list but fill as sson as they are vacant. 5 residents with Section 8 vouchers.
Pickrel Park Townhomes 1801 9th St. W Albert Lea	1990s	24	0	12 - 2BR 12 - 3BR	\$680 \$780	1,005 - 1,014 1,238	All ages from singles to families.	Tax-Credit project. Four 6-plex buildings. Two-story townhome units. Income restricted to 60% Med. Income. Tenant pays heat & electric, detached garages included. No pets allowed. They have a waiting list.
Shallow Subsidy Sub-Totals		106	0 0.0%					
Deep Subsidy								
Trailside Townhomes 204 E. Front St. Albert Lea	1977	30	0	18 - 2BR 12 - 3BR	30% of AGI	946 1,123	Mostly Families	Two-story townhouse units restricted to families. Also has 30 market rate units (see below) and 50 subsidized senior apartments. Tenant pays heat & electric. Off-street parking available.
Scattered Sites (SF & MF) Albert Lea	n.a.	50	3	n.a. - 2BR n.a. - 3BR n.a. - 4BR	30% of AGI Flat base rate \$458	N/A	All families with children	There are about 40 scatterd HRA SF homes and 10 townhomes/rowhomes located throughout Albert Lea. There are 2BRs, 3BRs, and 4BR units. Gas/Electricity not included
Northbridge Apartments 802-810 Troy Road Albert Lea	1990s	48	0	43 - 2BR 5 - 3BR	30% of AGI	768 928	Majority single families, few seniors. Avg. under 30 years	Rural Development project. 24 units are reserved for low-income. Three 2-story buildings. Tenant pays electric. Rental assistance available. Assigned off-street parking. Garage available for \$35/mo.
Shady Oaks Apartments 800 South 4th Avenue Albert lea	1970s	126	6	126 - 1BR	30% of AGI	430 - 460	Single Adults 60% - 62+ or disabled 1 Couple	Formerly age-restricted. Now open to all ages. 8-story building. Roughly 10% of senior residents conctrct out for home services/meals.
5th Street Apartments 321 5th Street SE Glenville	n.a.	8	0	7 - 1BR 1 - 2BR	30% of AGI	n.a. n.a.	Single adults ages 50 to 60	Rural Development project. Section 8 accepted.
Hayward Booster Apartments 215 Main Street Hayward	n.a.	8	0	3 - 1BR Base/MR 5 - 2BR Base/MR	30% of AGI \$420 - \$490 30% of AGI \$453 - \$520	616 735	Disalbed and family housholds	Rural Development project. One-story building. Tenant pays electric. Rental assistance available (currently 6 units). Off-street parking.
Hi-View Apartments 201 Armstead Hollandale	n.a.	10	0	9 - 1BR Base/MR 1 - 2BR Base/MR	30% of AGI \$515 - \$540 30% of AGI \$550 - \$605	616 735	Eldery and disabled housholds	Rural Development project. One-story building. Tenant pays electric. Rental assistance available (currently 8 units). Assigned off-street parking.
North Grove Apartments 100 1st Avenue NE Clarks Grove	n.a.	12	0	10 - 1BR Base/MR 2 - 2BR Base/MR	30% of AGI \$510 - \$685 30% of AGI \$540 - \$710	594 748	Elderly, disabled, and some family housholds	Rural Development project. Two-story building. Tenant pays electric. Rental assistance available (currently 11 units). Assigned off-street parking.
Deep Subsidy Totals		292	9 3.1%					
Continued								

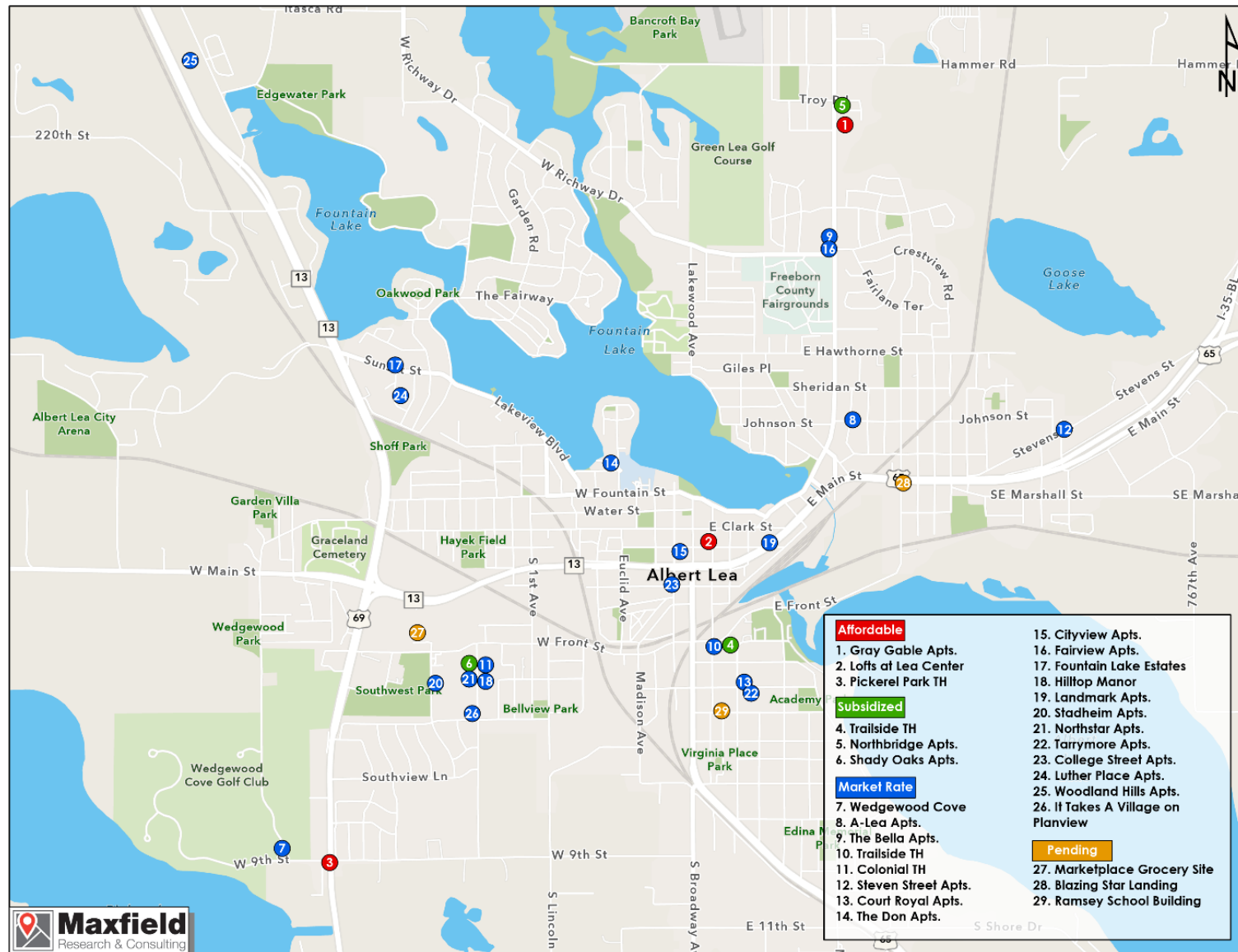
RENTAL MARKET ANALYSIS

TABLE RM-5 (Continued) GENERAL OCCUPANCY RENTAL PROJECTS FREEBORN COUNTY February 2021								
Project Name/ Address	Year Opened	Total Units	Vacant	Unit Mix	Rent Range	Unit Size	Resident Profile	Comments
Market Rate								
Wedgewood Cove Townhomes 1458 Wedgewood Road <i>Albert Lea</i>	2015	30	0	30 - 2BR	\$1,200	900	Mix of ages	Two-story attached townhomes with one-stall attached garage included. In-unit washer/dryer. Tenant pays heat & electric.
A-Lea Apartments 909 Janson Street <i>Albert Lea</i>	1989	71	0	63 - 1BR 8 - 2BR	\$470 - \$490 \$640	500 - 550 800	Mixture of residents, some seniors	Three two-story buildings. 2 garages for \$50/mo. Month to month leases. Section 8 tenants currently at 12 units.
The Bella Apartments 1609 Bridge Avenue <i>Albert Lea</i>	1990s	18	0	1 - 1BR 17 - 2BR	\$595 \$700	700 720	Mix of ages	2 1/2-story building with a detached garage included. Off-street parking available. Tenant pays electric. Electric heat. No pets. Garage included
Trailside Townhomes 204 E. Front St. <i>Albert Lea</i>	1977	30	0	6 - 1BR 24 - 2BR	\$480 \$585	676 646	Mostly families with children and young professionals.	Two-story market rate townhouse units. Also has 30 subsidized townhomes (tenants pay 30% of AGI for rent) and 50 subsidized senior apartment units. Tenant pays electric and heat.
Colonial Townhomes 799 S. Fourth Ave. <i>Albert Lea</i>	1956	12	n.a.	12 - 2BR	n.a.	n.a.	n.a.	Three 4-unit townhome buildings. Units are two-stories with a full basement. Tenants pay gas & electric, detached garage is included. No pets.
Steven Street Apts. 2105-2119 Stevens <i>Albert Lea</i>	1977	8	0	2 - 1BR 6 - 2BR	\$595 \$700	690 880	Mix of ages	2 two-story 4-plex buildings. Tenants pay electric, off-street parking lot. No pets. No concessions.
Court Royal 305 East 3rd Street <i>Albert Lea</i>	1936	8	n.a.	7 - 1BR 1 - 2BR	n.a. n.a.	n.a.	n.a.	One-story U-shape building. On/Off-street parking and detached garages available. Tenants pay electric.
The Don Apartments 407-409 Park Avenue <i>Albert Lea</i>	1927	9	0	1 - 1BR 8 - 2BR	\$550 \$748	n.a. 941	Mix of ages	Three-story brick building w/attached garages on first floor (\$48/mo.). Tenant pays electric. Accepts households on rental assistance but none at this time.
Cityview Apartments 133 Williams St. & 212 Washington Ave. <i>Albert Lea</i>	1910s	35	1	9 - Stu 7 - 1BR 19 - 2BR	\$525 \$625 \$700	375 500 - 750 875	Mostly singles	Two buildings downtown. Three- and Four-story brick buildings adjacent. Off-street parking on municipal lots. Tenant pays electricity.
Fairview Apartments 1603 Bridge Ave. <i>Albert Lea</i>	1960s	12	0	1 - 1BR 11 - 2BR	\$649 \$749	n.a. n.a.	A mix of ages	Three-story building. Tenants pay electric, detached garages included in rent.
Fountain Lake Estates 1702/17004/1708 Sunset St. <i>Albert Lea</i>	1963	36	4	24 - 1BR 12 - 2BR	\$620 - \$680 \$820 - \$870	n.a. n.a.	n.a.	Three, three-story brick buildings. Tenants pay electricity. Off-street parking, no pets allowed.
Hilltop Manor I & II 806 & 902 S. 4th Ave. <i>Albert Lea</i>	1967	36	0	6 - 1BR 24 - 2BR 6 - 3BR	\$649 \$749 \$849	n.a. n.a. n.a.	A mix of ages	Two three-story buildings. Tenants pay electricity, detached garages included. No pets allowed
Landmark Apartments 517 E. Main Street <i>Albert Lea</i>	1890	15	0	1 - Eff. 13 - 1BR 1 - 2BR	\$450 \$500 - \$525 TBD	n.a. n.a. n.a.	Mix of tenants	3-story brick building, walk-up attic, off-street parking lot. Used to be an old dorm. Three units in the middle of renovation and currently uninhabitable.
Stadheim Apartments 821 Maplehill <i>Albert Lea</i>	1968	12	n.a.	1 - 1BR 11 - 2BR	n.a. n.a.	n.a.	n.a.	Three story building. Tenant pays electric. Detached garages included in rent. No pets allowed
Continued								

RENTAL MARKET ANALYSIS

TABLE RM-5 (Continued) GENERAL OCCUPANCY RENTAL PROJECTS FREEBORN COUNTY February 2021								
Project Name/ Address	Year Opened	Total Units	Vacant	Unit Mix	Rent Range	Unit Size	Resident Profile	Comments
Market Rate (Cont.)								
Northstar Apartments 820 S. Fourth Ave. Albert Lea	1973	24	0	12 - 1BR 12 - 2BR	\$595 \$700	690 880	Mix of ages	Three-story buildings, detached garages for a fee (\$30). Tenant pays electric.
Tarrymore Apartments 314-322 E. 3rd Street Albert Lea	1935	21	n.a.	20 - 1BR 1 - 2BR	n.a. n.a.	n.a. n.a.	n.a.	3 two-story buildings, with on/off-street parking
The College Street Apartments 206/208 West College Street Albert Lea	1966	12	0	2 - 1BR 10 - 2BR	\$595 \$700	680 905	Mix of ages	2 1/2 story building. 10 garages available for \$50/month, also off-street parking available. No pets, tenant pays electricity.
Luther Place Apartments 902-914 Luther Place Albert Lea	1962	28	1	28 - 1BR	\$550	500	Mix of tenants	Four, two-story buildings. Tenant pays electric. Offstreet parking. No pets allowed
Woodland Hills Apartments 22031 73 3rd Avenue Albert Lea	1950s	7	n.a.	6 - 1BR 1 - 2BR	n.a. n.a.	n.a. n.a.	n.a.	
It takes a Village on Plainview 1204 Plainview Lane Albert Lea	1970/ 2019	8	0	8 - 4BR	\$999	1,200	Families with children	Community based living. All utilities included. Community living spaces. Converted in 2019 from a former housing residence for individuals with disabilities.
Oakview Apartments 375 Oak Street Emmons	n.a.	12	0	5 - 1BR 7 - 2BR	\$570 \$650	550 670	n.a.	Two-story building. Tenant pays heat/electric. Rental assistance available. Off-street surface parking lot.
Market Rate Sub-Totals		444	6 1.6%	Vacancy Rate Excludes Properties Not Surveyed				
Source: Maxfield Research & Consulting, LLC								

Rental Housing Properties Location Map



Pending Rental Developments

Maxfield Research compiled information provided by Albert Lea to identify any new general occupancy rental developments that are proposed, planned or under construction that may impact future rental housing demand in the City. Table RM-6 lists pending general occupancy rental housing (market rate and affordable) developments in Albert Lea as of February 2021 with their locations, number of units and name of developer.

- Coldwell Banker Commercial/Fisher Group is redeveloping the former Marketplace grocery building at 1619 West Main Street. The project will include 50 market rate apartments along with first floor retail. The Marketplace grocery is proposed to reoccupy the space on the first level. Construction is underway and the planned opening is early 2022.

TABLE RM-6 PENDING GENERAL OCCUPANCY RENTAL DEVELOPMENTS CITY OF ALBERT LEA February 2021				
Project Name & Location	Units	Type	Developer/Applicant	Status/Notes
<u>Under Construction</u>				
Marketplace Grocery 1619 W Main Street	50	MR	Coldwell Banker Commercial	Rehab of former Marketplace Grocery. Interior demo started.
Ramsey School Building 211 E Fourth Street	12	MR	Schoolhouse LLC	Project received building permits for 12 units in 2018. According to the City, interior demo work is still in process and has a long way to go.
<u>Planned</u>				
Blazing Star Landing E Main Street & Garfield Avenue	48	MR/AFF	Unique Opportunities, LLC	Phase I of a proposed three phase development. Contaminated Site with cleanup starting spring 2021. 10 affordable units.
Old VFW Site 131-137 E Clark Street	21	MR	Par-10 Companies / MJ Parten	Architectural drawings submitted. In Historic District and needs SHPO Certificate of Appropriateness. If SHPO approval is granted a May 2021 construction start is anticipated with a 6-7 month construction timeframe.
<u>Proposed</u>				
Blazing Star Landing E Main Street & Garfield Avenue	96	MR/AFF	Unique Opportunities, LLC	Phases II & III. 20 affordable units.
Ramsey School Building 211 E Fourth Street	17	MR	Schoolhouse LLC	An addition to the existing building is proposed.
Under Construction	62			
Planned	69			
Proposed	113			
Total	244			

Sources: City of Faribault; Maxfield Research & Consulting, LLC

- Unique Opportunities, LLC is planning to construct a 48-unit housing project including 38 market rate units and 10 income restricted units on the Blazing Star Master Plan Site at East Main Street and Garfield Avenue in Albert Lea. This would be the first phase of a potential three phase development with phases II and III consisting of another 96 units (48 units in each phase). The Site is the former home of Farmstead Foods and needs substantial remediation of contaminated soil. Contamination cleanup is expected to start Spring of 2021 through mid-summer. Completion of the apartment complex is likely to occur Spring 2021.

- Par-10 Companies has proposed to redevelop former VFW building in Downtown Albert Lea at 131 East Clark Street. The building is on the national historic registry and is currently under review by the Minnesota State Historical Preservation Office (SHPO) for approval to convert to apartments. If the project were to receive a Certificate of Appropriateness, Par-10 Companies estimates a construction start of May 2021 with a completion timeframe of six to seven months. When complete the project will add 21 market rate rental units to the market.
- Schoolhouse LLC received building permits in 2018 to convert the former Ramsey School at 211 East Fourth Street in Albert Lea into 12 market rate apartment units. According to the City, construction of the apartments is proceeding slowly as the project is currently working on some interior demo. The Albert Lea building official states the project has a long way to go. It is unclear when this project will be completed. In addition to the 12-unit conversion, Schoolhouse LLC has also proposed a 17-unit expansion of which there is currently no timeframe for development.
- Overall, there is a total of 119 units (109 market rate and 10 affordable) planned to be developed by Spring 2022. Another 96 units (76 market rate units and 20 affordable units) proposed in future phase for development. We did not include the Schoolhouse LLC projects due to their uncertainty at this time. This development could potentially add 29 units if completed.

Introduction

Affordable housing is a term that has various definitions according to different people and is a product of supply and demand. According to the United States 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.

Generally, housing that is income-restricted to households earning at or below 80% of Area Median Income (AMI) is considered affordable. However, individual properties may have income restrictions set anywhere from 30% to 80% of AMI. For example, a 30% rent limit generally applies to units that are targeted to Long-Term Homeless, while most tax credit properties are restricted to households earning 50% to 60% AMI. Properties with 80% allocations are typically financed with bonds or through a public agency (i.e. a County Community Development Agency or Economic Development Authority). Rent is not based on income but instead is a contract amount that is affordable to households within the specific income restriction segment.

Many of the affordable housing properties in southern Minnesota were financed with Section 515 loans made by the United States Department of Agriculture's (USDA) Rural Development Housing and Community Facilities Program. These projects target very low-, low-, and moderate-income families, elderly, and persons with handicaps and disabilities. Very low-income is considered at or less than 50% AMI, low-income is between 51% and 80% AMI, and moderate-income is capped at \$5,500 above the low-income limit. Top priority is given to very low-income households. Tenants pay basic rent or 30% of their adjusted income, whichever is greater.

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.

The following figure summarizes generally recognized AMI Definitions:

AREA MEDIAN INCOME (AMI) DEFINITIONS	
Definition	AMI Range
Extremely Low Income	0% to 30%
Very Low Income	31% to 50%
Low Income	51% to 80%
Moderate Income (Workforce Housing)	50% to 120%

In addition to subsidized apartments, "tenant-based" subsidies such as Housing Choice Vouchers can help lower-income households afford market rate rental housing. The Housing Choice Voucher program (also referred to as Section 8) is funded by the United States Department of Housing and Urban Development (HUD).

HOUSING AFFORDABILITY

The Program utilizes the existing private rental market to provide affordable housing for low-income families, elderly, and disabled persons. Program participants pay a minimum of 30% of their monthly adjusted income toward rent and utilities. The program pays the remainder of the rent to the landlord. The maximum income limit to be eligible for the Housing Choice Voucher program is 50% AMI based on household size. Albert Lea manages the Housing Choice Voucher program and currently funds 130 out of 155 available vouchers.

The Albert Lea Housing and Redevelopment Authority (HRA) manages 184 units of low-rent public housing. The public housing units include two apartment buildings with 134 units and 50 units of single-family homes, duplexes and townhomes, scattered throughout Freeborn County and Albert Lea. Households pay 30% of their adjusted monthly gross income towards rent and utilities at these sites. Tenants are required to recertify their income and expenses annually to verify they are paying the appropriate rent based on their income.

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 Freeborn County.

These incomes are published and revised annually by the Department of Housing and Urban Development (HUD) and published separately by the Minnesota Housing Finance Agency based on the date a project is placed into service.

TABLE HA-1 2020 INCOME LIMITS FREEBORN COUNTY Effective Date: 04/1/2020								
-----Income Limits by Household Size-----								
	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
30% AMI	\$15,270	\$17,430	\$19,620	\$21,780	\$23,550	\$25,290	\$27,030	\$28,770
40% AMI	\$20,360	\$23,240	\$26,160	\$29,040	\$31,400	\$33,720	\$36,040	\$38,360
50% AMI	\$25,450	\$29,050	\$32,700	\$36,300	\$39,250	\$42,150	\$45,050	\$47,950
60% AMI	\$30,540	\$34,860	\$39,240	\$43,560	\$47,100	\$50,580	\$54,060	\$57,540
70% AMI	\$35,630	\$40,670	\$45,780	\$50,820	\$54,950	\$59,010	\$63,070	\$67,130
80% AMI	\$40,720	\$46,480	\$52,320	\$58,080	\$62,800	\$67,440	\$72,080	\$76,720
Maximum Gross Rent by Bedroom Size								
	0-BR	1-BR	2-BR	3-BR	4-BR	5-BR		
30% AMI	\$381	\$435	\$490	\$544	\$588	\$632		
40% AMI	\$509	\$581	\$654	\$726	\$785	\$843		
50% AMI	\$636	\$726	\$818	\$907	\$981	\$1,053		
60% AMI	\$763	\$871	\$981	\$1,089	\$1,177	\$1,264		
70% AMI	\$890	\$1,016	\$1,144	\$1,270	\$1,373	\$1,475		
80% AMI	\$1,018	\$1,162	\$1,308	\$1,452	\$1,570	\$1,686		
Note: For projects placed in service on or after 04/1/2020								
Sources: Minnesota Housing Finance Agency; HUD; Maxfield Research & Consulting, LLC								

HOUSING AFFORDABILITY

Table HA-2 shows the maximum rents by household size and AMI based on income limits illustrated in the preceding table. The rents in the following table 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 persons.

TABLE HA-2 MAXIMUM RENT BASED ON HOUSEHOLD SIZE AND AREA MEDIAN INCOME FREEBORN COUNTY - 2020						
----- Maximum Rent Based on Household Size (@ 30% of Income) -----						
Unit Type	HHD Size Min - Max	30% AMI Min - Max	40% AMI Min - Max	50% AMI Min - Max	60% AMI Min - Max	80% AMI Min - Max
Studio	1 - 1	\$382 - \$382	\$509 - \$509	\$636 - \$636	\$764 - \$764	\$1,018 - \$1,018
1BR	1 - 2	\$382 - \$436	\$509 - \$581	\$636 - \$726	\$764 - \$872	\$1,018 - \$1,162
2BR	2 - 4	\$436 - \$545	\$581 - \$726	\$726 - \$908	\$872 - \$1,089	\$1,162 - \$1,452
3BR	3 - 6	\$491 - \$632	\$654 - \$843	\$818 - \$1,054	\$981 - \$1,265	\$1,308 - \$1,686
4BR	4 - 8	\$545 - \$719	\$726 - \$959	\$908 - \$1,199	\$1,089 - \$1,439	\$1,452 - \$1,918

Sources: MN Housing Finance Agency; HUD; Maxfield Research & Consulting, LLC

Housing Cost Burden

Table HA-3 shows the number and percentage of owner and renter households in the PMA compared to 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. Moderately cost-burdened is defined as households paying between 30% and 50% of their income to housing; while severely cost-burdened is defined as households paying more than 50% of their income for housing.

Higher-income households that are cost-burdened may have the option of moving to lower priced housing. Albert Lea 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.

- An estimated 44% of all renter households (1,051 households) pay more than 30% of their income on housing in Albert Lea, much higher than the Remainder of the PMA (24%) and slightly higher than Minnesota (43%).
- The number of cost burdened households increases proportionally based on lower incomes. An estimated 70% of renters with incomes below \$35,000 are cost burdened and 31% of owners with incomes below \$50,000 are cost burdened in Albert Lea.

HOUSING AFFORDABILITY

- Renter household percentages are on par with Minnesota, as 73% of renter households with incomes below \$35,000 are cost burdened and substantially higher with 50% of owner households with incomes below \$50,000 identifies as cost burdened.

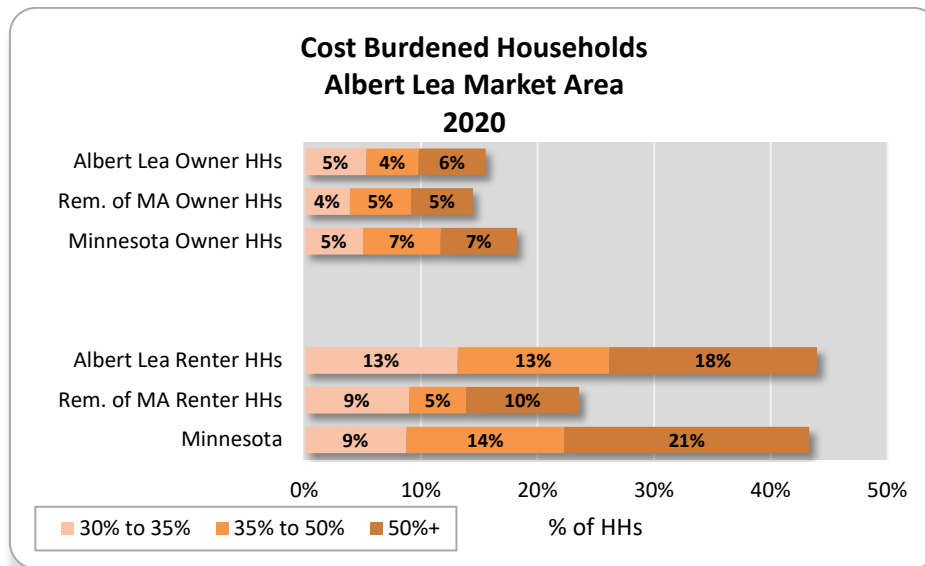


TABLE HA-3 HOUSING COST BURDEN ALBERT LEA MARKET AREA 2020							
	Albert Lea		Rem. of MA		Freeborn County (MA)		Minnesota
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
Owner Households							
All Owner HHs	5,346		4,660		10,006		
Cost Burden 30.0% or greater	831	15.5%	674	14.5%	1,506	15.0%	18.2%
Cost Burden 30.0% to 34.9%	284	5.3%	182	3.9%	466	4.7%	5.0%
Cost Burden 35.0% to 49.9%	240	4.5%	245	5.3%	485	4.8%	6.7%
Cost Burden 50.0% or more	307	5.7%	247	5.3%	555	5.5%	6.6%
Owner HHs w/ incomes <\$50,000	2,340		1,476		3,816		
Cost Burden 30.0% or greater	725	31.0%	516	35.0%	1,241	32.5%	49.7%
Renter Households							
All Renter HHs	2,390		654		3,044		
Cost Burden 30.0% or greater	1,051	44.0%	154	23.6%	1,205	39.6%	43.3%
Cost Burden 30.0% to 34.9%	314	13.2%	59	9.0%	373	12.3%	8.8%
Cost Burden 35.0% to 49.9%	310	13.0%	32	4.9%	342	11.2%	13.5%
Cost Burden 50.0% or more	426	17.8%	63	9.7%	490	16.1%	21.0%
Renter HHs w/ incomes <\$35,000	1,262		273		1,535		
Cost Burden 30.0% or greater	883	70.0%	151	55.5%	1,034	67.4%	73.8%
2020 Median Contract Rent	\$573		\$555		\$546		\$929
Sources: American Community Survey. 2015-2019 estimates: Maxfield Research & Consulting, LLC							

Sources: American Community Survey, 2015-2019 estimates; Maxfield Research & Consulting, LLC

Housing Costs as Percentage of Household Income

Housing costs are generally considered affordable at 30% of a household's adjusted gross income. Table HA-4 on the following page illustrates key housing metrics based on housing costs and household incomes in the PMA. The table estimates the percentage of householders that can afford rental and for-sale housing based on a 30% allocation of income to housing. Housing costs are based on Albert Lea averages. The housing affordability calculations assume the following:

Rental Housing

- Background check on tenant to ensure credit history
 - 30% allocation of income
 - Renter household income estimates per 2019 ACS
- An estimated 66% of existing renter households can afford to rent a one-bedroom unit in Albert Lea (\$545/month). The percentage of renter income-qualified households decreases to 54% that can afford an existing two-bedroom unit (\$781/month).
 - An estimated 48% of renters could afford to rent a one-bedroom apartment within a new development renting for \$900 per month declining to 42% for two-bedroom units at \$1,000 per month and 31% for three-bedroom units at \$1,200 per month.

TABLE HA-4 HOUSING AFFORDABILITY - BASED ON HOUSEHOLD INCOME ALBERT LEA MARKET AREA March 2021						
Rental (Market Rate)						
	Existing Rental			New Rental		
	1BR	2BR	3BR	1BR	2BR	3BR
Monthly Rent	\$545	\$781	\$849	\$900	\$1,000	\$1,200
Annual Rent	\$6,540	\$9,372	\$10,188	\$10,800	\$12,000	\$14,400
Housing Costs as % of Income	30%	30%	30%	30%	30%	30%
Minimum Income Required	\$21,800	\$31,240	\$33,960	\$36,000	\$40,000	\$48,000
Pct. of Renter Households - PMA	66.2%	53.8%	50.7%	48.4%	41.8%	31.0%
Source: Maxfield Research & Consulting, LLC						

Naturally-Occurring Affordable Housing (NOAH)

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 restrictions yet are more affordable than other units in a community are considered “naturally-occurring affordable housing (NOAH)” or “unsubsidized affordable” units.

The NOAH housing 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. 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. These older developments are often 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.

Table HA-5 on the following page identifies where rental rates at the surveyed properties in the Albert Lea Market Area fall in relation to the income guidelines for Freeborn County. The table accounts for the income limits based on household size. For example, a studio unit is limited to a one-person household and four-bedroom units are limited to no more than eight people per household.

- Based on the current rental rates in the Market Area, most existing market rate units are affordable at 40% and 50% AMI.
- Only one property had affordability higher than 60%. Wedgewood Cove Townhomes, which opened in 2015 and has the highest rents in the market, are affordable to households with incomes between 80% and 100% of AMI.

HOUSING AFFORDABILITY

TABLE HA-5
ASSESSMENT OF MARKET RATE RENTAL HOUSING BY AFFORDABILITY
ALBERT LEA MARKET AREA
March 2021

Unit Type/Project Name	Total Units	Rent Range		Min. Income Needed to Afford ¹	Units that are Market Rate Affordability by AMI ²					
		Min	Max		30%	40%	50%	60%	80%	100%
Studio/Alcove										
Cityview Apartments	9	\$525 - \$525		\$21,000 - \$21,000	--	--	x	--	--	--
Landmark Apartments	1	\$450 - \$450		\$18,000 - \$18,000	--	x	--	--	--	--
One-Bedroom					30%	40%	50%	60%	80%	100%
A-Lea Apartments	63	\$470 - \$490		\$18,800 - \$19,600	--	x	--	--	--	--
The Bella Apartments	1	\$595 - \$595		\$23,800 - \$23,800	--	x	x	--	--	--
Trailside Townhomes	6	\$480 - \$480		\$19,200 - \$19,200	--	x	x	--	--	--
Steven Street Apartments	2	\$595 - \$595		\$23,800 - \$23,800	--	--	x	--	--	--
The Don Apartments	1	\$550 - \$550		\$22,000 - \$22,000	--	x	x	--	--	--
Cityview Apartments	7	\$625 - \$625		\$25,000 - \$25,000	--	x	x	--	--	--
Fairview Apartments	1	\$649 - \$649		\$25,960 - \$25,960	--	--	x	x	--	--
Fountain Lake Estates	24	\$620 - \$680		\$24,800 - \$27,200	--	--	x	x	--	--
Hill Top Manor I & II	6	\$649 - \$649		\$25,960 - \$25,960	--	--	x	x	--	--
Landmark Apartments	13	\$500 - \$525		\$20,000 - \$21,000	--	x	--	--	--	--
Northstar Apartments	12	\$595 - \$595		\$23,800 - \$23,800	--	--	x	--	--	--
The College Street Apartments	2	\$595 - \$595		\$23,800 - \$23,800	--	--	x	--	--	--
Luther Place Apartments	28	\$550 - \$550		\$22,000 - \$22,000	--	x	x	--	--	--
Oakview Apartments	5	\$570 - \$570		\$22,800 - \$22,800	--	x	x	--	--	--
Two-Bedroom					30%	40%	50%	60%	80%	100%
Wedgewood Cove Townhomes	30	\$1,200 - \$1,200		\$48,000 - \$48,000	--	--	--	--	x	x
A-Lea Apartments	8	\$640 - \$640		\$25,600 - \$25,600	--	x	x	--	--	--
The Bella Apartments	17	\$700 - \$700		\$28,000 - \$28,000	--	x	x	--	--	--
Trailside Townhomes	24	\$585 - \$585		\$23,400 - \$23,400	--	x	--	--	--	--
Steven Street Apartments	6	\$700 - \$700		\$28,000 - \$28,000	--	x	x	--	--	--
The Don Apartments	8	\$748 - \$748		\$29,920 - \$29,920	--	--	x	x	--	--
Cityview Apartments	19	\$700 - \$700		\$28,000 - \$28,000	--	x	x	--	--	--
Fairview Apartments	11	\$749 - \$749		\$29,960 - \$29,960	--	--	x	x	--	--
Fountain Lake Estates	12	\$820 - \$870		\$32,800 - \$34,800	--	--	x	x	--	--
Hill Top Manor I & II	24	\$849 - \$849		\$33,960 - \$33,960	--	--	x	x	--	--
Northstar Apartments	12	\$700 - \$700		\$28,000 - \$28,000	--	x	x	--	--	--
The College Street Apartments	10	\$700 - \$700		\$28,000 - \$28,000	--	x	x	--	--	--
Oakview Apartments	7	\$650 - \$650		\$26,000 - \$26,000	--	x	x	--	--	--
Three-Bedroom					30%	40%	50%	60%	80%	100%
Hilltop Manor I & II	6	\$849 - \$849		\$33,960 - \$33,960	--	x	x	--	--	--
Four-Bedroom					30%	40%	50%	60%	80%	100%
It Takes a Village on Plainview	8	\$999 - \$999		\$39,960 - \$39,960	--	--	x	x	--	--
¹ Based on a 30% allocation of income to housing for general-occupancy.										
² Market rate housing that has rents that could be classified as "unsubsidized affordable" units based on the monthly rents and accounting for household size.										
Source: Maxfield Research & Consulting, LLC.										

Introduction

Maxfield Research & Consulting, LLC was engaged to quantify the demand potential for rental housing development in the Albert Lea from 2020 to 2030. Earlier sections of this report examined growth trends and demographic characteristics of the household base in Albert Lea, employment trends, housing characteristics and current and pending housing options in the City.

This section of the report quantifies demand for general occupancy rental housing (market rate and affordable) from 2020 to 2030.

Rental Housing Demand Analysis

Table RD-1 on the following page presents our calculation of general occupancy rental housing demand in the PMA between 2020 and 2030. Factors considered include competitiveness of area rental properties, pending developments, demographic trends and population shifts. Potential rental housing demand is calculated from two categories:

1. From new household growth based on the propensity of households to rent their housing in the Primary Market Area; and,
2. From existing households that will remain in the Market Area because new product is available, and they value other area amenities including proximity to education, employment, entertainment and recreation.

First, we calculate potential demand from new household growth based on the propensity of households to rent their housing. For this analysis, we focus on households between the ages of 18 and 64 that will account for most general occupancy rental demand. We also include a portion (20%) of the demand potential generated by households age 65 and older, as a segment of this age group that can live independently could be drawn to a new general occupancy rental housing development in the PMA.

Next, we calculate the percentage of household growth that will likely rent their housing. The Albert Lea Market Area is project to have no household growth over the decade as the population and households continue to decline. Thus, there is no demand for general occupancy rental housing units in the Market Area from household growth through 2030.

The second part of the analysis calculates demand from existing households, or turnover demand. Younger households tend to be highly mobile, relative to older households. Mobility rates were calculated for the renter population based on American Community Survey data and were applied to the existing renter household base.

DEMAND ANALYSIS

As of 2020, there are an estimated 2,504 renter households (age 65 and under, including 20% over 65) in the Market Area that comprise the primary market for general occupancy rental housing. Based on household turnover data from the 2019 American Community Survey, we estimate that 79% of these renter households will turn over between 2020 and 2030. This estimate results in anticipated turnover of 1,978 existing households in the PMA by 2030. We then estimate the percentage of the existing renter households that will seek new rental housing resulting in demand for 376 units from turnover by 2030.

TABLE D-1 DEMAND FOR GENERAL OCCUPANCY RENTAL HOUSING CITY OF ALBERT LEA 2020 to 2030				
Demand From Household Growth				
Projected household growth in the PMA 2020 to 2030 ¹				0
(times) Pct. Of HH growth for general occupancy housing	x			0%
(equals) Projected demand for general occupancy units	=			0
(times) Proportion Estimated to Be Renting Their Housing ³	x			35%
(equals) Projected Demand for Rental Housing Units	=			0
Demand From Existing Households				
Number of renter households in the PMA, 2020 ⁴	=			2,504
(times) Estimated % of renter turnover between 2020 & 2030 ⁵	x			79%
(equals) Existing Renter Households Projected to Turnover, 2020 to 2030	=			1,978
(times) Estimated % Desiring New Rental Housing ⁶	x			19%
(equals) Demand From Existing Households	=			376
Total Demand From Household Growth and Existing Households				376
(plus) Rental demand from outside Market Area	+			20%
(equals) Potential Demand for Rental Housing in the PMA (2020 to 2030)	=			470
(times) Percent of PMA Demand Capturable in the City of Albert Lea	-			90%
(equals) Total Demand for Rental Housing in Albert Lea	=			423
		Deep Subsidy	Shallow Subsidy	Market Rate
(times) Percent of rental demand by product type ⁷	x	10%	30%	60%
(equals) Total demand for new general occupancy rental housing units	=	42	127	254
(minus) Units under construction or approved*	-	0	9	115
(equals) Excess demand for new general occupancy rental housing	=	42	118	139
¹ Estimated household growth				
³ Pct. Renter households under age 65 in 2020.				
⁴ Renter households age 64 and younger plus 20% of renter households age 65 and older.				
⁵ Based on household turnover and mobility data (2015-2019 American Community Survey).				
⁶ Source - The Upscale Apartment Market: Trends and Prospects. Prepared by Jack Goodman of Hartrey Advisors for the National Multi Housing Council.				
⁷ Based on a combination of current rental product, income limits, and household incomes of area renters.				
*Pending competitive units at 95% occupancy.				
Source: Maxfield Research & Consulting, LLC				

DEMAND ANALYSIS

Together with demand from projected household growth and turnover, the total demand for rental housing is summarized. Total demand for general occupancy rental housing between 2020 and 2030 is 376 units in the PMA.

Strong demand will also come from households that would move to a rental project in the PMA who currently reside outside the PMA, specifically those households seeking to relocate to the area for employment. We estimate that 20% of the demand potential for rental housing in the PMA would be derived from outside the PMA, increasing demand to 470 units between 2020 and 2030.

Due to factors such as the geographic distribution of the renter population in the Market Area along with the location of services (entertainment, shopping, education, etc.), we anticipate that the City of Albert Lea can capture 90% of the demand potential in the PMA. Based on this capture rate, we find demand for 423 new general occupancy rental units in Albert Lea between 2020 and 2030.

Based on a review of renter household incomes and income limits set by HUD, we estimate that an estimated 10% of the total demand will be for deep-subsidy housing, 30% will be for shallow-subsidy housing and 60% will be for market rate housing. Next, we subtract pending rental projects in the market area. We identified one four market rate properties either under construction or approved for development with a total 121 units and 10 affordable units within one of the market rate developments.

In total, we estimate that there is demand for 139 market rate rental units, 118 shallow-subsidy units and 42 deep-subsidy units in Albert Lea between 2020 and 2030.

Introduction

This section summarizes demand calculated for specific housing products in Albert Lea and recommends development concepts to meet the housing needs forecast for the City. All recommendations are based on the findings of the analysis.

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 vacant housing available to absorb the increase in households. Demand is also affected by shifting demographics such as the aging 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.

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

Demographic shifts are a significant factor influencing housing demand. Household growth and formation are critical (natural growth, immigration, etc.), as well as household types, size, age of householders, incomes, etc.

A variety of factors contribute to consumer choice and preferences. Many times, a change in family status is the primary factor for a change in housing type (i.e. growing families, empty-nest families, etc.). Housing demand however, is also generated from the 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.

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); jobs generate income growth which results in the formation of more households and can stimulate household turnover. Historically low unemployment rates have driven both existing home purchases and new-home purchases. 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.

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

CONCLUSIONS & RECOMMENDATIONS

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

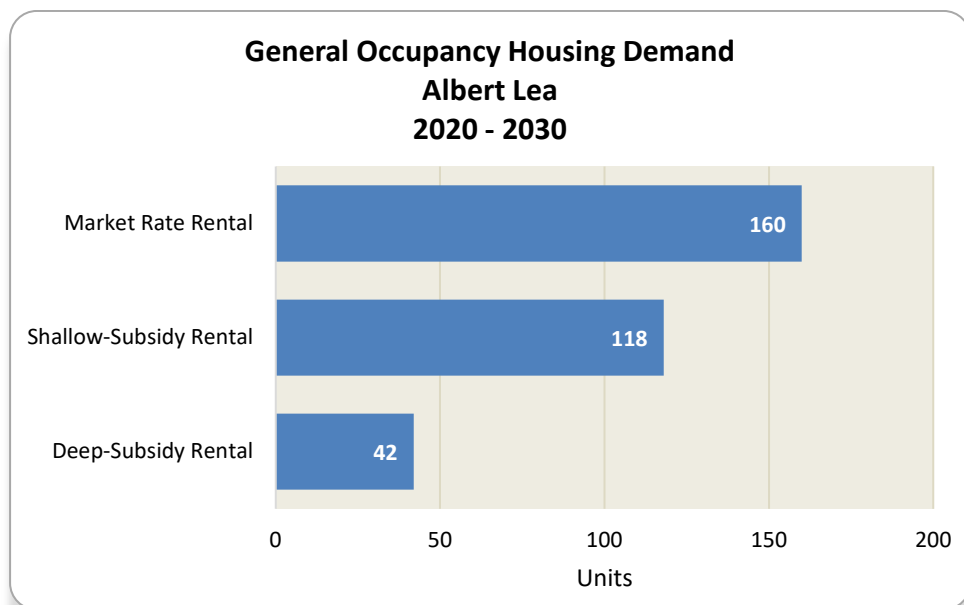
The ability of buyers to obtain mortgage financing has recently improved as lenders have eased restrictions that had been in place after the Great Recession. As a result, many borrowers have been taking the opportunity to seek for-sale housing within their means or refinancing their current residence.

Housing Demand Summary

The chart illustrates calculated demand by product type. Housing demand is comprised of several components, including projected household growth, pent-up demand (i.e. below equilibrium rental housing vacancy rates) and replacement needs (housing functionality or physically obsolete units).

Because there is no household growth forecast in Albert Lea, much of the estimated housing demand will be generated by the turnover of existing households and demand from outside the Market Area. Satisfying the anticipated demand will be highly dependent on the availability of suitable housing options in Albert Lea.

In total, we find demand to support 299 general occupancy housing units between 2020 and 2030.



General Occupancy Rental Housing Recommendations

Our review of market conditions indicates that the general occupancy rental housing market is severely pent up in the Albert Lea Market Area with very low vacancy rates. The equilibrium vacancy rate for rental housing is considered 5.0%, which allows for normal turnover and an adequate supply of alternatives for prospective renters. The vacancy rates in Albert Lea are well below 5.0% suggesting a strong need for various rental product types.

The inventory of rental properties in the Market Area was 1.9% vacant as of March 2021 including a 0.0% vacancy rate among the shallow-subsidy properties, 3.6% among deep-subsidy properties and 1.6% vacancy in the market rate properties.

A strong economy and job growth in Albert Lea and surrounding area will likely generate rental housing demand over the next several years. Interviews with the economic development agency and select major employers indicate an economy in the area performing well that has been minimally impacted by the COVID-19 pandemic. Over a hundred jobs have been added recently with more potential jobs planned in the short-term. Existing employers also indicated available positions that could be immediately filled if housing were available.

The strongest sources of demand for new rental housing will likely be young singles or couples without children in their late-20s to early-30s who work in Albert Lea or other nearby communities. Mid-age households (never-nesters or empty-nesters) could also account for a portion of demand for new rental housing. These households are looking for maintenance free housing.

A rental townhome development could attract family households as well as empty-nesters and shallow-subsidy rental housing will draw from a wide variety of population segments, including low-wage workers, single-parent households and low-income families.

The development of new general occupancy rental housing would benefit residents of Albert Lea and the community by increasing the variety of housing and providing housing opportunities for a market that currently has limited options available. Additional housing will be a boon to the economy in the area by producing additional tax dollars and support to local businesses. It will also assist in filling vacant employment positions and potentially luring other businesses to the Market Area that are drawn by a strong workforce.

Due to the older age of much of the existing rental supply, a significant portion of the market rate units are priced at or below guidelines for affordable housing, which indirectly satisfies some demand from households that income-qualify for financially assisted housing. Today's renter base however, is seeking newer rental properties with updated amenities typically not offered in older developments. Most rental properties in Albert Lea do not provide modern features and amenities. During the rental survey, a number of landlords mentioned having updated units to current standards while maintaining affordable rents.

CONCLUSIONS & RECOMMENDATIONS

Table CR-1 on the following page provides a summary of the recommended mix of general occupancy rental housing including unit types, monthly rents and development timing. Due to the limited supply of available rental housing units in the Albert Lea Market Area, there is an immediate need for new rental housing in Albert Lea. This immediate need will be fulfilled in the short term by the developments currently in process. Due to the age of the current rental housing market in Albert Lea and the lack of development of this type of housing over the past 30 years, additional units beyond what is currently in the pipeline will likely need to be developed.

The recommendations in the Table are intended to reflect a potential development concept for individual developments. Total general occupancy rental demand between 2020 and 2030 may exceed the number of units shown in the Table.

Based on the analysis, Albert Lea can accommodate an estimated 160 new market rate rental housing units, 97 shallow-subsidy units and 42 deep-subsidy units to 2030.

Properties that are entirely funded through deep subsidies are no longer being built as available funding is very limited. Some deep-subsidy units can usually be accommodated in a mixed-income property. Rural Development has additional rental assistance to support very low-income households, but developers are often deterred from using Rural Development funding because the process is long and exiting the program at the end of the term can be complicated and financially onerous.

- Market Rate Rental – Phases II and III of the Blazing Star Landing are planned to consist of 48 units each (38 Market rate). These buildings would absorb nearly half of the projected demand for rental housing remaining in Albert Lea. To appeal to a wide target market, we suggest a project with a mix of one- and two-bedroom units. Larger two-bedroom units would be attractive to married couples without children as well as empty-nesters downsizing from a single-family home.

Our research indicates preliminary rents at Phase I of the Blazing Star Landing of Monthly rents (in 2021 dollars) at \$750 for a one-bedroom unit and \$895 for a two-bedroom unit. These lower rents are likely due to a public – private partnership with the city including TIF financing.

Currently, average market rate rents in Albert Lea are approximately \$0.97 per square foot, monthly rents in a new construction project should range from a minimum of \$1.25 to \$1.35 per square foot, depending on unit type, to be financially feasible. The Flats on 21 in Austin (June 2020) is currently ranging from \$1.31 to \$1.87 per month. Monthly rents can be trended up by 2.0% annually prior to occupancy to account for inflation depending on overall market conditions.

CONCLUSIONS & RECOMMENDATIONS

Because of construction and development costs, it may be difficult for a market rate apartment to be financially feasible with rents lower than the suggested per square foot price. Thus, for this type of project to become a reality, there may need to be a public – private partnership to reduce development costs and bring down the rents or the developer will need to provide smaller unit sizes.

TABLE CR-1 RECOMMENDED RENTAL HOUSING DEVELOPMENT CITY OF ALBERT LEA 2020 to 2030			
	Monthly Rent Range¹	No. of Units	Development Timing
Market Rate Rental Housing			
Townhome-style	\$1,100/2BR - \$1,300/3BR	30 - 40	2021+
Apartment-style	\$900/1BR - \$1,200/3BR	40 - 50	2023+
Apartment-style	\$900/1BR - \$1,200/3BR	40 - 50	2023+
Affordable Rental Housing			
Apartment-style	Moderate Income ² 1BR/2BR/3BR	35 - 40	2021+
Townhome-style	Moderate Income ² 2BR/3BR/4BR	25 - 35	2021+
¹ Pricing in 2021 dollars. Pricing can be adjusted to account for inflation. Pricing is an estimate of what the current rental market could absorb. ² Affordability subject to income guidelines per US Department of Housing and Urban Development (HUD)			
Note - Recommended development concepts represent a hypothetical potential project and do not necessarily reflect total calculated demand			
Source: Maxfield Research & Consulting, LLC			

New market rate rental units should be designed with contemporary amenities that include open floor plans, higher ceilings, in-unit washer and dryer, full kitchen appliance package, central air-conditioning, garage parking, and outdoor recreation (fire pit, grilling area, etc.)

- **Market Rate General Occupancy Rental Townhomes**– We believe that demand exists for rental townhome units for empty-nesters and families, including those families who are new to the community and want to rent until they find a home for purchase.

As an alternative to an apartment-style building, we find that Albert Lea could absorb a project of 30 to 40-units with estimated rents of \$1,100 for two-bedroom units to \$1,300 for three-bedroom units. Units should be larger than in an apartment building and feature contemporary amenities (i.e. in-unit washer/dryer, appliances, kitchen island, high ceilings, etc.), an attached two car garage and should provide some open/green space.

CONCLUSIONS & RECOMMENDATIONS

- Shallow-Subsidy General Occupancy Multifamily Housing– We estimate that demand exists for a total of about 97 shallow-subsidy units in Albert Lea. Shallow-subsidy housing attracts households that cannot afford market rate housing units but do not income-qualify for deep-subsidy housing. Shallow-subsidy projects attract a broad group of tenants based on the unit type. One-bedroom units target singles and couples, whereas two and three-bedroom units target families. Some retired seniors would also be attracted to an affordable concept.

Although there is an older supply of apartment units in Albert Lea that indirectly serves as affordable housing, we recommend a shallow-subsidy concept that would target residents at 40% to 60% AMI. We recommend a townhomes-style project with two- and three-bedroom units. Units should feature central air conditioning, full appliance package, in-unit washer/dryer, and an attached one/two car garage.

- Deep-Subsidy Rental Housing– Subsidized housing receives financial assistance (i.e. operating subsidies, rent payments, etc.) from governmental agencies to make the rent affordable to low-to-moderate income households.

Although we find demand for 47 deep-subsidy rental housing units through 2030, this housing is very difficult to develop financially. A new subsidized or public housing development would have pent-up demand. But since this housing is challenging to develop, an alternative to a multifamily structure is to acquire single-site housing structures to meet a portion of this demand.

Due to the current market conditions in Albert Lea and the lack of available housing options We believe the current projects with the addition of the rental developments suggested above will provide greater housing choices and will continue to serve the needs of households that live and/or currently work in Albert Lea.