

An Updated Market Feasibility Study for Mixed-Income Workforce Rental Housing in Silver Bay, Minnesota

Prepared for:

Lake County HRA
Silver Bay, Minnesota

March 2024



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March 21, 2024

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Ms. Fagrelus:

Attached is our study titled *"An Updated Market Feasibility Study for Mixed-Income Workforce Rental Housing in Silver Bay, Minnesota."* The study considers the potential demand for a 39-unit general occupancy mixed income housing development adjacent to the existing Silverpointe Apartments at 101 Banks Boulevard in Silver Bay, Minnesota.

This study assesses current demographic and economic characteristics of the primary draw area, analyzes the competitive market situation for market rate and affordable rental housing and provides demand calculations for the proposed Silverpointe II affordable rental units. The findings reveal there is sufficient demand to support 31 market rate and 8 affordable housing units on the subject property.

We discuss the proposed project's ability to capture a share of the target market and project the rate of absorption for the subject development. A recommended development concept is provided, including suggestions for pricing, unit features and common area amenities.

We enjoyed completing this study and are available should you have any further questions or require additional information.

Sincerely,

MAXFIELD RESEARCH AND CONSULTING, LLC

Mary C. Bujold
President

Andrew McIntyre
Associate

Attachment

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Purpose and Scope

Maxfield Research and Consulting, LLC was engaged by the Lake County Housing and Redevelopment Authority (“HRA”) to assess the market feasibility for a general occupancy affordable/market rate rental development on a Site adjacent to the existing Silverpointe Apartments at 101 Banks Boulevard in Silver Bay, Minnesota. It is our understanding that the HRA is considering assisting the development of a rental housing property similar in design and format to the existing Silverpointe Apartments.

The scope of this study includes an evaluation of the subject property. The study also provides a review of current economic and demographic characteristics of the area determined to be the draw area for rental housing on the subject property. Maxfield Research and Consulting, LLC surveyed existing newer market rate rental developments in and near the primary draw area, and we prepared an inventory of pending rental housing developments in the PMA. Based on the analysis, we calculate the demand for market rate and affordable rental housing in the Market Area and estimate the proportion of that demand that could be captured by the proposed development.

Site Evaluation

The Site is at 101 Banks Boulevard in Silver Bay, Minnesota adjacent to the existing Silverpointe Apartments. The Site is next to single-family homes, two churches (Sychar Lutheran Church and Faith Lutheran Church), William Kelley High School and Silver Bay Shopping Center. The Site, which is in the downtown core of Silver Bay, is also near Silver Bay’s football stadium, Silver Bay Baseball Field, Rukavina Ice Arena and other commercial and retail services.

Demographic Review

Several demographic factors are influencing the area including an aging population, a high percentage of younger households who rent and job growth (to 2025), which are and will continue to generate demand for rental housing in the PMA.

There has been population and household losses in Silver Bay but not in the PMA between 2010 and 2024. Over those 14 years, population in Silver Bay is estimated to have declined by 3.0% (57 people) and households are estimated to have declined by 1.3% (11 households). In the PMA, by contrast, the population increased by 3.8% (200 people) while households increased by 4.8% (120 households) over the same period.

EXECUTIVE SUMMARY

The strongest growth is expected to occur among older adults in the Market Area. Aging of baby boomers led to an increase of 94 people (9.8% growth) in the 65 to 74 population between 2020 and 2024. As this group ages, the 65 to 74 age group is projected to grow by 6.4% while the 75 plus age cohort is projected to increase 16.4% in the PMA by 2029.

Nearly 83% (82.7%) of PMA households under age 25 rent and 34.5% of households age 25 to 34 are renters. By comparison, all households under 25 are renters (100%) while 28.4% of households between 25 and 34 are renters in the City of Silver Bay.

Renter households are typically smaller than owner households. In Silver Bay, 57.3% of renter households were single-person households in 2020. By 2024, the proportion of single person renter households decreased to 41.4%.

Employment growth can fuel household and population growth as people generally desire to live near their work. The City of Silver Bay lost population between 2010 and 2023 (Q3). However, between 2023 (Q3) and 2025 and 2025 and 2030 the city is projected to increase 7.1% (49 jobs). Between 2025 and 2030 population in Silver Bay is forecast to decrease by 12.2% (90 jobs) while between 2030 and 2035 employment is projected to increase by 20.8%.

Rental Market Analysis

From 2000 through 2021, there were 31 new residential units permitted in Silver Bay. None of the 31 however, were multifamily rental units.

The competitive set of market rate and affordable properties in/near the PMA had no vacancies. Therefore, market rate and affordable segments of the multifamily market have vacancy rates well below the market equilibrium rate of 5.0%, considered as a balanced market to allow sufficient consumer choice and turnover. This information indicates that the overall supply of rental housing is currently well below the level considered adequate to meet demand and there is pent-up demand for additional general occupancy rental housing units in the PMA.

There is one development scheduled to begin construction in Silver Bay, Boathouse Bay. As part of the development, 18 vacation rentals will be constructed in addition to 24 for sale townhomes, 100 storage units, seven residential lots, an event center, pickleball courts and chipping and putting green. As a result of being deemed vacation rentals, the 18 rental units are not factored into demand.

Conclusions

Overall, we find sustained support for market rate and affordable rental units on the subject Site in Silver Bay. Consistent with our findings from the competitive inventory and demand analysis, there appears to be a strong need for more market rate and affordable rental housing.

Demand exists for up to 48 market rate units and up to 20 affordable units in the Market Area. Of those 48-market rate and 20-affordable units we believe the subject Site could capture 75% of each product type equating to up to 36 market rate and up to 15 affordable units, respectively. The proposed 31 market rate units and 8 affordable units at the Site falls in the capture rate of 75% for both product types.

We believe that the Silverpointe II development will be well-received by the target market and household growth and turnover in the PMA will lead to a successful lease up of the project. There is a lack of market rate and affordable housing in the PMA and the project will help satisfy some demand. In addition, market rate properties are already low in their pricing and so pricing between market rate and affordable units will be comparable.

We estimate that rents at the proposed Silverpointe II should average \$1,156 a month or \$1.14 per square foot across market rate and affordable units. Unit sizes should average 794 square feet across one- and two-bedroom units.

Based on current market conditions and vacancies among existing competitive properties in the Market Area, we estimate that a 39-unit mixed-income development with an estimated 31 market rate and 8 affordable, income-restricted units at the Site coming on-line in Spring 2025 or Fall 2025 would have an estimated 50% of its housing units pre-leased (13 units) with the remaining units leasing at a rate of five to six units per month, on average. At this absorption rate, stabilized occupancy (95%) would be reached in three to four months after opening.

Study Purpose

Maxfield Research and Consulting, LLC was engaged by the Lake County Housing and Redevelopment Authority (“HRA”) to assess the market feasibility for a mixed-income, general occupancy rental workforce development in Silver Bay, Minnesota. The development is referred to as Silverpointe II.

Scope of Services

The scope of this study includes a review of the proposed development concept, an evaluation of the Site and a review of demographic trends and characteristics of the area determined to be the primary draw area for affordable housing in Silver Bay. Maxfield Research and Consulting surveyed existing affordable and market rate rental developments in the PMA. We interviewed city staff to identify pending rental housing developments currently in the pipeline. Based on our analysis, we calculate the demand for affordable rental housing in the Market Area and the proportion of that demand that could be captured by the subject development.

The report contains primary and secondary research. Primary research includes interviews with rental property managers/owners, city staff and other professionals involved in the housing market in the Primary Market Area, which includes all of Lake County, excluding Two Harbors. All the information on competitive rental housing properties and pending rental housing developments was collected by Maxfield Research and Consulting and is accurate to the best of our knowledge. The study also utilizes secondary data from the sources listed below. Secondary research is always used as a basis for analysis and is carefully reviewed considering other factors that may impact projections.

- U.S. Census Bureau
- ESRI, Inc.
- Minnesota Department of Employment and Economic Development
- Minnesota State Demographic Center
- Minnesota Department of Human Services
- Minnesota Housing
- United States Department of Housing and Urban Development

Field work was completed and conducted on February 16, 2022.

Site Overview

The proposed Silverpointe II Apartment development would be in the downtown core of Silver Bay. The property is within walking distance of Silver Bay Shopping Mall, William Kelley High School, Silver Bay's football stadium, Silver Bay Baseball Field, Rukavina Ice Arena and other commercial and retail services.

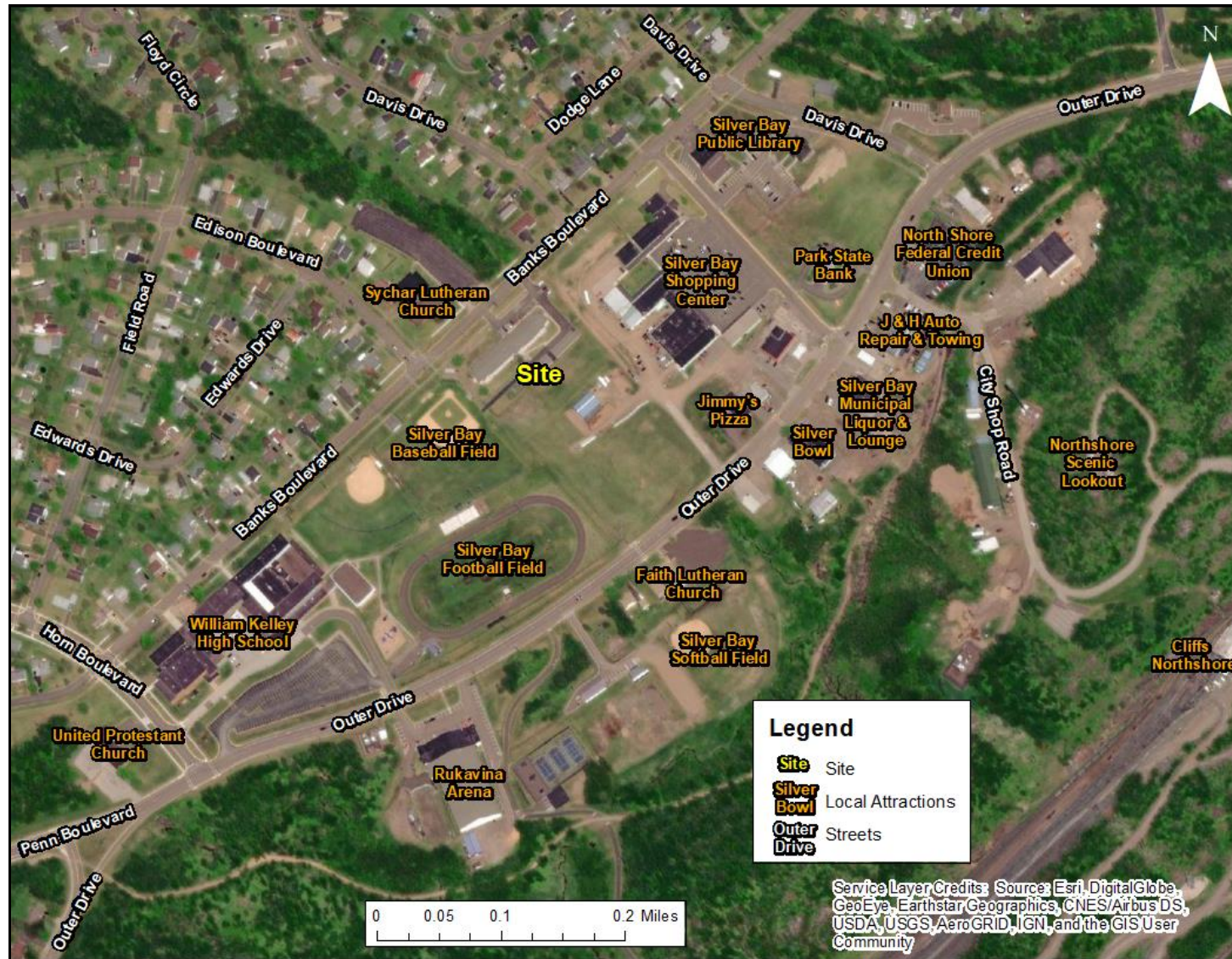
Adjacent and Surrounding Land Uses

The Site is surrounded by the following uses which include:

- North: Single-family homes and a church (Sychar Lutheran Church).
- South: Recreational facility and a church (Faith Lutheran Church).
- East: Educational facility (William Kelley High School).
- West: Commercial Retail (Silver Bay Shopping Center).

A map on the following page can be found of the Site's location in Silver Bay. Following the map are pictures of the current Site and existing land uses.

Site Location



Current Silverpointe I Apartments



Looking East Toward Silverpointe Apartments I



Looking East Toward Silverpointe Apartments I

Surrounding Land Uses



Silver Bay Shopping Center – East of Site (Zup's Food Market – Grocery Store, Northwoods Family Grille and Julie's Tru Value)



Silver Bay Shopping Center – East of Site with Silverpointe Apartments I in Background

Surrounding Land Uses (Continued)



Timber Coffee Company (on left) and Jimmy's Pizza (on right) - Southeast of Site



Jimmy's Pizza (on left) and Gas Station (on right) - Southeast of Site

Access and Visibility

Traffic count data is available for Banks Boulevard (the road servicing Silverpointe Apartments) between Horn Boulevard and Davis Drive on the Minnesota Department of Transportation's traffic counts map. As of 2022 (the most recent available data), an average of 1,561 vehicles traveled daily on the stretch of Banks Boulevard between Horn Boulevard and Davis Drive. This number is up from 1,400 daily vehicles in 2018 and 920 daily vehicles in 2010 but down from 2,100 vehicles in 2005.

Proximity to Retail Goods and Services

Silver Bay Shopping Center, east of the Site, serves an important retail role for Silver Bay containing the city's sole grocery store, Zup's Food Market. The shopping center also features the city's lone post office, Northwood's Family Grill, a True Value hardware store and various other retail and services. Southeast of the Site, along Outer Drive, are two gas stations, Jimmy's Pizza, Timber Coffee Company, several retail stores, Silver Bay Reunion Hall/Silver Bowl, and Silver Bay Municipal Liquor and Lounge.

Appropriateness of Site for Development

The Site's location, surrounded by compatible land uses, in proximity to retail goods and services and conveniently accessible, make it a strong location for a market rate/affordable rental development.

Market Area Definition

Maxfield Research identified a draw area for the subject Site that consists of seven census block groups; five in Lake County and two in Cook County. Maxfield Research analyzed the capacity of the Primary Market Area (or PMA), to support additional general occupancy rental units based on its current resident base and considered growth trends and demographic characteristics, traffic and community orientation patterns, geographic and man-made barriers, discussions with local officials and our experience in rental housing feasibility.

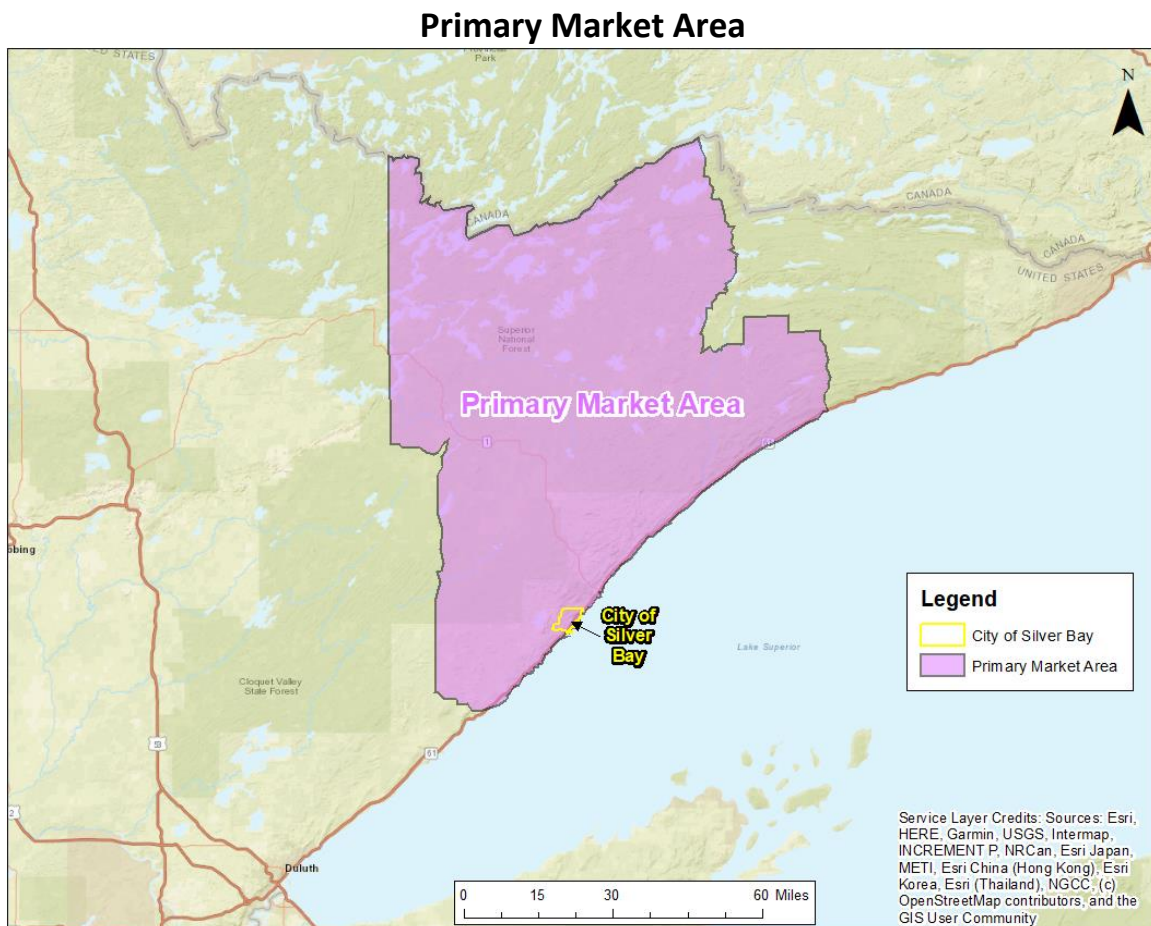
FIGURE 1 PRIMARY MARKET AREA CENSUS TRACTS
Lake County
3701.011
3701.012
3703.001
3703.002
3703.003
Cook County
4801.021
4801.023
Sources: ESRI & Maxfield Research & Consulting, LLC.

In considering the PMA, we estimate that 70% of the demand for rental housing in the PMA will be generated from the PMA. The remaining portion of the demand (30%) would come from outside of the PMA. These individuals include people currently residing just outside the PMA who have an orientation to the area (i.e. job, recreation, etc.), and people who once resided in the area who desire to move back to be near friends and family. Figure 1 shows the census tracts that comprise the PMA and a map of the PMA is shown on the following page.

Population and Household Growth Trends and Projections

Table 1 presents population and household growth trends and projections for the PMA from 2000 to 2035. The 2000, 2010, and 2020 population and household figures were obtained from the U.S. Census Bureau and ESRI, Inc (a nationally recognized demographics firm). Estimates for 2024 and projections for 2029 and 2035 were based on forecasts made by ESRI, Inc., the US Decennial Census, American Community Survey's five-year and Minnesota State Demographer estimates with adjustments by Maxfield Research

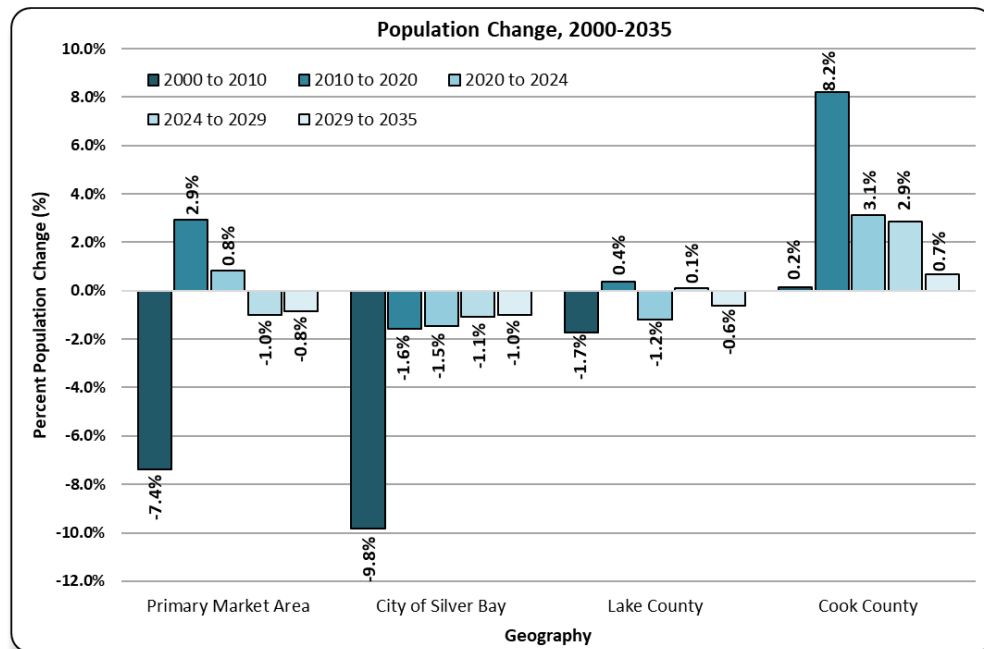
- As of 2010, the PMA contained 5,430 people and 2,566 households. Between 2010 and 2020, the PMA's population increased by (155 people, 2.9%) while in contrast, the number of households grew by 86 households (3.5%).
- The City of Silver Bay experienced a decrease of 1.6% (30 people) from 2010 to 2020 while households declined by 0.4% (3 households).
- By comparison, between 2010 and 2020, Lake County experienced a 0.4% increase in population (39 people) while Cook County experienced an 8.2% increase (424 people). Households in Lake County and Cook County grew by 0.9% and 8.7%, respectively.



DEMOGRAPHIC ANALYSIS

TABLE 1
POPULATION AND HOUSEHOLD GROWTH TRENDS AND PROJECTIONS
PRIMARY MARKET AREA
2000 to 2035

							Change									
	U.S. Census			Estimate	Forecast		2000 to 2010		2010 to 2020		2020 to 2024		2024 to 2029		2029 to 2035	
	2000	2010	2020	2024	2029	2035	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
POPULATION																
Primary Market Area	5,695	5,275	5,430	5,475	5,420	5,375	-420	-7.4%	155	2.9%	45	0.8%	-55	-1.0%	-45	-0.8%
City of Silver Bay	2,093	1,887	1,857	1,830	1,810	1,792	-206	-9.8%	-30	-1.6%	-27	-1.5%	-20	-1.1%	-18	-1.0%
Lake County	11,058	10,866	10,905	10,775	10,785	10,720	-192	-1.7%	39	0.4%	-130	-1.2%	10	0.1%	-65	-0.6%
Cook County	5,168	5,176	5,600	5,775	5,940	5,980	8	0.2%	424	8.2%	175	3.1%	165	2.9%	40	0.7%
HOUSEHOLDS																
Primary Market Area	2,451	2,480	2,566	2,600	2,585	2,575	29	1.2%	86	3.5%	34	1.3%	-15	-0.6%	-10	-0.4%
City of Silver Bay	871	836	833	825	820	816	-35	-4.0%	-3	-0.4%	-8	-1.0%	-5	-0.6%	-4	-0.5%
Lake County	4,646	4,825	4,869	4,800	4,830	4,820	179	3.9%	44	0.9%	-69	-1.4%	30	0.6%	-10	-0.2%
Cook County	2,350	2,494	2,711	2,785	2,880	2,937	144	6.1%	217	8.7%	74	2.7%	95	3.4%	57	2.0%
Sources: U.S. Census Bureau; ESRI; MN State Demographer; & Maxfield Research and Consulting, LLC.																



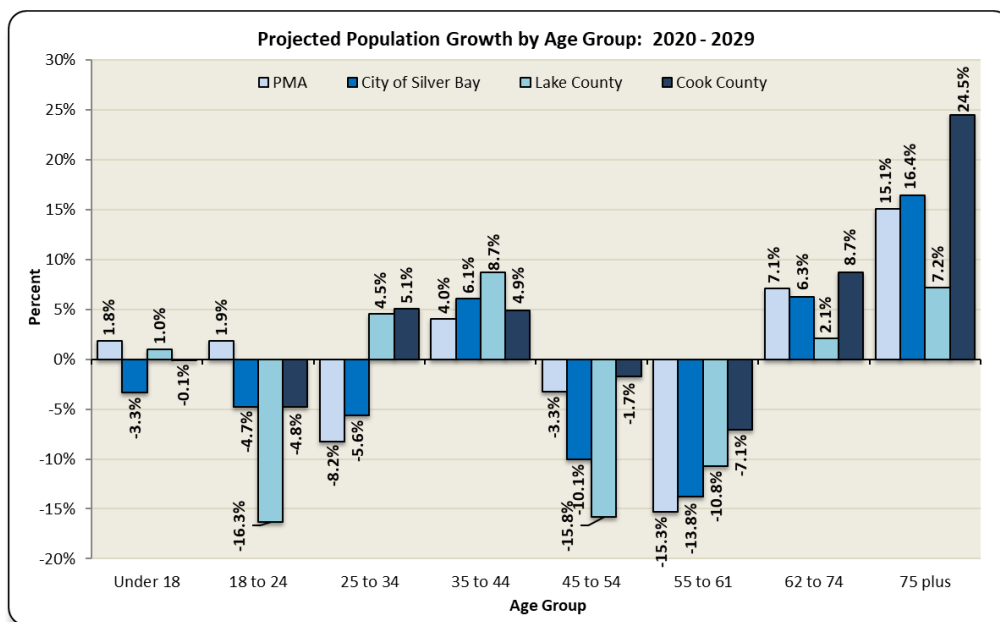
- Population and household growth occurred in the PMA between 2020 and 2024. The PMA's population increased by 0.8% (45 people) while its households increased by 34 households. Silver Bay and Lake County, in contrast, experienced population and household declines over the past four years. Silver Bay's population and households decreased by 1.5% (20 people) and 1.0% (8 households), respectively while Lake County's population and households decreased by 1.2% (130 people) and 1.4% (69 households), respectively. Cook County experienced a 3.1% increase in population (175 households) and a 2.7% increase in households (74 households).
- From 2024 to 2029, the PMA and Silver Bay are forecast to lose population and households. Over the next five years, the PMA's population is projected to decrease by 1.0% (55 people) and its households are forecast to decrease by (15 households). In Silver Bay, between 2025 and 2029, its population is forecast to decrease by 1.1% (20 households) and its households are projected to decrease by 0.6% (5 households). Lake County is forecast to grow in population by 0.1% (10 people) and its households are projected to grow by 0.6% (30 households) while Cook County is projected to see 2.9% population growth (40 people) and 3.4% household growth (95 households).
- Between 2029 to 2035, the PMA and Silver Bay are again forecast to lose population and households. Over those five years, the PMA's population is projected to decrease by 0.8% (45 people) and its households are forecast to decrease by 0.5% (4 households). In Silver Bay, between 2029 and 2035, its population is forecast to decrease by 1.0% (18 households) and its households are projected to decrease by 0.5% (25 households). Lake County is also forecast to see a decrease in population by 0.6% (65 people) and in households (0.2% - 10 households). Cook County is projected to see 0.7% population growth (40 people) and 2.0% household growth (57 households).

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.

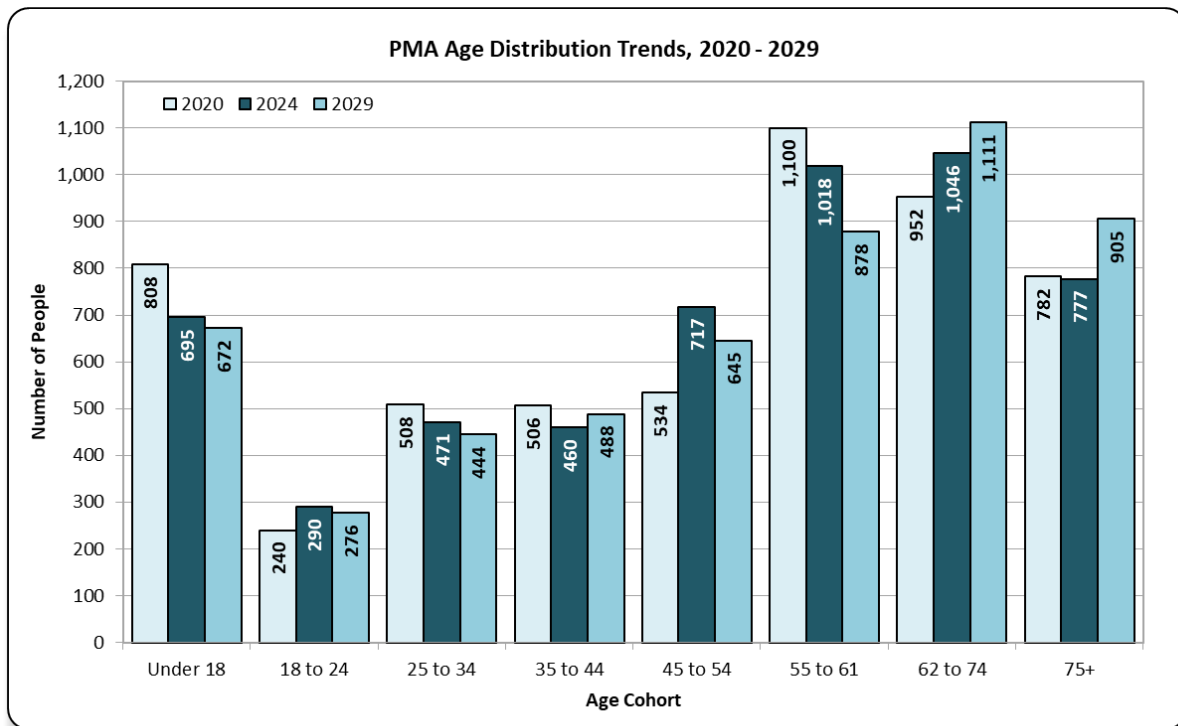
Table 2, on the following page, presents the age distribution of the Market Area population from 2020 to 2029. Information from 2020 is sourced from the U.S. Census. The 2024 estimates and projections for 2029 were provided by ESRI Inc., with adjustments made by Maxfield Research to reflect current year data. The points following the table present key trends about the age distribution of the Market Area's population.

- As of 2024, the largest adult cohort by age in the PMA is 65 to 74, totaling an estimated 1,046 people (19.1% of the total population), followed by the 55 to 64 age group with 1,018 people (18.6%) and the 75 plus age group with 781 people (14.2 %).



- The strongest growth is expected to occur among older adults in the Market Area. Aging of baby boomers led to an increase of 94 people (9.8% growth) in the 65 to 74 population between 2020 and 2024. As this group ages, the 65 to 74 age group is projected to grow by 6.4% while the 75 plus age cohort is projected to increase 16.4% in the PMA by 2029.
- Younger age groups have traditionally been drawn to rental housing. However, in the PMA, its younger age cohorts are projected to decline between 2024 and 2029. The 18 to 24 age group is projected to decrease 4.7% (14 people) while the 25 to 34 age population is expected to decrease 5.6% (36 people) over the next five years.

TABLE 2 POPULATION AGE DISTRIBUTION PRIMARY MARKET AREA 2020-2029							
	U.S Census	Estimate	Projection	Change 2020-2024		Change 2024-2029	
	2020	2024	2029	No.	Pct.	No.	Pct.
PMA							
Under 18	808	695	672	-113	-13.9%	-23	-3.3%
18 to 24	240	290	276	50	20.9%	-14	-4.7%
25 to 34	508	471	444	-37	-7.3%	-26	-5.6%
35 to 44	506	460	488	-46	-9.1%	28	6.1%
45 to 54	534	717	645	183	34.3%	-72	-10.1%
55 to 64	1,100	1,018	878	-82	-7.4%	-140	-13.8%
65 to 74	952	1,046	1,111	94	9.8%	65	6.3%
75 plus	782	777	905	-5	-0.6%	128	16.4%
Total	5,430	5,475	5,420	45	0.8%	-55	-1.0%
City of Silver Bay							
Under 18	362	256	259	-106	-29.2%	3	1.0%
18 to 24	88	119	100	31	35.2%	-19	-16.3%
25 to 34	206	161	168	-45	-21.8%	7	4.5%
35 to 44	179	167	181	-12	-7.0%	14	8.7%
45 to 54	173	209	176	36	20.6%	-33	-15.8%
55 to 64	326	243	217	-83	-25.3%	-26	-10.8%
65 to 74	248	284	290	36	14.4%	6	2.1%
75 plus	275	392	420	117	42.4%	28	7.2%
Total	1,857	1,830	1,810	-27	-1.5%	-20	-1.1%
Lake County							
Under 18	2,061	1,875	1,909	-186	-9.0%	34	1.8%
18 to 24	550	603	615	53	9.7%	11	1.9%
25 to 34	973	1,034	949	61	6.3%	-85	-8.2%
35 to 44	1,242	1,099	1,143	-143	-11.5%	44	4.0%
45 to 54	1,139	1,282	1,240	143	12.6%	-42	-3.3%
55 to 64	1,900	1,821	1,542	-79	-4.2%	-279	-15.3%
65 to 74	1,700	1,692	1,812	-8	-0.5%	120	7.1%
75 plus	1,340	1,368	1,575	28	2.1%	206	15.1%
Total	10,905	10,775	10,785	-130	-1.2%	10	0.1%
Cook County							
Under 18	891	809	808	-82	-9.3%	-1	-0.1%
18 to 24	274	312	297	38	13.8%	-15	-4.8%
25 to 34	530	531	558	1	0.2%	27	5.1%
35 to 44	600	589	618	-11	-1.8%	29	4.9%
45 to 54	626	774	760	148	23.6%	-14	-1.7%
55 to 64	966	1,195	1,111	229	23.8%	-85	-7.1%
65 to 74	1,072	1,016	1,105	-56	-5.2%	88	8.7%
75 plus	641	549	683	-92	-14.4%	134	24.5%
Total	5,600	5,775	5,940	175	3.1%	165	2.9%
Sources: U.S. Census; ESRI; & Maxfield Research & Consulting, LLC.							



Household Income

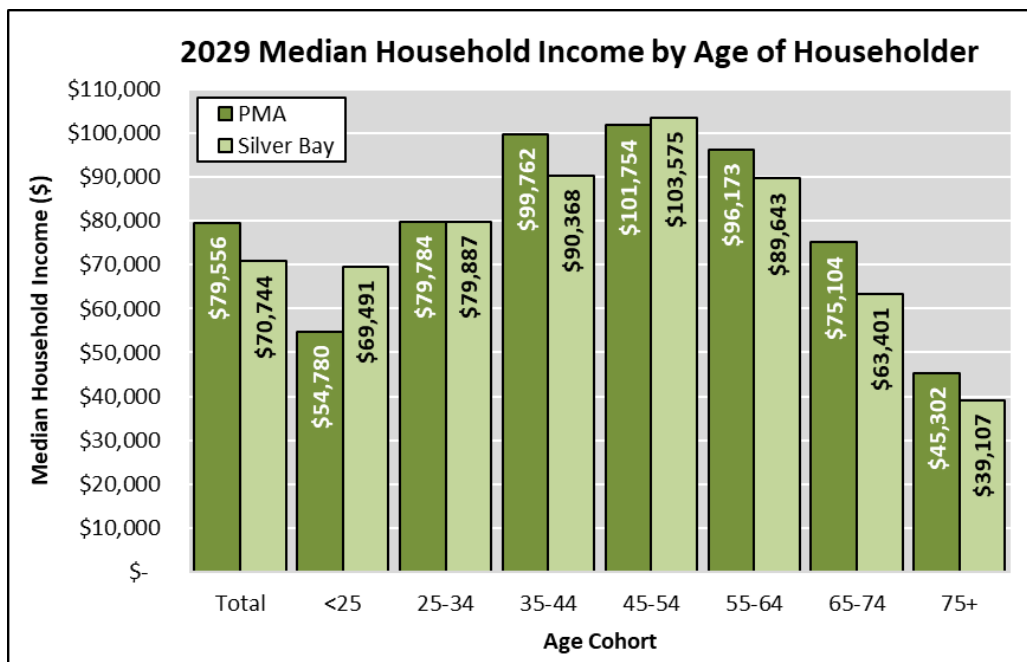
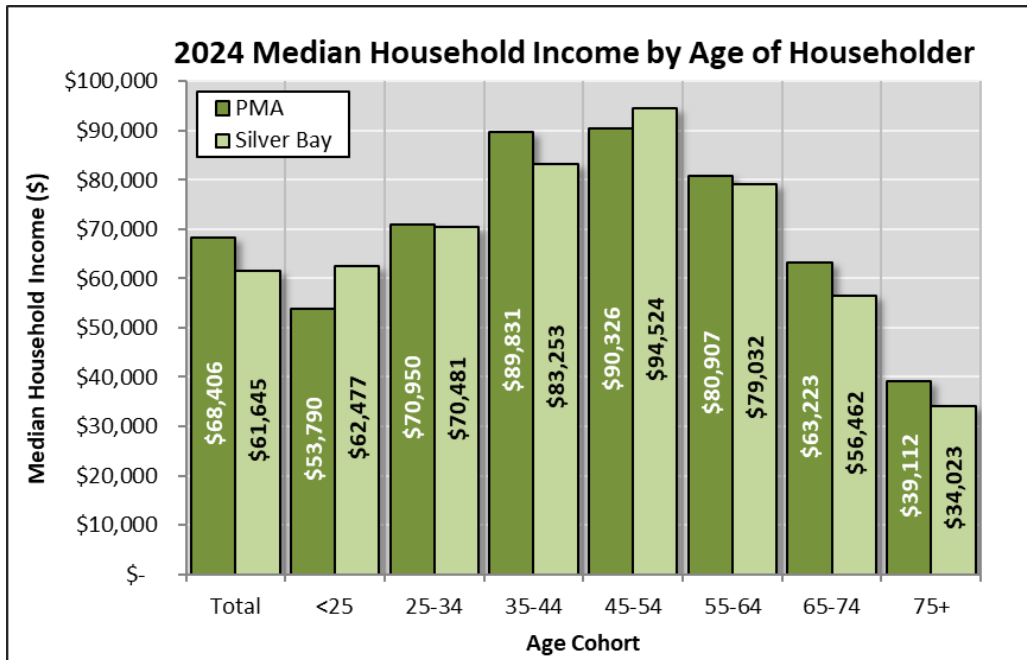
Household income data is important when considering the ability of households to pay different rent levels. In general, housing costs of up to 30% of income are considered affordable by the Department of Housing and Urban Development (HUD). Table 3 presents data on household income by age of householder for the Primary Market Area in 2024 and 2029. The data is estimated by ESRI and adjusted by Maxfield Research to reflect the most current local household estimates and projections. The following are key points.

- In 2024, the median household income is estimated to be \$61,645 in Silver Bay, 9.9% lower than in the overall PMA (\$68,406). As households age through the lifecycle, incomes tend to peak in their 40s and early 50s. This trend holds true in both the PMA and Silver Bay where incomes peak in the 45 to 54 age categories at \$68,406 in the PMA and \$61,645 in Silver Bay.
- By 2029, the median household income is expected to increase 14.8% to \$70,744 in Silver Bay. This equates to an average annual increase of 3.0%. By comparison, over the same time frame, the median household income in the PMA is expected to increase 16.3% to \$79,556; equating to an average annual increase of 3.3%.

DEMOGRAPHIC ANALYSIS

TABLE 3
HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER
PRIMARY MARKET AREA
2024 & 2029

	Total	Age of Householder						
		<25	25-34	35-44	45-54	55-64	65 -74	75+
2024								
Less than \$15,000	181	7	11	9	21	43	43	46
\$15,000 to \$24,999	209	4	12	8	14	37	41	93
\$25,000 to \$34,999	210	6	17	10	16	29	49	83
\$35,000 to \$49,999	359	9	35	21	39	62	101	92
\$50,000 to \$74,999	469	14	50	37	64	109	138	58
\$75,000 to \$99,999	369	12	41	42	70	85	80	38
\$100,000 to \$199,999	649	5	58	77	138	181	125	64
\$200,000 or more	154	1	9	17	30	40	38	18
Total	2,600	58	235	221	393	587	614	492
PMA Median Income	\$68,406	\$53,790	\$70,950	\$89,831	\$90,326	\$80,907	\$63,223	\$39,112
Silver Bay Median Income	\$61,645	\$62,477	\$70,481	\$83,253	\$94,524	\$79,032	\$56,462	\$34,023
2029								
Less than \$15,000	157	7	10	8	17	26	38	51
\$15,000 to \$24,999	152	3	8	7	9	18	27	80
\$25,000 to \$34,999	182	5	12	9	12	18	38	88
\$35,000 to \$49,999	308	7	30	17	27	41	84	101
\$50,000 to \$74,999	447	13	46	33	48	92	143	72
\$75,000 to \$99,999	374	10	40	45	63	74	91	50
\$100,000 to \$199,999	777	5	70	94	143	196	169	101
\$200,000 or more	189	1	9	20	32	41	53	32
Total	2,585	51	226	233	351	507	642	576
PMA Median Income	\$79,556	\$54,780	\$79,784	\$99,762	\$101,754	\$96,173	\$75,104	\$45,302
Silver Bay Median Income	\$70,744	\$69,491	\$79,887	\$90,368	\$103,575	\$89,643	\$63,401	\$39,107
Change 2024 - 2029								
Less than \$15,000	-24	-0	-1	-1	-4	-18	-5	5
\$15,000 to \$24,999	-56	-1	-4	-1	-5	-19	-14	-13
\$25,000 to \$34,999	-28	-1	-5	-1	-4	-11	-11	5
\$35,000 to \$49,999	-51	-2	-5	-4	-12	-21	-17	10
\$50,000 to \$74,999	-22	-1	-4	-4	-15	-16	4	14
\$75,000 to \$99,999	4	-2	-1	3	-7	-10	10	12
\$100,000 to \$199,999	129	-0	12	17	5	14	44	37
\$200,000 or more	34	0	-0	3	2	1	15	14
Total	-15	-7	-9	11	-41	-80	28	84
PMA Median Income	\$11,150	\$990	\$8,834	\$9,931	\$11,428	\$15,266	\$11,881	\$6,190
Silver Bay Median Income	\$9,099	\$7,014	\$9,406	\$7,115	\$9,051	\$10,611	\$6,939	\$5,084
Sources: ESRI; US Census Bureau; & Maxfield Research & Consulting, LLC.								



The proposed development is planned to have affordable, workforce housing units. If workforce housing, we believe units should target households making between 50% and 120% of Area Median Income (Highlighted in Figure 1). The figure on the following page shows the maximum allowable incomes by household size to qualify for affordable housing in Lake 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. This information is provided to illustrate the likely income band for the project's target market.

<p align="center">FIGURE 1 2023 INCOME LIMITS LAKE COUNTY MN HUD METRO FMR AREA Effective Date: 05/15/2023</p>								
	-----Income Limits by Household Size-----							
	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
30% AMI	\$18,540	\$21,180	\$23,820	\$26,460	\$28,590	\$30,720	\$32,820	\$34,950
40% AMI	\$24,720	\$28,240	\$31,760	\$35,280	\$38,120	\$40,960	\$43,760	\$46,600
50% AMI	\$30,900	\$35,300	\$39,700	\$44,100	\$47,650	\$51,200	\$54,700	\$58,250
60% AMI	\$37,080	\$42,360	\$47,640	\$52,920	\$57,180	\$61,440	\$65,640	\$69,900
70% AMI	\$43,260	\$49,420	\$55,580	\$61,740	\$66,710	\$71,680	\$76,580	\$81,550
80% AMI	\$49,440	\$56,480	\$63,520	\$70,560	\$76,240	\$81,920	\$87,520	\$93,200
90% AMI	\$55,620	\$63,540	\$71,460	\$79,380	\$85,770	\$92,160	\$98,460	\$104,850
100% AMI	\$61,800	\$70,600	\$79,400	\$88,200	\$95,300	\$102,400	\$109,400	\$116,500
120% AMI	\$74,160	\$84,720	\$95,280	\$105,840	\$114,360	\$122,880	\$131,280	\$139,800
Note: For projects placed in service on or after 05/15/2023.								
Source: Novogradac & Maxfield Research & Consulting, LLC.								

- As illustrated above, the primary income band for the target market, if an affordable development, will range from \$24,720 (one-person household at 40% AMI) to \$70,560 (four-person household at 80% AMI).
- In 2024, an estimated 678 PMA households (36.9% of the total households in the PMA) are estimated to have incomes of between \$24,720 and \$70,560.
- Households in this income band could afford monthly rents ranging from \$618 (one-person household at 40% AMI in a one-bedroom unit) to \$1,764 (four-person household in a two-bedroom unit).
- Typically, the youngest and oldest households rent their housing in greater proportions than middle-aged households. Below are the number of people and their percentages in young and old age cohorts, as well as middle aged households that are estimated to have incomes between \$24,720 and \$70,560.
 - Under 25: 47 households (81.2% of all households under 25).
 - 25 to 34: 212 households (90.2% of all households between 25 and 34).
 - 35 to 44: 205 households (92.4% of all households between 35 and 44).
 - 45 to 54: 205 households (52.1% of all households between 35 and 44).
 - 55 to 64: 507 households (86.5% of all households between 55 and 64).
 - 65 to 74: 532 households (86.6% of all households between 35 and 44).
 - 75 plus: 356 households (72.2% of all households between 35 and 44).

Household Tenure by Age

Table 4 shows household tenure by age of householder for the PMA and Silver Bay in 2010, 2020, and 2024. Data for 2010 and 2020 is obtained from the Decennial Census, while 2024 data is based on the 2018-2022 American Community Survey, adjusted by Maxfield Research to 2024 to reflect current year household estimates. Note, Census Block Group boundaries in 2010 do not match up with 2020 and 2022 Census Block Group boundaries (adjusted to 2024 by Maxfield Research). Census Block Groups in 2010 include six Census Block Groups while for 2020 and 2022 (adjusted to 2022) include seven Census Block Groups. The table shows the number and percent of renter- and owner-occupied housing units in the Market Area. All data excludes unoccupied units and group quarters such as dormitories and nursing homes.

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

- In the PMA, an estimated 12.8% of all households rent in 2024, resulting in a rental rate that is lower than in Silver Bay (16.4%).
- Nearly 83% of PMA households under age 25 rent and 34.5% of PMA households age 25 to 34 rent. By comparison, all households under 25 in Silver Bay are renters (100%) while 28.4% of households between 25 and 34 are renters in Silver Bay.
- The number of PMA renter households increased by 14 households (9.6%) for those 44 years of age and younger between 2020 and 2024 while households ages 45 and older experienced an estimated decrease of 26 renter households (-13.5%). The total number of renter households residing in the PMA decreased by 36 households (-9.8%). By comparison, the number of owner households in the PMA increased by 2.1% (46 households) over the last four years.

DEMOGRAPHIC ANALYSIS

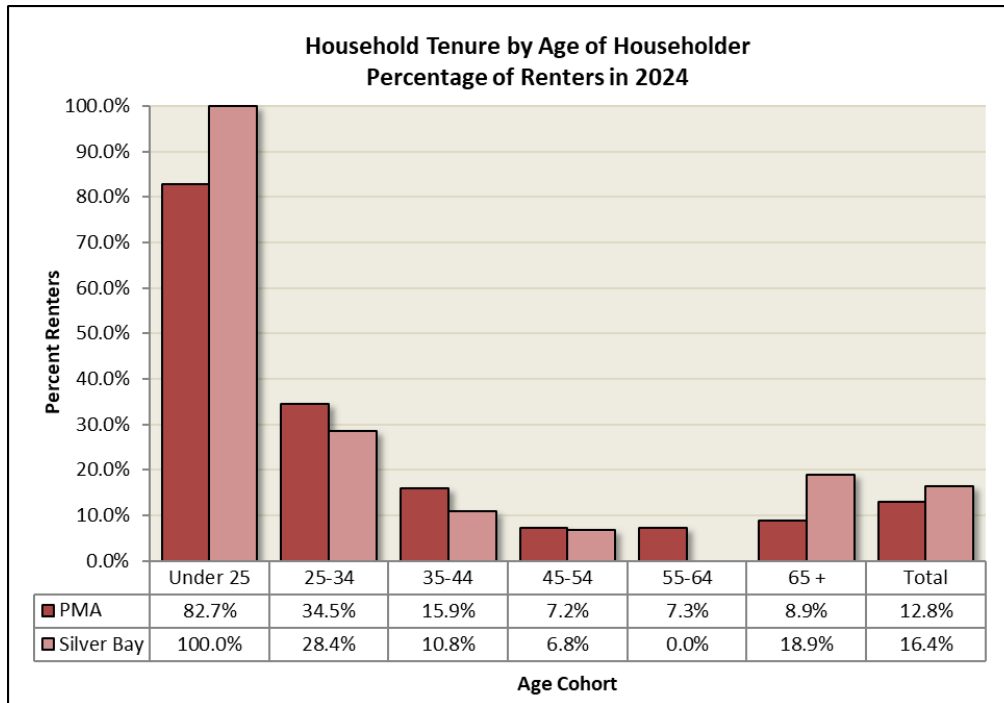


TABLE 4
TENURE BY AGE OF HOUSEHOLDER
PRIMARY MARKET AREA
2010, 2020, & 2024

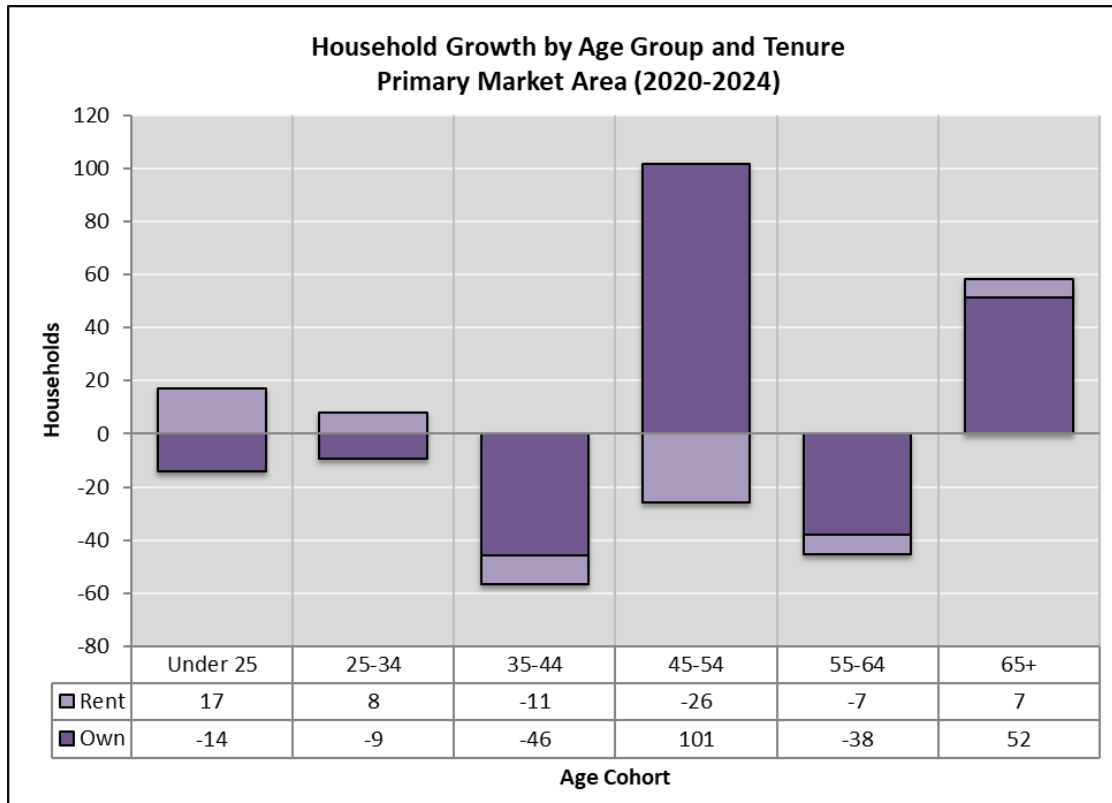
Age		Primary Market Area						Silver Bay					
		2010*		2020		2024		2010		2020		2024	
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under 25	Own	21	29.6%	24	43.6%	10	17.3%	15	55.6%	7	53.8%	0	0.0%
	Rent	50	70.4%	31	56.4%	48	82.7%	12	44.4%	6	46.2%	22	100.0%
	Total	71	100.0%	55	100.0%	58	100.0%	27	100.0%	13	100.0%	22	100.0%
25-34	Own	123	56.7%	163	69.1%	154	65.5%	66	80.5%	72	75.0%	59	71.6%
	Rent	94	43.3%	73	30.9%	81	34.5%	16	19.5%	24	25.0%	23	28.4%
	Total	217	100.0%	236	100.0%	235	100.0%	82	100.0%	96	100.0%	82	100.0%
35-44	Own	189	79.7%	232	83.5%	186	84.1%	68	76.4%	73	76.0%	71	89.2%
	Rent	48	20.3%	46	16.5%	35	15.9%	21	23.6%	23	24.0%	9	10.8%
	Total	237	100.0%	278	100.0%	221	100.0%	89	100.0%	96	100.0%	80	100.0%
45-54	Own	511	90.0%	263	83.0%	364	92.8%	156	89.7%	89	84.0%	101	93.2%
	Rent	57	10.0%	54	17.0%	28	7.2%	18	10.3%	17	16.0%	7	6.8%
	Total	568	100.0%	317	100.0%	393	100.0%	174	100.0%	106	100.0%	108	100.0%
55-64	Own	513	90.6%	582	92.1%	544	92.7%	137	93.2%	178	90.4%	141	100.0%
	Rent	53	9.4%	50	7.9%	43	7.3%	10	6.8%	19	9.6%	0	0.0%
	Total	566	100.0%	632	100.0%	587	100.0%	147	100.0%	197	100.0%	141	100.0%
65 +	Own	751	91.7%	956	91.2%	1,008	91.1%	279	88.0%	264	81.2%	318	81.1%
	Rent	68	8.3%	92	8.8%	99	8.9%	38	12.0%	61	18.8%	74	18.9%
	Total	819	100.0%	1,048	100.0%	1,106	100.0%	317	100.0%	325	100.0%	391	100.0%
TOTAL	Own	2,108	85.1%	2,220	86.5%	2,266	87.2%	721	86.2%	683	82.0%	690	83.6%
	Rent	370	14.9%	346	13.5%	334	12.8%	115	13.8%	150	18.0%	135	16.4%
	Total	2,478	100.0%	2,566	100.0%	2,600	100.0%	836	100.0%	833	100.0%	825	100.0%

*Census Block Group Boundaries in 2010 do not match up with 2020 and 2022 Census Block Group boundaries (adjusted to 2024 by Maxfield Research). Census Block Groups in 2010 include six Census Block Groups while for 2020 and 2022 (adjusted to 2022) include seven Census Block Groups.

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

DEMOGRAPHIC ANALYSIS

- As depicted in the below chart, declines in renter households occurred across 50% of all age groups between 2020 and 2024. Those between 45 and 54 lost the most renter households, 26 households (-47.9%), while those under 25 gained the most renter households, 17 households (55.8%).



- In Silver Bay, most age groups saw declines in renter households between 2020 and 2024. The under 55 to 64 age group saw the largest numeric decline in renters, losing 19 renter households (100% decline). The only two age cohorts to gain renters were those under 25 and those 65 and older. The 25 to 34 age cohort grew by 16 renter households (267.1%) while the 65 and older age cohort grew by 13 renter households (21.1%).

Tenure by Household Income

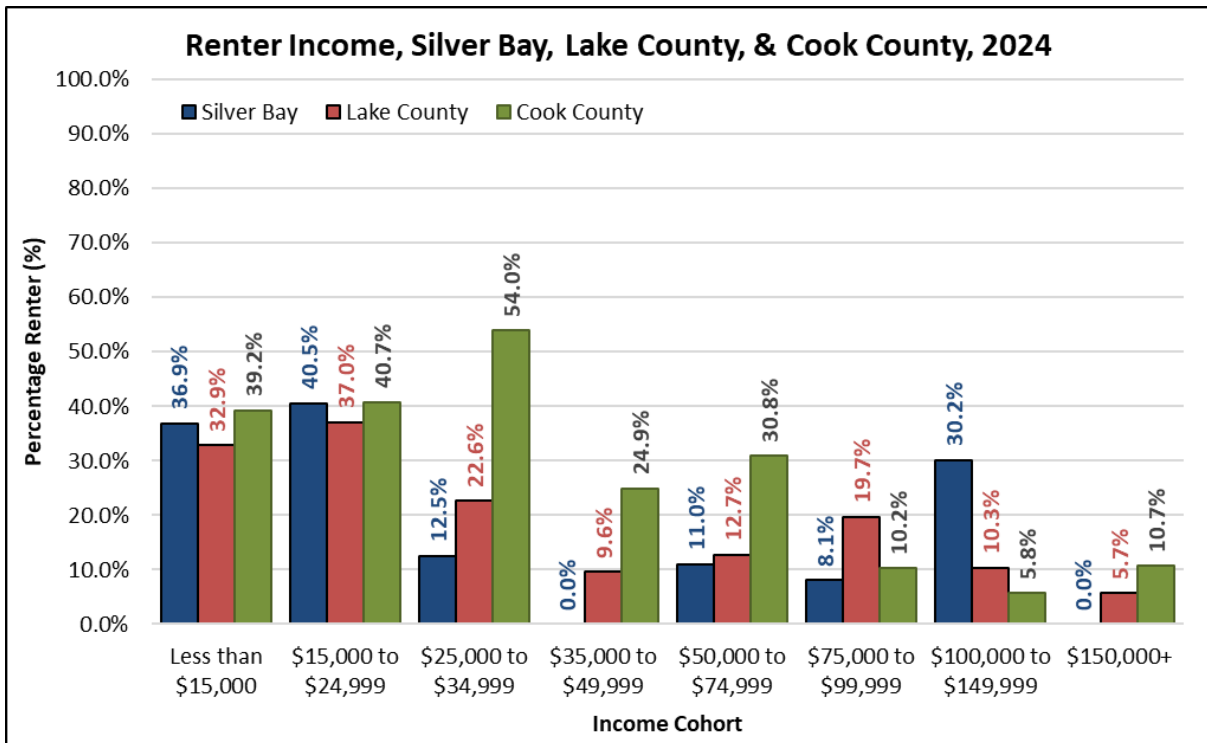
Table 5 presents information on tenure by household incomes in Silver Bay, Lake County, Cook County, and the PMA. Data was obtained through the American Community Survey's five-year 2018-2022 estimates, with adjustments made by Maxfield Research to update the figures to 2024. Note, information for the PMA is based on percentages from three Census Tracts, 3701.01, 3703, and 481.02, adjusted to the 2024 PMA census block group boundaries by Maxfield Research. This is because no 2018-2022 American Community Survey tenure by income data is available for the block groups that comprise the PMA.

TABLE 5 TENURE BY HOUSEHOLD INCOME PRIMARY MARKET AREA 2024								
Income	City of Silver Bay				Primary Market Area*			
	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.
Less than \$15,000	53	63.1%	31	36.9%	148	76.9%	45	23.1%
\$15,000 to \$24,999	47	59.5%	32	40.5%	144	80.4%	35	19.6%
\$25,000 to \$34,999	56	87.5%	8	12.5%	131	78.5%	36	21.5%
\$35,000 to \$49,999	132	100.0%	0	0.0%	255	84.6%	46	15.4%
\$50,000 to \$74,999	113	89.0%	14	11.0%	393	79.8%	99	20.2%
\$75,000 to \$99,999	79	91.9%	7	8.1%	351	96.9%	11	3.1%
\$100,000 to \$149,999	139	69.8%	60	30.2%	457	85.1%	80	14.9%
\$150,000+	55	100.0%	0	0.0%	346	93.7%	23	6.3%
Total	673		152		2,224		376	
Income	Lake County				Cook County			
	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.
Less than \$15,000	278	67.1%	136	32.9%	100	60.8%	65	39.2%
\$15,000 to \$24,999	292	63.0%	172	37.0%	100	59.3%	69	40.7%
\$25,000 to \$34,999	222	77.4%	65	22.6%	67	46.0%	78	54.0%
\$35,000 to \$49,999	322	90.4%	34	9.6%	239	75.1%	79	24.9%
\$50,000 to \$74,999	819	87.3%	119	12.7%	453	69.2%	202	30.8%
\$75,000 to \$99,999	603	80.3%	148	19.7%	440	89.8%	50	10.2%
\$100,000 to \$149,999	962	89.7%	111	10.3%	426	94.2%	26	5.8%
\$150,000+	488	94.3%	30	5.7%	349	89.3%	42	10.7%
Total	3,986		814		2,174		611	
*Data is based on percentages from three Census Tracts, 3701.01, 3703, and 481.02, adjusted to the 2024 PMA census block group boundaries by Maxfield Research. No 2018-2022 American Community Survey tenure by income data is available for the block groups that comprise the PMA								
Sources: U.S. Census Bureau - American Community Survey; & Maxfield Research & Consulting LLC.								

- Households earning lower incomes annually are most likely to be renters. The PMA is estimated to have 43.2% of its renter households (162 households) with incomes below \$50,000.
- As incomes rise, the proportion of owner-occupied units increases also. There are higher percentages of owner households in the PMA after incomes reach \$50,000. In the PMA, 79.8% of households making \$50,000 to \$74,999 own their housing. These percentages are 96.9% of households making \$75,000 to \$99,999, 85.1% of households making \$100,000 to \$149,999, and 93.7% of households making \$150,000 or more.
- Across all income brackets, owner households constitute 85.6% of all households in Silver Bay while renter households comprise 81.6% of all households in the city.

DEMOGRAPHIC ANALYSIS

- Based on a 2019 median renter income of \$25,819 (no median income renter income is available for 2020, 2021 or 2022), a Silver Bay renter household could afford a maximum monthly rent of \$645 before being cost-burdened. The average affordable rent at the only income-restricted property, Birchwood Apartments, near the PMA is \$822. Therefore, a renter household that earns the median income would be cost burdened at the affordable rental development near the PMA.



Households by Size and Tenure

Table 6 shows the distribution of the households in the Market Area by size and tenure for 2010 and 2024. The data for 2020 was obtained from the 2020 Decennial Census and the 2024 data is from the American Community Survey 5-year estimates for 2022 and adjusted to the current year by Maxfield Research.

- Household size for renters tends to be smaller than for owners. This trend is a result of the typical market segments for rental housing, including households that are younger and are less likely to be married with children, as well as older adults and seniors who choose to downsize from their single-family homes.
- In 2020, 46.0% of renter households in the PMA were single-person households and 22.3% were two-person households. The proportion of single-person renter households decreased to 37.6% in 2024, while two-person renter households declined increased to 33.5% in the PMA.

DEMOGRAPHIC ANALYSIS

**TABLE 6
HOUSEHOLDS BY SIZE
PRIMARY MARKET AREA
2020 & 2024**

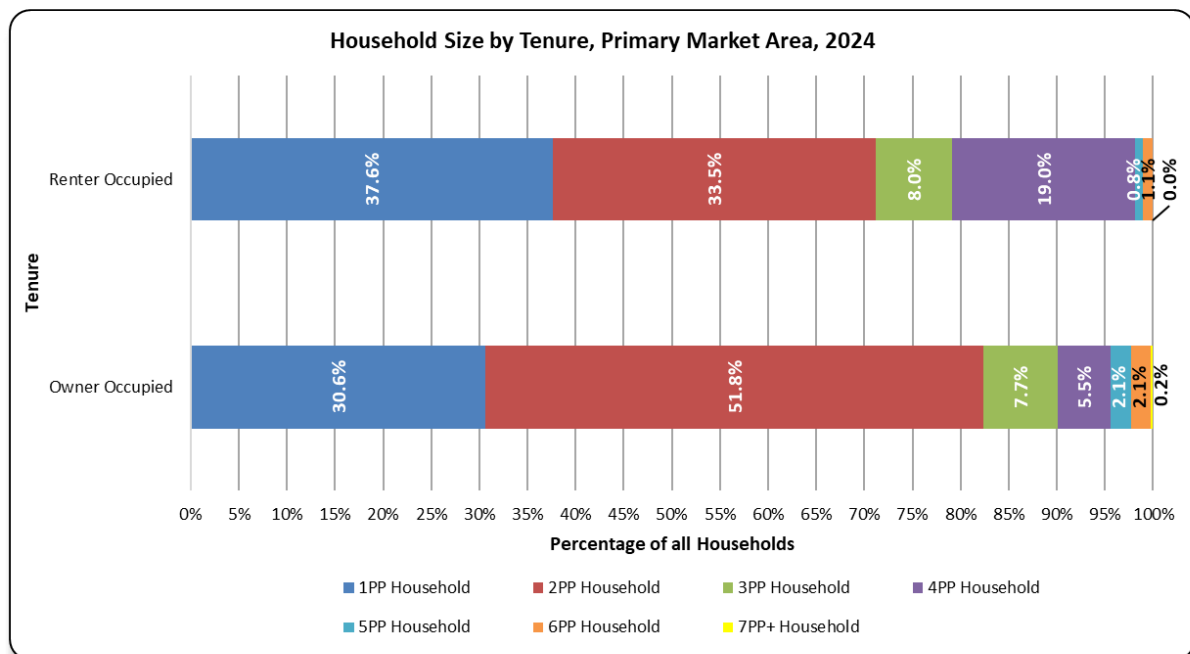
2020																
Size	Primary Market Area				Silver Bay				Lake County				Cook County			
	Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
1PP Household	666	30.0%	159	46.0%	227	33.2%	86	57.3%	1,121	27.9%	443	52.1%	623	29.5%	310	51.5%
2PP Household	1,066	48.0%	77	22.3%	305	44.7%	30	20.0%	1,797	44.7%	200	23.5%	976	46.3%	137	22.8%
3PP Household	194	8.7%	39	11.3%	50	7.3%	10	6.7%	434	10.8%	80	9.4%	228	10.8%	61	10.1%
4PP Household	152	6.8%	36	10.4%	52	7.6%	9	6.0%	366	9.1%	66	7.8%	156	7.4%	43	7.1%
5PP Household	70	3.2%	14	4.0%	26	3.8%	2	1.3%	160	4.0%	33	3.9%	79	3.7%	26	4.3%
6PP Household	42	1.9%	11	3.2%	11	1.6%	6	4.0%	85	2.1%	18	2.1%	27	1.3%	10	1.7%
7PP+ Household	30	1.4%	10	2.9%	12	1.8%	7	4.7%	55	1.4%	11	1.3%	20	0.9%	15	2.5%
Total	2,220	100%	346	100%	683	100%	150	100%	4,018	100%	851	100%	2,109	100%	602	100%

2024																
Size	Primary Market Area				Silver Bay				Lake County				Cook County			
	Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
1PP Household	685	30.6%	135	37.6%	246	36.5%	63	41.4%	1,129	28.3%	363	44.6%	651	30.0%	289	47.3%
2PP Household	1,160	51.8%	120	33.5%	298	44.2%	37	24.3%	1,785	44.8%	256	31.5%	1,056	48.6%	167	27.3%
3PP Household	173	7.7%	29	8.0%	52	7.7%	13	8.6%	457	11.5%	69	8.4%	230	10.6%	48	7.8%
4PP Household	123	5.5%	68	19.0%	41	6.1%	39	25.7%	346	8.7%	109	13.3%	119	5.5%	56	9.2%
5PP Household	47	2.1%	3	0.8%	27	4.0%	0	0.0%	109	2.7%	17	2.1%	56	2.6%	30	4.9%
6PP Household	47	2.1%	4	1.1%	10	1.5%	0	0.0%	112	2.8%	0	0.0%	15	0.7%	19	3.1%
7PP+ Household	5	0.2%	0	0.0%	0	0.0%	0	0.0%	49	1.2%	0	0.0%	47	2.2%	2	0.3%
Total	2,241	100%	359	100%	673	100%	152	100%	3,986	100%	814	100%	2,174	100%	611	100%

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

DEMOGRAPHIC ANALYSIS

- In Silver Bay, 57.3% of renter households were single-person households in 2020. By 2024, the proportion of single person renter households decreased to 41.4%. Two-person renter households increased from 20.0% of renter households in 2010 to 24.3% of renter households in 2022.
- Single-person renter households in Lake and Cook Counties accounted for 52.1% and 46.9%, respectively, of all renter households in 2020. As of 2024, single-person renter households in Lake and Cook Counties accounted for 44.6% and 47.3%, respectively of all renter households.
- Single-person renter households in Lake and Cook Counties accounted for 52.1% and 46.9%, respectively, of all renter households in 2020. As of 2024, single-person renter households in Lake and Cook Counties accounted for 44.6% and 47.3%, respectively of all renter households.



Employment Growth Trends

Employment characteristics are significant components in assessing housing needs in any given market area. These trends are important to consider 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. This preference is particularly true among renters. Renters often place great value on living near employment, education, shopping, and entertainment. Although employment growth often parallels population growth, it is tied more strongly to transportation access. Cities with interstate access and intra- and inter-metro transportation connections attract more businesses and post higher employment gains. Employment growth can fuel household and population growth as people generally desire to live near their work. However, note that the COVID-19 Pandemic has begun to reduce the need for employees with the ability to work remotely to live near their employers.

Employment Growth

Table 7 displays employment growth trends and projections from 2000 to 2030 based on the most recent information available from the Minnesota Department of Employment and Economic Development (DEED). Data for 2010 through 2022, represents the annual average employment for that year. Data for 2023 is as of the third quarter. The 2025, 2030 and 2035 forecasts are based on historical employment trends.

TABLE 7 EMPLOYMENT GROWTH TRENDS AND PROJECTIONS SILVER BAY, BEAVER BAY, LAKE COUNTY, COOK COUNTY, & MINNESOTA 2010 - 2035								
Annual Employment	Silver Bay		Lake County		Cook County		Minnesota	
2010	1,125		4,151		2,675		2,563,391	
2020	771		3,666		2,463		2,707,821	
2021	829		3,891		2,551		2,774,366	
2022	593		3,641		2,533		2,854,990	
2023*	691		4,088		2,812		2,919,232	
2025 Forecast	740		4,380		2,800		2,994,234	
2030 Forecast	650		4,295		2,885		3,241,561	
2035 Forecast	785		4,470		2,970		3,509,319	
Change	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
2010 - 2020	-354	-31.5%	-485	-11.7%	-212	-7.9%	144,430	5.6%
2020 - 2023	-80	-10.4%	422	11.5%	349	14.2%	211,411	7.8%
2023* - 2030	-41	-5.9%	207	5.1%	73	2.6%	322,329	11.0%
2030 - 2035	135	20.8%	175	4.1%	85	2.9%	267,758	8.3%
* As of 2023 Q3.								
Sources: MN DEED; & Maxfield Research & Consulting, LLC.								

EMPLOYMENT TRENDS

- In 2010, there were 1,125 jobs in Silver Bay. Between 2010 and 2023, employment in Silver Bay decreased 38.6% (434 jobs). By comparison, Lake County experienced a 1.5% decline in employment between 2010 and Q3 2023, from 4,151 jobs in 2010 to 4,088 jobs in Q3 2023. Cook County and Minnesota experienced increases of 5.1% (137 jobs) and 13.9% (355,841 jobs), respectively.
- Silver Bay is projected to lose 90 jobs over the next five years (-12.2%) while Lake County is projected to lose 85 jobs (-1.9%). By comparison, Beaver Bay and Lake County are expected to experience minimal job loss. Silver Bay is projected to lose 9 jobs (-14.3%) while Lake County is projected to lose 7 jobs (-0.2%). Cook County and Minnesota are forecast to experience increases of 85 jobs (3.0%) and 247,327 jobs (8.3%), respectively.
- To 2035, Silver Bay is projected to increase its employment, gaining 135 jobs (20.8%). Lake County, by comparison, is expected to gain 175 jobs (4.1%) while Cook County is expected to gain 85 jobs (2.9%). Minnesota is expected to gain 267,758 jobs (8.3%).

Table 8 shows information on the resident labor force and employment in Lake County and Cook County, which have portions of their respective counties in the PMA. The data is sourced from the Minnesota Department of Employment and Economic Development (DEED). Resident employment data reveals the work force and number of employed people living in the area. Not all these individuals necessarily work in the area. City-level resident employment data is only available for large cities in Minnesota, so information specific to Silver Bay is not provided.

- In 2023, Lake County had a labor force of 5,214 with 4,913 employed residents, which equates to a 4.1% unemployment rate. By comparison, neighboring Cook County had a 2023 unemployment rate of 3.9%.
- Lake County's labor force decreased 4.8% (258) while resident employment decreased 1.5% (76) between 2020 and 2023.
- Between 2020 and 2023, the labor force in Lake County decreased at an average rate of 1.6% per year, from 5,382 in 2020 to 5,124 in 2023. Resident employment in Lake County decreased at an average annual rate of 0.5% during the same three years.
- By comparison, Cook County's labor force decreased 2.6% annually between 2020 and 2023, against annual average resident employment loss of 1.0%.
- The annual unemployment rate in Lake County has remained lower than Cook County every year between 2018 and 2021. However, in both 2022 and 2023, the unemployment rate has been higher in Cook County than in Lake County.
- Prior to the Pandemic, in 2019, Lake County had an unemployment rate of 3.6% compared to 4.8% in Cook County. Due to job losses related to the COVID-19 pandemic, unemploy-

EMPLOYMENT TRENDS

ment rates increased dramatically in 2020, climbing from 3.6% to 7.3% in Lake County and from 4.3% to 8.4% in Cook County.

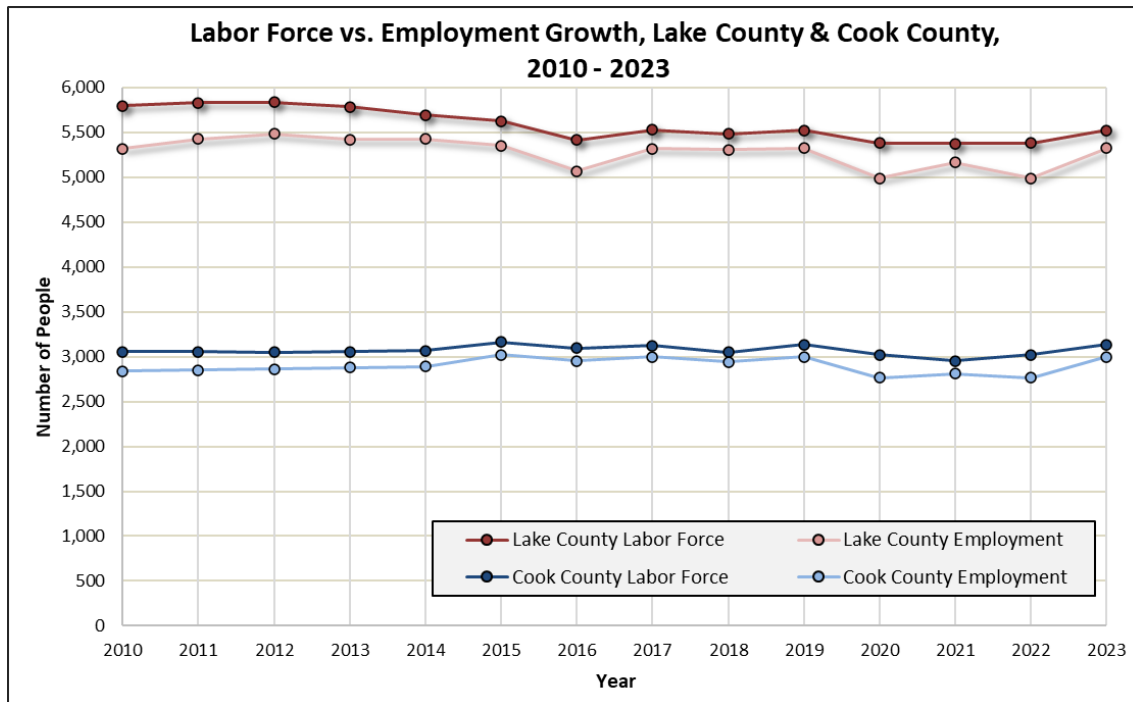
TABLE 8 LABOR FORCE AND RESIDENT EMPLOYMENT TRENDS PRIMARY MARKET AREA 2000 - 2023						
Year	Lake County			Cook County		
	Labor Force	Employed Residents	UE Rate	Labor Force	Employed Residents	UE Rate
2023	5,124	4,913	4.1%	2,788	2,679	3.9%
2022	5,336	5,070	5.0%	2,850	2,749	3.5%
2021	5,377	5,166	3.9%	2,954	2,812	4.8%
2020	5,382	4,989	7.3%	3,019	2,765	8.4%
2019	5,522	5,321	3.6%	3,133	2,997	4.3%
2018	5,483	5,305	3.2%	3,049	2,941	3.5%
2017	5,531	5,316	3.9%	3,122	3,001	3.9%
2016	5,414	5,069	6.4%	3,093	2,952	4.6%
2015	5,626	5,350	4.9%	3,162	3,020	4.5%
2014	5,696	5,428	4.7%	3,065	2,888	5.8%
2013	5,782	5,418	6.3%	3,058	2,878	5.9%
2012	5,835	5,482	6.0%	3,052	2,860	6.3%
2011	5,827	5,424	6.9%	3,058	2,848	6.9%
2010	5,798	5,316	8.3%	3,056	2,837	7.2%
2009	6,195	5,634	9.1%	3,116	2,898	7.0%
2008	6,169	5,843	5.3%	3,121	2,947	5.6%
2007	6,131	5,856	4.5%	3,133	2,982	4.8%
2006	6,078	5,829	4.1%	3,171	3,031	4.4%
2005	6,089	5,829	4.3%	3,241	3,100	4.4%
2004	6,057	5,768	4.8%	3,218	3,064	4.8%
2003	6,068	5,781	4.7%	3,156	3,002	4.9%
2002	6,114	5,820	4.8%	3,182	3,029	4.8%
2001	6,279	5,954	5.2%	3,219	3,069	4.7%
2000	5,932	5,680	4.2%	3,139	3,011	4.1%

Sources: Minnesota DEED; Maxfield Research & Consulting, LLC.

- Unemployment rates decreased dramatically between 2020 and 2021, declining from 7.3% to 3.9% in Lake County and from 8.4% to 4.8% in Cook County as businesses reopened and workers that had been laid off were rehired. With an unemployment rate slightly less than Cook County, Lake County fared somewhat better economically during the Pandemic than its neighboring county to the north.

EMPLOYMENT TRENDS

- Between 2021 and 2022, the unemployment rate in Lake County increased from 3.9% to 5.0% while it decreased in Cook County from 4.8% to 3.5%. Between 2022 and 2023, Lake County's unemployment rate decreased from 5.0% to 4.1% while Cook County's unemployment rate increased from 3.5% to 3.9%. The graph below shows labor force and employment trends in Lake County and Cook County between 2010 and 2023.



Industry Employment and Wage Data

Table 9 on the following page displays information on the employment and wage situation in Silver Bay compared to Lake County and Cook County. The Quarterly Census of Employment and Wages (QCEW) data is sourced from DEED and represents data for the third quarter of 2022 compared to the third quarter of 2023, 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.

- In Silver Bay, total employment increased 37.6% (189 jobs) between the third quarters of 2022 and 2023. By contrast, employment in Lake and Cook Counties increased by 4.3% (170 jobs) and 1.8% (50 jobs), respectively.

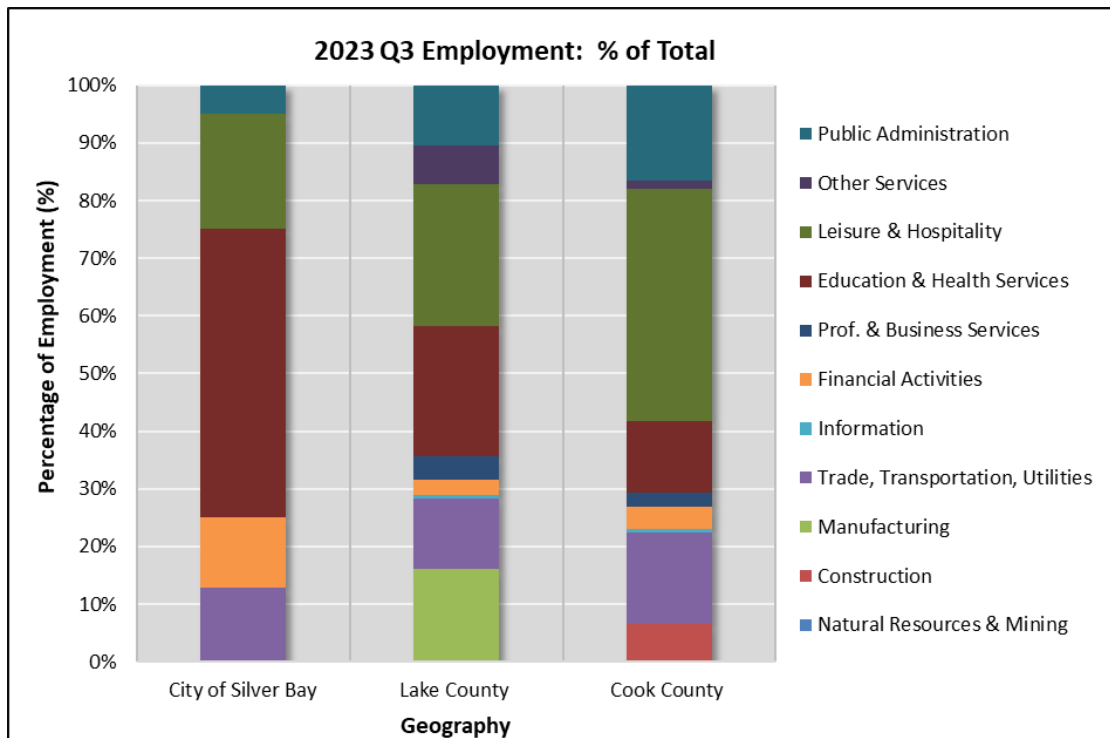
EMPLOYMENT TRENDS

- Education & Health Services is the largest employment sector in Silver Bay providing 179 jobs (25.9% of total jobs) followed by the Leisure and Hospitality sector with 71 jobs (10.3% of total jobs).
- Leisure and Hospitality is the largest employment sector in Lake County, representing 22.3% of total employment, followed by the Education and Health Services sector at 20.6%.

TABLE 9 QUARTERLY CENSUS OF EMPLOYMENT AND WAGES PRIMARY MARKET AREA										
Industry	2022 Q3			2023 Q3			Change 2020 Q4 - 2021 Q4			
	Establish- ments	Employ- ment	Weekly Wage	Establish- ments	Employ- ment	Weekly Wage	Employment #	%	Wage #	%
City of Silver Bay										
Total, All Industries	51	502	\$1,533	50	691	\$1,692	189	37.6%	\$159	10.4%
Natural Resources & Mining	--	--	--	--	--	--	--	--	--	--
Construction	--	--	--	--	--	--	--	--	--	--
Manufacturing	--	--	--	--	--	--	--	--	--	--
Trade, Transportation, Utilities	13	58	\$887	11	46	\$826	-12	-20.7%	-\$61	-6.9%
Information	--	--	--	--	--	--	--	--	--	--
Financial Activities	4	43	\$1,089	5	44	\$1,225	1	2.3%	\$136	12.5%
Prof. & Business Services	7	15	\$922	--	--	--	--	--	--	--
Education & Health Services	7	176	\$1,160	7	179	\$956	3	1.7%	-\$204	-17.6%
Leisure & Hospitality	9	86	\$370	9	71	\$400	-15	-17.4%	\$30	8.1%
Other Services	--	--	--	--	--	--	--	--	--	--
Public Administration	3	19	\$1,065	3	18	\$916	-1	-5.3%	-\$149	-14.0%
Lake County										
Total, All Industries	357	3,918	\$982	369	4,088	\$1,011	170	4.3%	\$29	3.0%
Natural Resources & Mining	6	98	\$4,088	--	--	--	--	--	--	--
Construction	25	78	\$892	--	--	--	--	--	--	--
Manufacturing	14	638	\$1,436	14	600	\$1,393	-38	-6.0%	-\$43	-3.0%
Trade, Transportation, Utilities	73	455	\$808	69	454	\$794	-1	-0.2%	-\$14	-1.7%
Information	8	24	\$919	8	20	\$1,189	-4	-16.7%	\$270	29.4%
Financial Activities	18	105	\$950	18	103	\$1,001	-2	-1.9%	\$51	5.4%
Prof. & Business Services	37	112	\$721	400	150	\$715	38	33.9%	-\$6	-0.8%
Education & Health Services	47	877	\$1,015	50	844	\$999	-33	-3.8%	-\$16	-1.6%
Leisure & Hospitality	75	902	\$514	78	913	\$514	11	1.2%	\$0	0.0%
Other Services	37	221	\$511	40	250	\$463	29	13.1%	-\$48	-9.4%
Public Administration	17	405	\$1,051	17	389	\$984	-16	-4.0%	-\$67	-6.4%
Cook County										
Total, All Industries	334	2,762	\$809	337	2,812	\$833	50	1.8%	\$24	3.0%
Natural Resources & Mining	5	5	\$678	5	8	\$802	3	60.0%	\$124	18.3%
Construction	56	166	\$1,009	57	172	\$1,036	6	3.6%	\$27	2.7%
Manufacturing	--	--	--	--	--	--	--	--	--	--
Trade, Transportation, Utilities	71	446	\$667	68	438	\$680	-8	-1.8%	\$13	1.9%
Information	4	23	\$603	4	19	\$678	-4	-17.4%	\$75	12.4%
Financial Activities	19	110	\$734	19	109	\$779	-1	-0.9%	\$45	6.1%
Prof. & Business Services	22	62	\$800	21	63	\$992	1	1.6%	\$192	24.0%
Education & Health Services	26	347	\$1,052	26	345	\$1,048	-2	-0.6%	-\$4	-0.4%
Leisure & Hospitality	80	1,093	\$676	86	1,113	\$717	20	1.8%	\$41	6.1%
Other Services	31	42	\$448	31	42	\$495	0	0.0%	\$47	10.5%
Public Administration	16	418	\$1,095	16	456	\$1,049	38	9.1%	-\$46	-4.2%
Sources: Minnesota Department of Employment and Economic Development; & Maxfield Research & Consulting, LLC.										

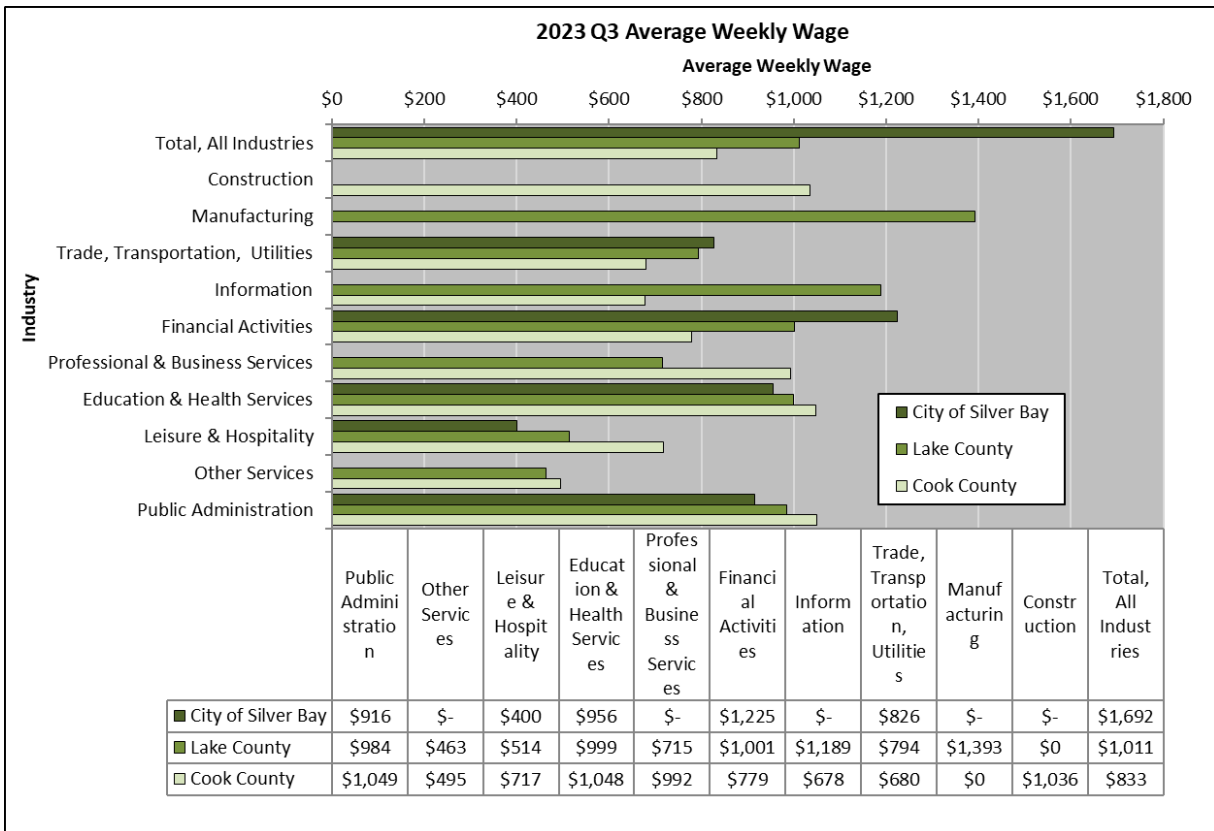
EMPLOYMENT TRENDS

- In contrast to Silver Bay and Lake County where Education and Health Services is the largest employment sector, the largest employment sector in Cook County is Leisure and Hospitality; representing 34.5% of employment.
- In Silver Bay, the only two sectors to experience employment growth between the third quarters of 2022 and 2023 were the Leisure and Hospitality sector (1.7% growth – gain of 3 jobs) and the Financial Services sector (2.3% growth – gain of 1 job). The Trade, Transportation, and Utilities sector had the largest percentage decrease in jobs (-20.7%)



- The number of business establishments in Silver Bay essentially remained stable between 2022 and 2023, losing only one business establishment over the period.
- Average 3rd Quarter 2023 weekly wages in Silver Bay (\$1,692) are 67.4% higher than in Lake County (\$1,011) and 103.1% higher than in Cook County (\$833).
- A household earning the average weekly wage in Silver Bay (\$1,692) would be able to afford an apartment renting for an estimated \$2,200 per month to not exceed 30% of its monthly income on housing costs, higher than the average rent for one-bedroom units in the competitive set of market rate rental properties in and near the PMA (\$850) and higher than the rent for market rate two-bedroom units in the PMA (\$1,375).
- Households earning the average weekly wage in Lake County (\$1,314) and Cook County (\$833) would be able to afford apartments renting for \$1,314 and \$1,083, respectively, to not exceed 30% of its monthly income on housing costs.

EMPLOYMENT TRENDS



Commuting Patterns of Area Workers

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 Silver Bay. Table 10 highlights the commuting patterns of workers in Silver Bay based on data from the U.S. Census Bureau Local Employment Dynamics data for 2021, the most recent data available.

- As the table illustrates, most workers in Silver Bay also live in Silver Bay with a 48.0% share, while 52.0% of Silver Bay's workers live outside the city.
- Just over two-thirds (66.9%) of Silver Bay's workers reside within ten miles of their place of employment while over 15% (15.1%) travel greater than 50 miles. An estimated 5.3% of workers in the city travel 10 to 24 miles for employment and 12.7% commute a distance ranging from 25 to 50 miles.
- Of workers living in Silver Bay, 35.1% also have jobs in Silver Bay. The remaining 64.9% commute to other communities, most notably to Two Harbors (3.0%), Duluth (2.4%), Beaver Bay (1.9%), and Finland (1.1%).

- An estimated 42% (41.5%) of Silver Bay's residents travel less than ten miles to their place of employment, while 34.9% have a commute distance of more than 50 miles. Much smaller portions commute intermediate distances, 17.0% commute between 25 and 50 miles to get to work and 6.6% travel from 10 to 24 miles.

<p>TABLE 10 COMMUTING PATTERNS CITY OF SILVER BAY 2021</p>					
Home Destination			Work Destination		
Place of Residence	Count	Share	Place of Residence	Count	Share
Silver Bay city, MN	245	48.0%	Silver Bay city, MN	245	35.1%
Duluth city, MN	60	11.8%	Two Harbors city, MN	21	3.0%
Two Harbors city, MN	45	8.8%	Duluth city, MN	17	2.4%
Lutsen CDP, MN	30	5.9%	Beaver Bay city, MN	13	1.9%
Beaver Bay city, MN	24	4.7%	Finland CDP, MN	8	1.1%
Walker city, MN	20	3.9%	Aurora city, MN	4	0.6%
Grand Marais city, MN	15	2.9%	Hoyt Lakes city, MN	4	0.6%
Eden Prairie city, MN	7	1.4%	Hermantown city, MN	3	0.4%
Minneapolis city, MN	7	1.4%	Biwabik city, MN	2	0.3%
Superior city, WI	5	1.0%	St. Cloud city, MN	2	0.3%
All Other Locations	241	47.3%	All Other Locations	191	27.3%
Distance Traveled			Distance Traveled		
Total All Jobs	510	100.0%	Total All Jobs	699	100.0%
Less than 10 miles	341	66.9%	Less than 10 miles	290	41.5%
10 to 24 miles	27	5.3%	10 to 24 miles	46	6.6%
25 to 50 miles	65	12.7%	25 to 50 miles	119	17.0%
Greater than 50 miles	77	15.1%	Greater than 50 miles	244	34.9%
Home Destination: Where workers live who are employed in the selection area					
Work Destination: Where workers are employed who live in the selection area					
Sources: U.S. Census Bureau Local Employment Dynamics, Maxfield Research & Consulting, LLC.					

Table 11 provides a summary of the inflow and outflow characteristics of the workers in Silver Bay. Outflow reflects the number workers living in Silver Bay but employed outside the city while inflow measures the number of workers that are employed in the city but live outside Silver Bay. Interior flow reflects the number of workers that both live and work in Silver Bay.

- As the table shows, Silver Bay can be considered an exporter of workers as a higher number of residents commute out of the city for work. An estimated 265 workers come into Silver Bay for work (inflow) while 454 workers leave (outflow) and 245 both live and work in Silver Bay.

EMPLOYMENT TRENDS

- The highest proportion of workers coming into Silver Bay are aged between 30 and 54 (49.4%), earning more than \$3,333 per month (39.2%), and employed in the “All Other Services” industry category (85.7%), which includes Education and Health Services. With 265 workers commuting into Silver Bay daily, many coming from 25 or more miles away, there appears to be an opportunity to provide housing options for a portion of these workers.

TABLE 11
COMMUTING INFLOW/OUTFLOW CHARACTERISTICS
CITY OF SILVER BAY
2021

	Outflow		Inflow		Interior Flow	
City Total	454	100.0%	265	100.0%	245	100.0%
<u>By Age</u>						
Workers Age 29 or younger	95	20.9%	50	18.9%	35	14.3%
Workers Age 30 to 54	224	49.3%	131	49.4%	119	48.6%
Workers Age 55 or older	135	29.7%	84	31.7%	91	37.1%
<u>By Monthly Wage</u>						
Workers Earning \$1,250 per month or less	96	21.1%	60	22.6%	34	13.9%
Workers Earning \$1,251 to \$3,333 per month	132	29.1%	101	38.1%	96	39.2%
Workers Earning More than \$3,333 per month	226	49.8%	104	39.2%	115	46.9%
<u>By Industry</u>						
Workers in the "Goods Producing" Industry Class	64	14.1%	1	0.4%	13	5.3%
Workers in the "Trade, Transportation, and Utilities" Industry Class	75	16.5%	37	14.0%	26	10.6%
Workers in the "All Other Services" Industry Class	315	69.4%	227	85.7%	206	84.1%
Sources: U.S. Census Bureau Local Employment Dynamics, Maxfield Research & Consulting, LLC.						

Inflow/Outflow Analysis

Worker Flows In, Out, and Within Silver Bay city, MN

Created by the U.S. Census Bureau's OnTheMap <https://onthemap.ces.census.gov> on 03/11/2024

Inflow/Outflow Counts of All Jobs for Selection Area in 2021

All Workers



Map Legend

Selection Areas

Selection Area

Inflow/Outflow

- ◆ Employed and Live in Selection Area
- ◆ Employed in Selection Area, Live Outside
- ◆ Live in Selection Area, Employed Outside
- Note: Overlay arrows do not indicate directionality of worker flow between home and employment locations.



Source: 2021 Data, Longitudinal Employer-Household Dynamics, ONTHEMAP.CES.CENSUS.GOV.

Worker Profile

Table E-6 compares characteristics of employed residents living in Silver Bay, Lake County and MN in 2021. Information on monthly earnings, age, race and ethnicity, educational attainment and job classification is provided.

TABLE 12 RESIDENT WORKER PROFILE SILVER BAY, LAKE COUNTY, & MINNESOTA 2021					
	Silver Bay		Lake County		MN
	No.	Pct.	No.	Pct.	Pct.
Total Jobs					
Total All Jobs	699	100.0%	4,518	100.0%	100.0%
Monthly Earnings					
\$1,250 per month or less	130	18.6%	1,037	23.0%	18.8%
\$1,251 to \$3,333 per month	228	32.6%	1,341	29.7%	23.5%
More than \$3,333 per month	341	48.8%	2,140	47.4%	57.7%
Worker Ages					
Age 29 or younger	130	18.6%	998	22.1%	23.5%
Age 30 to 54	343	49.1%	2,214	49.0%	52.9%
Age 55 or older	226	32.3%	1,306	28.9%	23.6%
Worker Race and Ethnicity					
White Alone	667	95.4%	4,343	96.1%	85.2%
Black or African American Alone	3	0.4%	24	0.5%	6.5%
American Indian or Alaska Native Alone	6	0.9%	44	1.0%	0.9%
Asian Alone	9	1.3%	26	0.6%	5.5%
Native Hawaiian or Other Pacific Islander Alone	0	0.0%	2	0.0%	0.1%
Two or More Race Groups	14	2.0%	79	1.7%	1.8%
Ethnicity					
Not Hispanic or Latino	688	98.4%	4,445	98.4%	95.1%
Hispanic or Latino	11	1.6%	73	1.6%	4.9%
Worker Educational Attainment					
Less than high school	49	7.0%	274	6.1%	6.8%
High school or equivalent, no college	183	26.2%	1,125	24.9%	19.4%
Some college or Associate degree	204	29.2%	1,303	28.8%	26.2%
Bachelor's degree or advanced degree	133	19.0%	818	18.1%	24.2%
Educational attainment not available (workers aged 29 or younger)	130	18.6%	998	22.1%	23.5%
Sources: U.S. Census Bureau - Local Employment Dynamics; Maxfield Research and Consulting, LLC.					

- Silver Bay residents earning more than \$3,333 per month accounted for 48.8% of workers. This is less than the proportion of residents in Minnesota (57.7%) but more than the percentage of residents in Lake County (47.4%).
- The proportion of workers who live in Silver Bay with a high school diploma (26.2%) was higher than in Lake County (24.9%) or Minnesota (19.4%).
- In Silver Bay, the proportion of workers with some college or an Associate's degree (29.2%) was higher than in Lake County (28.8%) and Minnesota (28.8%).
- In Silver Bay, an estimated 19.0% of workers have a Bachelor's degree. By comparison, 18.1% of workers in Lake County and 24.2% of workers in the State of Minnesota have Bachelor's degrees.

Major Employers

Table 13 below lists the top employers in Lake County along with a description of their primary industry, address, city, and number of employees based on data provided by Northspan Group, Inc.

The following are key points from Table 13:

- Most of Lake County's largest employers are in Two Harbors. However, of the top four largest employers, three are in Silver Bay. The County's largest employer, Northshore Mining Company, in Silver Bay, employs 167 people. Note that Northshore Mining had been closed and temporary layoffs ensued. According to city officials however, the mining facility has since reopened in 2023.

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

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

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

Rental Market Analysis

The following section of the report analyzes current market conditions for general occupancy rental housing in the Market Area. Topics covered include an overview of rental housing market conditions in the Market Area, detailed information on individual affordable and market rate rental developments in the PMA and information on new rental housing developments planned or under construction in the PMA.

Residential Construction Trends

Maxfield Research obtained data on the number of new housing units in Lake County from 2000 through 2024 (January) from Housing and Urban Development's State of the Cities Data System (HUD SOCDS) and for Silver Bay from 2000 through 2001 from the City of Silver Bay (Data from 2022 to 2024 was not able to be obtained). Table 14 displays the number of building permits issued for new construction of residential units in Silver Bay and Lake County.

- From 2000 through 2021, there were 31 new residential units permitted in Silver Bay, all of which were issued for single-family homes. In comparison, during the same time frame, throughout Lake County, 1,579 new residential units were permitted, of which 98.1% were single-family homes, 1.1% were multifamily units, and 0.1% were duplex/townhomes/or quadplex units.
- The effects of the Great Recession are illustrated in the decline in units permitted after 2008. From 2000 to 2007, 20 new residential units were permitted in Silver Bay. The years from 2008 through 2016 recorded only 6 permits issued for new residential units. Between 2017 and 2021 five permits were issued. Permits issued by year between 2017 and 2021 were as follows: 2017, one permit; 2018, no permits, 2019 no permits; 2020; three permits; and 2021, one permit.
- Of the residential units permitted in Lake County, Silver Bay accounted for about 2.0% (1.9%) of total units permitted from 2000 through 2021.
- The effect of the Great Recession can be seen in the number of units permitted in and before 2007 as well as the number of units permitted since 2008. An estimated 64.5% of all residential units permitted in Silver Bay were permitted between 2000 and 2007.
- The number of issued permits in Silver Bay have increased since between 2017 and 2021 but has not matched levels during the early 2000s.

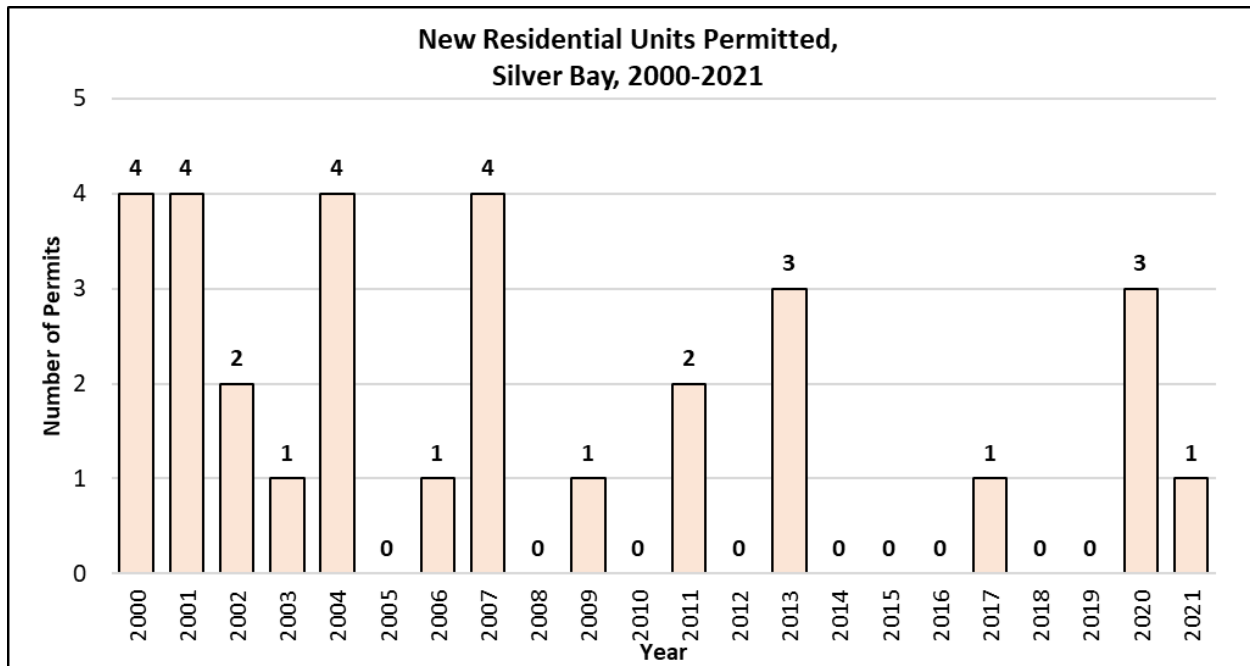


TABLE 14 BUILDING PERMIT TRENDS SILVER BAY & LAKE COUNTY 2000 - 2024 Year to Date																										
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024 YTD	Total
Silver Bay																										
Single Family	4	4	2	1	4	0	1	4	0	1	0	2	0	3	0	0	0	1	0	0	3	1	N/A	N/A	N/A	31
Duplex/TH/Quad	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0
Multifamily 5+	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	N/A	N/A	N/A	0
Lake County																										
Single Family	126	91	86	89	112	94	103	92	65	50	48	47	52	57	50	47	52	52	52	62	71	81	85	71	4	1,739
Duplex/TH/Quad	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	2	0	0	0	0	0	0	2
Multifamily 5+	5	0	12	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	17
*2024 Data is as of January																										
N/A: Not Assessed/Not Applicable																										
Source: City of Silver Bay; HUD; Maxfield Research & Consulting, LLC.																										

General Occupancy Rental Developments

Maxfield Research compiled detailed information for a select group of general occupancy rental properties in and just outside the PMA that would compete either directly or indirectly with new construction general occupancy apartment units in the PMA. The portion of this section details market rate developments while the second section details affordable, income-restricted developments in the PMA.

RENTAL MARKET ANALYSIS

Competitive Market Rate Apartment Developments in and near the PMA

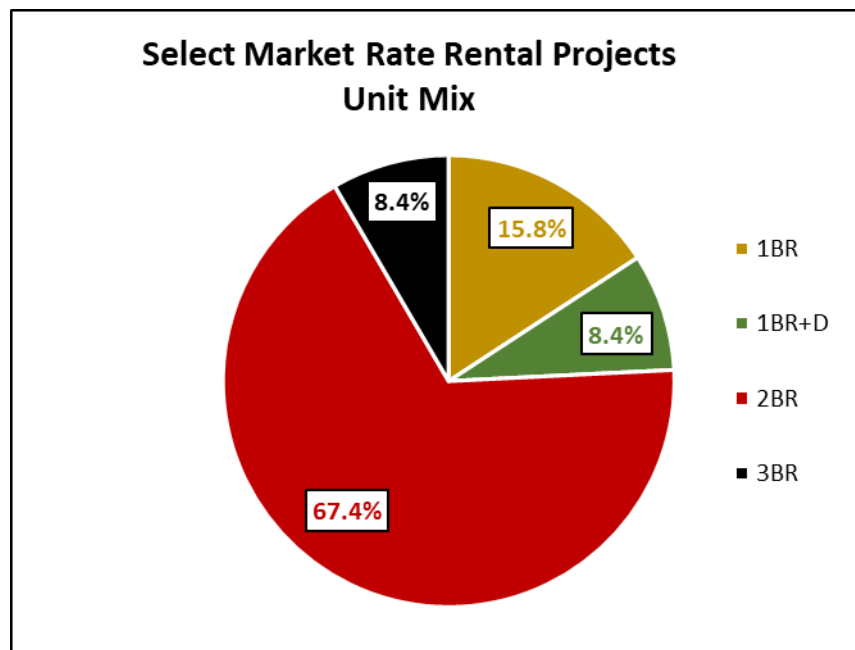
Data on market rate rental properties in and near the PMA is presented in Tables 15 and 16. The rents shown represent quoted rental rates and have not been adjusted to include or exclude utilities. Note that rent data excludes 1st Avenue Apartments and Marks Drive Apartments for which data was unavailable.

TABLE 15 SELECT MARKET RATE GENERAL OCCUPANCY RENTAL PROPERTIES PRIMARY MARKET AREA (IN AND JUST OUTSIDE MARKET AREA) MARCH 2024								
Building Name/Address	Year Built	Total Units	Vacant Units	Unit Mix	Monthly Rents	Unit Sizes (Sq. Ft.)	Rent (Sq. Ft.)	Description/Comments
Laura Lane Townhomes 501 Laura Lane Two Harbors	1999/2002	48	0	48 - 2BR	\$1,400 - \$1,500	1,000	\$1.40 - \$1.50	Managed by Vermillion Homes. Townhome units, w/ attached garage, small patio, in unit washer and dryer. Heat, water, and sewer are included in rent. Currently a waitlist.
Silverpointe Apartments 101 Banks Blvd Silver Bay	1996	25	0	9 - 1BR 8 - 1BR+D 8 - 2BR	\$740 \$850 \$925	672 829 700	\$1.10 \$1.03 \$1.32	Controlled access, community patio and garden, community room with kitchen, laundry facility, and detached garages (\$40 per month) and off street parking. Heat, water, trash/sewer, and cable are included in rent. Tenants pay electric.
1st Avenue Apartments 322 1st Ave Two Harbors	1990	6	0	6 - 1BR	N/A	689	--	Amenities include refrigerators, ovens, and off street parking.
Marks Drive Apartments 31 Marks Drive Silver Bay	1978	16	N/A	8 - 2BR 8 - 3BR	N/A N/A	600 800	-- --	The property has 15 detached parking stalls for an additional cost and tenants pay electric and heat.
Total/Vacant Units		95	0					
Vacancy Rate		0.0%						
Sources: Property Management Companies; Maxfield Research and Consulting, LLC.								

TABLE 16 MARKET RATE RENT SUMMARY PRIMARY MARKET AREA (AND JUST OUTSIDE MARKET AREA) MARCH 2024								
				Monthly Rents				
Unit Type	Unit Mix Pct.	Size Low	Size High	Avg. Size	Rent Range Low	Rent Range High	Rent Avg.	Avg. Rent/ Sq.Ft.
1BR	15.8%	672	689	679	\$740	\$740	\$740	\$1.09
1BR+D	8.4%	829	829	829	\$850	\$850	\$850	\$1.03
2BR	67.4%	600	1,000	913	\$925	\$1,500	\$1,375	\$1.51
3BR	8.4%	800	800	800	NA	NA	--	--
Total	100.0%	672	1,000	859	\$740	\$1,500	\$1,239	\$1.44
Notes: Rent data excludes 1st Avenue Apartments and Marks Drive Apartments. Rents were unable to be obtained for those properties								
NA: Not able to be assessed - data was not able to be obtained.								
Source: Maxfield Research and Consulting, LLC.								

The per square foot rents presented reflect a weighted average based on the number of units in each development, so properties 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 points that follow summarize key observations for the selected market rate rental properties.

- Of the surveyed units, over two-thirds, 67.4% are two-bedroom and 15.8% are one-bedroom. Three-bedroom units and one-bedroom plus den units represent 15.8% and 8.4%, respectively of the inventory.



- Units in the market rate properties average 859 square feet, with one-bedroom units being the smallest (679 square feet) and two-bedroom units being the largest (913 square feet). The smallest units in the surveyed properties were one-bedroom units at Marks Drive Apartments (600 square feet) and the largest units were two-bedroom units at Laura Lane Townhomes (1,000 square feet).
- Monthly rental rates range from a low of \$740 for one-bedroom units at Silverpointe Apartments to a high of \$1,500 for a two-bedroom unit at Laura Lane Townhomes.
- Monthly rents average \$740 for one-bedroom units, \$850 for one-bedroom plus den units, and \$1,375 for two-bedroom units. Note that rent for three-bedroom unit is not shown as rent for Marks Drive Apartments, the only property with three-bedroom units, was not able to be obtained.
- The weighted average monthly rent at the market rate properties is \$1,239 which equates to \$1.44 per square foot.

RENTAL MARKET ANALYSIS

- Average per square foot rents range from a low of \$1.03 per square foot for one-bedroom plus den units at Silverpointe Apartments to a high of \$1.50 for a two-bedroom unit at Laura Lane Townhomes.
- The following list identifies the average per square foot rent for the properties along with their year built and average rent (1st Avenue Apartments and Marks Drive Apartments are excluded as no average rents are known):
 - Laura Lane Townhomes (199/2002) \$1.45 per square foot
 - Silverpointe Apartments (1996) \$1.15 per square foot
- The four properties contain 95 units, none of which were vacant, representing a 0% vacancy rate, below the market equilibrium rate of 5.0%.

Common amenities and services offered in PMA and nearby market rate properties include:

- Laundry facilities;
- Off-street parking;
- Heat, Water, and Trash/Sewer included in rent.

Competitive Affordable Apartment Developments in and near the PMA

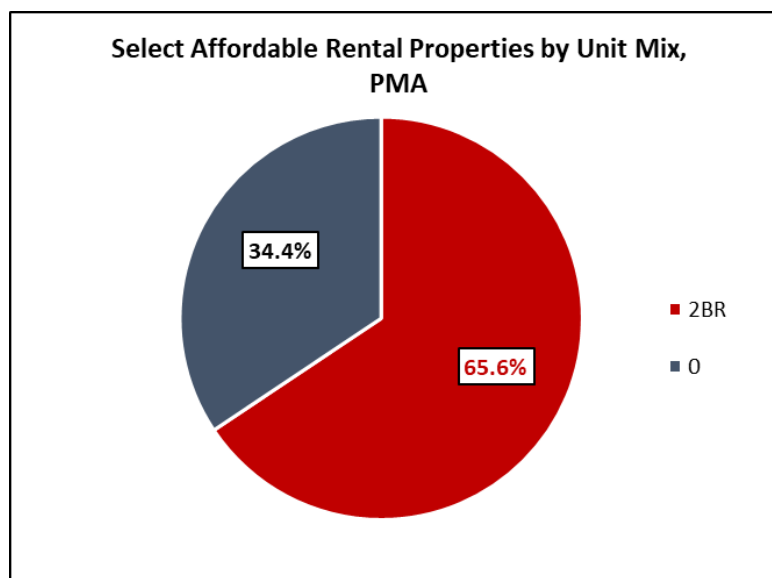
Maxfield Research also compiled detailed information on affordable general occupancy apartment developments in and just outside the PMA. No affordable, income restricted properties, are in or near the PMA. However, two subsidized properties are located not far outside the property. One is in Two Harbors, Rustic Creek Townhomes and the other, Birchwood Apartments is in Grand Marais. Information on the two properties is presented in Tables 17 and 18. The rents shown represent quoted rents and have not been adjusted to reflect the inclusion or exclusion of utilities at this time. The following points summarize key observations for the properties.

- Birchwood Apartments has 24 total units. Of those 24 units, 16 units are two-bedroom, and 8 units are three-bedroom. At the time of the survey, none of Birchwood Apartment's units were vacant.
- Similar to Birchwood Apartments, Rustic Creek Townhomes has two- and three-bedroom townhomes. Rustic Creek Townhomes is comprised of 16, two-bedroom units and 8, three-bedroom units (24 total units). At the time of the survey, none of the units were vacant.

RENTAL MARKET ANALYSIS

TABLE 17 SELECT AFFORDABLE GENERAL OCCUPANCY RENTAL PROPERTIES PRIMARY MARKET AREA (IN AND JUST OUTSIDE MARKET AREA) MARCH 2024								
Building Name/Address	Year Built	Total Units	Vacant Units	Unit Mix	Monthly Rents	Unit Sizes (Sq. Ft.)	Rent (Sq. Ft.)	Description/Comments
Rustic Creek Townhomes 1425 9th Ave Two Harbors	2005	40	0	26 - 2BR	30% of Income	650	--	Deep subsidy property managed by Lake County. There are two handicap units and amenities include a stove, refrigerator, and washer/dryer hookups.
				14 - 3BR	30% of Income	800	--	
Birchwood Apartments 801 W 5th St Grand Marais	1992	24	0	16 - 2BR	\$1,080 - \$1,280	768	\$0.60 - \$0.71	Birchwood Apartments is a deep subsidy property located outside the PMA in Grand Marais. The property features the following amenities: a playground, coin operated laundry facilities storage, and assigned parking. Heat, water, and trash/sewer is included in rent.
				8 - 3BR	\$1,146 - \$1,345	930	\$0.69 - \$0.81	
Total/Vacant Units		64	0					
Vacancy Rate		0.0%						
Sources: Apartment Listings Sites & Property Management Companies; Maxfield Research and Consulting, LLC.								

TABLE 18 AFFORDABLE RENT SUMMARY PRIMARY MARKET AREA (AND JUST OUTSIDE MARKET AREA) MARCH 2024								
				Monthly Rents				
Unit Type	Unit Mix Pct.	Size Low	Size High	Avg. Size	Rent Range Low	Rent Range High	Rent Avg.	Avg. Rent/Sq.Ft.
2BR	65.6%	650 - 768		695	--	--	--	--
3BR	34.4%	800 - 930		847	--	--	--	--
Total	100.0%	650	930	747	--	--	--	--
Source: Maxfield Research and Consulting, LLC.								



RENTAL MARKET ANALYSIS

With the lack of affordable income-restricted developments in the PMA and no current vacancies at either Birchwood Apartments or Rustic Creek Townhomes, the availability of affordable rental units in the PMA is very tight. Based on the market equilibrium vacancy rate of 5.0% for shallow-subsidy (affordable) rental housing, there is a shortage of affordable rental units in and around the PMA.

- Units at Birchwood Apartments average 822 square feet. Two-bedroom units average 768 square feet while three-bedroom units average 930 square feet.
- Units at Birchwood Apartments and Rustic Creek Townhomes average 747 square feet. Two-bedroom units average 695 square feet while three-bedroom units average 847 square feet.

Pending Rental Developments

Maxfield Research identified multifamily rental projects under construction, approved or proposed in the City of Silver Bay. The projects include affordable and market rate developments. The affordable projects under construction or approved will be competitive with a new development located at the subject Site and are included in the demand calculations.

TABLE 19 PENDING GO RENTAL DEVELOPMENTS CITY OF SILVER BAY MARCH 2024						
Project Name & Location	City	Total Units	Type of Units	Developer/Applicant	Status	Notes
Boathouse Bay East of MN Highway 61 Adjacent to Lake Superior (Old Gun Club Site near Black Beach Park)	Silver Bay	18	Market Rate	John Anderson	Under Construction - Broke Ground and Construction to Follow Soon	Part of larger development. In addition to 18 vacation rentals will also construct 24 for sale townhomes, 100 storage units, seven residential lots, an event center, pickleball courts, and chipping and putting green.
Under Construction Total Units:		18				
Approved Total Units:		0				
Planned/Proposed Total Units:		0				
Total Pending Units:		18				
Sources: City of Silver Bay; Local News Sources; Project Website; & Maxfield Research & Consulting, LLC.						

- There is one development about to begin construction in Silver Bay, Boathouse Bay. As part of the development, there will be 18 vacation rentals in addition to 24 for sale townhomes, 100 storage units, seven residential lots, an event center, pickleball courts and chipping and putting green.
- Vacation rentals are not competitive with the proposed development and therefore, are excluded from the demand calculation.

Introduction

Maxfield Research and Consulting, LLC was engaged to quantify the demand for affordable and market rate general occupancy rental housing on a Site adjacent to the existing Silverpointe Apartments in Silver Bay, Minnesota. The proposed concept is 39 market rate and affordable multifamily units similar to the existing Silverpointe Apartments (Silverpointe II).

Earlier sections of this report examined the characteristics of the proposed development Site and surrounding land uses, growth trends and demographic characteristics of the household base in the PMA, and current and pending rental housing options in the PMA. This section of the report quantifies demand for market rate and affordable rental housing in the Primary Market Area between 2024 and 2029 and considers the potential amount of demand (market rate or affordable) that could be captured by a new rental development on the subject Site.

Market Rate General Occupancy Rental Demand Calculations

Table 20 presents our calculation of general occupancy market rate rental housing demand for the PMA and assesses the potential for the proposed project to capture a portion of demand. Factors considered include competitiveness of nearby rental properties, pending developments, demographic trends and population shifts, and the overall image and popularity of the neighborhood as a residential location. Potential demand is calculated from two categories:

1. From new household growth by age group 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 employment, entertainment, and recreation.

First, we calculate potential demand from new income-qualified household growth over the next five years by age group based on the propensity of households to rent their housing. We focus on households between the ages of 18 and 64 that will account for most of the rental demand on the Site. We also include a portion (30.0%) of the demand 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 on the subject property.

Next, we calculate the percentage of renters who are income-qualified for market rate rental housing. For new market rate housing, we classify income qualified households as those at or above \$37,080; the income limit for a one-person household at 60% AMI.

DEMAND ANALYSIS

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. The youngest households are often unable to afford rents at the top of the market unless they receive assistance from their parents or desire a roommate. Mobility rates were identified by age group (utilizing Census data) and were applied to the existing household base.

Together with demand from projected household growth and turnover, the total demand for PMA market rate rental housing is summarized. In the PMA, total demand for income-qualified market rate housing is 33 units. An additional proportion is added for households that would move to a rental project in the PMA who currently reside outside the PMA. We estimate that 30% of the demand potential for market rate rental housing in the PMA would be derived from outside the PMA, increasing demand to 48 units.

From the demand potential, we subtract pending developments in the PMA at market equilibrium (95% occupancy) to find the remaining excess demand in the Market Area. We identified one pending rental project, Boathouse Bay. The project will construct 18 rental units and is to begin construction shortly. However, since the Boathouse Bay rentals will be geared towards vacation rentals, they are not deemed competitive. Therefore, we find excess demand for 48 market rate rental housing units in the PMA between 2024 and 2029. Of these 48 units, we estimate that 75% can be captured on the Silverpointe Site for a total of 36 units.

DEMAND ANALYSIS

TABLE 20 PROJECTED DEMAND FOR MARKET RATE RENTAL HOUSING PRIMARY MARKET AREA 2024 to 2029						
		----- Number of Households -----				
		Age <25	Age 25 to 34	Age 35 to 44	Age 45 to 64	Age 65 & Over
Demand From Household Growth						
Projected Income-Qualified Household Growth 2024 - 2029 ¹		0	2	15	0	145
(times) Proportion estimated to be renting their housing ²	x	50.0%	25.8%	14.2%	10.0%	5.6%
(equals) Demand For Rental Housing, 2024 - 2029	=	0	1	2	0	8
Demand From Existing Households						
Estimated number of renter households in 2024		48	81	35	71	99
(times) Estimated % Turnover between 2024 & 2029	x	0.0%	101.9%	103.3%	3.5%	31.9%
(equals) Total Existing Households Projected to Turnover	=	0	82	36	2	32
(times) Percent of Households Income Qualified ²	x	68.6%	80.7%	86.5%	82.1%	65.6%
(equals) Total Number of Income-Qualified Households	=	0	67	31	2	21
(times) Estimated % Desiring New Rental Housing ³	x	20.0%	25.0%	30.0%	30.0%	25.0%
(equals) Demand From Existing Households	=	0	17	9	1	5
Total Demand From Household Growth and Existing Households		0	17	12	1	13
Demand Summary						
Total Market Area Demand for Rental Housing in PMA	=	33				
(plus) Demand from outside PMA (30%)	+	14				
(equals) Potential demand for rental housing in the PMA (2024 to 2029)	=	48				
(minus) Pending rental units in the PMA at equilibrium (95% Occupancy)	-	0				
(equals) Excess demand for rental housing in the PMA (2024 to 2029)	=	48				
(times) Percent capturable on Silverpointe Site		75.0%				
(equals) Total Demand Capturable on Silverpointe Site (units)	=	36				
¹ Affordable to workforce households with incomes at or above \$37,080 (60% AMI for a one-person household)						
² Data from U.S. Census Bureau American Community Survey 5-Year Estimate adjusted to 2024 by Maxfield Research.						
³ Source - <i>The Upscale Apartment Market: Trends and Prospects</i> . Prepared by Jack Goodman of Hartrey Advisors for the National Multi Housing Council.						
Note : Estimated % Turnover is for only the City of Silver Bay. No data is available for the PMA Census block groups.						
Source: Maxfield Research & Consulting, LLC.						

Affordable General Occupancy Rental Demand Calculations

Demand calculations analyze information from the demographic (demand-side) and market (supply-side) conditions for affordable rental housing. Table 21 presents a summary of our demand calculations for affordable rental housing in the PMA.

Demand for housing in the PMA will be generated by new households in the PMA as well as existing PMA residents seeking new housing. The PMA is projected to add no households from 2024 to 2029. Therefore, no demand exists from projected household growth.

DEMAND ANALYSIS

Additional demand however, for rental housing will come from existing renter households in the PMA through normal turnover. There are an estimated 260 renter households in the PMA, and based on Census data, an estimated 37.8% of all renter households in the PMA are expected to move during the next five years. Of the renters expected to move, we project that 47.5% will be size and income-qualified for affordable rental housing at the proposed development.

Since new housing is typically more desirable than older housing, a portion of the existing renter households turning over will seek new units – we conservatively estimate 30%. Using these figures, we estimate that 14 existing PMA size and income-qualified renter households will seek new housing in the PMA between 2024 and 2029.

Combined, demand from household growth (No growth) plus demand from turnover of existing households (14 households) results in total PMA demand for 13 rental units between 2024 and 2029.

Due to affordable housing having an extended draw, additional demand will be generated from households outside of the PMA. We project that an additional 30% will come from outside the PMA. Including demand from outside the PMA, projected demand for new rental housing is estimated to be 20 units between 2024 and 2029.

From this total, we subtract affordable rental units that are approved or under construction in the PMA. There are currently no pending affordable rental properties in the PMA. Therefore, demand remains at 20 affordable rental units in the PMA between 2024 and 2029. Of these 20 units, 75% can be captured on the Silverpointe site for a total of up to 15 units.

DEMAND ANALYSIS

TABLE 21
PROJECTED DEMAND FOR AFFORDABLE RENTAL HOUSING
PRIMARY MARKET AREA
2024 to 2029

Demand from Projected Household Growth		
Projected new housing unit demand from household growth (under age 65), 2024 to 2029	=	0
(times) Estimated rental demand	x	50.0%
(equals) Projected PMA demand for rental housing units	=	0
(times) % of Renter Households Size & Income Qualified ¹	x	47.5%
(equals) Projected PMA demand for rental housing units	=	0
Demand from Existing Renter Households		
Number of renter households (under age 65) in PMA in 2024	=	260
(times) Estimated % Renter Turnover between 2024 and 2029 ²	x	37.8%
(equals) Total existing households projected to turnover	=	98
(times) % of Renter Households Size and Income Qualified ¹	x	47.5%
(equals) Demand for Affordable Rental Housing, 2024 - 2029	=	47
(times) Estimated % desiring new rental housing	x	30.0%
(equals) Demand from existing households	=	14
Total Demand from Household Growth and Existing Households in PMA 2024 to 2029		14
(plus) Additional demand from outside PMA ³	+	6
(equals) Projected PMA demand for new rental housing units	=	20
(minus) Affordable units proposed for development ⁴	-	0
(equals) Excess demand for affordable rental housing units in PMA	=	20
(times) Percent capturable on Silverpointe Site		75.0%
(equals) Total Demand Capturable on Silverpointe Site (units)	=	15
¹ Affordable to renter households with incomes at or below \$52,920 (60% AMI for four-person household at 60% AMI).		
² This figure is based on data from the American Community Survey. Utilizes data for Silver Bay as no tenure by income data is available for the PMA Census Block Groups.		
³ 25% of total units to be captured from outside the PMA.		
⁴ At stabilized occupancy (95%).		
⁵ Total existing units, pending units, and units at subject development.		
Source: Maxfield Research & Consulting, LLC.		

CONCLUSIONS AND RECOMMENDATIONS

Conclusions and Recommendations

Tables 15 and 17 showed the vacancy rates among market rate and affordable rental properties in and near the PMA were 0%, indicating pent-up demand new rental housing in the PMA. In addition, Tables 20 and 21 show demand for new market rate and affordable rental product.

The proposed Silverpointe II location can capture sufficient demand to support the proposed 39 units with a mix of affordable and market rate (workforce) units. We note however, that current rents at the existing Silverpointe property are below the level needed to support new construction. In addition, income-restricted rents would also be above the level of the existing Silverpointe property. While new rental units are needed in Silver Bay, it is important to consider that new construction pricing, while above existing rents in the market will need to be sensitive to the current rent structure that exists in the PMA.

Based on a 39-unit concept, Table 22 outlines a preliminary concept for the Site. The Table outlines a mix of one- and two-bedroom units which are priced at or below 60% AMI as well as market rate (i.e. workforce rental units – the majority). Maxfield Research recommends rents of \$993 to \$1,193; with an average rent of \$1,106 or \$1.40 PSF. Based on the average 2023 Q3 listed weekly wage of \$1,692 in Silver Bay and \$1,011 in Lake County (See Table 9) we believe these rents are achievable.

TABLE 22 PRELIMINARY CONCEPT SILVERPOINTE PHASE II SITE MARCH 2024										
Unit Type BR/BA	AMI	Unit Mix		Average Square Feet	Avg. Contract Rent	Average Rent PSF	Income-Restriction by HH Size at 60% AMI			
		No.	Pct.				1-per.	2-per.	3-per.	4-per.
1 BR/1 BA	Market Rate	12	30.8%	650 - 700	\$993	\$1.42 - \$1.53	--	--	--	--
1 BR/1 BA	At or Below 60%	5	12.8%	650 - 700	\$993	\$1.42 - \$1.53	\$37,080	\$42,360	\$47,640	\$52,920
2BR /2 BA	Market Rate	19	48.7%	850 - 925	\$1,193	\$1.29 - \$1.40	--	--	--	--
2BR /1 BA	At or Below 60%	3	7.7%	850 - 925	\$1,193	\$1.29 - \$1.40	\$37,080	\$42,360	\$47,640	\$52,920
Subtotal/Avg.		39		795	\$1,106	\$1.40				
Note: Income-restriction based on 2023 Affordable to Local Workforce Rent Limits from Minnesota Housing.										
Source: Maxfield Research and Consulting, LLC.										

We recommend the landlord provide professional management, grounds/common area maintenance, trash removal, and common-area Internet. The landlord should also be responsible for gas, water, sewer, and the following optional fees: telephone, cable or satellite television, and Internet. Tenants should be responsible for heat. The recommended utility break-out is similar to other new apartment buildings in and near the PMA.

We recommend that the developer consider contracting for a master plan for cable/satellite television and internet connection to the units. This would likely result in cost savings to the residents for these features.

CONCLUSIONS AND RECOMMENDATIONS

Suggested Features and Amenities

The following bullet points outline the recommended in-unit features and community amenities that should be incorporated into the proposed development.

In-Unit Features

- 8' ceilings;
- Individually climate-controlled heating with central air conditioning;
- Full kitchen appliance package (including refrigerator, range, dishwasher, range-top microwave oven, and garbage disposal);
- Quality cabinets;
- Hardwood laminate flooring in kitchen and entry or throughout the unit;
- Laundry facilities on each floor (or washer/dryer hookups);
- Walk-in closets;
- Wired for high-speed Internet/fiber; recommend wireless system.

Building Features & Amenities

- Building security/surveillance system;
- Centrally located elevator;
- Off-street parking
- Pet friendly;
- Common area Wi-Fi;
- Trash & recycling room (each floor recommended);

Projected Absorption

Based on current market conditions and vacancies among existing competitive properties in the Market Area, we estimate that a 39-unit mixed-income development with an estimated 31 market rate and 8 affordable, income-restricted units at the Site coming on-line in Spring 2025 or Fall 2025 would have an estimated 50% of its housing units pre-leased (13 units) with the remaining units leasing at a rate of five to six units per month, on average. At this absorption rate, stabilized occupancy (95%) would be reached in three to four months after opening.

The projected absorption rate assumes the property would open during the peak leasing season between early spring and mid-fall to allow for the maximum exposure to prospective renters and that an effective marketing campaign will be undertaken to generate awareness of the project. If the project comes on-line during the late fall or winter months, absorption will be slower, resulting in a slightly extended period from lease-up to stabilized occupancy.