



A Market Feasibility Study for Workforce Rental Housing in the City of Ely, Minnesota

Prepared for:
City of Ely
Ely, Minnesota

June 2023
(Updated February 2024)



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February 23, 2024

Mr. Harold R. Langowski, P.E.
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Mr. Langowski:

Attached is the analysis titled, "A Market Feasibility Study for Workforce Rental Housing in the City of Ely, Minnesota." This study has been updated to incorporate current rental market conditions in the City of Ely, demand calculations for workforce rental housing and a suggested development concept for an apartment-style building to accommodate local workers. in Ely that would be positioned to target the local workforce.

This study assesses current demographic and economic characteristics of the primary draw area for rental housing on the Site, analyzes the competitive market situation for market rate and affordable rental housing, provides demand calculations for market rate workforce rental housing, and estimates the proportion of that demand capturable by the proposed development. The Study concludes with recommended modifications to the proposed development concept along with absorption estimates.

Overall, we find market support for new rental housing units in the PMA. Consistent with our findings from the competitive inventory and demand analysis, there appears to be a strong need for new rental housing targeting moderate-income households in the PMA, as evidenced by the tight vacancy rates and lengthy wait lists among the surveyed properties, as well as feedback from key stakeholders (major employers, real estate professionals, etc.) in Ely.

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

Sincerely,

MAXFIELD RESEARCH AND CONSULTING, LLC

Joe Hollman
Senior Associate

Attachment

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Purpose and Scope

Maxfield Research and Consulting, LLC was engaged by the City of Ely, Minnesota to assess the market support for a potential workforce rental housing development in Ely. The scope of this study includes an overview of the subject properties being considered for the proposed development. The study also provides a review of current economic and demographic characteristics of the area determined to be the draw area for rental housing at the Site. Maxfield Research and Consulting, LLC surveyed a select group of rental housing properties in the Primary Market Area (PMA) that would compete either directly or indirectly with the proposed development. Properties surveyed include market rate rental properties as well as affordable and/or subsidized rental properties. Maxfield Research also contacted staff in the communities comprising the PMA to identify any pending rental housing developments that may be competitive with the proposed project.

Based on our analysis, we calculate the demand for general occupancy workforce rental housing in the PMA and estimate the proportion of that demand that could be captured by the proposed development.

Project Overview and Site Evaluation

Site #1

Site #1 is situated near the southwest corner of the intersection between Pattison Street West and South 2nd Avenue West in Ely. The proposed project will consist of between 32 and 37 units of general occupancy rental housing in an apartment-style building that would target the area's workforce.

Based on our review of the community orientation and layout of the development Site, we identified several key attributes impacting the appropriateness of the subject property as a location for workforce rental housing. Overall, we find that the Site is a quality location for the proposed development concept.

- Residents of the proposed project will have convenient access to the local highway network, including State Highway 1 and County Highway 21.
- Being partially surrounded by undeveloped public land and the Ely Golf Course, the setting of the development Site will likely appeal to many potential residents.
- The Site is within walking distance, or a relatively close commute distance, to several major employers in Ely.
- Many recreational amenities are in proximity to the Site in Ely and the surrounding area, notably several local parks and trails, Ely Golf Course, Vermillion State Park, Bear Head Lake State Park, and activities associated with Superior National Forest and the Boundary Waters Canoe Area Wilderness.

EXECUTIVE SUMMARY

- There are many retail, dining, and entertainment options in proximity to the Site along the State Highway 1 corridor in Ely.

Site #2

Site #2 is a redevelopment site in the City, which is owned by the City and was once used for public works. The property is south of the Pattison Street Extension and near to 50 W. White. It is near to Site #1, which is also being considered as an appropriate location for a new workforce rental development.

While Site #1 and Site #2 are appropriate for the development of workforce rental housing, Site #2 may be more appropriate for the proposed building structure, that of an apartment-style building.

Demographic Review

Several demographic factors influencing the area, notably shifting household types, rising incomes, and job growth are generating rental housing demand in the PMA.

The Client intends to develop a “workforce rental housing” project on the subject property, which is broadly defined as housing that targets households earning between 50% and 120% AMI. Based on income guidelines for St. Louis County, the workforce housing household income band ranges from \$31,650 for a one-person household in a studio or one-bedroom unit at 50% AMI to \$143,040 for an eight-person household in a four-bedroom unit at 120% AMI. As of 2023, an estimated 2,955 PMA households have incomes in the 50% to 120% AMI range, representing 60% of all households.

The number of renter households in Ely increased 5% between 2010 and 2023, with the largest growth occurring in the 35 to 44 age group, adding 53 renter households followed by the 25 to 34 age group with the addition of 43 renter households. Renter household growth also occurred among the 55 to 64 and 65 and older age groups. Additionally, the PMA experienced solid growth among household types that typically comprise the target market for rental housing, including 2% growth in single-person households and 33% growth in non-family roommate households.

An estimated 752 workers commute into Ely daily for employment (many coming from over 50 miles), and there is an opportunity to provide housing options for a portion of these workers. Employment growth can fuel household and population growth as people generally desire to live near their work. Employment in the PMA is projected to expand 6% between 2020 and 2030, adding 203 jobs, although an additional 360 jobs could be added in the PMA if the planned NewRange Copper Nickel mine in Babbitt moves forward. New housing will be needed to support potential job growth in the area.

Rental Market Analysis

Nationally, the equilibrium vacancy rate for rental housing is considered to be 5.0%, which allows for normal turnover and an adequate supply of alternatives for prospective renters. As of February 2024, there was one vacant unit in the set of market rate and affordable/subsidized properties surveyed by Maxfield Research, representing a 0.86% vacancy rate and several properties maintain lengthy wait lists. This information indicates that there is pent-up demand for new rental housing in the Market Area catering to variety of income levels.

Median gross rents in Ely have fluctuated over the past five years, declining -12% from \$556 in 2017 to \$490 in 2020, before jumping 14% to \$560 in 2021. The average rental rate across the market rate properties surveyed is \$890 per month, which equates to \$1.04 psf. One-bedroom units rent for \$701 per month (\$1.24 psf), on average, while the two-bedroom units average

\$958 per month (\$0.96 psf) and three-bedroom unit rents average \$1,338 per month (\$1.27 psf).

Conclusions & Recommendations

Anecdotal feedback provided by key stakeholders (i.e. real estate professionals, representatives from major employers, public officials) in the area indicates that there is a housing shortage in Ely, and there is a definite need for new rental housing in the community, particularly for new housing priced appropriately for the area's workforce. The housing shortage is a barrier to employers' ability to attract workers, and in some cases, employers are losing workers due to the lack of housing.

Overall, we find market support for new rental housing units in the PMA. Consistent with our findings from the competitive inventory and demand analysis, there appears to be a strong need for new rental housing targeting moderate-income households in the PMA, as evidenced by the tight occupancies and lengthy wait lists among the surveyed properties. The strongest sources of demand for new workforce rental housing will likely be young singles and roommate households along with couples without children in their mid/late-20s to mid-30s who work for nearby employers. Senior (age 65 and older) and mid-age (never-nesters or empty-nesters) will also account for a portion of demand for new rental townhomes on the subject property.

We estimate that there will be excess demand for 251 market rate workforce rental housing units, including 151 units for households within the workforce housing income band, in the PMA between 2023 and 2028. We estimate that a proposed 32- to 37- unit rental development (apartment-style) would capture between 12.1% to 14.0% of the total excess demand potential and between 20.2% to 23.3% of the workforce rental housing demand in the PMA. Considering there is very little existing rental product available in the PMA and no new rental housing developments are pending, it is our professional opinion that this capture rate range is achievable and is likely high.

Maxfield Research has recommended a mix of studio, one-, two- and three-bedroom units with rents ranging from \$850 to \$1,550 per month. A single-person household would need a minimum annual income of \$42,000 to afford a one-bedroom apartment-style units priced at \$1,050 per month which falls within the 60% to 70% AMI range. This is consistent with the typical starting salary range for entry level workers at the major employers in Ely (\$35,000 to \$50,000 depending on position) and would capture a larger portion of the workforce housing target market.

We estimate that a 32- to 37-unit general occupancy workforce rental development constructed the subject property and coming on-line late in 2025 or spring 2026 would have an estimated 50% of its units pre-leased with the remaining units leasing at a rate of three to four units per month, on average. At this absorption rate, stabilized occupancy (95%) would be reached in four to six months.

EXECUTIVE SUMMARY

We anticipate that the proposed development will be well-received by the target market. Projected job growth in the area, along with household turnover in the PMA should lead to a successful lease up of the project.

Purpose and Scope of Study

Maxfield Research and Consulting, LLC was engaged by the City of Ely, Minnesota to assess the market support for a potential rental housing development on a Site situated near the southwest corner of the intersection between Pattison Street West and South 2nd Avenue West in Ely. The development is proposed to have between 32 and 37 rental units in an apartment-style building that would target the area's workforce.

The scope of this study includes an overview 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 at the subject property. Maxfield Research and Consulting, LLC surveyed a select group of rental housing properties in the Primary Market Area (PMA) that would compete either directly or indirectly with the proposed development. Properties surveyed include market rate rental properties as well as affordable and/or subsidized rental properties. Maxfield Research also contacted staff in the communities comprising the PMA to identify any pending rental housing developments that may be competitive with the proposed project.

Based on our analysis, we calculate the demand for general occupancy workforce rental housing in the PMA and estimate the proportion of that demand that could be captured by the proposed development.

Methodology

The report contains primary and secondary research. Primary research includes interviews with city staffs, representatives from major employers in the area, and other professionals familiar with the area's housing market (i.e. public officials, apartment property owners). This study also utilizes secondary data. Secondary research is always used as a basis for analysis and is carefully reviewed considering other factors that may impact projections. Secondary data resources include:

- City of Ely
- ESRI
- Minnesota Housing
- Minnesota Department of Employment and Economic Development (DEED)
- Minnesota State Demographic Center
- Novogradac
- St. Louis County Property Records
- United States Census Bureau (Decennial Census, American Community Survey, Local Employment Dynamics)
- United States Department of Housing and Urban Development (HUD)

Introduction

This section of the report presents an overview of the proposed project, including a summary of the development concept along with an evaluation of the general location and characteristics of the subject property in Ely, Minnesota. This project overview concludes with a general assessment of the appropriateness of the subject property for a potential workforce rental housing development.

The proposed development is conceptual at this time and the developer is considering between 32 and 37 units in an apartment-style building. Maxfield Research recommends the following concept to address the needs of the local workforce and the demand for additional rental units in the community.

RECOMMENDED WORKFORCE RENTAL APARTMENT-STYLE BUILDING ELY, MINNESOTA February 2024					
Recommended Modifications					
Unit Type	# of Units	% of Total	Unit Size (Sq. Ft.)	Proposed Rent/Mo.	Rent Per Sq. Ft.
Studio	5	14%	500	\$850	\$1.70
1-Bedroom	21	57%	680	\$1,050	\$1.54
2-Bedroom	10	27%	1,000	\$1,280	\$1.28
3-Bedroom	1	3%	1,250	\$1,550	\$1.24
Totals/Average	37	100%	758	\$1,099	\$1.45
Pricing is in 2024 dollars and can be trended upward by 2.0% to 2.5% to occupancy.					
Sources: Maxfield Research & Consulting, LLC					

Site Locations

The proposed development Sites are part of an estimated 25-acre parcel owned by the City of Ely. The Sites are near the southwest corner of the intersection between Pattison Street West and South 2nd Avenue West, south of the Ely-Bloomenson Community Hospital and north of the Ely Golf Club in the City of Ely, Minnesota. Site #1 is a cul-de-sac area. Site #2 is part of the same area but adjacent and may be more appropriate for the development of an apartment-style building.

Ely, a community of 3,268 people (2020 Census), is in St. Louis County, Minnesota (2020 population of 200,231). Ely is surrounded by Morse Township (2020 population of 1,188) in all four directions. Other cities in the immediate area include Winton to the east (population of 169), Babbitt to the south (population of 1,397) and Tower to the west (population of 430).

St. Louis County is part of the seven-county Northeast Minnesota Planning Area as defined by the Minnesota Department of Employment and Economic Development (DEED), which includes

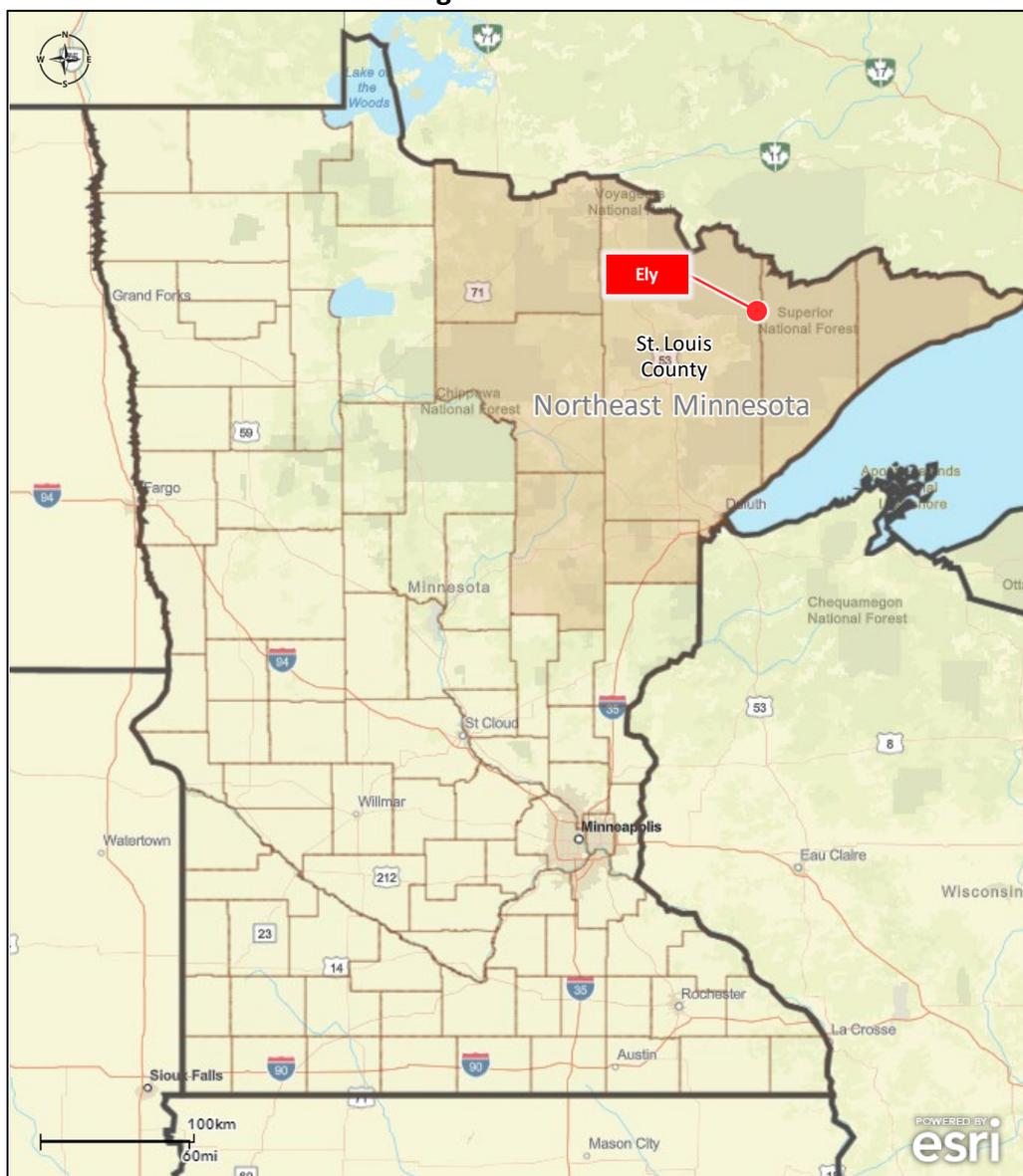
PROJECT OVERVIEW AND SITE EVALUATION

the Counties of Aitkin, Carlton, Cook, Itasca, Koochiching, Lake and St. Louis. Northeast Minnesota had a population of 325,716 in 2020. Ely is an estimated 70 miles northeast of Hibbing, Minnesota, 100 miles north of Duluth, Minnesota, 116 miles from International Falls, Minnesota, and 240 miles from the Twin Cities Metro Area.

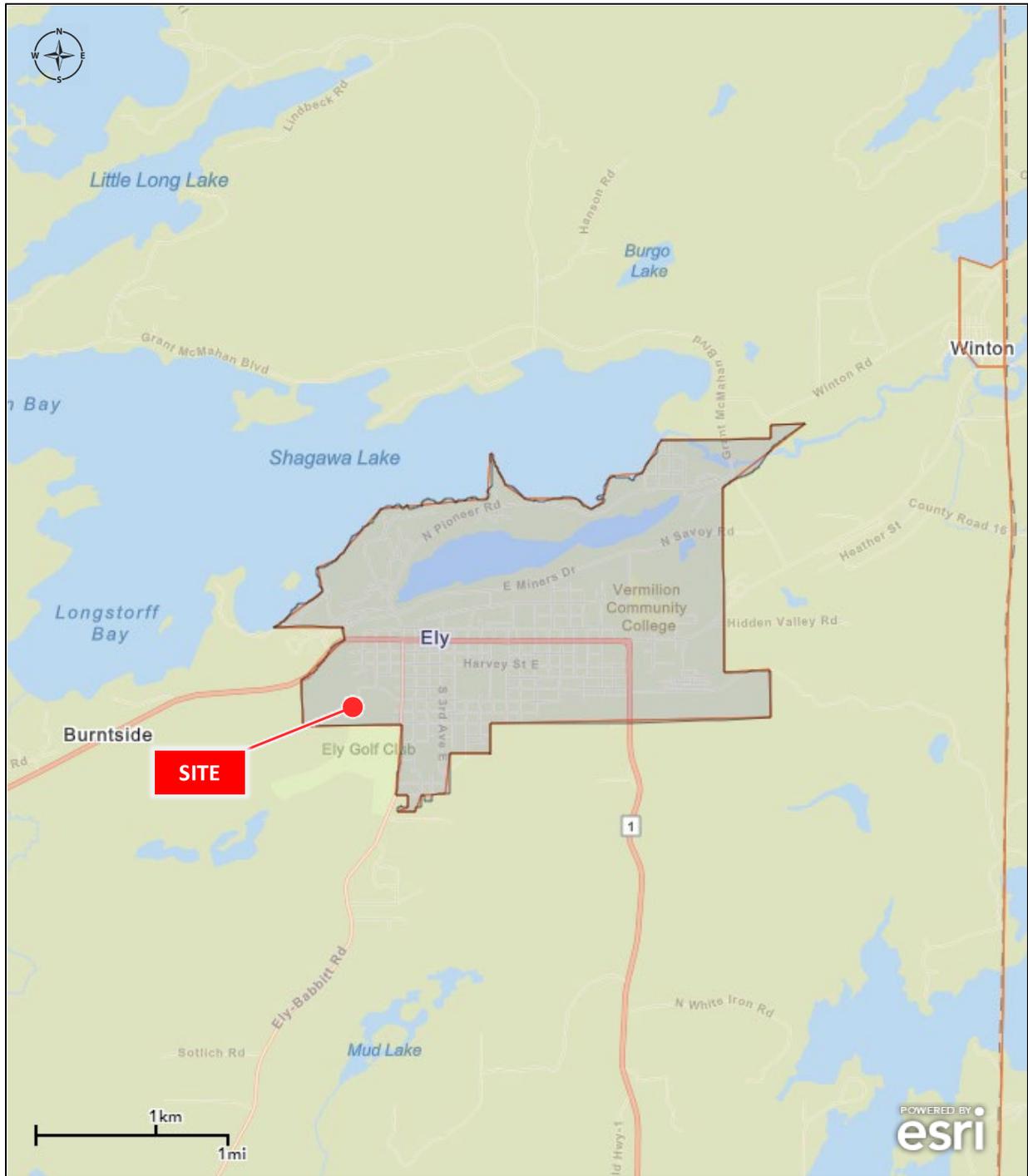
Additionally, Ely is part of Minnesota's Iron Range, which stretches an estimated 175 miles across northeast Minnesota from Crosby to Ely, encompassing communities such as Hibbing, Chisholm, Mountain Iron, Virginia, Eveleth, Biwabik, Hoyt Lakes, and Babbitt.

The following maps and aerial photographs display images of the Site, the location of the subject property in Ely and the Region, and the Site's relationship to the surrounding road network.

Regional Location



Site Location



Aerial View of Site



Access and Visibility

The subject properties are bounded by South 2nd Avenue on the east, although access to the development Sites will be obtained via an extension of Pattison Street, west of South 2nd Avenue. Access from the highway network can be obtained via South 2nd Avenue, which connects to State Highway 1 one-half mile north of the Site. Alternatively, access from Highway 21 can be obtained via Pattison Street, just east of the subject property.

Highway 1 is an east-west Minnesota state highway extending from Minnesota's border with North Dakota, just north of Grand Forks, on the west to Highway 61 along Lake Superior near Silver Bay on the east. Highway 1 connects Ely to communities such as Thief River Falls, Cook, and Tower. Highway 21, a north-south County highway, extends from Ely on the north to Highway 169, just north of Virginia, Minnesota, via the communities of Babbitt and Embarrass.

Due to the location of the subject properties in Ely, the proposed development will potentially be visible to traffic along County Highway 21, but not State Highway 1. According to traffic volume data provided by the Minnesota Department of Transportation, County Highway 21 receives average annual daily traffic of about 3,350 vehicle trips per day near the Sites, while State Highway 1 experiences an average of 5,300 vehicle trips per day near its intersection with County Highway 21. Because Ely and the surrounding area attract many tourists, traffic volumes are much higher during peak travel seasons (i.e. summer months).

Surrounding Land Uses

Land uses in the area north of the development Sites are predominantly multifamily residential and institutional (Ely-Bloomenson Community Hospital), while property to the south is recreational (Ely Golf Course). There is undeveloped land owned by the City of Ely west of the subject property, while single-family residential is the primary land use east of the Site. The primary node of commercial goods and services in Ely is situated along State Highway 1, which can be accessed less than one-half mile north of the Site via 2nd Avenue.

Land uses directly adjacent to the subject property are as follows:

- **North:** Multifamily residential
- **South:** Recreational (Ely Golf Club)
- **East:** Undeveloped and single-family
- **West:** Undeveloped public land.

Proximity to Shopping, Employment, Recreation and Services

Housing demand is influenced, in part, by proximity to employment, retail, entertainment, services (i.e. schools), and other housing. The following briefly summarizes key employers, services, and amenities in Ely and the surrounding area.

Ely is home to several large employers, notably Ely-Bloomenson Community Hospital, the public school district, Carlson Wagonlit Travel, Minnesota Department of Revenue, Vermilion Campus - Minnesota North College and the United States Forestry Department. Based on data from the U.S. Census Bureau Longitudinal Employer-Household Dynamics (LEHD), there are over 1,600 jobs in a five-mile radius of the subject property. A portion of these workers could be drawn to the proposed workforce rental housing development.

Households with middle school age children or older (grades six through 12) residing at the project will likely attend Ely Memorial High School, which is one mile east of the Site. Younger children (kindergarten through fifth grade) residing at the property will likely attend Washington Elementary School which is adjacent to the high school. Additionally, the Vermilion Campus of Minnesota North College is situated two miles northeast of the Site.

Future residents of the proposed project will have access to a variety of retail goods and services along the Highway 1 corridor through Ely. Key commercial establishments include Zup's Food Market, KJ's Truevalue Hardware, Merhar's Ace Hardware, Dollar General, numerous dining establishments and taverns, Ely's Historic State Theater, as well as several clothing and sporting goods retailers (e.g. Piragis Northwoods Company, Pengal's Basswood Trading Company, Blue Loon Boutique, Spirit of the Wilderness, Ely Sportswear Inc., Sundog Sports, Steger Mukluks, Ely Surplus & Outdoor, among others).

Parks in proximity to the Sites in Ely include Veterans Memorial Field, Whiteside Park, Ely Softball Fields, Ely Ice Arena, and Semer Park. Lake Vermilion State Park and Bear Head Lake State Park are both accessible from State Highway 1, between Ely and Tower. Other recreational amenities in the surrounding area include Ely Golf Course, North American Bear Center, International Wolf Center, and numerous outdoor activities (e.g. fishing, camping, birding, canoeing) in the Boundary Waters Canoe Area Wilderness and the Superior National Forest, both of which surround Ely.

Several hiking trails are in Ely and the surrounding area, some of which include Angleworm Trail, Bass Lake Trail, Blackstone Trail, Hidden Valley, Kawishiwi Falls Trail, Snowbank Lake Trail, and Trezona Trail. Additionally, there are many snowmobiling, ATV/offroad, and bike trails accessible within a short distance from the subject properties. Taconite Trail, a 165-mile snowmobile, bike, and hiking trail between Ely and Grand Rapids runs adjacent to the Sites, as does the 130-mile Prospectors Loop which connects Ely to Tower, Babbitt, and the North Shore of Lake Superior. There is a trailhead just north of the development Sites for the Mesabi Trail, a 150-mile non-motorized paved trail system between Grand Rapids and Ely that connects to many communities on the Iron Range.

Appropriateness of Sites for Rental Housing

Based on our analysis of the community orientation and layout of the development Sites, we identified several key attributes impacting the appropriateness of the subject properties as locations for a workforce rental development. Our findings are summarized below.

- Residents of the proposed project will have convenient access to the local highway network, including State Highway 1 and County Highway 21.
- Being partially surrounded by undeveloped public land and the Ely Golf Course, the setting of the development Site will likely appeal to many potential residents.
- The Site is located within walking distance, or a relatively close commute distance, to several major employers in Ely.
- Many recreational amenities are in proximity to the Site in Ely and the surrounding area, notably several local parks and trails, Ely Golf Course, Vermillion State Park, Bear Head Lake State Park, and activities associated with Superior National Forest and the Boundary Waters Canoe Area Wilderness.
- There are many retail, dining and entertainment options in proximity to the Site along the State Highway 1 Corridor in Ely.
- Overall, we find that the Sites are quality locations for the proposed development concept. Site #2 however, may be better suited to the development of an apartment-style building (32 to 37 units) rather than the cul-de-sac location (Site #1).

Introduction

Demographic characteristics and trends are important factors when evaluating housing needs in any given market. This section of the report begins by delineating the draw area for general occupancy workforce rental housing in Ely, Minnesota and examines the demographic and economic characteristics of this draw area as they relate to demand for workforce rental housing.

Topics include an analysis of population and household growth trends and projections, population age distribution trends, household incomes, household tenure, and household type trends. Additionally, labor force and employment growth trends, industry employment, wages and commuting patterns are evaluated.

Market Area Definition

Maxfield Research determined the draw area for workforce rental housing in Ely based on geographic and man-made barriers, commuting and community orientation patterns, renter leasing patterns, and our general knowledge of rental housing draw areas. Additionally, Maxfield Research referenced the housing draw area for Ely that was prepared for a Comprehensive Housing Needs Analysis for the community which was completed in 2019.

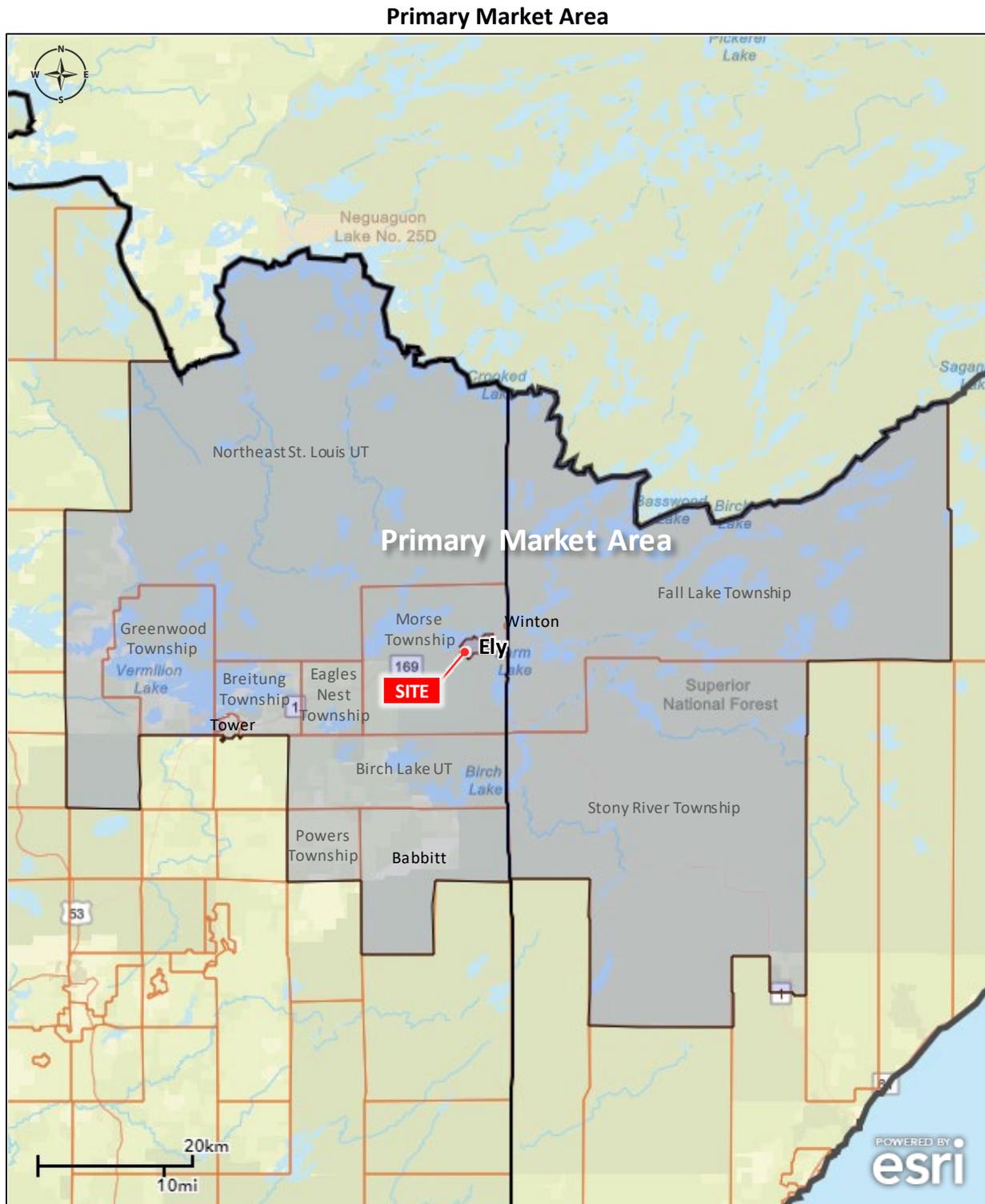
Considering these factors, we delineated the Primary Market Area (PMA) for workforce rental housing in Ely as an aggregation of 11 county subdivisions in St. Louis County, Minnesota along with two county subdivisions in Lake County, Minnesota as identified below.

- Ely city, St. Louis County
- Babbitt city, St. Louis County
- Birch Lake unincorporated territory, St. Louis County
- Breitung township, St. Louis County
- Eagles Nest township, St. Louis County
- Greenwood township, St. Louis County
- Morse township, St. Louis County
- Northeast St. Louis unincorporated territory, St. Louis County
- Tower city, St. Louis County
- Waasa township, St. Louis County
- Winton city, St. Louis County
- Fall Lake township, Lake County
- Stony River township, Lake County

Rental housing demand in Ely will be driven primarily by household growth and turnover of existing households in the PMA. A portion of the housing demand, however, will be generated from outside the area, so select demographic and economic comparisons are made to St. Louis County, Northeast Minnesota and Minnesota.

DEMOGRAPHIC ANALYSIS

The following map illustrates the location of the Site(s) in the PMA.



Population and Household Growth Trends

Table 1 on the following page presents population and household growth trends in the Market Area from 2010 to 2030. The 2010 and 2020 figures are from the U.S. Census. The population estimates and forecasts for St. Louis County, Northeast Minnesota and Minnesota are based on forecasts published by the Minnesota State Demographic Center in February 2023. Household estimates and projections are based on household size estimates provided by ESRI Inc. (a nationally recognized demographics firm).

The 2023 estimates and 2028 projections for Ely and the PMA are based on information provided by ESRI and adjusted by Maxfield Research to reflect current year data. Maxfield Research applied ESRI's annual growth rate projections to the 2028 forecasts to arrive at the 2030 projections.

- As of 2020, Ely contained 3,268 people and 1,615 households, while there were 6,794 people and 3,307 households in the Remainder of the PMA.
- The PMA experienced a -2.6% decline in population between 2010 and 2020 (-268 people) against a -1.7% decline in households (-84 households).
- Current estimates indicate that the PMA's population held steady between 2020 and 2023, while the household base contracted -0.3% (-16).
 - ESRI estimates that Ely's population expanded 2.3%, adding 74 people, while the household base increased 0.7% (11 households) between 2020 and 2023.
 - The Remainder of the PMA experienced a -1.1% decline in population (-75) and a -0.8% decrease in households (-27) during that period.
- By comparison, St. Louis County experienced a -0.2% population decrease (-331) against a 2.0% increase in households (1,719) between 2010 and 2023, while the population in Northeast Minnesota contracted -0.2% against 1.6% household growth.
- Household growth outpaced population growth between 2010 and 2023 suggesting a trend toward shrinking household sizes in the Market Area. This trend reflects a general shift in demographic factors that favor smaller households, such as growth in single-person households, as well as an aging household base.
- The average household size in the PMA declined from 2.06 persons per household in 2010 to 2.05 in 2023. In St. Louis County, the average household size decreased from 2.36 to 2.31 between 2010 and 2023, while average household sizes in Northeast Minnesota declined from 2.37 to 2.33.

DEMOGRAPHIC ANALYSIS

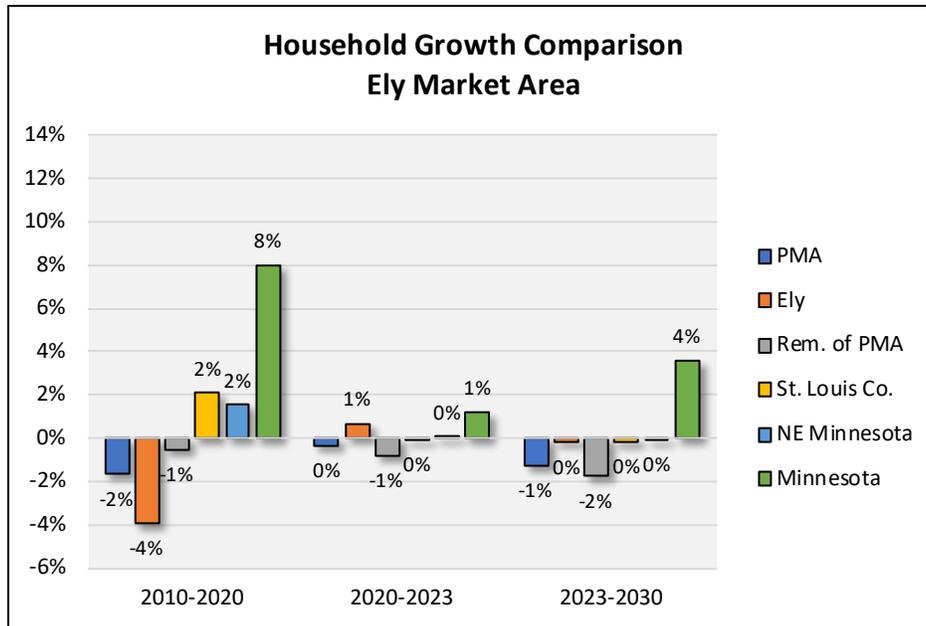
TABLE 1
POPULATION AND HOUSEHOLD GROWTH TRENDS AND PROJECTIONS
ELY MARKET AREA
2010 to 2030

	Census		Estimate	Forecast		Change					
	2010	2020	2023	2028	2030	2010-2023		2023-2028		2028-2030	
						No.	Pct.	No.	Pct.	No.	Pct.
Population											
Primary Market Area	10,330	10,062	10,061	9,966	9,929	-269	-2.6%	-95	-0.9%	-37	-0.4%
<i>City of Ely</i>	<i>3,460</i>	<i>3,268</i>	<i>3,342</i>	<i>3,334</i>	<i>3,331</i>	<i>-118</i>	<i>-3.4%</i>	<i>-8</i>	<i>-0.2%</i>	<i>-3</i>	<i>-0.1%</i>
<i>Remainder of PMA</i>	<i>6,870</i>	<i>6,794</i>	<i>6,719</i>	<i>6,632</i>	<i>6,598</i>	<i>-151</i>	<i>-2.2%</i>	<i>-87</i>	<i>-1.3%</i>	<i>-34</i>	<i>-0.5%</i>
St. Louis County	200,226	200,231	199,895	199,465	199,046	-331	-0.2%	-430	-0.2%	-419	-0.2%
Northeast MN	326,225	325,716	325,425	324,855	324,224	-800	-0.2%	-570	-0.2%	-631	-0.2%
Minnesota	5,303,925	5,706,494	5,771,728	5,921,625	5,976,058	467,803	8.8%	149,897	2.6%	54,433	0.9%
Households											
Primary Market Area	5,006	4,922	4,906	4,862	4,845	-100	-2.0%	-44	-0.9%	-17	-0.3%
<i>City of Ely</i>	<i>1,681</i>	<i>1,615</i>	<i>1,626</i>	<i>1,624</i>	<i>1,623</i>	<i>-55</i>	<i>-3.3%</i>	<i>-2</i>	<i>-0.1%</i>	<i>-1</i>	<i>-0.1%</i>
<i>Remainder of PMA</i>	<i>3,325</i>	<i>3,307</i>	<i>3,280</i>	<i>3,238</i>	<i>3,222</i>	<i>-45</i>	<i>-1.4%</i>	<i>-42</i>	<i>-1.3%</i>	<i>-16</i>	<i>-0.5%</i>
St. Louis County	84,783	86,540	86,502	86,477	86,354	1,719	2.0%	-25	0.0%	-123	-0.1%
Northeast MN	137,586	139,680	139,731	139,775	139,631	2,145	1.6%	44	0.0%	-144	-0.1%
Minnesota	2,087,227	2,253,990	2,280,502	2,340,328	2,362,078	193,275	9.3%	59,827	2.6%	21,750	0.9%

Sources: US Census; MN State Demographic Center; ESRI; Maxfield Research & Consulting, LLC

DEMOGRAPHIC ANALYSIS

- Between 2023 and 2030, the Minnesota State Demographer projects that Northeast Minnesota will experience a -0.4% decline in population, including a -0.4% decrease in St. Louis County. The household base is projected to decrease -0.1% in the Region and -0.2% in the County during that timeframe.
- Based on ESRI's projections, we anticipate that the population in the PMA will continue to contract, declining -1.3% (-132 people) between 2023 and 2030 against a -1.2% household decrease (-61 households).



- Contraction in Ely is projected to be modest, declining by -11 people (-0.3%) and -3 households (-0.2%), while the Remainder of the PMA decreases by -181 people (-1.8%) and -58 households (-1.8%).
- Growth potential in Ely and the Remainder of the PMA will be determined, in part, by increased or decreased hiring by area employers, so actual population and household growth could surpass (or trail) these projections depending on job growth.
- Additionally, achieving any potential household growth will require available housing options in Ely. Population and household growth will depend on the addition of new housing units catering to a variety of household types, income levels, and age groups.

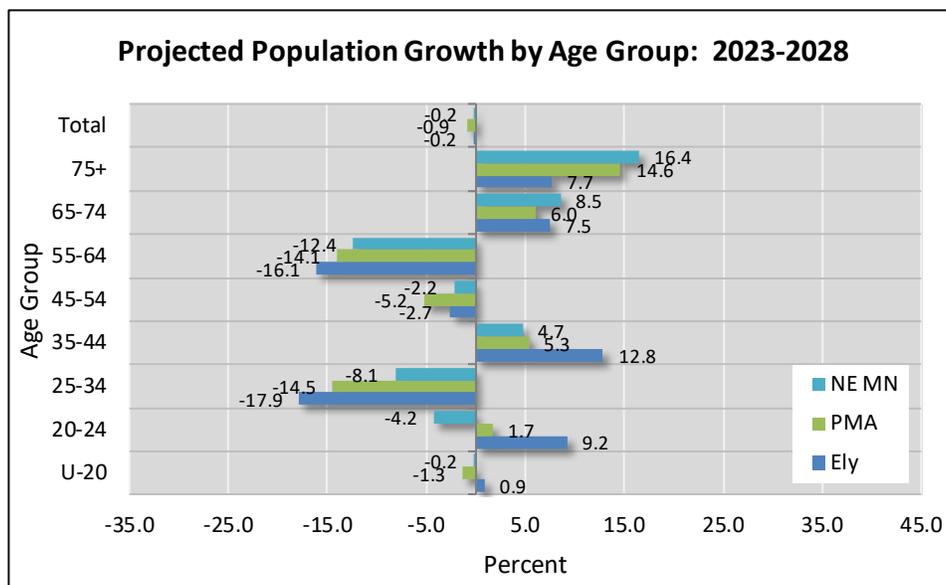
Population Age Distribution

The age distribution of a community’s population helps evaluate 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 presents the age distribution of the Market Area population from 2010 to 2028. Information from 2010 is sourced from the U.S. Census. The 2023 estimates and projections for 2028 were based on data provided by ESRI with adjustments made by Maxfield Research to reflect current year data.

Age	Census	Estimate	Projection	Change			
	2010	2023	2028	2010-2023		2023-2028	
				No.	Pct.	No.	Pct.
Ely							
Under-20	743	695	701	-48	-6.4	6	0.9
20 to 24	274	250	273	-24	-8.7	23	9.2
25 to 34	373	386	317	13	3.5	-69	-17.9
35 to 44	329	351	396	22	6.7	45	12.8
45 to 54	472	333	324	-139	-29.4	-9	-2.7
55 to 64	477	440	369	-37	-7.7	-71	-16.1
65 to 74	359	468	503	109	30.4	35	7.5
75+	433	418	450	-15	-3.4	32	7.7
Total	3,460	3,342	3,334	-118	-3.4	-8	-0.2
Primary Market Area							
Under-20	1,851	1,650	1,628	-201	-10.8	-22	-1.3
20 to 24	485	414	421	-71	-14.7	7	1.7
25 to 34	824	792	677	-32	-3.9	-115	-14.5
35 to 44	965	919	968	-46	-4.8	49	5.3
45 to 54	1,627	1,191	1,129	-436	-26.8	-62	-5.2
55 to 64	1,927	1,844	1,584	-83	-4.3	-260	-14.1
65 to 74	1,486	1,944	2,061	458	30.8	117	6.0
75+	1,165	1,307	1,497	142	12.2	191	14.6
Total	10,330	10,061	9,966	-269	-2.6	-95	-0.9
NE Minnesota							
Under-20	76,790	67,694	67,567	-9,096	-11.8	-127	-0.2
20 to 24	23,059	20,187	19,338	-2,872	-12.5	-850	-4.2
25 to 34	36,015	38,608	35,468	2,593	7.2	-3,140	-8.1
35 to 44	35,835	35,633	37,315	-202	-0.6	1,682	4.7
45 to 54	50,364	37,732	36,901	-12,632	-25.1	-831	-2.2
55 to 64	47,959	50,380	44,116	2,421	5.0	-6,264	-12.4
65 to 74	29,004	42,876	46,536	13,872	47.8	3,659	8.5
75+	27,199	32,315	37,615	5,116	18.8	5,300	16.4
Total	326,225	325,425	324,855	-800	-0.2	-570	-0.2
Sources: U.S. Census Bureau; ESRI; Maxfield Research & Consulting, LLC							

DEMOGRAPHIC ANALYSIS

- In 2023, the largest adult cohort by age in Ely is 65 to 74, totaling an estimated 468 people (14.0% of the population), followed by the 55 to 64 age group with an estimated 440 people (13.2%).
- The 65 to 74 cohort is also the largest age group in the PMA with 1,944 people (19.3% of the population), followed by the 55 to 64 age cohort with 1,844 people (18.3%). In Northeast Minnesota, age 55 to 64 is the largest cohort with 15.5% of the total population.
- The most rapid growth is expected to occur among seniors. Aging of baby boomers led to a 31% increase (458 people) in the 65 to 74 age group between 2010 and 2023 in the PMA. As this group ages, the 65 to 74 age group is projected to grow 6% by 2028, adding 117 people, while the 75 and older age group expands 15% (191 people).



- Younger age groups have traditionally been drawn to rental housing and continue to have the highest proportions of renters in the Market Area.
 - Contraction is forecast for the 25 to 34 age group in the Market Area between 2023 and 2028, declining -18% in Ely (-69 people) and -15% in the PMA (-115 people). However, the age 20 to 24 cohort is projected to increase 9% in Ely, adding 23 people, and 1% in the PMA (four people).
- Solid growth is projected for the 35 to 44 age group as the peak of the “echo boom” (i.e. Millennial) generation moves through this age cohort.
 - In the PMA, the age 35 to 44 cohort is projected to expand 5% between 2023 and 2028, adding 30 people, including 13% growth in Ely (45). The age 35 to 44 population in Northeast Minnesota is expected to increase 5%.

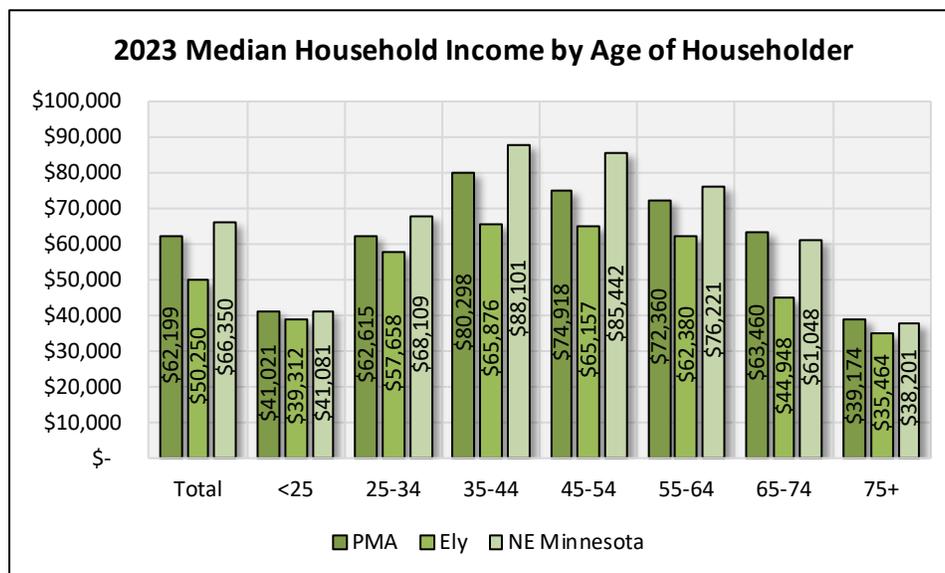
DEMOGRAPHIC ANALYSIS

- The 45 to 54 age group is projected to contract -5% in the PMA, including a -3% decline in Ely. The Market Area is also expected to experience declines in the 55 to 64 age group between 2023 and 2028, contracting -16% in Ely and -14% in the PMA.
 - The decreases projected for the middle age population is a result of the comparatively small number of people who will move into this age group over the next five years due to the “baby bust” (a reference to the generation of children born between 1965 and 1980, an era when the United States’ birthrate dropped sharply).
- Although younger age groups have traditionally been drawn to rental housing, a portion of older adults between the ages of 45 and 64 are increasingly drawn to rental housing due to shifting lifestyles.

Household Income

Household income data helps ascertain the demand for different types of housing based on the size of the market at specific cost levels. In general, housing costs of up to 30% of income are considered affordable by the U.S. Department of Housing and Urban Development (HUD). Table 3 on the following page presents data on household income by age of householder for the PMA in 2023 and 2028. Information is estimated by ESRI and adjusted by Maxfield Research to reflect current year data.

- The 2023 median household income is estimated to be \$62,199 in the PMA, 24% higher than Ely (\$50,250) but -7% lower than Northeast Minnesota (\$66,350).



DEMOGRAPHIC ANALYSIS

- As households age through the lifecycle, incomes tend to peak in their 40s to early 50s. This trend is evident in the PMA as the age 35 to 44 cohort has the highest estimated income at \$80,298 followed by the 45 to 54 age group at \$74,918.
- By 2028, the median household income is expected to increase 17.7% to \$73,237 in the PMA. The average annual increase (3.5%) will exceed the historic annual inflation rate of 2.5% over the past ten years, although it will trail the rapid inflation of 4.7% in 2021 and 8.0% in 2022. By comparison, the median household income is projected to increase 3.6% annually in Northeast Minnesota between 2023 and 2028.

	Total	Age of Householder						
		<25	25-34	35-44	45-54	55-64	65-74	75+
2023								
Less than \$15,000	462	24	34	30	57	102	97	118
\$15,000 to \$24,999	385	12	23	21	31	66	78	154
\$25,000 to \$34,999	432	16	32	28	36	67	108	145
\$35,000 to \$49,999	652	26	53	48	74	115	179	158
\$50,000 to \$74,999	1,029	27	98	106	160	245	267	127
\$75,000 to \$99,999	668	16	50	86	99	175	164	79
\$100,000 to \$199,999	1,066	7	85	141	180	273	282	99
\$200,000 or more	213	1	13	23	43	67	49	17
Total	4,906	129	388	483	679	1,109	1,223	896
Median Income	\$62,199	\$41,021	\$62,615	\$80,298	\$74,918	\$72,360	\$63,460	\$39,174
2028								
Less than \$15,000	319	21	22	20	35	56	63	103
\$15,000 to \$24,999	225	8	10	13	19	29	46	101
\$25,000 to \$34,999	326	15	21	27	21	38	83	122
\$35,000 to \$49,999	719	35	51	57	68	94	200	214
\$50,000 to \$74,999	961	23	72	87	127	199	279	174
\$75,000 to \$99,999	538	14	36	68	75	121	138	88
\$100,000 to \$199,999	1,475	12	106	212	239	324	399	183
\$200,000 or more	299	0	19	34	57	77	80	33
Total	4,862	128	336	517	640	937	1,287	1,018
Median Income	\$73,237	\$42,126	\$73,923	\$98,635	\$95,531	\$87,919	\$73,891	\$49,634
Change 2023 - 2028								
Less than \$15,000	-143	-3	-12	-10	-22	-46	-34	-15
\$15,000 to \$24,999	-159	-4	-13	-8	-12	-37	-32	-53
\$25,000 to \$34,999	-106	-1	-11	-1	-15	-29	-25	-23
\$35,000 to \$49,999	66	9	-2	9	-6	-21	22	56
\$50,000 to \$74,999	-68	-4	-26	-19	-33	-45	12	48
\$75,000 to \$99,999	-130	-2	-14	-18	-24	-54	-26	9
\$100,000 to \$199,999	409	5	21	71	59	51	117	84
\$200,000 or more	86	-1	6	11	14	10	31	16
Total	-44	-1	-52	35	-39	-172	64	122
Median Income	\$11,038	\$1,105	\$11,308	\$18,337	\$20,613	\$15,558	\$10,431	\$10,460

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

DEMOGRAPHIC ANALYSIS

- Based on the 2023 median household income in the PMA (\$62,199), a household could afford an apartment unit renting for \$1,555 per month.
- Based on the median household income by age group, general occupancy rental rate affordability ranges from \$1,026 per month for households under age 25 (median income of \$41,021) to \$2,007 for households in the 35 to 44 age group (median income of \$80,298).
- The following figure illustrates affordable monthly rents by age group (based on 30% of median household income).

Rent Affordability by Age Group in PMA Based on Median Household Income		
Age Group	Household Income	Affordable Rent
Total	\$62,199	\$1,555
<25	\$41,021	\$1,026
25-34	\$62,615	\$1,565
35-44	\$80,298	\$2,007
45-54	\$74,918	\$1,873
55-64	\$72,360	\$1,809
65-74	\$63,460	\$1,586
75+	\$39,174	\$979

- As presented later in this report, the average market rate rental rate in the PMA is \$876 per month. Based on this rent, a household will need to have an annual income of \$35,040 or greater to not exceed 30% of its income on housing costs.
- In 2023, 3,628 PMA households (74% of the total) are estimated to have incomes of at least \$35,040.
 - By 2028, total income-qualified households for existing market rate rental housing are projected to increase to 3,815 households (5% increase) after accounting for inflation.
- Growth among households income-qualified for the existing supply of market rate rental housing in the PMA is expected to be strongest among the 75 and older age group, adding 161 households (34% growth), followed by the 65 to 74 age group with the addition of 106 households (11%).
- Income-qualified household growth is also projected for the age 35 to 44 cohort, adding 40 households (10% growth).

Household Income Limits

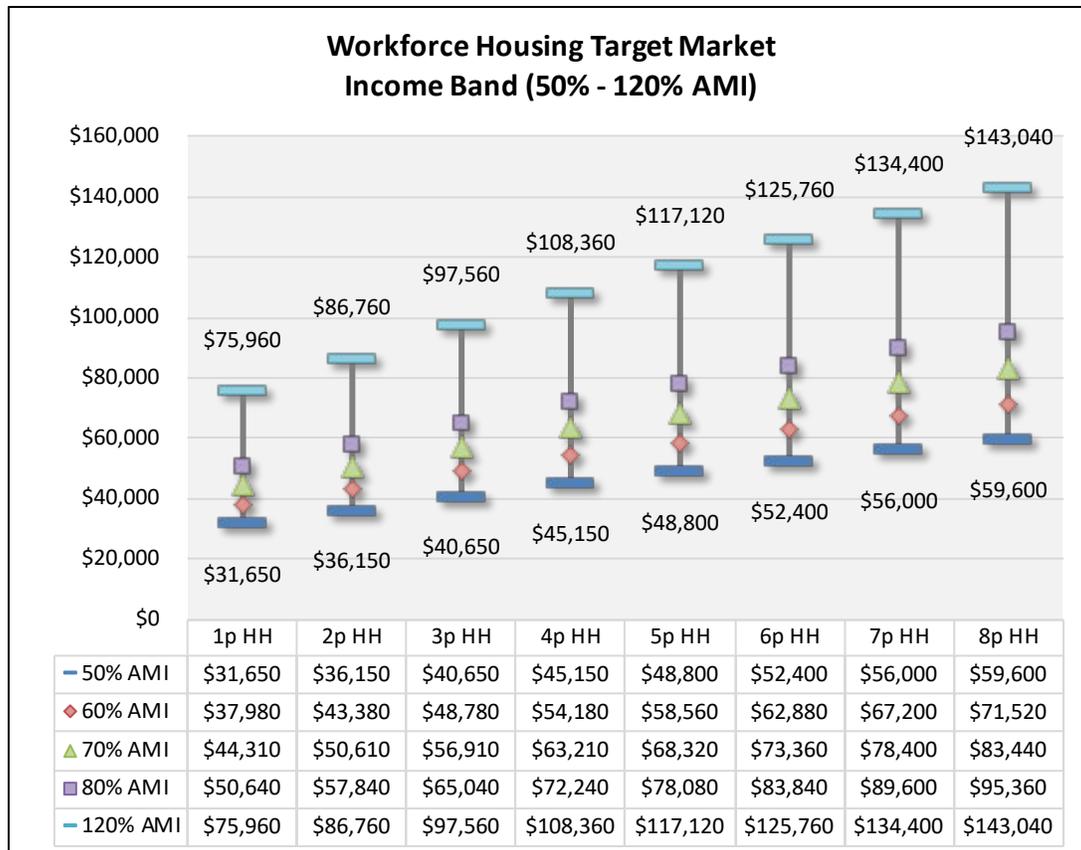
Table 4 presents income limits and maximum gross rents for St. Louis County. These incomes are published and revised annually by the Department of Housing and Urban Development (HUD) and published separately by Minnesota Housing based on the date a project is placed into service. This information is provided to illustrate the likely income bands for households targeted by potential workforce housing units in Ely. Moderate-income housing, often referred to as “workforce housing,” is broadly defined as housing that is targeted to households earning between 50% and 120% AMI.

Generally, housing that is income-restricted to households earning at or below 80% of Area Median Income (AMI) is considered affordable. Individual properties, however, may have income restrictions set anywhere from 30% to 80% of AMI. For example, a 30% limit generally applies to public housing or project-based Section 8 housing, while Low Income Housing Tax Credit (LIHTC) properties are often restricted to households earning 40% to 60% AMI.

TABLE 4 2023 INCOME LIMITS ST. LOUIS COUNTY Effective Date: 05/15/2023								
-----Income Limits by Household Size-----								
	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
20% AMI	\$12,660	\$14,460	\$16,260	\$18,060	\$19,520	\$20,960	\$22,400	\$23,840
30% AMI	\$18,990	\$21,690	\$24,390	\$27,090	\$29,280	\$31,440	\$33,600	\$35,760
40% AMI	\$25,320	\$28,920	\$32,520	\$36,120	\$39,040	\$41,920	\$44,800	\$47,680
50% AMI	\$31,650	\$36,150	\$40,650	\$45,150	\$48,800	\$52,400	\$56,000	\$59,600
60% AMI	\$37,980	\$43,380	\$48,780	\$54,180	\$58,560	\$62,880	\$67,200	\$71,520
70% AMI	\$44,310	\$50,610	\$56,910	\$63,210	\$68,320	\$73,360	\$78,400	\$83,440
80% AMI	\$50,640	\$57,840	\$65,040	\$72,240	\$78,080	\$83,840	\$89,600	\$95,360
120% AMI	\$75,960	\$86,760	\$97,560	\$108,360	\$117,120	\$125,760	\$134,400	\$143,040
-----Maximum Gross Rents by Bedroom Size-----								
	0-BR	1-BR	2-BR	3-BR	4-BR	5-BR		
20% AMI	\$316	\$339	\$406	\$469	\$524	\$578		
30% AMI	\$474	\$508	\$609	\$704	\$786	\$867		
40% AMI	\$633	\$678	\$813	\$939	\$1,048	\$1,156		
50% AMI	\$791	\$847	\$1,016	\$1,174	\$1,310	\$1,445		
60% AMI	\$949	\$1,017	\$1,219	\$1,409	\$1,572	\$1,734		
70% AMI	\$1,107	\$1,186	\$1,422	\$1,644	\$1,834	\$2,023		
80% AMI	\$1,266	\$1,356	\$1,626	\$1,879	\$2,096	\$2,312		
120% AMI	\$1,899	\$2,169	\$2,439	\$2,709	\$2,928	\$3,144		
Sources: Minnesota Housing; HUD; Novogradac; Maxfield Research & Consulting, LLC								

DEMOGRAPHIC ANALYSIS

- A housing development offering unit types ranging from studio to four-bedroom units targeting one- to eight-person households at 50% to 120% AMI (i.e. workforce housing) would have a target market income band as shown in the following figure.



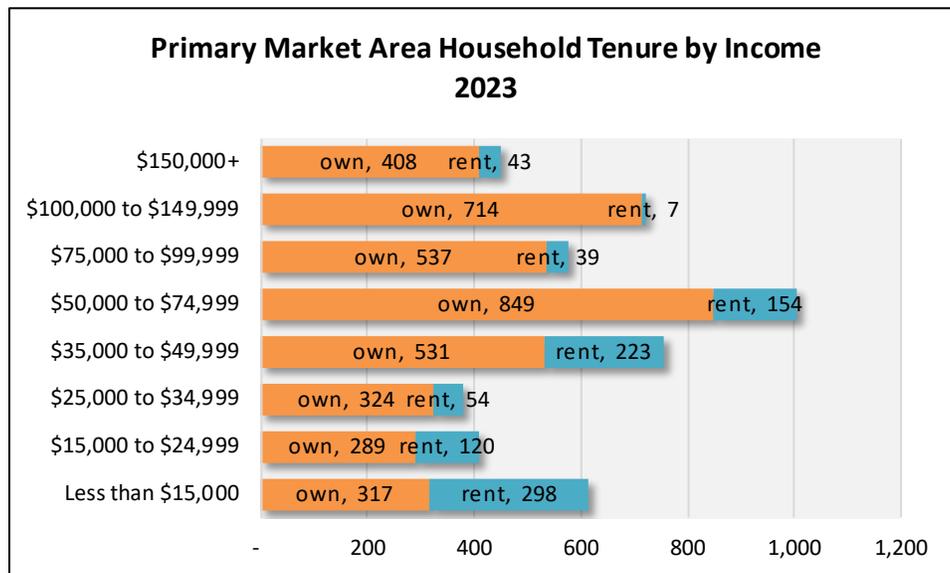
- As shown, workforce housing household incomes range from a low of \$31,650 for a one-person household in a studio or one-bedroom unit at 50% AMI to \$143,040 for an eight-person household in a four-bedroom unit at 120% AMI.
- As of 2023, an estimated 2,955 PMA households have incomes in the 50% to 120% AMI range, representing 60% of all households.
- For workforce rental housing, to maintain affordability, maximum gross rents at 50% AMI range from \$791 per month for a studio unit to \$1,310 per month for a four-bedroom unit. At 120% AMI, maximum gross rents range from \$1,899 for a studio unit to \$2,928 for a four-bedroom unit.

Household Tenure by Income

Table 5 shows estimated household tenure by income in the Market Area in 2023. Data is based on an estimate from the 2017-2021 American Community Survey and adjusted by Maxfield Research to reflect current year data.

As stated earlier, the Department of Housing and Urban Development determines affordable housing as not exceeding 30% of the household’s income. The higher the income, the lower the percentage a household typically allocates to housing. Many lower income households, as well as many young and senior households, spend more than 30% of their income on housing, while middle-aged households in their prime earning years generally allocate 20% to 25% of their income to housing.

- Typically, as income increases, so does the rate of homeownership. This can be seen in Ely, where the homeownership rate increases from 34% of households with incomes below \$15,000 to 90% of the households with incomes above \$100,000.
- In the PMA, 96% of households with incomes above \$100,000 were homeowners, while 52% of households with incomes less than \$15,000 owned. In Northeast Minnesota, 93% of households with incomes above \$100,000 were homeowners compared to 41% of households with incomes below \$15,000.



- Among owner households in the PMA, the highest proportion had incomes of \$50,000 to \$74,999 (21% of all owner households), followed by households with incomes in the \$100,000 and \$149,999 (18%) range.

DEMOGRAPHIC ANALYSIS

- In the PMA, the highest proportion of renter households had incomes of less than \$15,000 (32% of all renter households), followed by incomes in the \$35,000 to \$49,999 (24%) and the \$50,000 to \$74,999 (17%) ranges.
- A portion of renter households that are referred to as lifestyle renters (those who are financially able to own but choose to rent) often have household incomes of \$50,000 or higher and rent newer apartments, although lifestyle renters could also have lower incomes and be living in older apartments.
 - An estimated 26% of renter households in the PMA, including 19% in Ely, had incomes of \$50,000 or more compared to 30% of renter households in Northeast Minnesota.
- An estimated 440 renter households and 2,641 owner households in the PMA have incomes in the \$31,650 to \$143,040 (i.e. the target market for workforce housing), which represents 47% of all renter households in the PMA and 67% of all owner households.

	Ely		Primary Market Area		NE Minnesota	
	No.	Pct.	No.	Pct.	No.	Pct.
Owner Households						
Less than \$15,000	134	33.9	317	51.5	5,683	40.5
\$15,000 to \$24,999	48	43.8	289	70.7	6,722	56.3
\$25,000 to \$34,999	36	55.5	324	85.7	7,774	60.6
\$35,000 to \$49,999	141	50.0	531	70.5	13,825	74.7
\$50,000 to \$74,999	217	76.1	849	84.6	21,685	81.3
\$75,000 to \$99,999	169	91.1	537	93.2	16,319	87.2
\$100,000 to \$149,999	177	100.0	714	99.1	21,039	92.1
\$150,000+	94	75.1	408	90.5	13,395	94.6
<i>Subtotal:</i>	<i>1,017</i>	<i>62.5</i>	<i>3,968</i>	<i>80.9</i>	<i>106,443</i>	<i>76.2</i>
Renter Households						
Less than \$15,000	261	66.1	298	48.5	8,353	59.5
\$15,000 to \$24,999	62	56.2	120	29.3	5,217	43.7
\$25,000 to \$34,999	29	44.5	54	14.3	5,057	39.4
\$35,000 to \$49,999	141	50.0	223	29.5	4,693	25.3
\$50,000 to \$74,999	68	23.9	154	15.4	5,000	18.7
\$75,000 to \$99,999	17	8.9	39	6.8	2,401	12.8
\$100,000 to \$149,999	-	0.0	7	0.9	1,807	7.9
\$150,000+	31	24.9	43	9.5	761	5.4
<i>Subtotal:</i>	<i>609</i>	<i>37.5</i>	<i>938</i>	<i>19.1</i>	<i>33,288</i>	<i>23.8</i>
Total Households	1,626	100	4,906	100	139,731	100

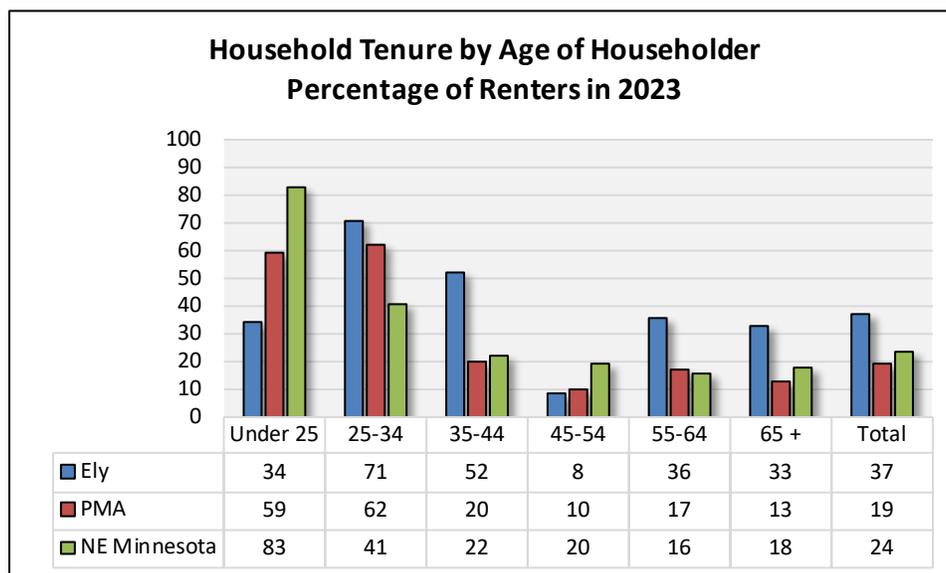
Sources: U.S. Census Bureau; ESRI; Maxfield Research & Consulting, LLC

Household Tenure by Age

Table 6 shows household tenure by age of householder for the Market Area in 2010 and 2023. Data for 2010 is obtained from the Decennial Census, while the 2023 data is based on the 2017-2021 American Community Survey and adjusted by Maxfield Research to reflect current year household estimates. The table shows the number and percent of renter- and owner-occupied housing units in the Market Area. All data excludes any unoccupied housing units and group quarters such as dormitories and nursing homes.

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

- In Ely, 63% of all households own in 2023, giving it a homeownership rate that is notably lower than the PMA (81%) and Northeast Minnesota (76%).
 - Within the prime ownership years (35 to 64), 68% of households in Ely own in 2023, compared to 85% in the PMA and 81% in the Region.
- Typically, the youngest and oldest households rent their housing in greater proportions than middle-age households. This pattern is apparent among the younger Market Area households as 60% of households under the age of 35 rent in Ely compared to 61% of householders in the PMA and 51% in Northeast Minnesota.



- An estimated 34% of households under age 25 rent in Ely, compared to 60% in the PMA and 83% in Northeast Minnesota. The percentage of renters in the 25 to 34 age group increases to 71% in Ely and 62% in the PMA but declines to 41% in the Region.

DEMOGRAPHIC ANALYSIS

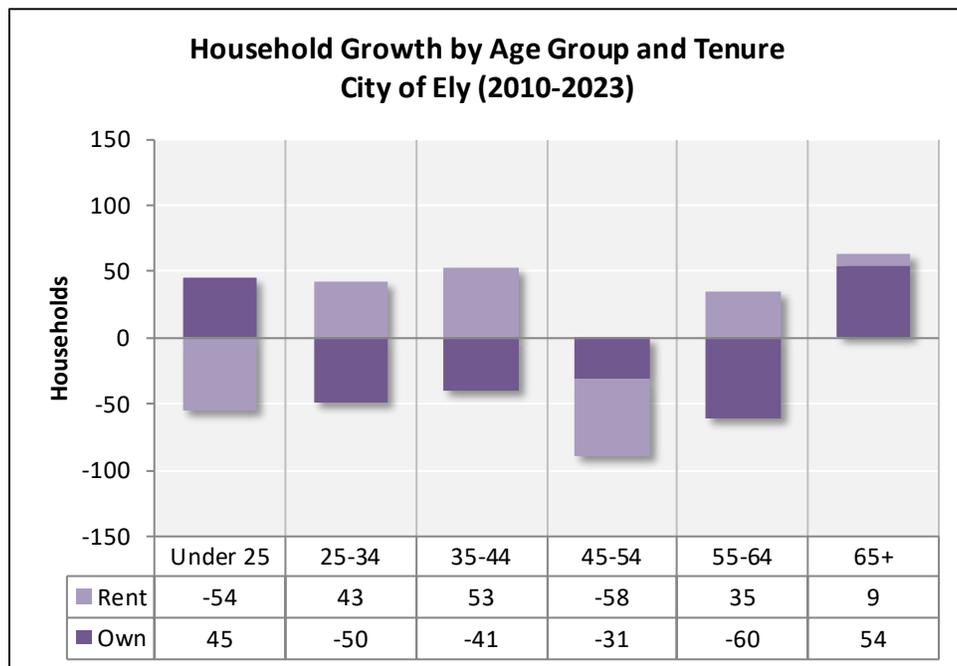
**TABLE 6
TENURE BY AGE OF HOUSEHOLDER
ELY MARKET AREA
2010 & 2023**

Age		Ely				Primary Market Area				Northeast Minnesota			
		2010		2023		2010		2023		2010		2023	
		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under 25	Own	11	11.6	56	65.6	22	14.4	52	40.5	1,293	18.4	962	17.2
	Rent	84	88.4	30	34.4	131	85.6	77	59.5	5,719	81.6	4,640	82.8
	Total	95	100.0	86	100.0	153	100.0	129	100.0	7,012	100.0	5,602	100.0
25-34	Own	110	50.9	60	28.9	233	53.9	146	37.7	9,908	57.9	10,586	59.3
	Rent	106	49.1	149	71.1	199	46.1	242	62.3	7,208	42.1	7,274	40.7
	Total	216	100.0	209	100.0	432	100.0	388	100.0	17,116	100.0	17,860	100.0
35-44	Own	135	73.4	94	48.1	408	78.3	388	80.2	14,499	76.0	14,387	77.5
	Rent	49	26.6	102	51.9	113	21.7	95	19.8	4,579	24.0	4,173	22.5
	Total	184	100.0	196	100.0	521	100.0	483	100.0	19,078	100.0	18,560	100.0
45-54	Own	230	75.2	199	91.6	804	85.1	612	90.1	23,277	81.7	16,526	80.4
	Rent	76	24.8	18	8.4	141	14.9	67	9.9	5,231	18.3	4,038	19.6
	Total	306	100.0	217	100.0	945	100.0	679	100.0	28,508	100.0	20,564	100.0
55-64	Own	249	78.1	189	64.1	1,036	89.0	922	83.2	24,878	86.3	24,605	84.1
	Rent	70	21.9	105	35.9	128	11.0	186	16.8	3,944	13.7	4,642	15.9
	Total	319	100.0	294	100.0	1,164	100.0	1,109	100.0	28,822	100.0	29,247	100.0
65 +	Own	365	65.1	419	67.1	1,506	84.1	1,848	87.2	28,900	78.0	39,376	82.2
	Rent	196	34.9	205	32.9	285	15.9	270	12.8	8,150	22.0	8,521	17.8
	Total	561	100.0	624	100.0	1,791	100.0	2,119	100.0	37,050	100.0	47,897	100.0
TOTAL	Own	1,100	65.4	1,017	62.6	4,009	80.1	3,968	80.9	102,755	74.7	106,443	76.2
	Rent	581	34.6	609	37.4	997	19.9	938	19.1	34,831	25.3	33,288	23.8
	Total	1,681	100.0	1,626	100.0	5,006	100.0	4,906	100.0	137,586	100.0	139,731	100.0

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

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- Renter households in Ely grew by an estimated 28 between 2010 and 2023, an increase of 5%, while the number of owner-occupied households contracted -8% (-83 households). Renter household growth occurred among most age groups between 2010 and 2023.
 - The largest growth occurred in the 35 to 44 age group, adding 53 renter households, followed by the 25 to 34 age group with the addition of 43 renter households.
 - Renter household growth also occurred among the 55 to 64 and 65 and older age groups, adding 35 households and nine households, respectively.
- As depicted in the following chart, the largest overall increase occurred in the 65 and older age group in Ely, with the addition of 54 owner households (15% growth) and a 5% increase in renter households (nine).



- Growth also occurred in the 35 to 44 age group, with the addition of 53 renter households against a decrease of -41 owner households.
- The total number of owner households contracted in Ely between 2010 and 2023, decreasing -8% (-83 households).
- Owner household growth occurred in the under age 25 cohort, adding 45 households, and the 65 and older age group, adding 54 households. The number of owner households contracted in all other age groups.

Household Type

Table 7 shows household type trends in Ely and the PMA compared to Northeast Minnesota in 2010 and 2023. Data for 2010 is obtained from the Decennial Census, while the 2023 data is based on the 2017-2021 American Community Survey and adjusted by Maxfield Research to reflect current year household estimates. Shifting household types can stimulate demand for a variety of housing products.

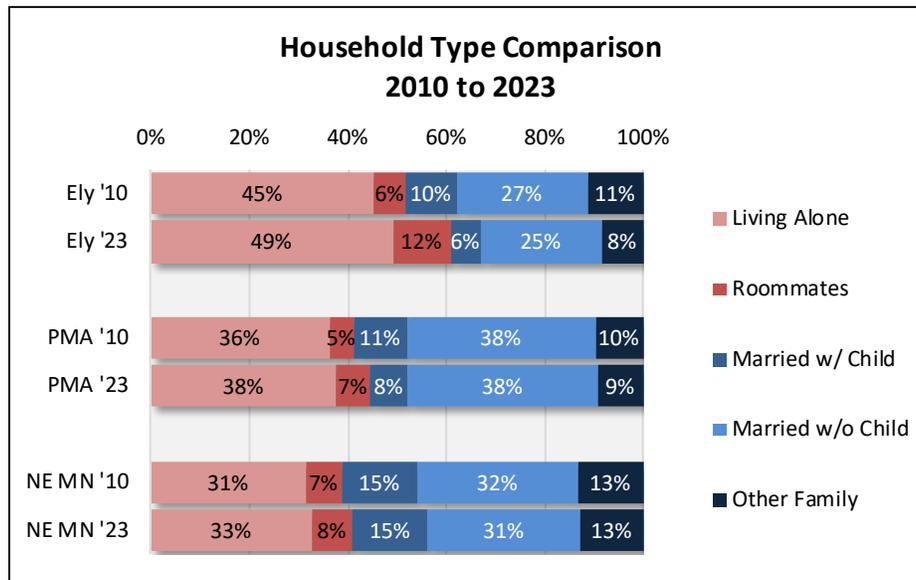
- Married couple family households typically generate demand for single-family detached ownership housing.
- Married couples without children often desire multifamily housing for convenience reasons. Married couple families without children are generally made up of younger couples that have not had children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

	Ely		Primary Market Area		NE Minnesota	
	2010	2023	2010	2023	2010	2023
Total Households	1,681	1,626	5,006	4,906	137,586	139,731
Non-Family Households	869	989	2,063	2,180	53,297	57,269
Living Alone	763	799	1,812	1,848	43,313	45,664
Other (Roommates)	105	190	250	332	9,984	11,605
Family Households	812	637	2,942	2,726	84,289	82,462
Married w/ Children	174	99	539	382	21,248	21,395
Married w/o Children	446	400	1,916	1,886	44,715	43,109
Other Family	191	138	488	458	18,326	17,957
Change (2010 - 2023)	Ely		Primary Market Area		NE Minnesota	
	No.	Pct.	No.	Pct.	No.	Pct.
Total Households	-55	-3.2%	-100	-2.0%	2,145	1.6%
Non-Family Households	120	13.8%	117	5.7%	3,972	7.5%
Living Alone	36	4.7%	35	2.0%	2,351	5.4%
Other (Roommates)	84	80.1%	82	32.7%	1,621	16.2%
Family Households	-175	-21.5%	-216	-7.4%	-1,827	-2.2%
Married w/ Children	-75	-43.0%	-156	-29.0%	147	0.7%
Married w/o Children	-46	-10.4%	-30	-1.6%	-1,606	-3.6%
Other Family	-53	-27.8%	-30	-6.1%	-369	-2.0%

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

DEMOGRAPHIC ANALYSIS

- In Ely, single-person households are estimated to be the most common household type in 2023 (49.1% of all households), followed by married couple households without children (24.6%).
- Married couple without children households are the most common household type in the PMA (38.4% of all households), followed by single-person households (37.7%). Single-person households are the most common household type in Northeast Minnesota (32.7%).



- In 2023, non-family households, a key market for rental housing, comprise an estimated 61% of all households in Ely compared to 44% in the PMA and 41% in Northeast Minnesota.
- Between 2010 and 2023, non-family households expanded 6% (117 households) in the PMA, including a 14% increase in Ely (120 households). Nonfamily households increased 7% in Northeast Minnesota during that period.
 - The number of single-person households expanded 2% (35 households) in the PMA between 2010 and 2023 while the number of roommate households increased 33% (82 households).
- Family households contracted -7% in the PMA (-216 households) between 2010 and 2023, including a -22% decline in the City of Ely (-175 households). In Northeast Minnesota, the presence of family households contracted -2% from 2010 to 2023.
 - The PMA experienced a -29% decline in the number of married couples with children (-156 households), while the number of married couples without children contracted -2% (-30 households). Other family households decreased -6% (-30 households).

Employment Trends & Commuting Patterns

Employment characteristics are relevant when evaluating housing needs in any given market area. These trends warrant consideration since employment growth often fuels household growth. Typically, households prefer to live near work for convenience, which is a primary factor in choosing a housing location. Many households will commute greater distances to work if their housing is affordable enough to offset the additional transportation costs or if suitable housing is not available in their employer’s community.

Resident Employment

Table 8 shows information on the resident labor force and employment in St. Louis County compared to Northeast Minnesota and State of Minnesota. The data is sourced from the Minnesota Department of Employment and Economic Development.

Resident employment data reveals the workforce and number of employed people living in the area. It is important to note that not all these individuals necessarily work in the area.

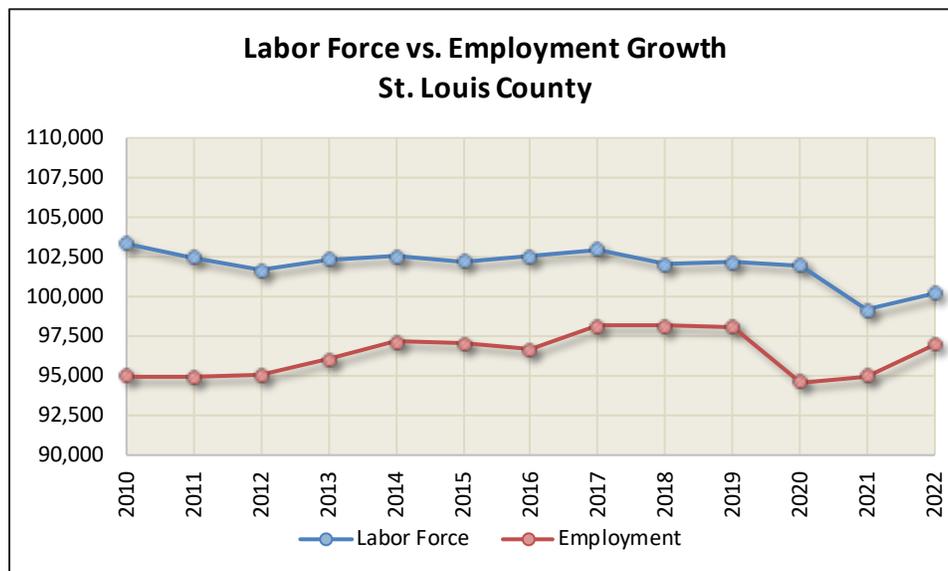
Year	St. Louis County			Northeast Minnesota			Minnesota		
	Labor Force	Employed Residents	UE Rate	Labor Force	Employed Residents	UE Rate	Labor Force	Employed Residents	UE Rate
2022	100,261	96,982	3.3%	161,024	155,196	3.6%	3,077,500	2,994,919	2.7%
2021	99,176	94,999	4.2%	159,692	152,626	4.4%	3,039,322	2,924,147	3.8%
2020	102,005	94,582	7.3%	164,055	151,677	7.5%	3,134,160	2,938,014	6.3%
2019	102,208	98,092	4.0%	164,189	156,778	4.5%	3,108,681	3,007,373	3.3%
2018	102,051	98,166	3.8%	163,407	156,479	4.2%	3,075,089	2,982,657	3.0%
2017	103,006	98,204	4.7%	164,498	156,087	5.1%	3,071,005	2,963,829	3.5%
2016	102,556	96,688	5.7%	163,991	153,799	6.2%	3,023,110	2,906,348	3.9%
2015	102,211	97,018	5.1%	164,152	155,191	5.5%	3,005,413	2,891,672	3.8%
2014	102,538	97,198	5.2%	164,194	154,951	5.6%	2,979,798	2,852,487	4.3%
2013	102,344	96,053	6.1%	164,218	153,525	6.5%	2,961,728	2,812,452	5.0%
2012	101,690	95,033	6.5%	163,970	152,696	6.9%	2,949,769	2,783,181	5.6%
2011	102,503	94,935	7.4%	165,574	152,735	7.8%	2,952,527	2,760,399	6.5%
2010	103,374	94,990	8.1%	166,769	152,547	8.5%	2,940,816	2,723,025	7.4%

Sources: Minnesota DEED; Maxfield Research & Consulting, LLC

- In 2022, St. Louis County had an annual labor force of 100,261 with 96,982 employed residents, which equates to a 3.3% unemployment rate. By comparison, 2022 unemployment rates were at 3.6% in Northeast Minnesota and 2.7% in Minnesota.

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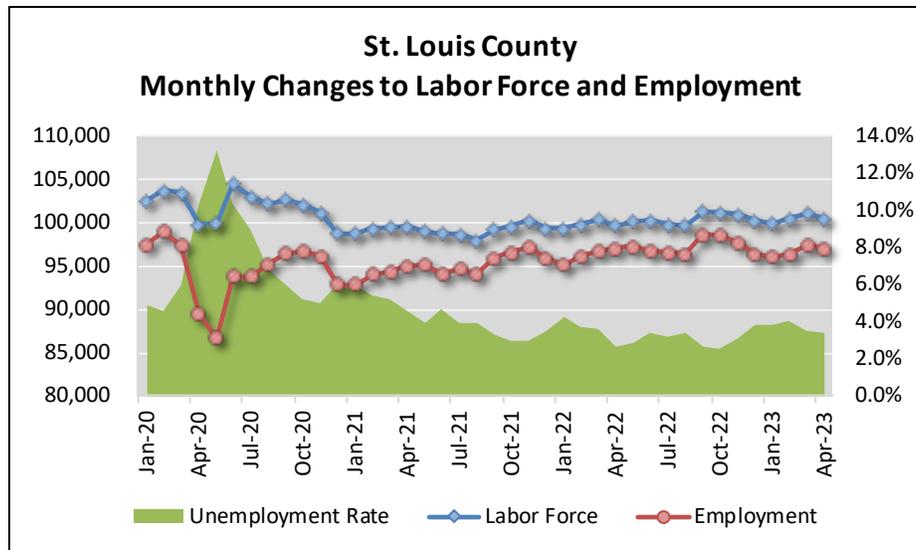
- St. Louis County's labor force contracted -3.0% between 2010 and 2022 (-3,113), while resident employment increased 2.1% (1,992).
 - By comparison, the labor force in Northeast Minnesota contracted -3.4% from 2010 to 2022 against resident employment growth of 1.7%. Minnesota's labor force expanded 4.6% during that time, while resident employment in the State increased 10.0%.
- St. Louis County's labor force contracted -0.1% annually, on average, from 2010 through 2020 before declining -2.8% in 2021. The County's labor force increased 1.1% in 2022. Resident employment averaged 0.4% annual growth from 2010 through 2019 before decreasing -3.6% in 2020 due to the COVID-19 pandemic. Resident employment increased 0.4% in 2021 and 2.1% in 2022.



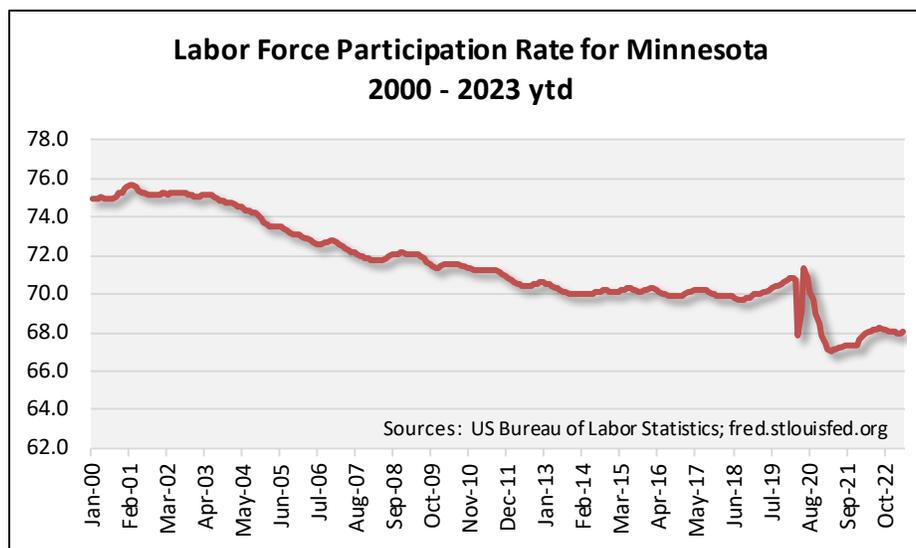
- Because resident employment growth has outpaced labor force growth, St. Louis County unemployment rates dropped from 8.1% in 2010 to 3.3% in 2022.
- Increased hiring drove the unemployment rate down throughout the Market Area from 2010 through 2019 as growth in the number of employed residents outpaced labor force growth. Resident employment however, declined -3.6% in St. Louis County compared to declines of -3.3% in Northeast Minnesota and -2.3% in Minnesota during 2020 due to the COVID-19 pandemic and subsequent economic recession.
- Due to the number of job losses related to the COVID-19 pandemic, unemployment rates increased during the first half of 2020.
 - The unemployment rate peaked at 13.3% in the County in May 2020, compared to peaks of 13.3% in Northeast Minnesota, 11.0% in Minnesota, and 14.4% in the United States.

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- Monthly unemployment rates declined in the Market Area since spiking during the spring of 2020, decreasing to 2.6% in St. Louis County during October 2022, before climbing back to 3.4% as of April 2023.



- Decreasing labor force participation has contributed to the declining unemployment rates. In Minnesota, the labor force participation rate declined to a low of 67.0% in March 2021, the lowest participation rate since March 1977 (66.8%). The labor force participation rate was at 68.1% as of April 2023 in Minnesota compared to 62.6% nationally.
- The decline was due to several factors, notably an aging population but also by workers being forced out of the labor market, children needing to attend school from home, and increased unemployment benefits, among others.



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Commuting Patterns

Proximity to employment is often a primary consideration when choosing where to live, particularly for younger and lower income households since transportation costs often account for a greater proportion of their budgets. For this analysis, we reviewed commuting pattern data for the City of Ely from the U.S. Census Bureau Local Employment Dynamics data for 2021, the most recent data available.

Table 9 provides a summary of the inflow and outflow characteristics of the workers in Ely. Outflow reflects the number of workers living in the City but employed outside, while inflow measures the number of workers that are employed in the City but live outside. Interior flow reflects the number of workers that live and work in Ely.

- An estimated 887 workers come into Ely for employment daily (inflow), while 577 resident workers commute out of the City (outflow). An estimated 606 people both live and work in Ely (interior flow).
- An estimated 73% of the jobs in Ely are filled by workers commuting into the area. The highest proportion of workers coming into the City are aged 30 to 54 and earn more than \$3,333 per month (\$40,000 per year). The “All Other Services” sector accounts for most of the employees (67% of the inflow and 73% of the interior flow).

	Outflow		Inflow		Interior Flow	
Primary Jobs	577	100%	887	100%	606	100%
<u>By Age</u>						
Workers Aged 29 or younger	140	24.3%	197	22.2%	121	20.0%
Workers Aged 30 to 54	292	50.6%	407	45.9%	290	47.9%
Workers Aged 55 or older	145	25.1%	283	31.9%	195	32.2%
<u>By Monthly Wage</u>						
Workers Earning \$1,250/month or less	147	25.5%	266	30.0%	159	26.2%
Workers Earning \$1,251 to \$3,333/month	198	34.3%	265	29.9%	240	39.6%
Workers Earning More than \$3,333/month	232	40.2%	356	40.1%	207	34.2%
<u>By Industry</u>						
"Goods Producing"	109	18.9%	58	6.5%	46	7.6%
"Trade, Transportation, and Utilities"	72	12.5%	239	26.9%	117	19.3%
"All Other Services"*	396	68.6%	590	66.5%	443	73.1%
*includes the following sectors: Information, Financial Activities, Professional & Business Services, Education & Health Services, Leisure & Hospitality, Other Services, and Public Administration						
Sources: US Census Bureau Local Employment Dynamics; Maxfield Research & Consulting, LLC						

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- Overall, Ely is an “importer” of workers as a higher number of nonresidents commute into the community for employment than resident workers commute out of the City.
- With 887 workers commuting into Ely for employment daily, many coming from over 50 miles, there is an opportunity to provide housing options for a portion of these workers.
- While data does not yet fully reflect impacts on commuting patterns post-pandemic, we anticipate that with potential shifts in work locations long-term for some worker segments (i.e. increased telecommuting) more people are likely to consider working remotely which would impact commuting patterns.

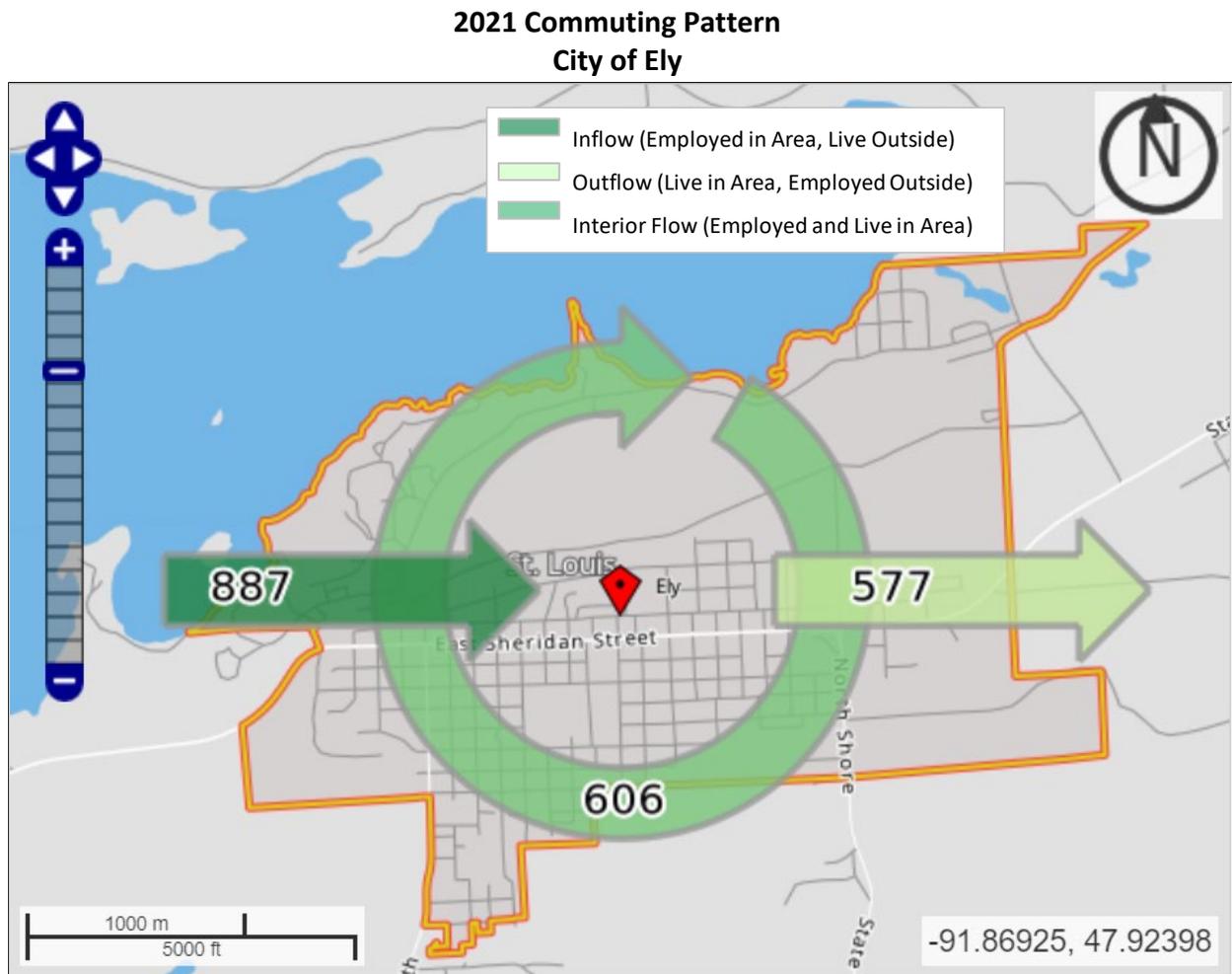


Table 10 highlights the commuting patterns, including distance and destination, of workers in Ely based on data from the U.S. Census Bureau Local Employment Dynamics data for 2021. Home Destination summarizes where workers live who are employed in the area, while Work Destination represents where workers are employed who live in the community.

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- An estimated 59% of the workers employed in Ely reside outside the community, while 41% (606) reside in the City. The largest proportion of workers commuting into Ely come from Babbitt (6.5%), Duluth (2.0%), Winton (1.8%), and Virginia (0.8%).
- An estimated 57% of the workers in Ely reside within ten miles of their place of employment while 14% travel from 10 to 24 miles. An estimated 9% of the workers commute a distance of 25 to 50 miles and another 20% come from more than 50 miles away.

**TABLE 10
COMMUTING PATTERNS
CITY OF ELY
2021**

Home Destination by Place			Work Destination by Place		
Place of Residence	Count	Share	Place of Employment	Count	Share
Ely city, MN	606	40.6%	Ely city, MN	606	51.2%
Babbitt city, MN	97	6.5%	Duluth city, MN	41	3.5%
Duluth city, MN	30	2.0%	Virginia city, MN	39	3.3%
Winton city, MN	27	1.8%	Babbitt city, MN	30	2.5%
Virginia city, MN	12	0.8%	Hibbing city, MN	19	1.6%
Hibbing city, MN	11	0.7%	Minneapolis city, MN	18	1.5%
Tower city, MN	10	0.7%	Minnetonka city, MN	18	1.5%
Finland CDP, MN	9	0.6%	Bloomington city, MN	14	1.2%
Biwabik city, MN	8	0.5%	Tower city, MN	14	1.2%
Mountain Iron city, MN	8	0.5%	Mountain Iron city, MN	11	0.9%
All Other Locations	675	45.2%	All Other Locations	373	31.5%
Home Destination			Work Destination		
Distance Traveled	Count	Share	Distance Traveled	Count	Share
Primary Jobs	1,493	100.0%	Primary Jobs	1,183	100.0%
Less than 10 miles	857	57.4%	Less than 10 miles	707	59.8%
10 to 24 miles	205	13.7%	10 to 24 miles	82	6.9%
25 to 50 miles	131	8.8%	25 to 50 miles	97	8.2%
Greater than 50 miles	300	20.1%	Greater than 50 miles	297	25.1%

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

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

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

- An estimated 51% of the workers living in Ely also have jobs in the community. The remaining 49% commute outside of the area, most notably to Duluth (3.5%), Virginia (3.3%), and Babbitt (2.5%). Nearly 60% of the workers in Ely travel less than ten miles for their jobs, while 7% have a commute distance from 10 to 24 miles. An estimated 8% commute between 25 and 50 miles while 25% commute more than 50 miles for employment.

Employment Growth Trends

Table 11 shows employment growth trends and projections from 2010 to 2030 for Ely and the PMA compared to Northeast Minnesota. Data is sourced from the Quarterly Census of Employment and Wages (QCEW) and represents the annual average employment for each year. All establishments covered under the Unemployment Insurance Program are required to report wage and employment statistics quarterly. Federal government establishments are also covered by the QCEW program. Workers and jobs excluded from these statistics include the self-employed, family farm workers, and those who work only on a commission basis.

Projections for 2030 are based on 2020-2030 industry projections for the Northeast Minnesota Planning Region, the most recent forecast available from MN DEED. Maxfield Research applied the projected annual rate of growth to 2022 employment data to arrive at the forecast for the Region. We then projected employment for Ely and the PMA based on a review of changes to the proportion of the Region's growth that occurred in each area between 2010 and 2022.

- In 2022, there were 3,362 jobs in the PMA, including 1,722 jobs in Ely and 1,640 jobs in the Remainder of the PMA. Ely contains 51.2% of all jobs in the PMA, while employment in the PMA represents 2.5% of all jobs in Northeast Minnesota (136,532).
- Data from the Quarterly Census of Employment and Wages indicates that employment in Ely contracted -14.6%, decreasing by -295 jobs, between 2010 and 2022. Employment in the Remainder of the PMA expanded 12%, adding 174 jobs, while Northeast Minnesota experienced a -0.7% decline in jobs during that period.
 - The PMA experienced a 7.2% increase in jobs (252 jobs) between 2010 and 2019, including a loss of -173 jobs in Ely (-173 jobs) against a gain of 425 jobs in the Remainder of the PMA (29% growth).
 - Due, in large part, to the COVID-19 pandemic and subsequent economic recession, employment in the PMA contracted by -707 jobs (-19%) between 2019 and 2020, including losses of -217 jobs in Ely (-12%) and -490 jobs in the Remainder of the PMA (-26%).
 - Employment in Northeast Minnesota is recovering from the COVID-19 recession, as the number of jobs increased 3.5% between 2020 and 2022, although total employment has not yet reached pre-COVID levels.
 - Ely and the PMA have also recovered many of the jobs lost, as Ely added 95 jobs between 2020 and 2022 (5.8% growth), while the Remainder of the PMA experienced 17.1% job growth (239 jobs).
- Modest job growth is anticipated in the Market Area over the next several years. Based on projections from MN DEED, employment in Northeast Minnesota is projected to expand 5.5% between 2020 and 2030 (4.5% growth between 2022 and 2030).

TABLE 11 EMPLOYMENT GROWTH TRENDS AND PROJECTIONS ELY MARKET AREA 2010 to 2030								
Annual Employment	City of Ely		Primary Market Area		Remainder of PMA		Northeast Minnesota	
2010	2,017		3,483		1,466		137,438	
2019	1,844		3,735		1,891		143,683	
2020	1,627		3,028		1,401		131,910	
2022	1,722		3,362		1,640		136,532	
2030 Forecast	1,809		3,565		1,756		142,615	
Change	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
2010 - 2019	-173	-8.6%	252	7.2%	425	29.0%	6,245	4.5%
2019 - 2020	-217	-11.8%	-707	-18.9%	-490	-25.9%	-11,773	-8.2%
2020 - 2022	95	5.8%	334	11.0%	239	17.1%	4,622	3.5%
2022 - 2030	87	5.1%	203	6.0%	116	7.1%	6,083	4.5%

Sources: MN DEED; Maxfield Research & Consulting, LLC

- The pace of job growth is expected to be somewhat restrained in Northeast Minnesota, as the Region will experience potential labor force shortages due to an aging population, flat population growth, and a surge in retirements.
- Over the past ten years, the PMA has contained 2.5% of the jobs in Northeast Minnesota, on average, ranging from a high of 2.61% in 2017 to a low of 2.30% in 2020. Based on recent trends, we project that the PMA will contain 2.50% of the Region’s jobs in 2030.
 - To reach that proportion, employment growth in the PMA will outpace the remainder of the Region, adding 203 jobs (6.0% growth) to reach total employment of 3,565 in 2030.
- Ely has contained 52.47% of the PMA’s jobs, on average, over the past ten years, although the proportion has declined to an average of 50.73% over the past five years. Utilizing a percentage of 50.75% to project employment to 2030, we anticipate that Ely will experience 5.1% job growth between 2022 and 2030, adding 87 jobs, while the Remainder of the PMA adds 116 jobs (7.1% growth).
- NewRange Copper Nickel (formerly referred to as PolyMet) has proposed a new copper-nickel mine in Babbitt which is going through an environmental review and permitting process. If ultimately approved, the facility could bring an estimated 360 new full-time jobs to the area toward the end of the forecast period in addition to the job growth projected in the preceding table.
- New housing will be needed to support potential job growth in the PMA.

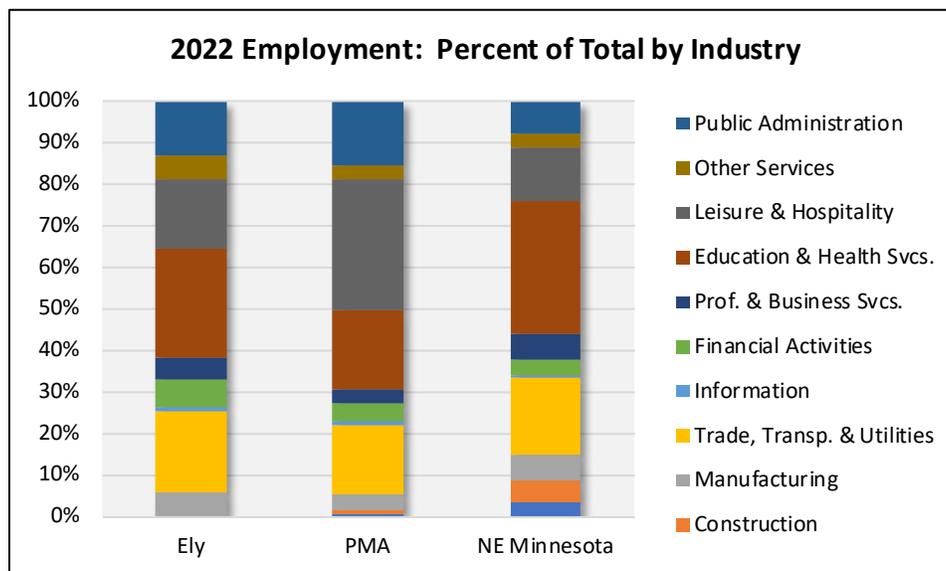
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Industry Employment and Wage Data

Tables 12 and 13 on the following pages display information on the employment and wage situation in Ely and the PMA compared to Northeast Minnesota. The Quarterly Census of Employment and Wages (QCEW) data is sourced from DEED and represents annual data for 2019 through 2022.

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.

- Education and Health Services is the largest employment sector in Ely with 437 jobs (25% of the total), while Leisure and Hospitality is the largest sector in the PMA with 829 jobs (25% of all jobs). Education and Health Services is the largest employer in Northeast Minnesota (32% of total employment).



- As noted previously, the Market Area lost jobs in 2020 due to the COVID-19 pandemic and subsequent economic recession. The PMA experienced -18.9% contraction in employment, losing -707 jobs, in 2020, as the Leisure and Hospitality sector lost -245 jobs (-23%).
 - Employment in Ely declined by -12% in 2020 (-217 jobs), with the largest job loss occurring in the Leisure and Hospitality sector, decreasing -36% (-118 jobs).
- Northeast Minnesota experienced a -8.2% loss in jobs in 2020. Job losses were most pronounced in the Leisure and Hospitality (-23%) sector in the Region.

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**TABLE 12
INDUSTRY EMPLOYMENT TRENDS
ELY MARKET AREA
2019 - 2022**

Industry	2019	2020	2021	2022	Change					
					2019-2020		2020-2021		2021-2022	
					No.	Pct.	No.	Pct.	No.	Pct.
Ely										
Total, All Industries	1,844	1,627	1,693	1,722	-217	-11.8%	66	4.1%	29	1.7%
Nat. Resources & Mining	--	--	--	--	--	--	--	--	--	--
Construction	--	--	--	--	--	--	--	--	--	--
Manufacturing	104	84	89	95	-20	-19.2%	5	6.0%	6	6.7%
Trade, Transp. & Utilities	356	336	328	325	-20	-5.6%	-8	-2.4%	-3	-0.9%
Information	20	18	20	19	-2	-10.0%	2	11.1%	-1	-5.0%
Financial Activities	102	100	103	108	-2	-2.0%	3	3.0%	5	4.9%
Prof. & Business Svcs.	119	88	94	92	-31	-26.1%	6	6.8%	-2	-2.1%
Education & Health Svcs.	442	428	431	437	-14	-3.2%	3	0.7%	6	1.4%
Leisure & Hospitality	332	214	258	280	-118	-35.5%	44	20.6%	22	8.5%
Other Services	90	79	93	97	-11	-12.2%	14	17.7%	4	4.3%
Public Administration	218	224	220	215	6	2.8%	-4	-1.8%	-5	-2.3%
Primary Market Area										
Total, All Industries	3,735	3,028	3,451	3,362	-707	-18.9%	423	14.0%	-89	-2.6%
Nat. Resources & Mining	20	--	16	15	--	--	--	--	-1	-6.3%
Construction	29	9	24	26	-20	-69.0%	15	167%	2	8.3%
Manufacturing	104	84	89	95	-20	-19.2%	5	6.0%	6	6.7%
Trade, Transp. & Utilities	450	421	404	447	-29	-6.4%	-17	-4.0%	43	10.6%
Information	20	18	20	19	-2	-10.0%	2	11.1%	-1	-5.0%
Financial Activities	127	110	112	117	-17	-13.4%	2	1.8%	5	4.5%
Prof. & Business Svcs.	119	88	94	92	-31	-26.1%	6	6.8%	-2	-2.1%
Education & Health Svcs.	442	479	483	493	37	8.4%	4	0.8%	10	2.1%
Leisure & Hospitality	1,065	820	920	829	-245	-23.0%	100	12.2%	-91	-9.9%
Other Services	90	79	93	97	-11	-12.2%	14	17.7%	4	4.3%
Public Administration	415	404	400	403	-11	-2.7%	-4	-1.0%	3	0.8%
Northeast Minnesota										
Total, All Industries	143,683	131,910	134,480	136,532	-11,773	-8.2%	2,570	1.9%	2,052	1.5%
Nat. Resources & Mining	4,797	4,448	4,738	4,522	-349	-7.3%	290	6.5%	-216	-4.6%
Construction	7,007	6,431	6,949	7,258	-576	-8.2%	518	8.1%	309	4.4%
Manufacturing	8,891	8,349	8,378	8,746	-542	-6.1%	29	0.3%	368	4.4%
Trade, Transp. & Utilities	25,751	24,318	24,382	24,812	-1,433	-5.6%	64	0.3%	430	1.8%
Information	1,311	1,133	1,106	1,092	-178	-13.6%	-27	-2.4%	-14	-1.3%
Financial Activities	5,627	5,187	5,034	5,118	-440	-7.8%	-153	-2.9%	84	1.7%
Prof. & Business Svcs.	8,547	8,046	8,286	8,574	-501	-5.9%	240	3.0%	288	3.5%
Education & Health Svcs.	46,464	44,324	43,979	43,649	-2,140	-4.6%	-345	-0.8%	-330	-0.8%
Leisure & Hospitality	18,984	14,619	16,508	17,476	-4,365	-23.0%	1,889	12.9%	968	5.9%
Other Services	5,145	4,154	4,353	4,569	-991	-19.3%	199	4.8%	216	5.0%
Public Administration	11,156	10,896	10,765	10,712	-260	-2.3%	-131	-1.2%	-53	-0.5%

Sources: MN DEED; Maxfield Research & Consulting, LLC

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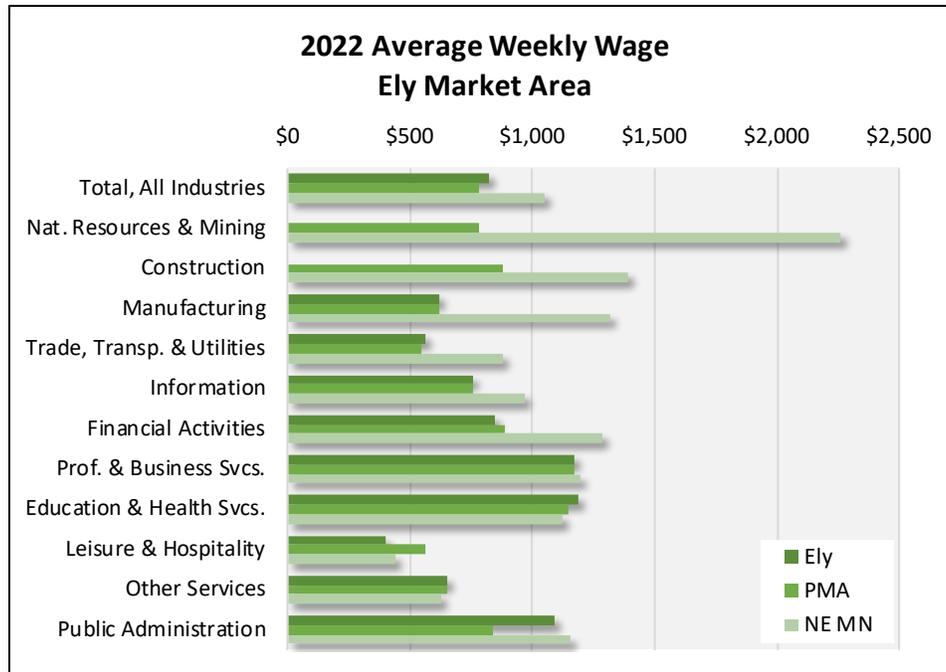
**TABLE 13
AVERAGE WEEKLY WAGES
ELY MARKET AREA
2019 - 2022**

Industry	2019	2020	2021	2022	Change					
					2019-2020		2020-2021		2021-2022	
					No.	Pct.	No.	Pct.	No.	Pct.
Ely										
Total, All Industries	\$723	\$774	\$783	\$823	\$51	7.1%	\$9	1.2%	\$40	5.1%
Nat. Resources & Mining	--	--	--	--	--	--	--	--	--	--
Construction	--	--	--	--	--	--	--	--	--	--
Manufacturing	\$516	\$647	\$603	\$618	\$131	25.4%	-\$44	-6.8%	\$15	2.5%
Trade, Transp. & Utilities	\$454	\$488	\$515	\$564	\$34	7.5%	\$27	5.5%	\$49	9.5%
Information	\$609	\$560	\$557	\$754	-\$49	-8.0%	-\$3	-0.5%	\$197	35.4%
Financial Activities	\$822	\$811	\$769	\$849	-\$11	-1.3%	-\$42	-5.2%	\$80	10.4%
Prof. & Business Svcs.	\$1,199	\$1,093	\$942	\$1,173	-\$106	-8.8%	-\$151	-13.8%	\$231	24.5%
Education & Health Svcs.	\$983	\$1,028	\$1,110	\$1,185	\$45	4.6%	\$82	8.0%	\$75	6.8%
Leisure & Hospitality	\$331	\$355	\$394	\$398	\$24	7.3%	\$39	11.0%	\$4	1.0%
Other Services	\$595	\$653	\$605	\$651	\$58	9.7%	-\$48	-7.4%	\$46	7.6%
Public Administration	\$1,019	\$1,029	\$1,045	\$1,091	\$10	1.0%	\$16	1.6%	\$46	4.4%
Primary Market Area										
Total, All Industries	\$688	\$674	\$769	\$781	-\$14	-2.0%	\$95	14.1%	\$12	1.6%
Nat. Resources & Mining	\$636	--	\$760	\$780	--	--	--	--	\$20	2.6%
Construction	\$657	\$494	\$813	\$878	-\$163	-24.8%	\$319	64.6%	\$65	8.0%
Manufacturing	\$516	\$647	\$603	\$618	\$131	25.4%	-\$44	-6.8%	\$15	2.5%
Trade, Transp. & Utilities	\$445	\$479	\$509	\$545	\$33	7.5%	\$30	6.3%	\$35	6.9%
Information	\$609	\$560	\$557	\$754	-\$49	-8.0%	-\$3	-0.5%	\$197	35.4%
Financial Activities	\$772	\$824	\$799	\$885	\$53	6.8%	-\$26	-3.1%	\$87	10.8%
Prof. & Business Svcs.	\$1,199	\$1,093	\$942	\$1,173	-\$106	-8.8%	-\$151	-13.8%	\$231	24.5%
Education & Health Svcs.	\$983	\$996	\$1,068	\$1,144	\$13	1.3%	\$73	7.3%	\$76	7.1%
Leisure & Hospitality	\$458	\$508	\$535	\$560	\$50	11.0%	\$26	5.1%	\$25	4.7%
Other Services	\$595	\$653	\$605	\$651	\$58	9.7%	-\$48	-7.4%	\$46	7.6%
Public Administration	\$780	\$812	\$826	\$837	\$32	4.0%	\$14	1.7%	\$12	1.4%
Northeast Minnesota										
Total, All Industries	\$898	\$951	\$1,004	\$1,051	\$53	5.9%	\$53	5.6%	\$47	4.7%
Nat. Resources & Mining	\$1,744	\$1,598	\$2,036	\$2,256	-\$146	-8.4%	\$438	27.4%	\$220	10.8%
Construction	\$1,235	\$1,253	\$1,318	\$1,392	\$18	1.5%	\$65	5.2%	\$74	5.6%
Manufacturing	\$1,184	\$1,231	\$1,276	\$1,317	\$47	4.0%	\$45	3.7%	\$41	3.2%
Trade, Transp. & Utilities	\$769	\$799	\$836	\$879	\$30	3.9%	\$37	4.6%	\$43	5.1%
Information	\$913	\$995	\$1,011	\$971	\$82	9.0%	\$16	1.6%	-\$40	-4.0%
Financial Activities	\$1,020	\$1,077	\$1,161	\$1,286	\$57	5.6%	\$84	7.8%	\$125	10.8%
Prof. & Business Svcs.	\$1,019	\$1,094	\$1,180	\$1,197	\$75	7.4%	\$86	7.9%	\$17	1.4%
Education & Health Svcs.	\$967	\$1,019	\$1,067	\$1,126	\$52	5.4%	\$48	4.7%	\$59	5.5%
Leisure & Hospitality	\$357	\$369	\$411	\$437	\$12	3.4%	\$42	11.4%	\$26	6.3%
Other Services	\$554	\$601	\$598	\$626	\$47	8.5%	-\$3	-0.5%	\$28	4.7%
Public Administration	\$1,031	\$1,095	\$1,126	\$1,153	\$64	6.2%	\$31	2.8%	\$27	2.4%

Sources: MN DEED; Maxfield Research & Consulting, LLC

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- Employment in the PMA, which improved in 2021 gaining 423 jobs (14.0%), contracted again in 2022, declining -3% (-89 jobs) between 2021 and 2022. The Leisure and Hospitality sector experienced the largest fluctuation in employment, recovering 100 jobs in 2021 (12%) before declining -10% (-91 jobs) in 2022.
- Ely experienced 2% job growth in 2022, adding 29 jobs, after experiencing 4% growth (66 jobs) in 2021. Leisure and Hospitality added 44 jobs in Ely during 2021 (21%) and gained another 22 jobs (9%) in 2022.



- Average weekly wages in Ely (\$823) are 5% higher than the PMA (\$781) but -22% lower than Northeast Minnesota (\$1,051).
- The average weekly wage increased 13.6% in the PMA since 2019, including a 13.8% increase in Ely, compared to a 17.0% increase in Northeast Minnesota.
- Highest average wages in the PMA are found in the Professional and Business Services (\$1,173) and Education and Health Services (\$1,144) industry sectors.
 - The Natural Resources and Mining sector has the highest wage in Northeast Minnesota (\$2,256), followed by Construction (\$1,392) and Manufacturing (\$1,317).
- A household earning the average weekly wage in the PMA (\$781) would be able to afford an apartment renting for approximately \$1,015 per month to not exceed 30% of its monthly income on housing costs, higher than the average rent for existing market rate rental units in the PMA (\$876).

Summary of Demographic Trends

The following summary highlights key demographic trends that will impact rental housing demand in the PMA. Several demographic factors influencing the area, notably shifting household types, rising incomes, and job growth are generating rental housing demand.

- We estimate that the PMA experienced a -2.6% decline in population (-269) against a -2.0% decrease in households (-100) between 2010 and 2023. We anticipate that the population in the PMA will continue to contract, declining -1.3% (-132 people) between 2023 and 2030 while the household decreases -1.2% (-61 households).
- Growth potential in Ely and the PMA will be determined, in part, by increased or decreased hiring by area employers, so actual population and household growth could surpass (or trail) these projections depending on job growth. Additionally, achieving any potential household growth will be highly dependent on the availability of suitable housing options in the area catering to a variety of household types, age groups, and income levels.
- The Client intends to develop a “workforce rental housing” project on the subject property, which is broadly defined as housing that targets households earning between 50% and 120% AMI. Based on income guidelines for St. Louis County, the workforce housing household income band ranges from \$31,650 for a one-person household in a studio or one-bedroom unit at 50% AMI to \$143,040 for an eight-person household in a four-bedroom unit at 120% AMI. As of 2023, an estimated 2,955 PMA households have incomes in the 50% to 120% AMI range, representing 60% of all households.
- The number of renter households in Ely increased 5% between 2010 and 2023, with the largest growth occurring in the 35 to 44 age group, adding 53 renter households followed by the 25 to 34 age group with the addition of 43 renter households. Renter household growth also occurred among the 55 to 64 and 65 and older age groups.
- Additionally, the PMA experienced solid growth among household types that typically comprise the target market for rental housing, including 2% growth in single-person households and 33% growth in non-family roommate households.
- An estimated 752 workers commute into Ely daily for employment (many coming from over 50 miles), and there is an opportunity to provide housing options for a portion of these workers.
- Employment growth can fuel household and population growth as people generally desire to live near their work. Employment in the PMA is projected to expand 6% between 2020 and 2030, adding 203 jobs, although an additional 360 jobs could be added in the PMA if the planned NewRange Copper Nickel mine in Babbitt moves forward. New housing will be needed to support potential job growth in the area.

Introduction

The following section of the report analyzes market conditions for general occupancy rental housing in Ely and the PMA. Topics covered include rental housing information from the American Community Survey, detailed information on individual multifamily rental properties in the PMA, and a summary of any general occupancy rental housing projects in the development pipeline (i.e. under construction, approved, proposed) in the PMA.

Overview of Rental Market Conditions

Maxfield Research utilized data from the American Community Survey (ACS) to evaluate recent rental market trends in the Ely Market Area. Table 14 on the following page shows estimated vacancy rates and gross rental rates from the 2021 ACS (the most recent data available) compared to estimates from the previous four ACS periods. Data is presented for the PMA and the Cities of Ely, Babbitt, Tower, and Winton in the PMA compared to St. Louis County and Minnesota.

Gross rent is defined as the amount of the contract rent plus the estimated average monthly cost of utilities and fuels if these are paid by the renter. Based on the ACS definition, a housing unit is considered vacant if no one is living in it at the time of the interview. Also, units occupied at the time of interview entirely by persons who are staying two months or less and who have a more permanent residence elsewhere are considered temporarily occupied and are classified as vacant.

- Reported vacancies in 2021 were estimated at 9.3% in the PMA, including 11.3% in Ely, 16.7% in Tower, 2.3% in Babbitt, and full occupancy in Winton. By comparison, the rental vacancy rate was 6.7% in St. Louis County and 4.7% in Minnesota.
 - Nationally, the equilibrium vacancy rate for rental housing is considered to be 7.0% which allows for normal turnover and an adequate supply of alternatives for prospective renters.
- Reported vacancies in Ely and the PMA were above equilibrium from 2019 to 2021, although vacancy rates were well-below equilibrium in 2017 and 2018.
- Vacancy estimates from the ACS are typically higher than what is found in apartment buildings as other types of rentals are included (i.e. vacant single-family rentals, short-term rentals). Additionally, the area experiences seasonal occupancy fluctuations due to the large college student population in Ely and a large presence of seasonal tourism workers.
- **Our survey of apartment buildings in the area, presented in the following section of this report, reveals that actual vacancy rates are much lower than the ACS estimates.**

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- Rental vacancy rates in St. Louis County have tracked slightly below equilibrium over the past five years, increasing from 5.6% in 2017 to 6.7% in 2021. By comparison, vacancy rates in Minnesota increased from 4.1% in 2017 to 4.7% in 2021.

	2017	2018	2019	2020	2021
Vacancy					
PMA	1.4%	1.6%	7.4%	6.8%	9.3%
Ely	1.4%	1.7%	13.7%	9.0%	11.3%
Babbitt	0.0%	0.0%	0.0%	0.0%	2.3%
Tower	5.4%	7.8%	2.2%	10.0%	16.7%
Winton	0.0%	0.0%	0.0%	0.0%	0.0%
St. Louis County	5.6%	5.7%	6.7%	6.7%	6.7%
Minnesota	4.1%	4.2%	4.2%	4.2%	4.7%
Monthly Rent					
PMA	\$655	\$606	\$617	\$547	\$583
Ely	\$556	\$496	\$494	\$490	\$560
Babbitt	\$648	\$660	\$656	\$655	\$630
Tower	\$967	\$543	\$625	\$508	\$515
Winton	\$819	\$838	\$856	\$833	--
St. Louis County	\$730	\$764	\$770	\$794	\$849
Minnesota	\$906	\$944	\$977	\$1,010	\$1,081
Note: Rent equals median gross rent					
Sources: ACS 5-year Estimates; Maxfield Research & Consulting, LLC					

- Median gross rents in Ely have fluctuated over the past five years, declining -12% from \$556 in 2017 to \$490 in 2020, before jumping 14% to \$560 in 2021. Similarly, the median gross rent in the PMA, which declined -16% from 2017 to 2020, increased 7% between the 2020 and 2021 ACS periods.
- Rental rate growth in Ely (0.6% growth per year, on average) between the 2017 and 2021 ACS periods has outpaced the PMA (average annual contraction of -2.6%) but has trailed the average annual rate of inflation of 2.5% over the past ten years.
 - By comparison, rents in St. Louis County and Minnesota experienced average annual growth of 3.9% and 4.5%, respectively, exceeding the historical rate of inflation.

Table 15 on the following page presents a breakdown of median gross rent and monthly gross rent ranges by number of bedrooms in renter-occupied housing units from the 2017-2021 ACS in Ely compared to the Remainder of the PMA, the PMA, and Minnesota.

RENTAL MARKET ANALYSIS

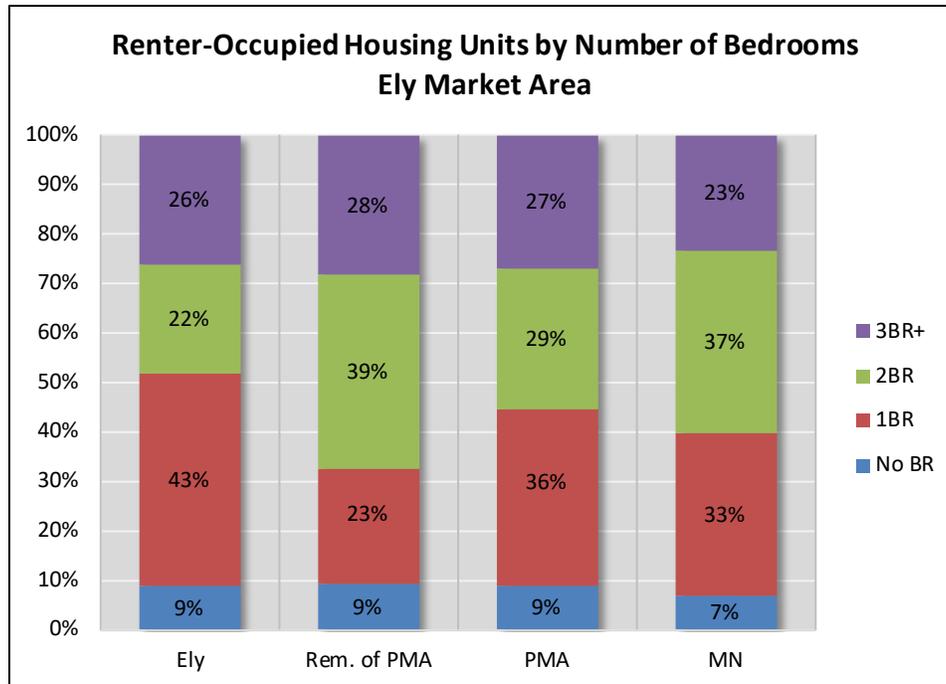
- With 627 units, 63% of the PMA's supply of renter-occupied housing units is located in the City of Ely, with the remaining units being scattered around the Remainder of the PMA, most notably in Babbitt (129 units), Greenwood Township (51 units), Morse Township (49 units), Breitung Township (45 units), and Tower (42 units).

	Ely		Rem. of PMA		PMA		MN
	No.	Pct. of Total	No.	Pct. of Total	No.	Pct. of Total	Pct. of Total
Total:	627	100%	376	100%	1,003	100%	100%
Median Gross Rent	\$560		\$636		\$583		\$1,081
No Bedroom	55	9%	35	9%	90	9%	7%
Less than \$300	0	0%	0	0%	0	0%	1%
\$300 to \$499	30	5%	11	3%	41	4%	1%
\$500 to \$749	25	4%	2	1%	27	3%	1%
\$750 to \$999	0	0%	10	3%	10	1%	2%
\$1,000 to \$1,499	0	0%	4	1%	4	0%	2%
\$1,500 or more	0	0%	4	1%	4	0%	1%
No cash rent	0	0%	4	1%	4	0%	0%
1 Bedroom	270	43%	87	23%	357	36%	33%
Less than \$300	156	25%	23	6%	179	18%	3%
\$300 to \$499	46	7%	28	7%	74	7%	3%
\$500 to \$749	38	6%	30	8%	68	7%	4%
\$750 to \$999	19	3%	0	0%	19	2%	8%
\$1,000 to \$1,499	11	2%	0	0%	11	1%	10%
\$1,500 or more	0	0%	0	0%	0	0%	4%
No cash rent	0	0%	6	2%	6	1%	0%
2 Bedrooms	138	22%	148	39%	286	29%	37%
Less than \$300	0	0%	8	2%	8	1%	1%
\$300 to \$499	0	0%	12	3%	12	1%	1%
\$500 to \$749	54	9%	50	13%	104	10%	4%
\$750 to \$999	41	7%	45	12%	86	9%	7%
\$1,000 to \$1,499	29	5%	13	3%	42	4%	15%
\$1,500 or more	0	0%	0	0%	0	0%	8%
No cash rent	14	2%	20	5%	34	3%	1%
3 or More Bedrooms	164	26%	106	28%	270	27%	23%
Less than \$300	0	0%	4	1%	4	0%	0%
\$300 to \$499	34	5%	4	1%	38	4%	1%
\$500 to \$749	0	0%	29	8%	29	3%	2%
\$750 to \$999	90	14%	20	5%	110	11%	3%
\$1,000 to \$1,499	18	3%	6	2%	24	2%	6%
\$1,500 or more	22	4%	0	0%	22	2%	9%
No cash rent	0	0%	43	11%	43	4%	2%

Sources: 2017-2021 ACS; Maxfield Research & Consulting, LLC

RENTAL MARKET ANALYSIS

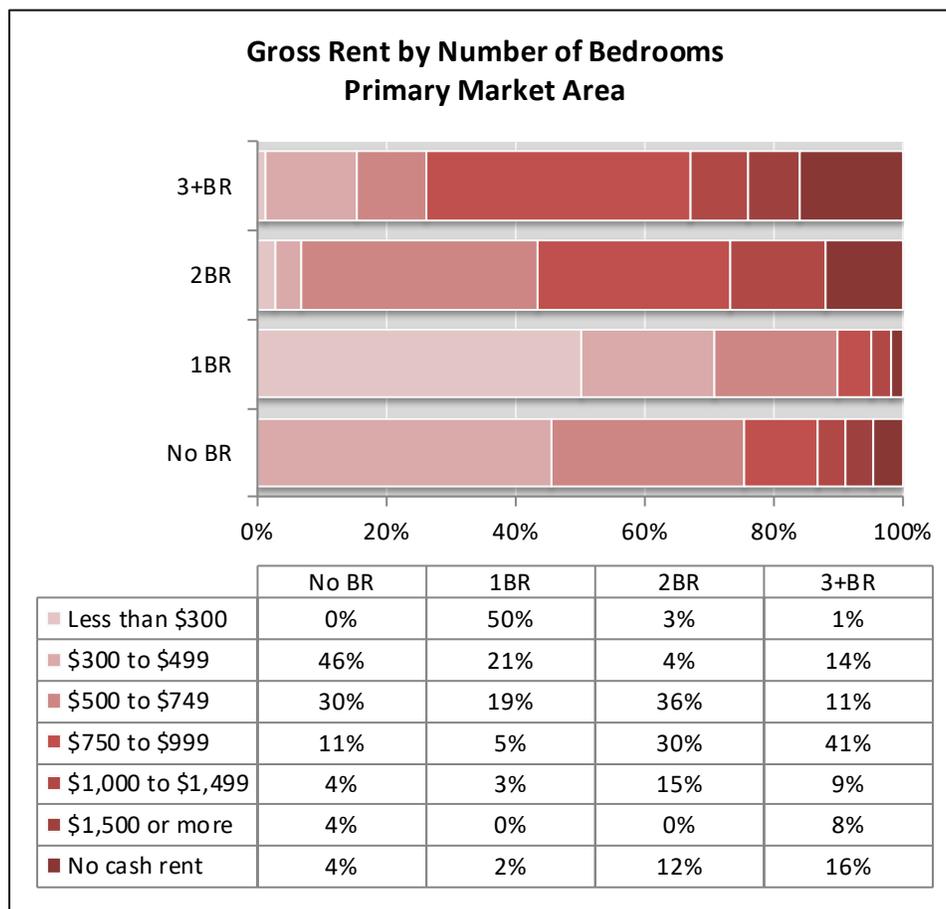
- As depicted in the following chart, the unit mix in Ely is weighted toward one-bedroom units, at 43% of the inventory. Units with three or more bedrooms represent 26% of the inventory, while 22% of the units have two bedrooms. Units without a bedroom (i.e. studio units) represent 9% of the renter-occupied units in Ely.



- By comparison, the unit mix in the Remainder of the PMA is weighted more toward larger unit sizes, as 39% are two-bedroom units while 28% of the units have three or more bedrooms. One-bedroom units represent 23% of the inventory in the Remainder of the PMA, while units without a bedroom represent 9% of the total.
- In Minnesota, two-bedroom units comprise the highest proportion of renter-occupied housing units (37%), followed by one-bedroom units at 33% and units with three or more bedrooms (23%). Units without a bedroom comprise 7% of all units in the State.
- An estimated 91% of the renter-occupied units in the PMA (98% in Ely) were reported as having cash rent, while 9% of the units were reported as having no cash rent (2% in Ely). By comparison, 4% of renter-occupied units Minnesota have no cash rent.
 - Units with no cash rent may be owned by friends or relatives who live elsewhere and who allow occupancy at no charge. Rent-free houses or apartment units may be provided to compensate caretakers, ministers, tenant farmers, or others.

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- As illustrated below, units with rents between \$500 and \$749 represented the largest proportion of renter-occupied housing units with cash rent in the PMA (23% of all units) in 2021, followed by units with monthly rents between \$750 and \$999 (22%).
 - Among the units without a bedroom in the PMA, 46% had monthly rents between \$300 and \$499 and 30% had rental rates between \$500 and \$749 per month.
 - The highest proportion of one-bedroom units had rental rates of less than \$300 per month (50% of the one-bedroom units), followed by the \$300 and \$499 (21%) and the \$500 to \$749 (19%) ranges.
 - The largest proportion of two-bedroom units had monthly rents in the \$500 to \$749 range (36%), followed by the \$750 to \$999 range (30%).
 - An estimated 41% of the units with three or more bedrooms in the PMA rent for between \$750 and \$999 per month while 14% have monthly rents between \$300 and \$499 and 11% have rents in the \$500 to \$749 range.

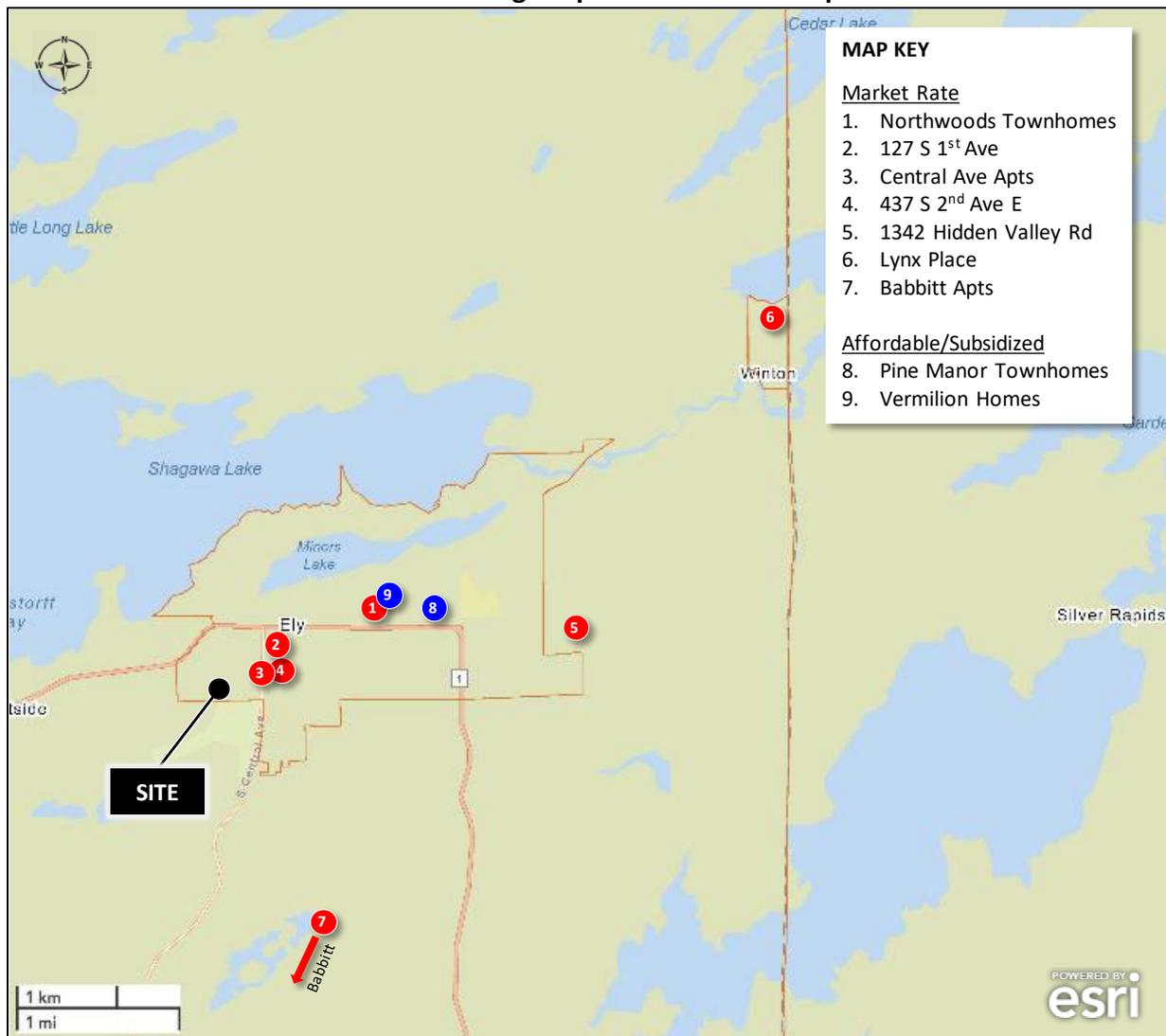


Rental Housing Property Survey

Maxfield Research compiled detailed information a select group of rental housing properties with four or more units, including seven market rate properties in the PMA and two general occupancy project-based Section 8 properties in Ely. Data was collected by contacting managers and owners for these properties in June 2023 and re-surveying these properties in February 2024..

The rents shown represent quoted rents and have not been adjusted to reflect the inclusion or exclusion of utilities at this time. Tables 16 and 17 on the following pages summarize information on these projects.

Rental Housing Properties Location Map



RENTAL MARKET ANALYSIS

TABLE 16 SELECT RENTAL PROPERTIES PRIMARY MARKET AREA February 2024											
Project Name/Location	Year Built	No. of Units	Total Vacant	Unit Description				Monthly Rent		Rent/sq. ft.	
				Type	No.	Vac.	Size	Min	Max	Min	Max
Market Rate Properties											
Northwoods Townhomes 802 Washington St E Ely, MN	2007	26	0	1BR	6	0	835 - 835	\$886 - \$897	\$1.06 - \$1.07		
			vacancy rate: 0.0%	2BR	20	0	1,070 - 1,070	\$1,045 - \$1,095	\$0.98 - \$1.02		
	Notes: Market rate rental townhomes for residents age 55 and older. Units feature full-size washer/dryer, full kitchen appliance package, AC, in-floor heat, detached garage, walk-in showers. Rent includes water and sewer. Currently 51 people on the wait list.										
127 S 1st Ave 127 S 1st Ave E Ely, MN	1930	6	0	Studio	1	0	350 - 350	\$375 - \$375	\$1.07 - \$1.07		
			vacancy rate: 0.0%	1BR	4	0	450 - 450	\$450 - \$450	\$1.00 - \$1.00		
				3BR	1	0	850 - 850	\$650 - \$650	\$0.76 - \$0.76		
	Notes: Rent includes heat and water. Studio and vacant 1BR unit share bathroom with another unit. Typically full with strong interest from Minnesota North College students.										
Central Ave Apts 311 S Central Ave Ely, MN	1932	8	0	Studio	2	0	400 - 400	\$585 - \$585	\$1.46 - \$1.46		
			vacancy rate: 0.0%	1BR	6	0	450 - 500	\$620 - \$720	\$1.38 - \$1.44		
	Notes: Two-story multifamily building. Property has off-street parking. Rent includes heat and utilities. Unit sizes estimated based on overall building size.										
437 S 2nd Ave E 437 S 2nd Ave E Ely, MN	'30-'40	7	0	2BR	7	0	759 - 1,152	\$855 - \$905	\$0.79 - \$1.13		
			vacancy rate: 0.0%								
	Notes: One single-family, two triplex buildings, detached garage parking available. Residents pay utilities separately. Currently 3 people on a waiting list.										
1342 Hidden Valley Rd 1342 Hidden Valley Rd Ely, MN	1972	4	0	2BR	4	0	640 - 1,000	\$685 - \$775	\$0.78 - \$1.07		
			vacancy rate: 0.0%								
	Notes: Amenities include detached garage, insulated workshop, storage building. Rents include heat, water, single-stall garage, trash removal, and grounds maintenance. Property owner resides in one of the four units.										
Lynx Place 500 Main St N Winton, MN	2000	4	0	3BR	4	0	1,000 - 1,200	\$1,295 - \$1,895	\$1.30 - \$1.58		
			vacancy rate: 0.0%								
	Notes: Detached 5-stall garage parking available. Heat, electric, water, sewer, trash removal included in rent.										
East Harvey Apts 143 East Harvey St. Ely, MN	1928	6	0	1BR	4	0	450 - 450	\$700 - \$700	\$1.56 - \$1.56		
			vacancy rate: 0.0%	2BR	1	0	750 - 750	\$800 - \$800	\$1.07 - \$1.07		
				3BR	1	0	950 - 950	\$1,000 - \$1,000	\$0.00 - \$0.00		
	Notes: Some detached garages available. Tenant pays all utilities. Two separate buildings.										
Babbitt Apts 12 Linney St Babbitt, MN	1977	4	0	1BR	1	0	850 - 850	\$750 - \$750	\$0.88 - \$0.88		
			vacancy rate: 0.0%	2BR	3	0	850 - 850	\$750 - \$750	\$0.88 - \$0.88		
	Notes: Detached garage parking available. On-site laundry facility. Resident pays for all utilities separately.										
Market Rate Total:		65	0								
		vacancy rate: 0.0%									

RENTAL MARKET ANALYSIS

TABLE 16 SELECT RENTAL PROPERTIES PRIMARY MARKET AREA February 2024											
Project Name/Location	Year Built	No. of Units	Total Vacant	Unit Description			Monthly Rent		Rent/sq. ft.		
				Type	No.	Vac.	Size	Min	Max	Min	Max
Market Rate Properties											
Northwoods Townhomes 802 Washington St E Ely, MN	2007	26	0	1BR	6	0	835 - 835	\$886 - \$897	\$1.06 - \$1.07		
			vacancy rate: 0.0%	2BR	20	0	1,070 - 1,070	\$1,045 - \$1,095	\$0.98 - \$1.02		
Notes: Market rate rental townhomes for residents age 55 and older. Units feature full-size washer/dryer, full kitchen appliance package, AC, in-floor heat, detached garage, walk-in showers. Rent includes water and sewer. Currently 51 people on the wait list.											
127 S 1st Ave 127 S 1st Ave E Ely, MN	1930	6	0	Studio	1	0	350 - 350	\$375 - \$375	\$1.07 - \$1.07		
			vacancy rate: 0.0%	1BR	4	0	450 - 450	\$450 - \$450	\$1.00 - \$1.00		
				3BR	1	0	850 - 850	\$650 - \$650	\$0.76 - \$0.76		
Notes: Rent includes heat and water. Studio and vacant 1BR unit share bathroom with another unit. Typically full with strong interest from Minnesota North College students.											
Central Ave Apts 311 S Central Ave Ely, MN	1932	8	0	Studio	2	0	400 - 400	\$585 - \$585	\$1.46 - \$1.46		
			vacancy rate: 0.0%	1BR	6	0	450 - 500	\$620 - \$720	\$1.38 - \$1.44		
Notes: Two-story multifamily building. Property has off-street parking. Rent includes heat and utilities. Unit sizes estimated based on overall building size.											
437 S 2nd Ave E 437 S 2nd Ave E Ely, MN	'30-'40	7	0	2BR	7	0	759 - 1,152	\$855 - \$905	\$0.79 - \$1.13		
			vacancy rate: 0.0%								
Notes: One single-family, two triplex buildings, detached garage parking available. Residents pay utilities separately. Currently 3 people on a waiting list.											
1342 Hidden Valley Rd 1342 Hidden Valley Rd Ely, MN	1972	4	0	2BR	4	0	640 - 1,000	\$685 - \$775	\$0.78 - \$1.07		
			vacancy rate: 0.0%								
Notes: Amenities include detached garage, insulated workshop, storage building. Rents include heat, water, single-stall garage, trash removal, and grounds maintenance. Property owner resides in one of the four units.											
Lynx Place 500 Main St N Winton, MN	2000	4	0	3BR	4	0	1,000 - 1,200	\$1,295 - \$1,895	\$1.30 - \$1.58		
			vacancy rate: 0.0%								
Notes: Detached 5-stall garage parking available. Heat, electric, water, sewer, trash removal included in rent.											
East Harvey Apts 143 East Harvey St. Ely, MN	1928	6	0	1BR	4	0	450 - 450	\$700 - \$700	\$1.56 - \$1.56		
			vacancy rate: 0.0%	2BR	1	0	750 - 750	\$800 - \$800	\$1.07 - \$1.07		
				3BR	1	0	950 - 950	\$1,000 - \$1,000	\$0.00 - \$0.00		
Notes: Some detached garages available. Tenant pays all utilities. Two separate buildings.											
Babbitt Apts 12 Linney St Babbitt, MN	1977	4	0	1BR	1	0	850 - 850	\$750 - \$750	\$0.88 - \$0.88		
			vacancy rate: 0.0%	2BR	3	0	850 - 850	\$750 - \$750	\$0.88 - \$0.88		
Notes: Detached garage parking available. On-site laundry facility. Resident pays for all utilities separately.											
Market Rate Total:		65	0								
		vacancy rate: 0.0%									
----- continued -----											

RENTAL MARKET ANALYSIS

TABLE 16 continued SELECT RENTAL PROPERTIES PRIMARY MARKET AREA February 2024											
Project Name/Location	Year Built	No. of Units	Total Vacant	Unit Description			Monthly Rent		Rent/sq. ft.		
				Type	No.	Vac.	Size	Min	Max	Min	Max
General Occupancy Affordable/Subsidized Properties in Ely											
Pine Manor Townhomes 1421 E Camp St Ely, MN	1978	30	1	2BR	24	1	957 - 957	30% of AGI		NA - NA	
			vacancy rate: 3.3%	3BR	6	0	1,178 - 1,178				
<i>Project-based Section 8 housing. Residents pay 30% of Adjusted Gross Income (AGI) for rent. Market rent for 2BR units = \$972/mo; 3BR - \$1,020/mo. Amenities include playground area, AC, private entry, on-site laundry facilities, pet-friendly detached garage available. Six people on the waitlist, most looking for 3BR units.</i>											
Vermilion Homes 925 E Washington St Ely, MN	1971	16	0	2BR	10	0	1,194 - 1,194	30% of AGI		NA - NA	
			vacancy rate: 0.0%	3BR	4	0	1,446 - 1,446				
				4BR	2	0	1,692 - 1,692				
<i>Project-based Section 8 public housing. Residents pay 30% of Adjusted Gross Income (AGI) for rent. Amenities include in-unit washer/dryer hook-ups, storage sheds. Heat, water, sewer, trash removal included in rent. Currently 38 people on the public housing wait list.</i>											
Sibley Manor 210 W White St Ely, MN	1969	39	0	1BR	38	0	510 - 510	30% of AGI		NA - NA	
			vacancy rate: 0.0%	2BR	1	0	720 - 720				
<i>Project-based Section 8 public housing. Residents pay 30% of Adjusted Gross Income (AGI) for rent. Amenities include common laundry (coin-operated), resident lounge, each floor, community rm w/serving kitchen, outdoor gardening areas, gazebo, outdoor community grill. Heat, water, sewer, trash removal included in rent. Currently 38 people on the public housing wait list.</i>											
Affordable/Subsidized Total:		85	1								
		vacancy rate:	1.2%								
Total		150	1								
		vacancy rate:	0.7%								
Source: Maxfield Research & Consulting, LLC											

Market Rate Summary

Table 17 on the following page provides a summary of the unit mix, vacancies, average sizes, and average rental rates among the select group of surveyed market rate properties in the PMA. Rental rates presented in the table are a weighted average based on the number of units at each property, so buildings with a larger number of units of any one type contribute more toward the average than those with only a few units of a specific type.

- We surveyed eight market rate apartment properties with four units or more in the PMA, totaling 65 units.
- Of the market rate units, 54% have two bedrooms (35) while 32% of units have one bedroom (21 units) and there are six, three-bedroom units (9%). There are also three studio units.
- At the time of the survey, there were no units vacant, resulting in a 0.0% vacancy rate among the market rate rental properties in the PMA. There are 51 people on a wait list for

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units at Northwoods Townhomes as of February 2024 and the owner of the property at 437 South 2nd Avenue has three people on a waiting list.

- Nationally, the equilibrium vacancy rate for market rate rental housing is considered as 7.0% which allows for normal turnover and an adequate supply of alternatives for prospective renters. In effect, the supply of market rate rental housing in the PMA is below the level to adequately meet demand.

Unit Type	Total Units	% of Total	Vacant Units	% Vacant	Avg. Size	Monthly Rents		
						Range Low - High	Avg. Rent	Avg. Rent/ Sq. Ft.
Studio	3	5%	0	0.0%	383	\$375 - \$585	\$515	\$1.33
1BR	21	32%	0	0.0%	586	\$450 - \$897	\$701	\$1.24
2BR	35	54%	0	0.0%	991	\$685 - \$1,095	\$958	\$0.96
3BR	6	9%	0	0.0%	1,033	\$650 - \$1,895	\$1,338	\$1.27
Total:	65	95%	0	0.0%	818	\$375 - \$1,895	\$890	\$1.04

Source: Maxfield Research & Consulting, LLC

- On average, units in these market rate projects have an estimated 818 square feet. The one-bedroom units are an estimated 586 square feet, on average, while the two-bedroom units average an estimated 991 square feet, and three-bedroom units average 1,033 square feet. The studio units average 383 square feet.
- The average rental rate across all market rate general occupancy properties is \$890 per month with a range of \$350 for a studio unit at 127 South 1st Avenue East to a high of \$1,895 for some three-bedroom units at the Lynx Place property in Winton.
- The one-bedroom units rent for \$701 per month, on average, while the two-bedroom units average \$958 per month, and three-bedroom units rent for an average \$1,338 per month. The studio units rents for an average of \$515 per month.
- On a per square-foot basis (psf), these market rate rental properties have an average rent of \$1.04 psf, with the one-bedroom units at \$1.24 psf and the two-bedroom units at \$0.96 psf. Three-bedroom unit rents average \$1.27 psf and the studio units average \$1.33 psf.
- While each property manages utilities differently, trash removal, water, and sewer are included in the rent at most properties.

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- Generally, amenities are limited at these market rate properties, although several properties have detached garage parking available.

Affordable/Subsidized Property Summary

- We identified two general occupancy subsidized apartment properties in Ely, totaling 46 units and one property that is mixed with older adults and persons with disabilities but is not specifically age-restricted.
- Among the two family properties, 74% of the units have two bedrooms (34 units), 22% are three-bedroom units (ten), and 4% of the units have four bedrooms (two units). The third property, Sibley Manor has primarily one-bedroom units (38 of 39 units).
- At the time of the survey, there was one unit vacant at Pine Manor Townhomes, resulting in vacancy rate of 1.2%, below the market equilibrium rate for affordable/subsidized units which is between 2% and 3%, depending on the funding program.
 - There are currently 38 people on the public housing waiting list at the Vermilion Homes property and another six people on the wait list for Pine Manor Townhomes.
- Rents at Pine Manor Townhomes, Vermilion Homes and Sibley Manor are based on 30% of adjusted gross income.

Additional Market Rate Rentals in Ely

Maxfield Research identified other single property rentals in Ely. Seven additional single property rentals were identified with units ranging from one-bedroom to three-bedroom. Rent levels ranged from \$700 to \$800 per month for one-bedroom units, from \$725 to \$1,000 per month for two-bedroom units and \$1,300 per month for a three-bedroom unit. These properties are mixed with regards to utilities, with about half of the properties including heat, water, sewer and trash removal in the rent and the other half having the tenant pay all the utilities.

Pending Rental Developments

Maxfield Research contacted staff in the communities comprising the PMA to identify any new rental housing developments that are proposed, planned or under construction that may be competitive with the proposed development.

- We did not identify any pending rental housing developments in the PMA.

Introduction

Maxfield Research & Consulting, LLC was engaged to quantify the demand potential for a rental housing development in the City of Ely from 2023 to 2028 that would target the area's workforce. Earlier sections of this report reviewed the project concept and characteristics of the subject property and examined growth trends and demographic characteristics of area households, employment trends, and rental housing market conditions in Ely and the surrounding area.

This section of the report begins by summarizing feedback that was obtained through personal interviews with representatives from major employers and local officials in Ely and quantifies demand for workforce rental housing from 2023 to 2028.

Interview Summary

In an attempt to gain additional insight into rental housing demand in Ely and the surrounding PMA, Maxfield Research solicited input from individuals familiar with housing issues in the area, notably representatives from major employers and real estate professionals. Topics included the types of housing being sought in the area, whether there are gaps in the existing supply of available housing, and the impact housing availability has on the ability of employers to attract and retain workers. The following points summarize findings from this process.

- There's been high demand for housing in Ely since COVID, with very limited availability.
- Some employers in the area would like to expand their workforce but there's a labor shortage, and many new hires have had trouble finding a place to live. In addition to the larger employers, there are several small manufacturing companies in Ely that need housing for their workers.
- All the major employers interviewed stated that they have trouble hiring due to a lack of available housing in Ely. In some cases, job offers are rejected because the potential new hire can't find suitable housing, or they can't afford the housing that's available.
- There's a strong need for new rental housing in Ely, as there are essentially no apartments to rent, and there is a need for more housing opportunities for single-person households.
- People are sometimes forced to move into someone else's home because they haven't been able to find housing. Some employees also end up renting seasonal housing on a temporary basis and need to move out during the summer months.
- Overall, Ely has a very "tough" housing market with very limited availability, and many of the homes that become available are not affordable to area workers.

CONCLUSIONS & RECOMMENDATIONS

- There is a shortage of housing in Ely, particularly for “middle-income” households, both for-sale housing as well as rental housing. There seems to be enough low-income housing in the area.
- There is a definite rental housing shortage in the area, for all markets, including seniors, workforce, and college students.
- It was suggested that a new rental housing development would probably fill immediately if it were priced appropriately for the area’s workforce and there is a strong need for rental housing that can accommodate families. A new rental housing project would be in strong demand.
- New rental housing should be the top priority, either apartments or townhomes. A new development should offer basic features and amenities, and it shouldn’t be a luxury or high-end building.
- There is also a need for affordable single-family housing, or housing products such as townhomes or twin homes that are priced for younger buyers.
- Many potential buyers end up moving to Babbitt instead of Ely, because Babbitt has newer homes that are less expensive than in Ely.
- Ely has an aging housing market, and living expenses seem to be fairly high.
- Some of the rental housing in the City is poorly-maintained with high utility costs, offsetting lower rental rates.
- There is a gap in the market for middle-income households, such as teachers and other area workers, to buy or rent housing. There is a definite shortage of market rate rental housing.
- Many homes that become available for sale end up being purchased as vacation homes, or from investors who turn them into short-term rental properties.
- Pricing needs to be appropriate for the area’s workforce.
- At the largest employers in Ely, entry-level annual salaries typically start in the \$35,000 to \$50,000 range, depending on the type of position.
- Many new hires would like to find rental housing, at least on a temporary basis, before buying a home.
- The housing shortage is a barrier to employers’ ability to attract and retain workers, and in some cases, employers are losing workers due to the lack of housing.

General Occupancy Workforce Rental Housing Demand

Table 18 on the following page presents our calculation of general occupancy rental housing demand for the PMA, specifically workforce rental housing. Factors considered include demographic trends, population shifts, and pending developments. Potential rental housing demand is calculated from two categories:

1. From new household growth based on the propensity of households to rent their housing in the PMA; 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 (50%) 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 workforce rental housing development in the PMA. The propensity to rent or own is based on 2021 American Community Survey figures by age cohort.

Next, we calculate the percentage of renters who are income-qualified for market rate workforce rental housing which would require household incomes above 60% AMI. A one-person household in St. Louis County at 60% AMI would have an estimated income of \$37,980.

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 American Community Survey data) and were applied to the existing household base.

Together with demand from projected household growth and turnover, the total demand for market rate workforce rental housing is summarized. In the PMA, total demand for income-qualified market rate workforce housing is 176 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 workforce rental housing in the PMA would be derived from outside the PMA, increasing demand to 251 units.

CONCLUSIONS & RECOMMENDATIONS

From the demand potential, we subtract pending competitive developments in the PMA at market equilibrium (95% occupancy) to find the remaining excess demand in the Market Area. No pending rental housing developments were identified in the PMA. In total, we find excess demand for 251 units of market rate rental housing in the PMA between 2023 and 2028.

TABLE 18					
PROJECTED DEMAND FOR WORKFORCE MARKET RATE RENTAL HOUSING					
PRIMARY MARKET AREA					
2023 to 2028					
	----- 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 2023 - 2028 ¹	5	0	52	0	353
(times) Proportion estimated to be renting their housing ²	x 47%	67%	36%	18%	23%
(equals) Demand For Rental Housing, 2023-2028	= 2	0	19	0	81
Demand From Existing Households					
Estimated number of renter households in 2023	77	242	95	253	270
(times) Estimated % Turnover between 2023 & 2028	x 88%	88%	35%	35%	38%
(equals) Total Existing Households Projected to Turnover	= 68	214	34	90	103
(times) Percent of Households Income Qualified ²	x 64%	80%	86%	82%	71%
(equals) Total Number of Income-Qualified Households	= 44	171	29	74	73
(times) Estimated % Desiring New Rental Housing	x 25%	35%	35%	35%	20%
(equals) Demand From Existing Households	= 11	60	10	26	15
Total Demand From Household Growth and Existing Households	13	60	29	26	96
Demand Summary					
Total Market Area Demand for Rental Housing in PMA			176		
(plus) Demand from outside PMA (30%)	+		75		
(equals) Potential demand for rental housing in PMA (2023-2028)	=		251		
(minus) Pending rental units in the PMA at equilibrium	-		0		
(equals) Excess demand for rental housing in PMA (2023-2028)	=		251		
(times) Proportion Workforce Renter HHHs at 60%-120% AMI	x		60%		
(equals) Workforce Rental Housing Demand in PMA (units)	=		151		
Workforce Housing Units Proposed on Site		32	-	37	
Project Penetration Rate - Total Excess Rental Housing Demand	=	12.1%	-	14.0%	
Project Penetration Rate - Workforce Rental Housing Demand	=	20.2%	-	23.3%	
¹ Affordable to 1-person household earning 60% AMI (\$37,980) and higher					
² Data from U.S. Census Bureau and ESRI.					
³ Proposed units at equilibrium (95% occupancy) divided by demand					
Source: Maxfield Research & Consulting, LLC					

Based on the income distribution of renter households in the PMA, we estimate that 60% of excess demand potential would be from households in the target income band for workforce housing which ranges from \$37,980 (one-person household at 60% AMI) to \$143,040 (eight-person household at 120% AMI). We find excess demand for 151 workforce rental housing units in PMA. Demand for the remaining 100 units would be derived from households with incomes

CONCLUSIONS & RECOMMENDATIONS

above the target workforce housing income range (60% to 120% AMI) that would likely qualify for market rate rental housing.

It is our understanding that the Client is considering an apartment-style building of between 32 and 37 units on one of the subject Sites. The project penetration rate for the proposed units (units to be filled at equilibrium divided by the total excess demand for rental housing in the PMA) is 12.1% to 14.0%. Additionally, at from 32 to 37 units, the proposed project would have a workforce rental housing demand penetration rate range of between 20.2% to 23.3%. Given the quality of the subject property and the extremely tight rental housing market conditions in the PMA, we anticipate that these capture rates are achievable.

Conclusions

Nationally, the equilibrium vacancy rate for rental housing is considered to be 5.0%, although in some large urban cities, the market equilibrium is considered at 7.0% due to significant levels of construction and higher rates of rental turnover. The equilibrium vacancy rate of 5.0% for smaller regional centers and rural communities allows for normal turnover and an adequate supply of alternatives for prospective renters. As of February 2024, there was one vacant unit in the set of market rate and affordable/subsidized properties surveyed by Maxfield Research, representing a 0.86% vacancy rate overall.

- **This information indicates that there is significant pent-up demand for new rental housing in the Market Area catering to variety of income levels.**

Median gross rents in Ely have fluctuated over the past five years, declining -12% from \$556 in 2017 to \$490 in 2020, before jumping 14% to \$560 in 2021. Rent growth in Ely (0.6% growth per year, on average) between the 2017 and 2021 ACS periods has outpaced the PMA (average annual contraction of -2.6%) but has trailed the average annual rate of inflation of 2.5% over the past ten years. By comparison, rents in St. Louis County and Minnesota experienced average annual growth of 3.9% and 4.5%, respectively, exceeding the historical rate of inflation.

The average rental rate across the surveyed market rate properties is \$890 per month, which equates to \$1.04 psf. One-bedroom units rent for \$701 per month (\$1.24 psf), on average, while the two-bedroom units average \$958 per month (\$0.96 psf) and three-bedroom unit rents average \$1,338 per month (\$1.27 psf).

Several demographic factors influencing the area, notably an aging population, income growth, and shifting household types are generating a need for new housing in the PMA. Additionally, potential job growth will stimulate the need for new housing to support an expanding workforce. An estimated 887 workers commute into Ely for employment daily, with many coming from over 50 miles, and there is an opportunity to provide housing options for a portion of these workers.

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Due, in part, to the COVID-19 pandemic, Minnesota is experiencing an increase in people moving into rural areas, a trend that is likely to continue to a certain extent as many employees have shifted to work-from-home situations. Ely could potentially capture a portion of the demand from households relocating to rural settings. However, this would be dependent on the availability of suitable housing options.

Overall, we find market support for new rental housing units in the PMA. Consistent with our findings from the competitive inventory and demand analysis, there appears to be a strong need for new rental housing targeting moderate-income households in the PMA, as evidenced by the tight occupancies among the surveyed properties.

The strongest sources of demand for new workforce rental housing on the Site will likely be young singles and roommate households along with couples without children in their mid/late-20s to mid-30s who work for nearby employers. Seniors (age 65 and older) and mid-age people (never-nesters or empty-nesters) will also account for a portion of demand for new rental apartments on the subject property.

We estimate that there will be excess demand for 251 market rate workforce rental housing units, including 151 units for households within the workforce housing income band, in the PMA between 2023 and 2028. We estimate that the proposed 32- to 37- unit rental apartment development would capture between 12.1% and 14.0% of the total excess demand potential and between 20.2% and 23.3% of the workforce rental housing demand in the PMA.

- Considering there is very little existing rental product available in the PMA, as reflected by the 0.86% vacancy rate among the surveyed rental properties, and no new rental housing developments are pending, it is our professional opinion that the capture rates identified are achievable.

Development Concept Recommendations

As noted previously and summarized in Table 19 on the following page, a 32- to 37-unit apartment-style building is being considered for one of two sites in Ely. Maxfield Research recommends the following unit mix, sizes and rent levels for the proposed building.

Maxfield Research recommends a 37-unit apartment-style building with rents of \$850 per month for a studio unit, \$1,050 per month for one-bedroom units, \$1,280 per month for two-bedroom units and \$1,550 per month for three-bedroom units.

Based on a monthly rent of \$1,050 for a one-bedroom unit, a household will need to have an annual income of \$42,000 or greater to not exceed 30% of its income on housing costs. This income falls within the 60% to 70% AMI income band for a one-person household.

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MN Housing has published the following affordable workforce rents by unit type for St. Louis County for the workforce housing funding program.

AFFORDABLE WORKFORCE HOUSING RENT LEVELS					
St. Louis County					
	0BR	1BR	2BR	3BR	4BR
Maximum Rent	\$1,055	\$1,130	\$1,356	\$1,567	\$1,748

Source: MN Housing

St. Louis County is the largest county in Minnesota and covers a very broad land area and includes the City of Duluth, where rent levels are much higher. We have proposed rent levels that are below the maximum rent levels listed above to reflect the current market conditions in the City of Ely and the wage rates for jobs in that market.

A one-person household earning between 60% and 80% AMI (\$37,980 to \$50,640 per year) would be able to afford a studio unit at the proposed development. A one-person household earning an income at 70% of AMI would be able to afford the proposed rent for a one-bedroom unit.

Based on the proposed rent structure, we anticipate that the development will be attractive to young to mid-age households, the workforce in Ely. As determined during the interview process with major employers in Ely, we understand that starting salaries for entry level workers (a key target market for workforce rental housing) range from approximately \$35,000 to \$50,000, depending on position.

Based on this information, along with published income and rent guidelines, we recommend the following unit mix, sizes and rent levels for the proposed development as shown on Table 19.

Studio units would rent for \$850 per month; one-bedroom units would rent for \$1,050 per month. A single-person household would need a minimum annual income of less than \$37,980 to afford the studio unit and would need an income of \$42,000 to afford a one-bedroom unit, which falls within the 60% to 70% AMI range and would capture a larger portion of the workforce target market.

We recommend that the landlord provide professional management, grounds/common area maintenance, and trash removal. Other utilities and optional fees (i.e. gas, water, electricity, telephone, cable/satellite television) should be the responsibility of the tenant.

CONCLUSIONS & RECOMMENDATIONS

TABLE 19 WORKFORCE RENTAL APARTMENT-STYLE BUILDING ELY, MINNESOTA February 2024					
Recommended Modifications					
Unit Type	# of Units	% of Total	Unit Size (Sq. Ft.)	Proposed Rent/Mo.	Rent Per Sq. Ft.
Studio	5	14%	500	\$850	\$1.70
1-Bedroom	21	57%	680	\$1,050	\$1.54
2-Bedroom	10	27%	1,000	\$1,280	\$1.28
3-Bedroom	1	3%	1,250	\$1,550	\$1.24
Totals/Average	37	100%	758	\$1,099	\$1.45
Pricing is in 2024 dollars and can be trended upward by 2.0% to 2.5% to occupancy.					
Sources: Maxfield Research & Consulting, LLC					

Support for the recommended pricing will require offering modest features and amenities to attract renters. We recommend that the proposed project offer the following unit features and common area amenities:

Unit Features

- Open floor plan with high ceilings (9 feet or higher) and oversized windows
- Patios or decks
- Full kitchen appliance package (refrigerator/freezer with ice maker, built-in microwave oven, garbage disposal, dishwasher) with black appliances
- Center island in kitchen and high-quality counters
- Walk-in closets
- In-unit washer and dryer
- USB plug-ins in bedrooms and kitchen
- Laminate wood-plank or luxury vinyl tile flooring

Common Amenities

- Outdoor living options (i.e. green space, outdoor grilling area, playground)
- Bike storage
- Detached garage parking at a ratio of one stall per unit
- Additional surface parking for guests
- Electric car charging station
- Pet-friendly.

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Because of the pandemic, an increasing number of people are working remotely, a trend that is likely to continue to some degree. Subsequently, properties that are well-equipped for telecommuting are becoming more important to residents. Including in-unit features like built in desks and built in USB ports should be well-received by prospective renters looking for a designated workspace. These features will be especially useful long-term as some workers transition into hybrid in-person and work-from-home schedules post-COVID-19.

Maxfield Research recommends the development of an apartment -style multifamily building. We recommend a 37-unit rental housing development targeted specifically to the area's workforce, which would be a capture rate of 23.3% of the excess workforce housing demand. We suggest a mix of studio, one-, two and three-bedroom units with rents ranging from \$850 for an efficiency unit to \$1,550 for a two-bedroom unit.

An \$850 monthly rent would be affordable to a single-person household earning \$34,000 per year (\$16.29 per hour) which falls in the 50% to 60% AMI range. A monthly rent of \$1,050 would be affordable to a one person household at \$42,000 per year (\$20.19 hourly wage) which falls in the 60% to 70% AMI range. Similar to a workforce rental housing development, we recommend that an apartment building offer modest features and amenities, such as nine-foot ceilings, full kitchen appliance package, USB plug-ins, outdoor features (grilling area, outdoor seating, etc.) and garage parking.

Projected Absorption

Based on current market conditions, exceptionally tight occupancy at the surveyed market rate and affordable/subsidized properties in the PMA and the length of the wait lists at several of the surveyed properties, we estimate that a 32- to 37-unit general occupancy workforce rental project developed on the subject property coming on-line in late 2025 or spring 2026 would have an estimated 50% of its units pre-leased with the remaining units leasing at a rate of three to four units per month, on average. At this absorption rate, stabilized occupancy (95%) would be reached in four to six months.

This projected absorption rate assumes that the project would open for occupancy 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.

Housing Programs

Many local governments offer housing programs designed to enhance, improve, or develop new housing stock. The following points are designed to provide ideas and suggestions to help the public and private sector support housing programs and incentives to spur housing development in Ely. The examples presented on the following pages identify housing tools utilized in other communities; however, this is not an all-encompassing list as many governmental agencies offer different programs based on their individual needs.

Federal funds for housing development have been declining for decades and the remaining housing programs include the Community Development Block Grant (CDBG), the HOME Investment Partnerships Program, Housing Choice Vouchers, Low-Income Housing Tax Credits (LIHTC), and USDA rural housing programs. However, local units of government are increasingly dependent on other resources to support development such as housing trust funds and housing bonds.

State/National Resources:

Minnesota Housing Finance Agency (“Minnesota Housing”) – Minnesota Housing is a housing finance agency whose mission is to finance affordable housing for low- and moderate-income households across Minnesota. Minnesota Housing partners with for-profit, non-profit, and governmental sectors to help develop and preserve affordable housing. The organization provides numerous products and services for both the single-family and multifamily housing sectors.

Their five strategic priorities are as follows; preserve federally subsidized rental housing, promote and support successful homeownership, address specific and critical rental housing needs, prevent and end homelessness, prevent foreclosure and support community recovery.

The Workforce Housing Development Program targets communities in Greater Minnesota where housing shortages hinder the ability of businesses to attract workers. Currently, individual project awards cannot exceed 25% of the total development costs. However, legislation is being considered to increase that amount to 50%. Program criteria are summarized below.

- To be eligible for the Workforce Housing Development Program, a project area must be either:
 - 1) a home rule or statutory city located outside of the Twin Cities Metro Area with a population that exceeds 500 residents
 - 2) a community with a combined population of 1,500 residents located within 15 miles of a home rule charter or statutory city, or
 - 3) an area served by a joint county-city economic development authority
- A vacancy rate of 5% or lower for at least the prior two years
- One or more businesses located in the project area (or within 25 miles of the area) that employ 20 full time equivalent employees

CONCLUSIONS & RECOMMENDATIONS

- A statement from participating businesses that a lack of housing makes it difficult to recruit and hire workers, and
- The development must serve employees of businesses in the project area.

The Minnesota Affordable Housing Tax Credit (AHTC) and the Housing Tax Credit Contribution Account (HTCCA), which were established in 2021, offer a flexible fund that provides loans and grants to developers for eligible housing projects. The fund is capitalized by contributions from taxpayers. Participating taxpayers receive a \$0.85 credit for every dollar contributed to the Housing Tax Credit Contribution Account (minimum contribution of \$1,000).

The program is expected to start in 2023 and for the next six years, but Minnesota Housing and the Department of Revenue need to adopt program guidelines and criteria.

- Eligible uses include multifamily units for households with incomes at or below the greater of 80% AMI or SMI; single-family homes for households with incomes at or below the greater of 115% AMI or SMI; gap financing; new construction; acquisition; rehabilitation; demolition; construction financing; permanent financing; interest rate reduction; and refinancing.
- Eligible awardees include a City, federally recognized American Indian tribe or subdivision, tribal housing corporation, private developer, non-profit organization, housing and redevelopment authority, public housing authority or agency, owner of the housing.

The Economic Development and Housing Challenge funds the construction, purchase, financing, and redevelopment of single-family homes and multifamily rental properties with deferred loans. The program has a specific goal of enhancing economic development and is a primary resource for workforce housing.

The Low- and Moderate-Income Rental Program (LMIR) provides long-term amortizing mortgage debt for multifamily rental housing affordable to low- and moderate-income households in Minnesota. Generally, properties with less than 24 units are not financially feasible, although smaller projects may be considered. Eligible activities include new construction, rehabilitation of existing affordable housing, adaptive reuse, preservation of affordable housing, preservation of federally assisted housing, construction to permanent financings, and refinance of existing mortgages.

The Workforce and Affordable Homeownership Development Program provides a one-time grant of up to \$375,000 for the development of workforce and affordable homeownership projects across Minnesota. Funds serve households up to 115% AMI, and may be used for residential housing development, rehabilitation, land development, infrastructure development, and repair for manufactured home parks.

CONCLUSIONS & RECOMMENDATIONS

Greater Minnesota Housing Fund – The Greater Minnesota Housing Fund (“GMHF”) supports, preserves, and creates affordable housing in the 80 counties outside the core Twin Cities Metro Area. The GMHF provides numerous programs, financing mechanisms, technical support, and research to support production of affordable housing.

The Revolving Development Loan Fund awards development loans to create or preserve affordable homes throughout Minnesota.

Minnesota Equity Fund raises equity capital from corporations and banks to invest in sustainable affordable housing developments in Minnesota, including workforce housing, low-income senior housing, mixed-use and mixed-income housing, and supportive housing.

The NOAH Impact Fund finances the acquisition and preservation of naturally occurring affordable rental housing to preserve the long-term affordability of rental units at risk of conversion to higher rents.

Minnesota Department of Employment and Economic Development – MN DEED offers community development funding through two programs for projects that assist communities stay vital and pursue economic development. The Small Cities Development Program offers state grant funds to rehabilitate local housing stock. Local governments lend funds to projects benefiting low- and moderate-income households and may be used for owner-occupied or rental projects. Additionally, public facility grants are directed toward wastewater treatment projects.

United States Department of Agriculture (USDA) Rural Development – Housing support is available through the “Housing and Community Assistance” program that is part of USDA Rural Development. The program is designed to improve housing options in rural communities and operates a variety of programs including homeownership assistance, housing rehabilitation and preservation, and rental assistance.

Other Resources/Examples

There are many other housing programs that Ely could consider utilizing to aid and improve the housing stock. The following is a list of potential programs that could be explored.

- Affordable Housing Trust Fund: Local Housing Trust Funds (LHTF) are funds established by a local government by dedicating local public revenue for housing. They are a consistent, flexible resource for housing within a local jurisdiction. Trust funds help communities leverage public and private resources and initiate projects that draw investment and jobs. Minnesota Housing Partnership recently completed a Local Housing Trust Fund Manual which is available on their website: <https://www.mhponline.org/images/LHTFManual/LHTFManualMN.pdf>

CONCLUSIONS & RECOMMENDATIONS

- Foreclosure Home Improvement Program: Low-interest loans to buyers of foreclosed homes to assist homeowners with needed home improvements while stabilizing owner-occupied properties. A portion of the loan could be forgivable if the occupant resides in home at least five years. Eligible participants should be based on income-guidelines (typically 80% AMI or lower).
- Historic Preservation: Encourage residents to preserve historic housing stock in neighborhoods with homes with character through restoring and preserving architectural and building characteristics. Typically funded with low interest rates on loans for preservation construction costs.
- Home-Building Trades Partnerships: Partnership between local Technical Colleges or High Schools that offer building trades programs. Affordability is gained through reduced labor costs provided by the school. New housing production serves as the “classroom” for future trades people to gain experience in the construction industry. This program is contingent on proximity to these programs.
- Home Energy Loans: Offer low interest home energy loans for homeowners to make energy improvements in their house.
- Land Trust: Utilizing a long-term 99-year ground lease, housing remains affordable as the land is owned by a non-profit organization. Subject to income limits and targeted to workforce families with low- to moderate-incomes. If the owner chooses to sell the home, the sale price is lower as land is excluded.
- Low or No Cost City-Supplied Land: Sell city-owned land at low/no cost for the construction of mixed-income and affordable housing.
- Rental License: Licensing rental properties in the communities. Designed to ensure all rental properties meet local building and safety codes. Typically enforced by the fire marshal or building inspection department. Should require annual license renewal.
- Rent to Own: Income-eligible families rent for a specified length of time with the end-goal of buying a home. The administering agency saves a portion of the monthly rent that will be allocated for a down payment on a future house.
- Scattered Site Housing Program: Target distressed or blighted single-family properties for demolition and rehabilitation. Once demolished, vacant lots can be sold for the construction of a new single-family home.
- Tax Abatement: A temporary reduction in property taxes over a specific time period on new construction homes or home remodeling projects. Encourages new construction or rehabilitation through property tax incentives.

CONCLUSIONS & RECOMMENDATIONS

- Tax Increment Financing (TIF): Program that offers communities a flexible financing tool to assist housing development projects and related infrastructure. TIF enables communities to dedicate the incremental tax revenues from new housing development to help make the housing more affordable or pay for related costs.

TIF funds can be used to provide a direct subsidy to a particular housing project or they can also be used to promote affordable housing by setting aside a portion of TIF proceeds into a dedicated fund from other developments receiving TIF.

- Waiver or Reduction of Development Fees: There are several fees developers must pay including impact fees, utility and connection fees, park land dedication fees, etc. To help facilitate affordable housing, some fees could be waived or reduced to pass the cost savings onto the housing consumer.

The development of workforce housing can be complex, and many communities ultimately leverage multiple tools and programs to achieve their housing goals. The following summary provides some additional approaches to workforce housing development.

- In many communities, a City or an Economic Development Authority develops a residential subdivision and offers lots to buyers at below market prices to stimulate the development of new for-sale housing. Reduced lot prices can help keep the cost of a new construction home affordable to the area's workforce. Additionally, the construction of move-up housing in a new subdivision could stimulate turnover of existing, lower-priced homes in the community.

Similarly, the development of maintenance-free housing such as townhomes or twin homes (owned or rented) targeted to older adults and seniors would stimulate turnover of existing, older single-family homes, which could ultimately be purchased by area workers.

- Private businesses can partner with each other and with local units of government to help get new housing built. These Employer-Assisted Housing (EAH) programs can be used for either rental or homeownership housing. Generally, an EAH is any housing program that an employer either finances or assists in some way, and they are used to either produce new affordable housing in a community or help employees purchase or rent housing.

Examples of how an employer can help produce new affordable housing include a land donation, cash contributions, construction financing, and, in some cases, an employer will develop and own housing for their employees. Other ways that an employer can help their employees afford housing include downpayment assistance, closing cost assistance, gap financing, and rent subsidies. Local units of government can partner with EAH programs by offering resources such as TIF, tax abatement, and other housing programs.

CONCLUSIONS & RECOMMENDATIONS

- Alternative housing products, such as an affordable housing cooperative, can also help produce affordable or workforce housing. An affordable housing cooperative provides a homeownership model where residents can purchase a share in the development and commit to resell their share at a price that maintains long-term affordability.

In a housing cooperative, residents collectively own the building or land where they live, not the individual unit. Instead of having an individual mortgage or rent, monthly cooperative payments contribute to collective property expenses. Initially, affordability in an affordable housing cooperative is achieved through some sort of government assistance (i.e. construction subsidies, low-interest financing). Price restrictions built into a resale formula limit the equity that a resident can gain when they sell their share, maintaining affordability over time.