COTTAGE GROVE ECONOMIC DEVELOPMENT AUTHORITY

April 8, 2025

12800 RAVINE PARKWAY SOUTH
COTTAGE GROVE, MN 55016

COUNCIL CHAMBER

- 7:30 AM

1 Call to Order

2 Pledge of Allegiance

3 Roll Call

4 Approval of Minutes

A 2-11-2025 Economic Development and CVB Meeting Minutes
Staff Recommendation: Approve the February 11, 2025, Economic Development and CVB Meeting Minutes.

5 Business Items

A Plaque Presentations
Staff Recommendation: Present Dan Myers and Chris Carey with an appreciation plaque.

B Maxfield Research Housing Study
Staff Recommendation: Receive the Maxfield Research Housing Study.

C Development Updates
Staff Recommendation: Receive Report.

D Property Purchase and Hotel RFP Updates
Staff Recommendation: Receive Information.

E Yellow Tree Project Updates
Staff Recommendation: Receive Report.

F Dominium Compliance Report
Staff Recommendation: Receive Report.

6 Public Hearings

7 Other Business

8 Workshop

9 Presentations

10 Adjournment

MINUTES **February 11, 2025**

COTTAGE GROVE ECONOMIC DEVELOPMENT AUTHORITY (EDA)
& CONVENTION AND VISITORS BUREAU (CVB)
JOINT MEETING
12800 Ravine Parkway South
Cottage Grove, MN 55016

TRAINING ROOM - 7:30 A.M.

Pursuant to due call and notice thereof, a joint meeting of the Economic Development Authority and the Convention and Visitors Bureau was held on the 11th day of February, 2025, at 7:30 a.m.

1. CALL TO ORDER

The joint meeting between the Cottage Grove Economic Development Authority and the Cottage Grove Convention and Visitors Bureau was called to order at 7:30 a.m. by EDA President Myron Bailey.

2. PLEDGE OF ALLEGIANCE

EDA President Bailey asked everyone to please stand and join in reciting the Pledge of Allegiance.

3. ROLL CALL

Gretchen Larson, Economic Development Director, called the roll:

Convention and Visitors Bureau: Chairman Justin Olsen-Here; Director Grecula-Absent; Director Khambata-Here; Director Levine-Here; Director Olson-Here; Director Reese-Absent.
Economic Development Authority: EDA President Bailey-Here; EDA Vice President Olsen-Here; EDA Member Jean-Baptiste-Absent; EDA Member Khambata-Here; EDA Member Latack-Here; EDA Member Scott-Here; EDA Member Tschida-Here.

Staff Present:	Jennifer Levitt, City Administrator Gretchen Larson, Economic Development Director Phil Jents, Communications Manager Brenda Malinowski, Finance Director
Others Present:	Steve Chandler, Owner/Brand Strategist, Chandlerthinks

4. APPROVAL OF MINUTES

A. *Staff Recommendation: Approve the December 3, 2024 EDA Regular Meeting Minutes.*

EDA Member Scott made a motion to approve the December 3, 2024 EDA Regular Meeting Minutes. Motion was seconded by EDA Member Khambata. Motion passed unanimously (6-to-0 vote).

5. BUSINESS ITEMS

A. Chandlerthinks Strategic Plan Final Review
Staff Recommendation: Receive the Chandlerthinks Strategic Plan Final Report.

Phil Jents, Communications Manager, stated we're here this morning to talk about the Chandlerthinks CVB Strategic Plan. Our consultant, Steve Chandler, is here this morning, and thanked him for coming in person to Cottage Grove for this meeting. Jents also reviewed the process that we had engaged in to date:

- October 7 and 8, 2024: There was a site visit to the City where the City arranged in-person meetings with members of the City Council, EDA, CVB Board Members, River Oaks Golf Course and Event Center staff, Parks and Recreation staff, area hoteliers, business managers, and many others were also present.
- November 26, 2024: There was a general update provided to the CVB Board about where we were at in that process, some of the feedback we had heard and were considering incorporating into our tourism strategies.

- January 9, 2025: Many of you were present for a joint meeting of the CVB and EDA Board Members to conduct a SWOT Analysis.

In addition, any feedback that we have heard to date, throughout this process, we are already considering, which we have incorporated, and also any more feedback we hear today, of course will be incorporated into a final plan. That's just a little bit of background of what brought us here today, and I'll turn it over to our consultant, Steve Chandler.

Steve Chandler, Chandlerthinks, said it's great to be here. I'd like to set up as far as the plan, so we'll be on the same page here. I mean, we're making recommendations, and we get the credit for it, right? Because we're from so far away, but we also don't have to live with the recommendations. We get to make them, you should do this, and we walk away; the reality is this is your plan. Our approach to this is always this is your plan, and so, there's kind of been some messaging going on to get to today, but that doesn't mean that it's even finished yet. We still have to finish the plan. There will be a written, printed plan that you'll be able to have and touch, hoping someone's going to follow it, and monitor it and measure it, but it's very important. The worst thing is that we do work with consultants, they come in and make their recommendations and leave, and it's like, I don't know if we want to do what they told us. You have to embrace it to be yours, which means its not a tablet in stone, its something that you adopt as you mature. Hopefully, what you see is the big picture of where you need to go, and that's definitely going to be the emphasis today.

That being said, I'm not going to go over this, I know it's in your packet, so you can read it. You'll notice we stated some goals, but the authoritative voice, you'll notice some pattern in the language and the direction, and it's very deliberate. So, I hope you pick up on that to become the authoritative voice for managing, promoting, and growing tourism in Cottage Grove. That takes time, it takes commitment, it's the very single most important thing that you all could do; it's not marketing and advertising, it is actually to establish the culture of the community and the leadership of you all and others. Tourism is a serious economic development opportunity for us. This isn't party planning, this is about bringing money into our community, that's what this is for. So, yeah, we want to increase funding for tourism by bringing more dollars in, and there are ways of doing that, of course. It talks about revenue to increase because you all get such a little bit out here in Minnesota, I'm still trying to pitch myself on that, but nonetheless, we can increase it and mainly, let's get visitors spending, and I think a lot more than 3% is possible.

Now, I'm just going to elaborate a little bit more of the work that was done. We did meet with a lot of folks, for sure, and yes, there was a site visit. Yes, there was a tourism audit and a marketing assessment. There was actually a little bit of a business survey that was done, and it was kind of impromptu because we saw an opportunity or at least we wanted a little bit more information, I'll come back to that in a second. We wanted more information, so, we decided let's do a quick little business survey to find out some elementary information, and it turned out to be pretty insightful, by the way. We also did some human movement data; we subscribe to Placer AI, if you're familiar with it, that allows us to look at visitor habits to Hope Glen and The Madison and the *Cottage Grove Journal*, where do people come from? What are they doing? Are they staying overnight, or do they come straight from somewhere else? So, we were looking at what visitors look like now. We conducted about six focus groups, so, over 40 people participated in that, and 50 one-on-one interviews, a Gap analysis, a SWOT Analysis, a lot of work was done. A lot of people were included, and I think that's important. For a plan, you can't have just a person come in and look around and give you their opinion. It has to be the input engagement of your tourism community is super important. So, I just wanted to state that before we get going.

That being said, briefly, your SWOT Analysis, you've all seen it, so I'll try to be brief here; I'm not one to read every word, no one likes it anyway. So, I'll copy what I want you to see, for the most part. So, we're going to hit them quick, and you all should know this by now:

STRENGTHS

- Access to the Mississippi River: Obviously is a great strength and a big possibility ahead.
- Well Maintained and Beautiful City: You are clean, it's safe, it's a very family-friendly environment, that was very evident in everything that we saw.
- Wedding Venue Appeal: You have a little collection of places for wedding venues, which is a nice opportunity.
- Sports Tournaments: Your Ice Arena obviously is a huge asset and could we tap more? That's a big question, we were talking about it even more so last night.
- Positive Attitude: There's an optimism about truism right now; it's very, very new, but there's optimism, it's not real tourism overall, there is not much yet here, you all know that. But there's this outlook of yeah, let's do something, and that is a tremendous opportunity to bring everyone together and kind of march together. So, I applaud you, you just passed the tax two years ago, if that, and then immediately like, okay, now let's get a plan together and move. I mean, you're doing the right things.
- Events: You've got some nice events, particularly, Strawberry Festival, as your big strength, I'm sorry your list isn't longer.

WEAKNESSES

- Limited Lodging: You all know this, as we've talked in the past already. It's your biggest, it's the big thing. A huge drain is we need more hotel rooms and that accounts for a lot, right? Can we do anything to get an extra hotel built? Yes, but we have to be resourceful and a little bit creative.
- Absence of a Tourism Culture: That doesn't mean you don't like tourism, it just means you're not used to tourism, you're not even in agreement of what it is, probably, right? Some people think that its fanny packs, and they're scared to death we're going to put a rollercoaster around here, they don't want that. Not in a clean, nice, little family-friendly community, it'd be get that out of here! What is a strong tourism culture? Is it Chamber of Commerce stuff? What exactly is it? So, this absence of tourism culture, that foreshadowing is something we have to create, it's not an accident, right?
- No Major Attraction or Driver: There's no real reason why people from out of town visit Cottage Grove as there's nowhere to stay, really. There's one place, kind of two, right? But people are coming here because they have to, not because they want to, and it's true; I have to come here for work, you have a lot of businesses around here that are bringing a lot of tourists, and we need to redefine what tourists are. They don't always wear fanny packs, sometimes they were Carhartt's and they go to work and they go to training, and they're working at 3M and they're working at Andersen, right? If they're from out of town, they're a tourist. You don't have to be Clark Griswold to be a tourist; in fact, these kind of tourists that you all could get don't mess up your community as much. They don't want to, right? They come here and then leave; they spend some money, by the way, but you don't have any real attraction, there's no driver for it.
- No Central Gathering Space in Cottage Grove: There's no place where people can just walk around and spend money on accident, like downtown Hastings, for example. But you don't have that gathering spot, you're talking about it, which is good, but that density of things to do creates an attraction; that's one thing you should look at for tourism, you don't have it.
- Location Challenges: You're not on a major Interstate, and you have Highway 61/10, which is nice, but there's not a lot of action, I just happen to be driving through and maybe they're going to Woodbury, I guess, a little bit.
- Low Awareness: Now, what you've all been doing for the last three years and we're past this now, so, the staff doesn't get mad at me anymore, I think, and they've already been working on it. I should hope people haven't been sitting there, twiddling their thumbs, waiting for the consultant; staff's already made adjustments, they're doing things, by the way, very well. This is one of those, but when we first looked at you, we're like they're all over the place. Like why the heck, I remember I looked at the Visitors Guide, and I'm like what's the Chamber of Commerce ad doing on the inside. If I'm a visitor, I want to visit, I don't want to join the Chamber, I'm using that as just an example; it's a well-done ad, by the way. But why do I want Chamber of Commerce messaging? And there was messaging throughout our website and our Visitors Guide that was like community-minded stuff, which is nice, it feels good, but it didn't make me want to visit. It didn't attract me any, I don't want to join your community, I'm just wanting to come and check it out, right? Now, if I have a good time I might come back and join it, right? So, we felt like you were really distracted on a lot of non-tourism content, I won't go into more detail than that. Low awareness, when we did a digital audit, over 80% of all travel planning, as you all do, is done online, that's not a surprise. So, if you really want to see how we're going to be competitive, you kind of need to look at the online world, just find out what we look like. Well, what we found out is nobody's searching for you. The most common thing we all do is name of city where I'm going, hotels. And name of city where I'm going, things to do. You're all practically goose eggs on both of those things, nobody is actually searching for those things; it means you're not the destination. I have to go there because 3M's making me, or my boss is sending me there, right? Some of the, a lot of the businesses I think are really doing that. Or, I have a wedding, your weddings are really regional, because I first met with you all, you're all like weddings, weddings, weddings; you've got some really cool wedding venues, but the data shows most of them, over 80% of everybody who comes to your weddings, live in the Minneapolis area. That shouldn't be a big surprise. Uncle Ned and Betty, they're from Indiana, they come in, so you might get a couple people at the wedding that are from out of town, but for the most part, they're local, right? So, everybody has to come here. If you look at Trip Advisor, the #1 travel website in the world, you're nonexistent; it looks worse, the reality is there's nothing in Cottage Grove, you might as well be up north somewhere. So, we have a real low awareness; that takes a little bit of time, it takes somebody doing stuff there. Creating an online presence is a lot of work and the most important thing you could be doing from a marketing perspective. Somebody's got to do it, all right?

OPPPORTUNITIES

- Additional Lodging: You all know that. It's the biggest one, I'm just not going to push it because you know it so well, but it's obviously big.
- Packaging Your Assets Together: Partnering and packaging is one of the best things we can do because you don't have to create a new product, you just group things together. We went through an exercise with some of our groups, and we're like, what is there to do? And they're like nothing, your own people, and they're telling me there's nothing to do here. I

don't know why I keep fighting with this, Cottage Grove, I like living here, but I'm not going to visit. And, so, we challenged them and had them put together itineraries, okay, well then you three people, you're part of a girls' getaway weekend, and you have to put two days of what you're going to do. And that's kind of the exercise we did around the room. And everyone immediately did it. They're like oh, well, I'd go eat at this one place, and we'd go have pottery here and this activity, and then they all put together the little itineraries; that's what we have to do. We have to package what assets we have and make it sound attractive, and when we do that, we actually have a lot, it's actually pretty nice.

- Weddings: Is a big opportunity for us.
- Old Cottage Grove: That seemed to be a sensitive topic for you all, just in my observation. I don't know why, it's got a lot of baggage with it, I think that's why, I get that. And I know some of the stories, right? I'm just playing dumb. But there is also a sense of pride for some people in the community about Old Cottage Grove, it does exist, and you don't have much historical assets and gathering spots. I get it, and you hold on to what you got. So, there does seem to be an opportunity there, a little bit. I'd do something with it, and I know half the room disagrees with me. I don't care, I would do something with it. I think there's something, there's an opportunity there.

THREATS

- Lodging Shortfalls: Again, your lodging shortfalls are ripe for other people because it teaches your partners, your partners being your business community, how many people in your Business Park? Like 20 something? You know what we're teaching them right now? Not on purpose, go to Woodbury; they're bringing guests to town for work, contractors, things like that, and they're sending them to Woodbury; every single week this is happening, we talked to a handful of them, and overwhelmingly, that's what they do, right? And they would like something here, they told us that, but the more they do it, the more those relationships are being built, the conference hotel, wherever it is, right? And Woodbury loves it, and by the way, you know, they're attacking tourism right now, you know that. I think that's what led to this project, they're ready, so, they are a threat. I know you ought to get competitive against them anyway.

LOCAL AUDIENCES

I won't get too deep into this, but we also looked at audiences. I just want to remind us, again, there's a little bit of theme of education of what tourism is, I think is as important as anything. It's not the fanny pack stuff, right? That's not even on our radar screen, right? We're not looking for that kind of leisure tourism.

- Local Tourism Stakeholders: Are your #1 audience, the most important. Getting people that are in the tourism business that actually provide the product, a place to stay, things to do, places to eat, things to buy, isn't that the goal is to make those cash registers ring? So, your tourism stakeholders are your #1 audience; you can package them together and sell it. That's what our itinerary does, and you want them on board with every single thing you're doing because they're the ones who are going to make it happen. You're just going to promote it.
- Elected Leadership: Obviously, there's an education of what tourism is and what it's not for Cottage Grove is super, super important. We have to make sure they're always, I talked last night about regularly dropping you updates of here's what's going on in tourism, and I mean numbers, and here's what's happened since last time. Showing them results, showing them that it actually is making an economic impact in our community. Do they know that now, do they believe in it now? A little bit, or they wouldn't have made some decisions the past couple years, but it's still down here, we've got to continue to grow it, we have to constantly merchandise what it means and the impact we have on it. I'm putting this emphasis because you're going to see that's going to be our #1 recommendation; the most important thing you need to be doing is in this ballpark.
- Residents: Need to know a little bit, some of them know; reality is if 50% of them know what's going on, we'll be happy, that's the way it is.
- Existing Business Owners: We spoke to St. Paul Tourism, we spoke to Minneapolis Tourism, they're excited that you're doing something. Why? Because they already bought in a long time ago to a regional tourism effect, they've already bought into it; not everybody wants the big metro of Minneapolis, they know that. So, it's going to spill out, we provide something that a lot of big people in Minneapolis can't deliver, it's too expensive or intimidating. So, they want to have an arsenal of opportunities that they can sell, so, of course, they're excited that you all are doing this.
- Industry Peers: Include Woodbury and Hastings, our neighbors. Our hotels that are on our fringe for now, believe it or not, right? I can't put groups here, we got all this big Ice Arena. How many days open do we have? That's one of the first questions I'd ask. How many days open do we have, and what sells? There's nowhere for them to stay. Well, there's hotels around here, and I'm going to go to these hotels and negotiate; so, I'll tell you what, we're going to bring a block of rooms to your community, and for the rooms that I bring you, give me 1% of your 3%, is that a deal? I'll go out and sell it, and bring all these people, overnight, to stay in your community, but you've got to give me 1% of your 3%. I'm using that as an example, but for now, we can't just sit here and twiddle our thumbs until we have more hotels, can we? So, that's the kind of, being a little creative, but also I'm controlling the teams because I'm the one selling the groups to come to our arena, as

an example. So, with your industry peers, right now, we can easily say our competitors are our partners, too, when you think of them that way.

VISITOR AUDIENCES

- Corporate Travelers: Business travel, this kind of seems like your #1, in my opinion. If I could only do one thing, I'm putting all my efforts on making the business traveler's experience to Cottage Grove great because those are important partnerships that you already have. You've already the relationships, so, to me, is the #1.
- Sports Teams: This is #2, for sure, because you do have the Ice Arena, but granted, it's how many days open do you have? Can you actually sell it?
- Weddings: Are nice, for sure.
- Surrounding Communities: You are a regional draw; we don't need to be spending money outside, we don't need to spend money at the Minneapolis airport telling people to come to Cottage Grove. No, we don't need to be doing that. We need to be getting people, you know, within 100 miles or less of the community.

FUNDAMENTALS OF TOURISM

We'll review Fundamentals 101 real quick, and then we'll get to our recommendations, and then we'll fly, okay?

First of all, remember this:

- For tourism to be real, it has to be real. This isn't make believe, this isn't party planning, right?
- You must have somebody to own it.
- Must have the organizational structure to be accountable and provide direction, which you do.
- It must have a revenue source and funding; you've put that in place, so you're doing the right fundamental things. But I'll pause you on that, it must have a revenue source and it must have funding; I think the thing with this number is, cool, we can market outside, but that's the least important thing you all need to be doing right now is spending money. I'm not saying don't spend it, I'm just saying it is a priority, you're going to see, it's just not the top of the list, all right? Because you've got to pay somebody here, and it takes time to do a lot of the things that you need to do.

Keys to Tourism Success

- Promotion: How do we promote? What do we promote? Where do we promote?
- Ownership: Person, Organization, Accountability.
- Product: Food, Shopping, Lodging, Entertainment, Amenities.
- Funding: Occupancy Tax, Tourism Special District, Grants (State & Federal), Sponsorships, Private.

When people get to stay overnight, they spend three-to-five times more money in a community if they stay overnight. Right now, we'll bend the rules. Why? Because we don't have a place for them to stay, but I can make those kind of partnerships with neighboring hotels, hopefully I can do something with our restaurants as a part of that package, right? We'll bid it that we just go one step for right now, right? If no one's spending their money here, on shopping and restaurants. So, if you have to leave in the next five minutes, no worries, here's the recommendations.

RECOMMENDATIONS

Recommended Key Initiatives:

1. <u>Develop a Culture of Tourism</u>
   We have to educate ourselves and decide what tourism is all about and what our plan for success is today, so that's the first thing we have to do. But, again, whoever is owning this thing, you're going to be like, why are you doing this? You're going to point to one of these.
2. <u>Partnering and Packaging with Existing Assets</u>
   I mentioned this a while ago, there are some ideas that we're going to have on how to do that.
3. <u>Facilitate Product Development (Long Term)</u>
   Of course, product is a big part of this. This one is where you have to be careful; you want to always be looking for opportunities, but if you're trying to chase too many things at once, you'll get distracted. The one part of product development that you really need to focus on right now is a hotel, no doubt about it. There are other options out there, of course, especially if you're doing a lot of partnering and packaging, the product may reveal itself to some of your existing partners, long term.
4. <u>Ongoing Marketing</u>
   We do want to promote ourselves a little bit, and we have some suggestions of where you should put your dollars.
5. <u>Tracking and Reporting</u>
   We can't accomplish this if we don't do this. We have to be accountable, right? We have to show, okay, here's what we're doing with our $90,000 to 100,000 that we're getting for now, where it's going, and are we moving

that needle? If so, we need to adjust ourselves a little bit to what's going on, right? That's how you build or earn respect and trust that tourism is a real thing, and that we're doing the right stuff.

So, those are the five key initiatives; we have some suggestions of how you can build those and where your priorities need to be.

Key Initiative #1, Develop a Culture of Tourism

Yes, developing a culture of tourism, that's priority #1, it's probably more than anything else, as I mentioned. It's even more priority over developing another hotel, as big as that is; we have to, as tourism is a word that sometimes just gets bent to different agendas and it means different things to different people. So, we've got to define what it is, literally.

WHAT IS A CULTURE OF TOURISM? So, creating a culture of tourism must happen in order for it to develop into a real economic driver, and that's why you're doing this for Cottage Grove. It means…

- It's viewed as economic development.
- It's viewed as a viable new business opportunity.
- Businesses expect new faces and willing to help, this is what tourism culture means. Businesses are used to visitors being here; oh, yeah, where are you from? What's going on? I mean, right now, the hotel that happens, but outside of that, it's teaching people that when we have visitors and guests, we greet them, and there's a level of hospitality training that occurs.
- Tourism businesses are connected to one another.
- Unified understanding of what tourism creates.

ESTABLISH THE STRUCTURE FOR TOURISM:

- Accountability to leadership AND tourism professionals: Tourism board-steering is crucial. When stakeholders are a part of creating the direction, they will also make sure their business aligns.
- Tourism Management: For now, Tourism should continue as a department of the City, and it can stay that way, but at some point, it may be necessary to create a separate Tourism Department or consider branding it out as a 501(c)(6). That's pretty common; the challenge is always when Tourism and Chambers are together, they often get messaging and the purpose are different, they should be. Serving membership in a Chamber and serving visitors are just two different agendas, but shared resources are very tempting, so I would imagine that's why that was probably done, to some degree. I don't know the details of that. But, mostly, Tourism, keep it in the department, and at some point in the future, if your Lodging Tax gets large enough, you may want to push it up; this is more about how people see a source of revenue coming in. Taxpayers are not used to tourism, and when they see revenue coming in, they think it's their money being spent, and it's not, right? Tourism revenues are visitors' money being spent, that's the beauty of it, it's self funding. So, keeping those revenues separate from the rest of your budget, your finances, is super important, and residents will not get confused. So, that's why you just want to see the separation, just remember that, and I've talked to Jennifer about that, too.
- As tourism grows, you may want to hire a Tourism Director, Manager, or Coordinator; what the title is, specifically doesn't matter, walk before you run, would be my recommendation, but you want ownership, you want someone whose job it is. Right now, it's split probably between three-ish people, I think, right? And their #1 priority is City communications; hey, snow removal. I mean, a visitor kind of cares about snow removal, I guess, but not in the same way, you know? Again, they don't care about Easter Egg Hunts, they don't care about the utilities, and the things that you care about as a resident, and so, it's tough to do that, and the Communications Team are going to have to balance both right now. So, at some point, I think your use of revenue is better spent on more focus of a person than advertising outside. And that's just one piece of it, they have to get training, they need to go to conferences. What? Yeah, if we're going to elevate tourism, to be serious, shouldn't there be an expert in the room? Shouldn't there be someone who lives and breathes, every day wakes up and goes man, I've got to go do tourism in Cottage Grove? And they know the latest things that are going on, they understand how the latest trends that are happening, what's affecting Minneapolis and CVBs around the State. They don't just wake up and know it, they have to train themselves, they have to do ongoing training. All right, that's what you need, it's what serious industry would do, and so should this person; that takes time, and money, and travel, and all that good stuff.

CHANGE THE DEPARTMENT NAME:

- Since you are not involved in "conventions" and won't be anytime soon; we're not in the convention business. We recommend changing the name of the organization to Cottage Grove Tourism or Cottage Grove Tourism & Sports.
- You can keep discovercottagegrove.com; add MN in your URL, discovercottagegrovemn.com, might be advantageous for search engine results. Even your consultant a few days ago, when I went to book a hotel in Cottage Grove, because remember the first thing everyone does, where you're going and hotels. I entered Cottage Grove hotels, and I almost booked it, but it was in Wisconsin, right? So, you need to add MN in your URL.

EDUCATE AND EVANGELIZE YOUR TOURISM BOARD:

- Your Board should represent tourism in some form and should be educated on tourism today. The person who owns tourism, whoever that person may be, needs to be the expert in the room in the community, but the next level are you all; you all need to know what's going on, and it takes a person to keep you all educated.
- They need to be aware of the latest trends and local-regional tourism, it's super important data because you're going to get out in the community, and you're going to talk about it. We need people to spread the word that tourism is awesome, right?
- Always provide some level of ongoing education to the Board.
- We recommend you use the newly formed Mission-Vision-Values as guiding lights for tourism, including how the Board works with others and one another.

ESTABLISH YOUR MISSION/VISION/VALUES:

- Proposed Mission Statement: Stimulate the Cottage Grove economy for residents and businesses through the thoughtful promotion, coordination, and preservation of tourism. The Mission Statement is who we are, why we exist, and who we serve. Preservation's in your Mission Statement because tourism isn't just about promoting, it's about maintaining the quality of life that's important to our community and it obviously is, right? You will be voting on that to make that official, and if you want to tweak it, fine.
- Proposed Vision Statement: Vision Statement is more aspirational, of what do we want to become? We want: To be seen as a desired community to visit, an economic catalyst into the local economy, and a trusted community partner. I'm not sure about this, if anyone has brought tourism in, they need to be in this meeting, that's what that means.
- Proposed Values: Passion, Expertise, Resiliency, Collaborative, Authentic, Hospitality, Pride; how are we going to treat each other, how are we going to work together? As a new member of the Tourism Board, you need to know this is how we treat each other, this is how we work together, this is what we're about, right?

DEFINE TOURISM: Create an agreed-upon definition of tourism so everyone knows our purpose and focus.
<u>Our Recommended Definition of Tourism</u>: Tourism is the new tax revenue and direct spending generated by those not living in Cottage Grove (ideally more than 50 miles away). This includes overnight stays and day trippers, it includes recreational, leisure, or business purposes. For now, Cottage Grove Tourism marketing efforts will be regional and will include the Twin Cities area. This is actually your biggest market because it's so close and you'll get a lot of day trippers from there, you're not going to get a lot of overnights, but that's okay for now.

DEFINE COTTAGE GROVE'S TOURISM ROLE: The role of a tourism agency is…

- Destination Marketing: Be the voice for why visitors should want to and should come here.
- Destination Leadership: That's all the hard work, actually; that's bringing partners and stakeholders together under a shared vision and destination strategy.
- In-Destination Management: We want to influence how visitors experience the destination and support sustainable development. So, we've got our nose in things that actually work well for the City and others, like is it clean or is there blight? I don't want people getting off that exit if it looks like rats, no way. Are our front-desk workers at our restaurants and hotels friendly? Do they have the hospitality training that we need? Those are things that we can bring to the table; hospitality training is a very common thing that DMOs (Destination Marketing Organization) do. Hospitality training is very typical of a DMO, once you have a collection of people, of stakeholders together. Because their biggest challenge is keeping their people trained, right? They know how to use their systems and stuff, but basic customer service, believe it or not, is an art, and it's not natural for a lot of people and it's the biggest challenge that our industry has.

This is so you understand the building block that we're creating here, okay?

HOST AN INTRODUCTORY STAKEHOLDER SUMMIT: I'm just going to barely touch on this, but we've got to start beating our chest at least once a year that says hey, here's what tourism's doing. Do we really need to have a Tourism Annual Meeting? It seems a little bit big right now for us; well, maybe it's not a big meeting, but I'd have it. Once a year, I'd beat your chest and say here's what tourism's done. Why? Because it's serious, I'm trying to elevate the role of tourism here. I recognize frontline workers, do some work; you know, we only have a couple hotels. Well, fine, but I'm going to establish the Frontline Worker of the Year, and anybody can nominate who they are, restaurants are included in that; Partner of the Year, Elected Leader, Tourism Ambassador of the Year. Let's recognize our champions so we facilitate the idea of working together, right? And it's an opportunity to show the results of everything that we do. When would I do it? I don't know, how about National Travel and Tourism Week, which is usually the first or second week of May, maybe not this year, but you get my point? Use it whenever tourism's elevated.

ONGOING PROFESSIONAL DEVELOPMENT: I mentioned this, it's necessary.

- Tourism Director/Manager/Coordinator must develop into the local expert, somebody has to be bringing knowledge into the community about what's going on now in tourism. Short-term rentals are the big thing going on, like what's happening with Airbnb and VRBO? Are we collecting the taxes the right way? Are there resources (and there are) that allow us to monitor the short-term rental and tell whether they're lying to us or not, which they do. Who's keeping up with the trends?

- Seek industry training and ongoing learning. You've got to invest time to go to the State Tourism Conferences and even Regional Tourism Conferences when they have some. Destination International is international, but it's really U.S. based, but it's kind of the industry authority of tourism; U.S. Travel is another one, they have an annual conference, but they have regional ones, which would be more appropriate for you all. Annual would be too big for you right now; to be honest with you, it'd be overwhelming. But you have to go to those things, and that costs money, and that's time, travel, and budgeting for that.
- Require each Tourism Board Member to attend at least one tourism-related educational event or class annually.
- Constantly share industry trends, other examples and initiatives.

REGULAR STAKEHOLDER COMMUNICATIONS: We can't just ask people to come to a meeting like this all the time, so we need to have…

- A Cottage Grove Tourism newsletter for the stakeholders, for the business of tourism, and that needs to go out every other month, probably. Here's what we're doing, here's where we're going.
- Celebrate the successes of tourism efforts in Cottage Grove, highlight upcoming events, and provide insights into current projects and initiatives. We just got a plan, we're finishing that now, we're actually assembling the group to help us with this, whatever it may be.
- Present short top-line overview of Cottage Grove Tourism Activity-report the numbers, any significant milestones or accomplishments, and upcoming opportunities. It's the opportunity to brag about people in your industry, brag about what you're doing, but you need to keep in touch with them on an ongoing basis. Some places have a whole dedicated portion of their website just for the stakeholders; that way, you can keep kind of a little bulletin board of everything going on, that's not a bad idea, by the way.

BE THE REGIONAL TOURISM HUB: You can work with your neighbors right now, you can work with Woodbury, and I mean, it's in the case of hosting some things. There are other communities in the same situation as you are, so, maybe regionally, we work together and we develop the relationships; relationships take time, it takes a person to do it, who's going to do it? But with Hastings and Woodbury or whatnot and many others. So, you can work together, maybe it's not we do all of our marketing by ourselves, maybe we work together. I gave you an example earlier about bringing groups to town and using the hotel in a nearby community.

- Position *Discover Cottage Grove* as a central connector for tourism in the region.
- Develop strong partnerships with neighboring communities through regular collaboration, such as a quarterly breakfast hosted by *Discover Cottage Grove*.
- Explore joint marketing campaigns and multi-country travel packages.

VISITORS GUIDE: I'm not going to talk about it, we made some recommendations, and your new Visitors Guides just came out like last week or two weeks ago, and a lot of the changes that we recommended are already incorporated. So, again, staff is already moving on a lot of things, which is fantastic.

The primary goal of the Visitors Guide is to inspire visitation. Focus is better. Create itineraries and easy listings of things to do and places to visit.

- More concise Visitors Guide-streamlined page count-add a dedicated section for "Paddle Sports."
- Create a standalone Wedding Guide.

A WEBSITE BUILT FOR TOURISM: Your website is undergoing some changes right now, from a lot of the recommendations that we're making. The one thing I'll say that's super, super important is developing an inquiry database, believe it or not, so we can email people about things and things going on; but when we talk about measurement later on, we don't have a way to measure it. How am I going to do that? How am I going to survey people? You can't walk up to them on the street; well, you can, but that's just not a good sample method to do it because you'd have to do that almost every week for a whole year to make that justifiable. But if we have a database of people who ask for a Visitors Guide, I can follow up with them; because what's the point of a Visitors Guide? Inspire travel, inspire a visit. So, if I have their email address because I know I sent them one, then everybody here has, I've got like 3,000 people that I've sent them to, and I can still survey, and I can ask them the really important question: Did you visit? Hey, goodness gracious, we have a ROI. Now I can tell that for every dollar we spent on marketing Cottage Grove, we're generating $20 for our community; because I'm not just going to ask if they visit, because of the 25-to-30% that say they did, which is usually what it is, by the way, then I'm going to follow up and ask, oh, really, when? What did you do? Who did you come with? Why'd you visit? Where did you stay? And including, how much money did you spend on those things? Research has shown even six months after the fact or even a year after the fact, it's pretty accurate; people have an idea of how much they spend when they go to a community, it averages out. So, now, I can generate an economic impact of our budget; that's called measuring, being accountable, right?

- The website should have some similar connections to the Visitors Guide (of course it has more fun content).
- Make updates similar to the template of the Guide, but with more options and connections to partners.

- Section dedicated to *Wedding Venues*, which should include information on the Explore Cottage Grove's website before linking to the venue or other websites.
- Include reference to Weddings in Twin Cities, St. Paul, Minneapolis; all of this helps with search engine optimization.

LOOK TO INCREASE FUNDING: At some point, we'll have to increase funding. Right now, you don't need to be raising taxes, I don't care if it's visitors' money, you just passed one two years ago, you don't need to be asking for it right now. But a hotel is going to double your funding, one hotel will double your funding, which is fantastic.

- Annual budget needs to be $150K-$300K for marketing tourism.
- Apply for State tourism grants, also, many Federal grant opportunities; it takes time for someone to search for grants.
- Near future: Increase Lodging Tax to 5%, additional 2% allocated to tourism.

It's important to highlight that this tax is a non-resident tax, collected from visitors, ensuring that local residents are not burdened.
Below are potential grant programs available through the Minnesota Division of Tourism:
https.//mn.gov/tourism-industry/industry-opportunities/grant-programs/

KEY INITIATIVE #2: PARTNERING/PACKAGING WITH EXISTING ASSETS

The goal is to package and promote existing assets, because we have work to do now; we've got to bring our partners together right now, that's really the idea of this. By packaging these experiences into marketable products, Cottage Grove can attract more visitors and increase tourism revenue.

CONNECT WITH TOURISM STAKEHOLDERS: The best ideas for connecting partners do not come from the consultant, they come from the partners. Bring them together for the purpose of developing ideas on how the community can work together to create tourism programs and events.

So, the best ideas for Packaging and Partners don't come from us, we have some, and they're going to be in your plan, the best ideas are going to come from your tourism partners. Hey, our tourism consultant said that we should do this, it ain't gonna happen. You know any small business out there, they're going to have their ideas, and it's going to be focused on what they should focus on; they want to make money, so, the most important thing we can do in creating a partnership is set a meeting and go, hey, how can we work together? How can we get this restaurant and this restaurant and this restaurant and this restaurant together? I don't know. Well, some communities have a Food Week; oh, that's a good idea. Why don't we do a food week? Let's do it right. The ideas you need to move forward on, on partnering, are with your partners. So, again, we have some, and that's fine, but I've never seen anyone execute them because they want to make money and they're letting them come up with it; that's a true partnership, okay?

HIGHLIGHTING FAMILY AND FRIENDS GATHERINGS: Many visitors come to Cottage Grove to reconnect with loved ones. However, our research shows that residents often take their guests to destinations outside of Cottage Grove. To encourage locals to explore and enjoy what the area has to offer, we propose creating a brochure featuring the top five must-do activities in Cottage Grove. This will serve as a guide for residents, helping them to discover great spots to take their family and friends right within their own community.

You are a family and friends community, it's probably, other than business workers, although they stay at your houses, you do bring friends and family to visit your community from time to time. So, you can create programs that are friendly to that; if you think about it, it's really tourism focused, but you could create a program to residents that says hey, when your friend or family member comes to town, you can create a little passport or something like that, that's creative. But it's the Cottage Grove Friends and Family Week or Month, or whatever; you can put together promotions with your partners. Like, there's an idea there; again, I don't want to get down to details because it's worthless, but the point is you've got to work with what you have right now. And you could do something around Friends and Family, no doubt about it.

WEDDING FAIR EVENT: Thinking of weddings, you've got really smart wedding venue people that know exactly what they should be doing more than we do. You all have some great wedding assets.

- Host an annual Wedding Fair, designed to showcase Cottage Grove as a premier wedding destination.
- Highlight your beautiful, unique wedding venues: The Madison and Hope Glen and even your golf course does fantastic weddings, too.
- A variety of local vendors, include booths from local dress shops, florists, photographers, caterers, makeup artists, and entertainment services, creating a one-stop experience for couples planning their weddings.

If you go to the Meet Minneapolis website, they don't any of you all listed on there for weddings, and barn weddings have never been more popular; that's the reason why that young couple just bought it. It's super, super popular, and take your niche where you can do it, right? And, so, how can you take what you already have and make it something bigger, like a Wedding Fair, and you're bringing flowers and florists from all over the Twin Cities, all over; it's just you happen to be the hub where you host them all for a long weekend or something like that. So, those types of ideas are the point of using what you have.

STRAWBERRY FESTIVAL - "BRING A FRIEND": The Annual Strawberry Festival is a beloved event in Cottage Grove, celebrating the community's rich agricultural heritage and small-town charm. To make this festival even more impactful, we suggest launching a

"Bring a Friend" initiative, encouraging locals to invite friends and family from outside the area to experience the festival and discover the charm of Cottage Grove firsthand. This initiative can foster a sense of community pride while also introducing visitors to the town's unique attractions and local businesses, driving tourism and economic growth.

This is where you all deliver the best, where you like hit it out of the park, so I'd double down on it; that's the one that you make a big deal of, it's when the community is showcased the best, it's when your residents are loving it and they're bragging about it. So, I think that's an opportunity to use programs like the "Bring a Friend," or something like that, come up with a pass for it.

COTTAGE GROVE DINING WEEK: Launch Cottage Grove Dining Week, a weeklong celebration of the vibrant local food scene, designed to encourage both locals and visitors to explore the area's restaurants.

<u>Event Structure</u>: Special Menus and Pricing, Burger Week feature.

<u>Marketing & PR</u>: Targeted PR Campaign, Engage with Social Media.

<u>Bonus Events at the Farmers' Market</u>: Cooking Demonstrations, Live Music & Entertainment, Pop-Up Food Tastings.

KEY INITIATIVE #3: FACILITATE PRODUCT DEVELOPMENT (LONG TERM)

EXPAND LODGING CAPACITY: The City understands the need for a hotel. Currently, Cottage Grove is missing potential for additional revenue. For example, if a new hotel with 90 rooms, with an average room rate of $135 and a 60% occupancy rate, with a 3% Lodging Tax, can generate over $80,000 annually in revenue for the City.

The hotel I left this morning is at 90%+ occupancy, and the 3% Lodging Tax, that's going to generate $80,000 or $90,000. Right now, you basically have one-ish hotels, they're generating about $90,000, right? So, you double that with one hotel.

But more than hotels, you can also attract other types of lodging, by the way, I just want to throw that out there: Tiny homes, cabins, or glamping, etc. You have a treehouse, and you can see how popular that is to attract nature enthusiasts.

The short-term rental market is exploding; people are building communities of tiny homes, and communities of cabins, and those become the attraction. So, that's just another thing to open your mind a little bit.

Hotels are the one you want, especially for business travelers, but there are other types of lodging that's available. There's another way to look at it, too, that I'm going to emphasize:

NEW HOTEL POTENTIAL

Number of Rooms:	90
Total Rooms' Nights:	32,850
Occupancy Rate:	65% (National Average, but you're actually over that)
Rooms' Nights Sold:	21,353
Avg Daily Rate (ADR):	$125
Overall Hotel Revenue Generated:	$2,669,063
MN Sales Tax Generated (6.85%):	$ 182,831
Cottage Grove City Tax (.28%):	$ 7,473
Lodging Tax Generated (3%):	$ 80,072

So, these numbers are cool; that's another $80,000 for marketing, and that would pay for somebody, how about that? But the City is losing approximately $5 million in hotel revenue and $4 million in direct spending.

If you think about the other part of it, it's not just the money that they're paying to stay at the room, it's the money that could be spent in our community. They've got to eat, they shop, those are the two things people do when they visit anywhere; that's what everybody does. And we project that you're losing about $4 million a year right now; so, it's not just about the hotel revenue, although whoever wants to put a hotel here, we want you to be successful and we have it waiting for us. It's also our businesses that are out there and the money that's not going into the community, and right now, it's going somewhere else. We're one of the best business development products that Woodbury could ask for, as long as we don't put any more hotels here.

WINTER WONDERLAND - A MAGICAL HOLIDAY EXPERIENCE:

- Look for opportunities to take existing winter events and create a "Winter Wonderland", a magical and festive atmosphere that delights locals and draws visitors.
- Multi-week event with holiday markets, family-friendly activities, and eye-catching decorations that encourage spending, dining, and even overnight stays at local accommodations. Could include: Christmas Market; Ice Skating Rink; Christmas Lights Tour; Tree Lighting Ceremony; Santa's Village & Workshops.

This is a partner idea, but again, we can come up with ideas all day long, but a Christmas Market is because you have these venues that are great and you have some neat little shops; like, you can create an experience over a holiday season, and there's countless numbers of examples of communities that do this. It's just a commitment to lights; if you want a good example, there's a place where they call themselves Christmas Town U.S.A., they change their name literally one day a year or one month a year or something, it's McAdenville, North Carolina. And it's actually a Statute that you have to participate; as a business owner, you have to, and I don't know the details of it, but I'll look it up if you really want to know. But everyone in the community participates in Christmas with lights, so, it's this little bitty town, there's nothing to do there the rest of the year, but when Christmas comes, everybody goes there. It's just outside of Charlotte, about 35 miles west. And it's a completely different community during Christmas because everybody participates; that means they bought their own lights, they did their own stuff, it just became something that the community bought into, like let's have some fun, let's generate some short-term tourism. So, there are examples out there of how if we work together, we can kind of create a short-term experience without bringing in a big investor at all. We like the investors, but we can still do something, you've got the people who can do most of these things, and in this Minneapolis area, you've all seen ice skating rinks.

BENEFITS OF CEDARHURST MANSION RESTORATION: Preserving a community asset and story-telling venue could open doors for many opportunities:

- Corporate events.
- Community and social events.
- Live concerts.
- Festivals.
- Attracting locals and visitors!

That's a big discussion that I won't get into, but it's definitely something, it seems like it's worth stating as a product development opportunity for you all, you don't have a lot of heritage assets in Cottage Grove, but you do have that one. And it is a source of pride, it's a lot of work, it's intimidating because its so big, but the potential of what that could do seems pretty strong and worthy for all of those reasons that are listed.

A TOWN CENTER ATTRACTS PEOPLE: By creating a town center or gathering place in Cottage Grove, MN, the community can experience enhanced cohesion, economic growth, and a stronger sense of identity, making it an even more attractive place to live, work, and visit. Advantages to a town center:

- Foster community engagement.
- Support local economy.
- Enhance walkability and sustainability.
- Cultural and civic identity.
- Attracting visitors.

I know you all have been talking about that, so I won't go deeper into that, but having a gathering spot is great tourism because people know they can go do something there. Like, I don't know what we're going to do in Hastings tonight, but let's go, Lori, let's go to Hastings. What, where are we going to? I don't know, we'll figure out something. We can walk around, we'll have a beer, go shop, go to the tavern, right? Density creates attraction, especially for residents, and if they're bringing friends and family, they're going to go there. So, I'd just encourage you all, it's not as easy as the consultant saying you do it, there's a lot of numbers to make all that happen, or course, but it's a tremendous opportunity for you.

DEVELOP MORE FAMILY-FRIENDLY ATTRACTIONS: Cottage Grove lacks entertainment options, especially for families and children. We recommend working with private investors to develop additional family-friendly attractions, such as:

- Indoor arcade with games, laser-tag, and mini golf
- Outdoor adventure park offering zip-lining, obstacle courses, and climbing walls
- Big Swing

Things like Big Swing, family-friendly attraction like things, especially outdoors, seems like it would be a good fit for you. Because you're looking for how can we develop tourism, things to do, I think in the natural, outdoor space makes a lot of sense.

LEVERAGE NATURAL AND RECREATIONAL ASSETS:

- Outdoor Adventure Promotion: Cottage Grove's parks and trails could be marketed as a destination for outdoor recreation, including hiking, biking, kayaking, and bird-watching. Host outdoor events, like 5Ks or nature walks to draw enthusiasts.
- Mississippi River Access: You've got opportunity to develop waterfront activities with the Mississippi River, like kayaking and paddle boats to capitalize on the scenic beauty and calm backwaters of the Mississippi River.
- Winter Tourism: Promote winter sports, like cross-country skiing, ice fishing, and snowshoeing. Consider hosting winter festivals or sporting events to bring tourists during the colder months.

WINERY/BREWERY: If possible, pitch to investors to develop/invest in a local winery, brewery, or distillery. These venues could host events like tastings, live music nights, or craft beer festivals. Just think about that, but I don't want to go too far on that.

KEY INITIATIVE 4: ONGOING MARKETING

MARKETING PRIORITIES:

1. Branding: Tourism doesn't really have a strong brand right now, see what you think about *"More Than You Imagine"* as a tagline. I said you're not, you're not more than I imagined. Actually, what research shows is no one's imagining you, no one imagines you, so, you definitely aren't more than that. And its, you have a nice experience, but its not, you don't walk away and go, wow, that was awesome! Man, Cottage Grove is amazing! I don't see that happening right now. No one's saying anything bad about you, they're just not bragging about you. And not in a visitor world, like, I mean, you need to go check out Cottage Grove. An unidentified person said, how about, "It's everything you want within a 10-minute drive." Everything you want within a 10-minute drive, there you go, yeah, but, I think that's a City thing. I actually would encourage you all to consider branding for tourism, but also for the City economic development, everything. How do we really position ourselves? And you can only be the best you can be. You cannot act like you're someone you're not. You kind of just have a blank slate; there's nothing negative, you just have a, you're like vanilla, and there's an opportunity to tell a stronger story. You do have passionate people in this community that love where they live, and so, I think you need to do a better job harvesting it, to be honest with you. Having that identity, knowing who you are, your voice, the whole thing that goes along with it.
2. Website: If you think about priorities with dollars and time, that goes with that.
3. Visitors Guide
4. Social Media: Is probably the most active, most used, and most valuable; that's the most frequently used volume of work, time, effort of anything that we do in tourism marketing. It's a lot of work, but it pays off because you people in Cottage Grove, you can get a lot of attention without a lot of money.
5. Content Development: Photography, videos. If you're going to do this well and this well and this well, you have to have content, and that's a never-ending process. You can't be talking like, "Whatever your fare, there's something for everyone in Cottage Grove." Please don't say that. Don't say that, you can say it, the Chambers love saying it, the City loves saying it, don't say it for tourism. "We are the friendliest people," don't say that either. Everybody says those things, be very specific. What makes you interesting? And write it down. Don't worry about, well, they're going to get mad because we're promoting them over other people. I don't care, I'm trying to get people interested in this place, so, the fact that the Subway restaurant is mad at me that I've given this unique place attention and not giving it to them, I don't care. I mean, I care that they're mad, but my job is to be marketing for tourism, right? And not to look like everybody else. But we need content, this is an ongoing process.
6. Targeted Paid Promotion (Digital Ad Campaign): By the time you get to this, you're not going to have any money left. You have $90,000, if you do it right. So, there's not much money left. When you all do advertising, I would put it on Strawberry Festival, and I would target, do digital targeting of people in the Minneapolis, Twin Cities area, and I can work some promotion. I'd have something specific, I mean, you've already got a lot of people there, it's just what the goal would be people have such a good time, they come back, you know, later on. Oh, man, it's 'cause you're on your best at Strawberry Festival, right? "Oh, what a great place, we ought to come back here sometime when it's not as crazy," that would be your desired takeaway, right? So, I would put efforts of an event-based advertising, digital advertising only, and I would target certain ZIP Codes in the Twin City area; that's about all you're going to have the money to do.
7. Build Database (For E-newsletters and future research): So, what marketing dollars you have we agree you're going to be spending them. Make sense?

KEY INITIATIVE 5: TRACKING & REPORTING

PROVIDE REGULAR UPDATES:

- Be tenacious in measuring and reporting tourism. On a semiannual basis, give a State of Tourism report during a commission meeting or tourism's own Annual Meeting.
- Consider recognizing a Lodging Partner of the Year and a Hospitality Partner of the Year for those who have helped in promoting tourism in Cottage Grove.
- Create marketing materials on the impact of tourism during National Tourism Week.

This is pretty self-explanatory, and I mentioned you need to have an annual State of Tourism report, you need to have a Lodging Partner of the Year, you need to have a Hospitality Partner of the Year. You need to be in front of the City Council a couple times a year, saying here's what's going on, here's the needle that we're moving.

I can't emphasize this enough, and I feel so strongly about it: Many times it's, well, we're going to draw up a plan for tourism; because of the nature of tourism, we always assume that means marketing dollars, and these great, creative ideas of how we're going to spend our money. Let's do that in five years. Right now, let's get the foundation we need, right? We're going to make more things happen by not spending money out there, but investing in ourselves, our time, bringing in partners, and getting the assets we need so we have something to promote.

So, that's kind of the plan, folks. That's just showing examples of being committed to merchandising: This is Delco, Pennsylvania, and they're showing numbers, look where we're at: Here's the economic impact, here's the spending in our county, here's the sales tax generated, or whatever you want to say. And this is Louisiana, and they're pushing the same thing, but it shows you have to work to get your respect at the table.

Steve said, so, that's the plan; I hope it makes a lot of sense.

The goal is after today, in the next 36 hours usually is what happens, there's comments, questions, what about this, what about this? That's fed into Phil and Gretchen, that comes to us, and we make some tweaks and stuff to the plan because, ultimately, it is your plan. And then we're actually, we're going to, no one looks at a presentation after today, and it'll actually be a document. We try not to make it too big, but we'll have an appendix of all background reports and stuff, but I like a plan to be something that's actionable, not a dust catcher, and we all know that, too. So, but that's what we'll be doing the next couple weeks is actually making any revisions and printing up the report and send that to you all. He asked if there were any questions.

EDA President Bailey asked if there were any questions from the EDA or the CVB.

EDA Member Khambata said that was a lot of information to take in; I think, you know, some of it is kind of humbling to kind of admit some of the shortfalls, but I think, you know, everyone kind of knew that they existed. We're finding a way to kind of pull all the pieces of the puzzle, that we do have, together to create more opportunity, and kind of like an organizational structure and how to structure accountability, so we can; because I think right now, and to your point, like we've kind of gone in a lot of directions because the job itself was split up between a handful of people and a handful of stakeholders. I think kind of condensing these ideas and responsibility and accountability into one narrower focus is going to be really beneficial.

EDA President Bailey agreed.

EDA Member Latack said, yeah, you know, that sums up the whole thing perfectly.

EDA Member Khambata replied yeah, so, and it was a good presentation. You have a lot to roll around.

EDA Vice President Olsen said first and foremost, thanks for the in-depth kind of study and suggestions and all of that. I think there was a lot of very good content.

My questions, and I have several, start with: You mentioned that you work with Placer AI, and the mayor and I had a chance to visit with them at the ICSC Convention in Vegas last year, and Myron was asking some questions about the data for our City and how to interpret it and all those sorts of things. And one of the things that we learned is we have an overabundance of grocery stores, like we have way too much for the resident demand; and on the flip side, you know, talked about you don't have enough restaurants, you don't have enough lodging, you don't, all of which sort of ties into that tourism piece. So, I'm wondering how should we consider working with an analytics firm like that for those sort of regular updates, or do you think that may be overkill?

Steve replied Placer, a year of Placer is going to cost you around $30,000; I say that with great confidence, that's what it is. I'd just say, I mean, that takes off $30K of your budget right away. But you would have access to it nonstop, and you're not to the place where you probably need it nonstop. You could get it, it's going to be wise for you to make some tactical and some strategic decisions on certain opportunities, and for that, I'd use it; you could probably work with them directly. Their bread and butter, they're working with municipalities right now, and they're getting it, they actually started it through municipalities. Now, they're starting to go, wait a second, tourism's a big deal, too; so, they're starting to buckle up and go that route, but it's actually new for them to look at it that way. So, I think it's incredibly valuable because, you know, I used to have a client that said, "You know, In God We Trust, everyone else bring data." You know, people make big decisions, they need data that's going to give them confidence, and Placer provides data we've never had before. We've just never been able to track things, just been guesses; so, I am a big advocate of it, I think on a very case-by-case scenario is what I would use it, though. I wouldn't subscribe to it, not yet, unless you've got another fund to pay for it outside of tourism.

EDA Vice President Olsen asked EDA Member Khambata, so, did you want to follow up on that?

EDA Member Khambata said, so, I'm a real estate broker, and the go-to resource for housing affordability, for the number of transactions for every sale price is the Association of Realtors because they bill themselves to be the authority on that information. And without having to reinvent the wheel, like where do we go, who's the authority on the type of tourism information that is out there? Like, as you said, in terms of like a semiannual or an annual report, and in an environment or in an ecosystem where everyone's trying to sell you information, and they want, like everyone has the best information; like, again, we can't go chasing around a $30,000 proposition that we're not going to pay off. And, whereas, like the Association of Realtors sends every one of these Council Members that information at no cost, and you can believe it, you can rely on it. Are there resources out there like that, trade organizations that are willing to share those aspects of tourism with us that we can deem as reliable, without having to kind of go through like a trial and error process?

Steve replied for you, that's going to be Meet Minneapolis or State of Minnesota Tourism. They spend money on research every year, and so, they have knowledge, but it's also to give it to the Cottage Groves. The Minneapolis, St. Pauls of the world, even

Duluth, they might not need it as much, but we do, and there's more people like Cottage Grove than there are Minneapolis. But how come we don't know about it? Whose job is it? Whose job is it to have the relationship and know? I mean, tonight when I get home, I'm going to the winter meeting of the State of Tennessee Tourism, and there are three regional directors for all areas of Tennessee, as well as six sub-directors are going to be there, and they're having meetings with all the little Cottage Groves all over Tennessee. And the state provides the Placer, by the way, and part of their goal is to make sure what are your specific requests, they made a deal with Placer that they can pull their reports for any of their communities and give them their data. So, that's what we've been talking about, right? So, but you've got to have a relationship with the State of Minnesota and maybe even Minneapolis and St. Paul; I mean, you are part of those metros, and they invest a lot of money in research as well. But if you're not there to ask them, and to be aware of what they're providing, that's 100% where I'd go, and I'm also 100% they have resources; every state tourism agency and tourism agencies that watch Minneapolis invest heavily in research or they're partners. We're just not there looking for it. Yep, no doubt about it. There's a couple other larger organizations, but I wouldn't worry about them; Destinations International is the big one, U.S. Travel's a big one, so, if you want to know big travel trends, that's where you get that information. They publish annual reports to make it available for everybody, but the State is where you go right now.

EDA Vice President Olsen said you mentioned rebranding, and sort of in a halfway method about not just tourism, but also the City. We started on this journey, and we took some counsel from some other communities that do tourism and have been for a long time, and we landed on *Discover Cottage Grove* as our tag for our tourism. What do you think? Steve said, which I like. EDA Vice President Olsen said you do?

Steve replied yeah, I mean, the industry; I'm sorry, I almost kind of cut you off, is that what you're wanting to know?

EDA Vice President Olsen said well, I think I know what you're going to say, so continue, and then I'll check and see.

Steve said about 10 years ago, all of a sudden, I don't know who started, it became the thing to do, it's like instead of calling ourselves Convention and Visitors Bureaus or Tourism Authority, which is a very local business name and there's value to that, we're going to tell people what we want them to do. And, so, everybody had visit, discover, explore, tour, in some cases that's a bad one, but everybody started doing it. And my point of view is that's fine, and there's nothing wrong with it. Like, it's good, it's cool, but your brand is actually Cottage Grove, it's the City name. That's the dot on the map that people are going to visit. So, you could say Discover, it gives you that little call to action, that's what I loved about it; oh, we're telling them we want them to discover, and that's exactly what we want them to do. Cool. Is it better than Visit? I don't know. Or Explore? I don't know. They're all great, so that's fine. More importantly, when it comes to branding, no one ever visits a place, I don't care where it is, because they have a cool logo, they don't do it. I'm not saying a great logo's not important and a tagline; like, I'm not going to go, "Hey, honey, we gotta go to Hastings. Why? Look at their tagline, it's amazing." We don't, that's not how we book travel, that's not how we decide to go somewhere; we do it because of, remember the Content Development? That's why. More people are bragging about communities like Cottage Grove because of the food experiences that are there, because of the cool things to do, because the architecture looks great; that's another reason why a town center is so important, right? If I'm going to brag about Cottage Grove, we have to have a true picture of it. All right? People are showing the bridges in Hastings, more to great placemaking is branding. So, branding is more than just, you need the organizational branding, a logo, and a position we're on is fine, some places don't even use it. And what you do, rules of branding that we all know apply. But unlike any company that I've ever seen, a City has a more-challenging job of branding because it's not just an organization, its a place, and you don't own your name. Like, if I were to bad mouth 3M, I'm going to get a lawsuit. Well, who uses the Cottage Grove name? The City, economic development, tourism, Chamber of Commerce; how many businesses have the name Cottage Grove? We don't own our name, everybody uses it on their address. So, anybody can use the name and everybody is your product, your roads, your people, your businesses, good and bad. It's why we'll go, those people are so worried when you have one bad experience. You brand the whole town, oh, they're rude people over there, right? Yeah, I'm making that up, but you know what I'm talking about. Branding a place as a City is tough to do, and it requires everyone be involved, and you want a nice logo, but the role of the logo is ownership, it shows who's talking to you, who owns the building, who's behind that message, and that's about it. So, I think it's super important, but really the goal of branding is to have an edge and have some distinction and a voice and personality of our community.

EDA Vice President Olsen said on that note, you went exactly where I was going, which was *Discover Cottage Grove* when you look in the tourism world, as you mentioned, everybody's using discover this, find that, every business needs that; and I was going to ask you if you felt like we needed to come up with something more unique, something that separates us from the pack, or if that was a waste of time?

Steve replied, I think the City of Cottage Grove is a bigger priority than tourism right now. EDA Vice President Olsen said okay, fair enough.

Steve said and I think they're connected, don't get me wrong, but it's just that we're not going to be spending a ton of time telling the outside world to come to Cottage Grove right now; I mean, but when we do, we want to be presentable and we want to be unique, and why, why should we? I mean, so, the need is there, but right now, you're in such your infancy of tourism, it's the Friends and Family aspect of it. I think knowing who we are and having some pride and distinction about what Cottage Grove is, in general, is important. I think that's why I mentioned, when I said branding, I said tourism branding is necessary, I don't think it has to be alone without the City, I think they are together for now. And I'm the biggest advocate in the world, actually, that it's okay for tourism and the City to have different looks to them, but for you all, that's not necessary; you're one place right now.

EDA Vice President Olsen said and then the last thing is you mentioned about kind of use what you have, package things, all that, which we've all talked about that for many years, but you showed the picture of Cedarhurst. Now, over time, and many in the room know this already, that facility has served several different purposes. When you think about what we have and packaging what we have and all that, should the City be looking at Cedarhurst as kind of a central draw for concerts, for the arts, and maybe even as a lodging facility? Make it into a historic hotel; because I think about Red Wing, they've got the St. James, which is a nice, old, historic hotel, and they now have The Confluence in Hastings, which is in a little historic building downtown there, etc. Do you see that as a potential opportunity to kill two birds with the one stone? We get a lot of people for tournaments and different things all year round, who come and play here, but go to Woodbury to eat their dinner and stay in their hotel. Do you see Cedarhurst as an opportunity to alleviate a little bit of that pressure on the 1.5 hotels that we already have?

Steve replied we see Cedarhurst as a tremendous opportunity for you however, I don't know that it falls under the sports teams staying there.

EDA Vice President Olsen replied no, what I'm saying is it's a historic hotel, then maybe there are people currently staying in Place A that would choose to stay in Place B. Steve said 100%.

EDA Vice President Olsen said weddings. Steve said I was going to say where do you think most people that go to one of those weddings at Hope Glen or The Madison, where do you think they stay? I'm going to put my money that they're not staying at Country Inn & Suites, they're not; EDA Vice President Olsen agreed.

Steve said again, there might be a couple that do, but they're staying at The Confluence. Especially, I don't think the weddings at Hope Glen and The Madison are very cheap, right? EDA Vice President Olsen replied, they're not. Steve said, I mean, they're the kind of weddings where the wedding party is going to have a block of rooms somewhere. Where are you going to put them? I'm going to The Confluence, for example. I mean, right? So, you'd think if that was a historic hotel, do you think? Absolutely, the wedding could be there, I mean, that could be the wedding venue as well. EDA Vice President Olsen agreed. Steve said I think that's worthy of a lot of attention and some discussions of what it could be, it's a tremendous opportunity, historic places like that are. I know where I live we had a farm, I'll just call it a farm for lack of word, but it had some facilities like that on it; and it was actually gifted over to the city with one term, that it can never, ever be developed beyond, they had some parameters around it, because they want it to always be an outlet for the people in the community. So, they have concerts there, they have Fourth of July concerts and things there. Now, they cannot build a hotel on that one, they would never let them do it, a different scenario. But preserving that, and that is your mission, preserving that the right way I think is super important for the community. And if it, if you don't, you just don't have many assets like that.

EDA Vice President Olsen said I appreciate your feedback on that. You know, it is owned by a group that claims to specialize in historic preservation, but they haven't done anything with it, so, I'm just spitballing there. And you're right about the wedding venues, I was at the old barn out in Old Cottage Grove last week, meeting with those owners, and prior to me meeting with them, they had a group of five-or-six families that were touring the facility in hopes of potentially booking it as a wedding; and that was one of the first questions that came up in the group is well, do you have a bridal suite? Do you have a place for mom and dad to stay? Those kinds of things, so, I think we're missing out, and Cedarhurst maybe could be that opportunity, but I guess we'll have to talk about that some more. With that, mayor, back to you.

EDA President Bailey asked if there were any other questions at this point.

EDA Member Latack said one question I have is if we're guarding the content side of things, I think there's already been some good content, but a lot of times with content, for somebody willing to share it on social, they have to get some social currency out of it. So, they don't say, oh, I had a great time in South Chicago, visiting, you know? It's like, oh, I had a great time in Las Vegas, or whatever. So, I'm wondering if we almost set up situations where it's almost for Instagram-able type social? So, now, it's other people saying how fun Cottage Grove is, which is whatever.

Steve replied that is the goal, that's the whole goal of social media, and that's why you see; again, you don't have a town center to do this stuff. I mean, the go-to things are architecture, murals, I mean, how many places have winged murals in places where people? You know what I'm talking about, right? We don't have places for winged murals, right? The Instagram-able moments, the sharable moments; I guarantee you Hope Glen and The Madison get shared galore because they're such unique, interesting places. No one Instagrams the logo of a place. Cottage Grove is so cool, there's a neat logo, nope, no one does that. But they're going to do something that's interesting, that's brag worthy. That's why placemaking is so important, actually, and you can create things; it doesn't have to be a huge project. Indianapolis, they have a big NDY in their downtown, the big N-D-Y, and you make the I, so everyone gets their picture made and it says INDY, because I'm the I, you get what I'm saying? Like, that wasn't that expensive. But that's why they did it, so people could brag, and what's behind it? A cool backdrop of the city and all kinds of stuff, right?

EDA Vice President Olsen said well, think about when Chicago did their Bull, right?

Steve said that's what started it all, I think, I really do. Yes, that's why getting art involved and having those types of things that they give you a little bit of a story telling. And they didn't say, hey, we need our logo on art all over town; no, you're not NASCAR, right? You can tell your story in a lot of different ways, if you ever want a different flavor in the community, that's what makes it interesting. So, that's big, placemaking from a City perspective, I think that's super, super important. And you're clean, you're super clean and nice and well executed. The roads are nice, they look great, and the Business Park here, it's a nice place, but having that, and a little edge usually sounds like it's pretty and stuff and it can be, but it doesn't have to be, but you lack having some placemaking points of distinction. We asked people in our groups, what's the iconic visual of Cottage Grove? And, overwhelmingly, everybody's like, they really don't have one. Maybe look at the Mississippi River; well, you're looking at the river, not us, that might be the one thing that came back the most. EDA Vice President Olsen said and my last question is with the limited pay budget, do you think Geofence ads where you can Geofence people that go to Rivertown Days because they're most likely going to some other festivals type thing?

Steve replied, that's 100% what I was talking about when I said digital advertising for Strawberry Festival, and I didn't get into it, but you want to Geo; you don't want to just blanket the whole place and say, hey, everybody come here. You can target people that went to a similar festival to yours last year; you can target people that went to Strawberry Fest a little bit and don't live here, they came to it last year, tell them to come back. And festivals just like it in Hastings; I mean, they came to Hastings, they might as well come here, or Woodbury. You can target people that visited those events last year because they're likely to come. I mean, that's exactly what you want to do, and you've done this before. Steve said that's the tactical way you need to spend your money because you don't have much, but it's high return with that. That's great, I'm glad you brought that up.

EDA President Bailey said all right, thank you, that's a lot of info.

Steve said I hope that stuck, it is a lot of info, you all have a tremendous opportunity here to make sure you're doing the right things.

B. 2025 Meeting Schedule

Staff Recommendation: Accept the schedule for the 2025 Economic Development Authority Meeting Schedule, as presented.

EDA President Bailey said Director Larson has the 2025 EDA Meeting Schedule up on the board.

EDA Member Tschida asked on the meeting schedule, why are we meeting the first Tuesday in November instead of the second? It's just curiosity more than anything else.

Director Larson replied that there are a few things to point out on the calendar:

- We won't have a March meeting.
- November 4 is proposed because your regular meeting date in November falls on Veterans Day, so, in observance of Veterans Day, we moved it to November 4, which is the first Tuesday of the month.
- December 2 is always your HRA Final Levy consideration, and so that has to be held in the evening, at 6:00 p.m., before the City budget is adopted and that is a statutory requirement.

EDA Member Tschida said I should already know the answer to this, but are we allowed to meet on Election Day? Director Larson replied yes.

Director Larson said and that's your recommendation for the schedule, and once that's done, as presented, then we'll finally get those the meetings on your calendars; we hadn't done it yet because we had to have you adopt your annual meeting calendar.

EDA Member Khambata made a motion to accept the 2025 Economic Development Authority meeting schedule, as presented. EDA Member Scott seconded the motion. Motion passed unanimously (6-to-0 vote).

C. DARTS Updates

Staff Recommendation: Receive the DARTS Annual Report.

EDA President Bailey said we're not going to go through the DARTS Updates at this particular point. But for those who don't know, the EDA funds DARTS transportation for one day a week, in essence, for DARTS to go between different senior facilities; frankly, it doesn't have to just be seniors, it can be anywhere because they go up to the library, etc.

I will mention to you the data is in there, but I know the County is looking at adding a second day, hopefully by the end of this year, to try to enhance the transportation infrastructure, if you will, within Cottage Grove. So, that's just a heads up for you on that, I just happen to know that from talking to the County.

6. PUBLIC HEARINGS - None.

7. OTHER BUSINESS - None.

8. WORKSHOP - None.

9. ADJOURNMENT

EDA Member Khambata made a motion to adjourn. Motion was seconded by EDA Member Tschida. Motion passed unanimously (6-to-0 vote). The meeting was adjourned at 8:57 a.m.

Respectfully submitted,

Gretchen Larson
Economic Development Director

/jag

Cottage Grove

Where Pride and Prosperity Meet

Presented To

DAN MYERS

In appreciation of your dedicated service to the City of Cottage Grove Economic Development Authority

June 2017 - February 2025

Cottage Grove

Where Pride and Prosperity Meet

Presented To

CHRIS CAREY

In appreciation of your dedicated service to the City of Cottage Grove Economic Development Authority

March 2017 - February 2025

TO: President Bailey and Members of the Economic Development Authority
Jennifer Levitt, City Administrator and EDA Executive Director

FROM: Gretchen Larson, Economic Development Director

DATE: April 4, 2025

RE: Maxfield Research Comprehensive Housing Needs Study

Background

The April 2024 the EDA approved a recommendation to engage the services of Maxfield Research & Consulting to complete a Housing Needs Study for the city. The market analysis would assess the potential need/demand for developing different types of owned and rented housing in Cottage Grove to 2040 based on an examination of demographic and employment growth trends and current housing market conditions. Detailed recommendations (number of units/lots; unit mix and sizes; prices/rents; housing features and amenities, etc.) for the housing types identified as needed in the short-term (2024 to 2030) and long-term (2030 to 2040) would also be provided. The housing study would also identify and recommend housing initiatives to close gaps where needed.

Secondary research that was used included data obtained from reliable published sources including the Census Bureau, ESRI (a national demographics firm), State demographic centers and economic development agencies, among others. Published secondary data is always reviewed carefully considering other local factors revealed through the primary research that may have an impact on the analysis. The result is a custom report that provides information that is timely and locally pertinent. The costs for the study was $22,875.

Community Development Director, Emily Schmitz presented the study findings to City Council at their January Strategic Planning Session. Mary Bujold from Maxfield Research will present the study findings and answer questions of the board at the meeting on Tuesday.

Recommendation

Receive report.

Attachment
Housing Needs Study

Comprehensive Housing Needs Analysis for Cottage Grove, Minnesota

Prepared for:

City of Cottage Grove
Cottage Grove, MN

October 2024

Maxfield Research & Consulting
901 Twelve Oaks Center Dr.
Suite 922
Wayzata, MN 55391
612.338.0012

Maxfield
Research & Consulting
Breaking Ground since 1983

October 8, 2024

Ms. Emily Schmitz
Community Development Director
City of Cottage Grove
12800 Ravine Parkway S
Cottage Grove MN 55016

Dear Ms. Schmitz:

Attached is the *Comprehensive Housing Needs Analysis for Cottage Grove, Minnesota* conducted by Maxfield Research and Consulting. The study projects the demand for various housing products in the City to 2035. The study also provides recommendations on the amount and types of housing that could be built in Cottage Grove to satisfy demand from current and future residents in the short-term (2024-2029) and the long-term (2030-2035). The study identifies a potential demand for 3,858 to 5,086 new housing units to 2035 divided between general-occupancy housing and age-restricted senior housing.

Overall, the housing market in Cottage Grove in all sectors has been strong during this past decade. Cottage Grove's strong development trend continues and new developments are under construction and approved. Additional multifamily development is needed across all income spectrums as well as additional senior housing, predominantly active adult and independent living. Despite new supply, the rental housing vacancy rate is less than 3% and below market equilibrium. Median sales prices are up considerably from early 2020. The recent uptick of mortgage rates has moderated appreciation and sales velocity decreased slightly as a result. Assisted living senior housing is still recovering from the pandemic, but product targeting active seniors is in strong demand. Detailed information regarding recommended housing concepts can be found in the *Conclusions and Recommendations* section at the end of the report.

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

Sincerely,

MAXFIELD RESEARCH AND CONSULTING

Mary C. Bujold

Andrew McIntyre

Mary C. Bujold
President

Andrew McIntyre
Research Associate

Attachment

TABLE OF CONTENTS

TABLE OF CONTENTS
(CONTINUED)

TABLE OF CONTENTS
(CONTINUED)

LIST OF MAPS

LIST OF TABLES

LIST OF TABLES
(CONTINUED)

LIST OF TABLES
CONTINUED)

This section highlights key findings from the Comprehensive Housing Needs Analysis completed for the City of Cottage Grove. Calculations of projected housing demand are provided to 2035. In addition, recommendations for housing products to meet demand over the short-term (2024 through 2029) and long-term (2030 to 2035) are found in the *Conclusions and Recommendations* section of the report.

Key Findings

1. Despite the COVID-19 pandemic, the Cottage Grove housing market and economy has fared better than expected and outperformed many Metro Area communities. Cottage Grove continued to be a preferred location for new construction owned housing during the pandemic. Home prices increased more than 20% since early 2020. At the same time, the unemployment rate decreased to 2.2% in 2022, albeit rising modestly in 2023 (2.5%) and again in 2024 (3.8%).

2. Cottage Grove has experienced strong population and household growth over the past two decades, increasing its residential base with for-sale and rental options. Looking forward to 2030 and 2040, growth is expected to continue but at a slightly slower pace than in the previous decade. Growth of the city can largely be attributed to the multi-family housing boom that has occurred over the past decade.

3. Cottage Grove's near-term growth is led primarily by the Millennials and Baby Boomers. To 2030, the aging of the population will be led by growth in the 75 to 84 age cohort. These shifts will result in demand for housing products at opposite ends of the residential continuum, including active adult (55+) rental and for-sale homes in addition to households wanting to purchase their first home or move-up. Market rate rental housing has been developed recently in the community, attracting Millennials and empty-nesters.

4. With the amount of residential land remaining for new homes, for-sale and rental housing will combine to increase the housing stock in Cottage Grove. As low-density land supplies decrease, it is important to identify areas where there will be increased density to accommodate a higher number of housing units. Numerically, those 25 to 34 represent the largest number of renters (485 people), or 27.2% of all renters. This is followed by those 35 to 44 (324 people – 18.2% of all renters).

5. Rental housing in the City is primarily comprised of market rate housing, although there are also a few affordable rental properties. Market rate rental housing comprises most of the units followed by income-restricted affordable housing. Subsidized units represent a small portion of the rental market in Cottage Grove. Combined, the overall vacancy rate is less than 3% across all stabilized projects regardless of income.

6. As detailed previously, Cottage Grove's senior population increased from 2010 to 2020. As noted in the report, active adult rental properties have almost no vacancies, while service-enriched housing posted higher vacancies, resulting from challenging labor supply and seniors preferring to remain in their homes longer rather than relocate to senior housing. We note however, that many senior properties have already or are recovering and occupancies have increased. Although active adult product has virtually no vacancies (1.6% - all active adult types), assisted living was the only service-enriched segment to post a vacancy rate higher above market equilibrium at 10.0%. Therefore, demand is strongest for active adult and independent seniors in the short-term while service-intensive demand will continue growing this decade.

7. The for-sale market has experienced significant appreciation since 2018 as the median sale price is at an all-time high of $392,500 through year-end 2023. Cottage Grove, Hastings and Woodbury have all been exceptionally strong housing markets as growth has expanded to third-tier locations. Price acceleration slowed slightly with the rapid uptick in mortgage rates, but fewer homes for sale continues to place upward pressure on pricing as demand continues to outstrip supply. With the Federal Reserve now lowering interest rates, the housing market is anticipated to strengthen.

8. The lack of available land, comprised with the high cost of redevelopment, make the construction of new for sale and rental housing a challenge especially in a high interest-rate environment. This makes housing affordability a pressing issue in the City as buyers are on the sidelines and renters are facing rent inflation due in-part to the high inflation conditions property owners are facing for labor, property taxes, insurance, utilities, etc. New construction is expected to be muted in the short-term as buyers put new home purchases on-hold while apartment developers are faced with increasing debt service and tighter underwriting policies. As such, new multifamily construction should slow in the short-term as buyers and developers wait out the market in anticipation for lower interest rates.

9. The unemployment rate in Cottage Grove has remained low since recovering jobs from the pandemic. The unemployment rate was 2.2% in 2022 but increased in 2023 to 2.8% and to 3.5% as of July 2024. Cottage Grove's labor force increased during this period, while employment recently decreased in the first half of 2024. Employment industries in Cottage Grove are diverse with a good mix of jobs throughout almost all sectors. Manufacturing accounted for the largest employment sector with 29.3% of jobs. Trade, Transportation and Utilities accounted for 25.4% and Education and Health Services accounted for 21.3% of jobs as of 4th Quarter 2023.

Purpose and Scope of Study

Maxfield Research and Consulting was engaged by the City of Cottage Grove to conduct a *Comprehensive Housing Needs Analysis* for the City. The scope of this study includes: an analysis of the demographic and economic characteristics of the City and the residential draw area in which it functions; a review of the characteristics of the existing housing stock and building permit trends; an analysis of the market condition for a variety of rental and for-sale housing products; and an assessment of the need for housing by product type in the City. Recommendations on the number and types of housing products that should be considered are also supplied. The Housing Needs Analysis provides recommendations on the amount and types of housing that should be developed to meet the needs of current and future households.

Demographic Analysis

- As of 2024, Cottage Grove is estimated to have 43,148 people. The City continued to experience growth over the last decade (2010 to 2020 – 12.3%), but at a slightly slower pace than in the 2000s (2000 to 2010 – 13.1%). We project that Cottage Grove will add 5,361 people (13.8%) and 3,295 households (25.1%) between 2020 and 2030. These growth rates are higher than what is currently projected by the Metropolitan Council, rates of 7.4% and 8.8%, respectively.

- Between 2030 and 2040, Cottage Grove's population is forecast to experience an increase of 4,300 people (9.7%) from 44,200 people in 2030 to 48,500 people in 2040 while its households are projected to increase by 2,400 (14.6%) from 16,400 households in 2030 to 18,800 households in 2040.

- The 35 to 44 age cohort is the largest cohort in Cottage Grove comprising 14.8% as of 2024. This age cohort comprised a higher proportion in Cottage Grove than the Metro Area (13.7%).

- Cottage Grove's population of 18 to 34-year-olds, which consists primarily of renters and first-time homebuyers, increased by 4.2% between 2010 and 2024. However, the same age cohort is projected to increase by 18.2% over the next five years; increasing the demand for rental units and starter homes.

- Cottage Grove had an estimated median household income of $114,459 in 2024. It is projected to increase to $125,707 by 2030 (9.8%, or 1.6% annually).

- The median resale price of homes in Cottage Grove was $392,500 through 2023 (see Table FS-1). The income required to afford a home at this price is estimated to be between $112,143 to $130,833; based on the standard of 3.0 to 3.5 times the median income (and assuming households do not have a high level of debt).

- In 2020, 86.3% of all households in Cottage Grove owned their housing. By 2024, that percentage increased slightly to 87.3%. This is primarily due to increased construction of for-sale housing in the City.

- In 2024, 78.6% of Cottage Grove's households under age 25 rented their housing, compared to 20.8% of households between the ages of 25 and 34. Cottage Grove households between the ages of 35 and 74 are overwhelmingly homeowners with homeownership rates ranging from 88.9% to 97.3%. The very high proportion of households ages 65 to 74 owning their housing may also reflect a lack of rental active adult options for households in this age group.

- An estimated 36.6% of renter households in the City of Cottage Grove in 2024 have one person while an additional 17.9% of renter households have two people. One-person households are more likely to look for one-bedroom units and two-person households are more likely to prefer a two-bedroom unit. Two-person households that consist of a parent and child or roommate would primarily seek two-bedroom units. Larger households would seek units with multiple bedrooms.

- Persons Living Alone increased by 384 households (22.0%) between 2010 and 2024. As of 2024, Persons Living Alone accounted for 15.1% of all households. The largest household types in Cottage Grove are Married Couple families without children (35.1%) followed closely by Married Couple families with children (31.0%). Cottage Grove has a higher proportion of Married Couples without children and a lower proportion of people living alone than does the Metro Area.

Housing Characteristics

- From 2010 through May 2024, Cottage Grove issued permits for a total of 2,064 new residential units. Of those, 1,598 were issued for single-family and 466 were issued for multi-family.

- Cottage Grove's housing stock is generally newer with the largest proportions of homes built in the 1990s followed by the 2000s.

- Single-family detached units are the dominant housing type for owned units in Cottage Grove (91.0%) compared to 80% in the Twin Cities Metro Area.

- In Cottage Grove, 72% of homes have a mortgage while 28% own their homes without a mortgage. Thus, the percentage of housing units in Cottage Grove owned without a mortgage is less than the Metro Area (30%).

- The estimated median contract rent in 2024 in Cottage Grove is $1,467 in 2022, 24.5% higher than the Metro Area.

- The median income of renter households was 39.8% less than the median income of owner households in Cottage Grove. In 2024, owner households in Cottage Grove reported a median income of $123,333 compared to $74,167 among renter households.

- Most residents in Cottage Grove did not move during the past year (89% remained in their same home). In the Metro Area, 86% of residents did not move in the last year.

Employment Trends

- Unemployment in Cottage Grove was at its highest in 2009 during the Great Recession at 7.4% and after that continued to drop to 2.2% in 2022. The current unemployment rate is 3.8% as of July 2024. This compares to 3.7% for the Twin Cities Metro Area.

- Unemployment increased briefly in 2020 to 6.5% during the Pandemic, but rapidly declined during the recovery.

- In Cottage Grove, the Information industry reported the highest weekly wage, $1,474, followed closely by the Manufacturing sector with $1,435.

- As Table E-5 illustrates, St. Paul was the largest work destination for Cottage Grove residents (16.2%) and the largest home destination for Cottage Grove workers (25.3%).

- Cottage Grove was the second largest work destination for Cottage Grove residents (12.7%) and the first home destination for Cottage Grove workers (25.31%).

- The City of Cottage Grove is a net importer of workers, with 37,337 workers commuting into the city compared to 23,826 workers leaving the city for work. In addition, 2,839 workers live and work in the City.

- Independent School District 833 in the Education sector is the largest employer in the City with an estimated 2,983 employees. The second largest employer is Renewal by Andersen, a window manufacturer, employing 1,600 people in Cottage Grove.

- The largest employers in Cottage Grove include primarily businesses in education, manufacturing, public administration and retail sectors.

Rental Housing Market Analysis

- All rental properties in the PMA represent a combined total of 7,133 units, including 6,298 market rate units (92.4%), 785 affordable units (4.8% of all units) and 50 subsidized units (2.8% of all units).

- At the time of our survey, Cottage Grove had an overall stabilized vacancy rate of 5.5% (322 vacancies), at market equilibrium (5% vacancy rate). Market rate properties had a stabilized vacancy rate of 2.7% (370 vacancies) while affordable and subsidized units each had a vacancy rate of 0.3%. As a result, all unit types have pent up demand.

Senior Housing Market Analysis

- Between 2010 and 2020, the fastest growing proportion of the population in Cottage Grove was those between the ages of 65 and 74, which experienced a 78% increase in population, an addition of 1,379 people. In addition, over the next five years, the fastest population growth in Cottage Grove is projected to be those between the ages of 75 and 84, which are forecast to experience a 52% increase in population, an addition of 708 people.

- The Primary Market Area maintains high rates of homeownership in the older adult age cohorts. The homeownership rate as of 2024 is 81% for households 65+. Seniors typically begin to consider moving into senior housing alternatives or more convenient housing such as apartment buildings or twin homes in their early to mid-70s, although there is not much of a drop between the age 65 to 74 age cohort (82%) and the 75+ age cohort (81%).

- Maxfield Research identified eight senior housing properties in the PMA. Combined, these projects contain a total of 2,110 senior housing units. Of those 2,110 units, 1,353 units are market rate units while 728 are affordable.

- Based on the survey, 61.8% of age-restricted housing provide optional or included services (service-enhanced housing), a total of 1,305 units. These include 471 independent living units, 462 assisted living units and 372 memory care units. The remaining 805 units are active adult (55+ or 62+), including 728 affordable (deep- and shallow-subsidy), 4 market rate rental and 73 cooperative/ownership units. Of all age-restricted units, 90 are currently vacant, representing a 4.3% vacancy rate.
- The affordable active adult properties are predominantly shallow-subsidy properties developed through the Low-Income Housing Tax Credit program.

Housing Affordability

- In Cottage Grove, 15% of owner households and 42% of renter households are considered cost burdened. By comparison, 16% of owner households and 41% of renter households are considered cost burdened in the PMA. The Seven-County Metro Area has 34% of its owner households cost burdened and 47.5% of its renter households cost burdened. The median income of all Cottage Grove households in 2024 was $114,459. However, the median income varies by tenure. According to the 2022 American Community Survey (most recent available), the median income of a homeowner is $123,333 compared to $74,167 for renters.

- An estimated 87% of all households and 80% of owner households could afford to purchase an entry-level home in Cottage Grove ($250,000). When adjusting for move-up buyers ($385,000), 63% of all households and 60% of owner households would income qualify.

- About 73% of existing renter households can afford to rent a one-bedroom unit in Cottage Grove ($1,200/month). The percentage of renter income-qualified households decreases to 59% that can afford an existing three-bedroom unit ($1,600/month). After adjusting for new construction rental housing, the percentage of renters that are income-qualified decreases.

For-Sale Housing Market Analysis

- Between 2010 and 2023, there has been an average of 664 residential sales per year in Cottage Grove.

- Between 2021 and 2023, Cottage Grove's median resale prices increased 10.5% to $392,500 while the Seven County Metro's median resale price increased 7.7% to $370,000.

- As of August 2024, there were 141 homes listed for sale in Cottage Grove and 484 homes listed for sale in the PMA.

- The median list price in Cottage Grove is $442,000 and $509,873 for the PMA.

- Based on a median list price of $442,000 for Cottage Grove, the income required to afford a home at this price would be between $126,286 and $147,333; based on the standard of 3.0 to 3.5 times the median income (and assuming these households do not have a high level of debt). A household with significantly more equity (in an existing home and/or savings) could afford a higher priced home. An estimated 45% of Cottage Grove households have annual incomes at or above $126,286.

- Most single-family and multifamily homes listed for sale listed for sale in Cottage Grove are priced between $300,000 and $399,999 and $400,000 and $499,999, respectively.

Housing Needs Analysis (New Construction units)

- Based on our calculations (detailed in the demand section of the report), demand exists in Cottage Grove for the following general occupancy product types between 2024 and 2030:
    - Market Rate Rental 570 units
    - Affordable Rental 185 units
    - Subsidized Rental 178 units
    - For-Sale Single-Family 1,317 units
    - For-Sale Multifamily 593 units

- In addition, we find demand for multiple senior housing product types (detailed in the demand section of the report). By 2030, demand in Cottage Grove for senior housing is estimated for the following:

    - Active Adult Ownership 201 units
    - Active Adult Market Rate Rental 267 units
    - Active Adult Affordable 131 units
    - Active Adult Subsidized 116 units
    - Independent Living 158 units
    - Assisted Living 78 units
    - Memory Care 72 units

- On the following page are suggested development targets by product type for Cottage Grove to 2030.

RECOMMENDED HOUSING DEVELOPMENT COTTAGE GROVE 2024 TO 2030			
	Purchase Price/ Monthly Rent Range[1]	**No. of Units**	**Development Timing**
Owned Homes			
Single Family [2]			
Entry-level	$300,000 - $350,000	300 - 400	2025+
Move-up	$450,000 - $699,999	400 - 500	2025+
Executive	$700,000+	100 - 150	2025+
Total		**800 - 1,050**	
Townhomes/Twinhomes/Villas [2]			
Attached Townhomes-Entry-level	$250,000 - $325,000	200 - 200	2025+
Attached Townhomes-Move-Up	$400,000 - $500,000	100 - 200	2025+
Twinhomes / Detached Townhomes/Villas	$500,000+	100 - 200	2025+
Total		**400 - 600**	
Total MF Style For-Sale		**400 - 600**	
Total Owned		**1,200 - 1,650**	
General Occupancy Rental Housing			
Market Rate Rental Housing			
Apartment-style (moderate)	$1,050/Eff - $2,300/3BR	300 - 350	2025+
Apartment-style (luxury)	$1,500/1BR - $2,600/3BR	300 - 400	2026+
Rental Townhomes	$2,500/2BR - $2,800/3BR	60 - 80	2025+
Total		**660 - 830**	
Affordable Rental Housing			
Apartment-style	Moderate Income[3]	120 - 130	2025+
Townhomes	Moderate Income[3]	50 - 60	2025+
Subsidized	30% of Income[4]	50 - 65	2025+
Total		**220 - 255**	
Total Renter-Occupied		**880 - 1,085**	
Senior Housing (i.e. Age Restricted)			
Active Adult Ownership / Co-op[4]	$200,000+	80 - 120	2025+
Active Adult Market Rate Rental[5]	$1,600/1BR - $2,300/2BR	80 - 100	2025+
Active Adult Affordable Rental[5]	Moderate Income[3]	125 - 150	2027+
Independent Living	$2,400+ per month	100 - 125	2025+
Assisted Living	$3,000/EFF - $5,000/2BR	40 - 45	2027+
Memory Care	$5,000/EFF - $6,000/2BR	30 - 35	2027+
Subsidized Senior	30% of Income[4]	70 - 90	2025+
Total		**525 - 665**	
Total - All Units		**2,605 - 3,400**	

[1] Pricing in 2024 dollars. Pricing can be adjusted to account for inflation.

[2] Replacement need, infill, and redevelopment. Development of single-family homes and townhomes/twinhomes will hinge on land availability.

[3] Affordablity subject to income guidelines per Minnesota Housing Finance Agency (MHFA). See Table HA-1 for Metro Area (Twin Cities) Income limits.

[4] Subsized housing will be difficult to develop financially

[5] Alternative development concept is to combine active adult affordable and market rate active adult into mixed-income senior community

Note - Recommended development does not coincide with total demand. Cottage Grove may not be able to accommodate all recommended housing types based on land availability and development constraints.

Source: Maxfield Research and Consulting

Introduction

This section of the report examines factors related to the current and future demand for owned and rented housing in Cottage Grove, Minnesota. It includes an analysis of population and household growth trends and projections, age distribution, household income, household types and household tenure. Comparisons, where appropriate, are provided to the Primary Market Area (described in the following section), Washington County and the Twin Cities Seven County Metro (Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties). A review of these characteristics provide insight into the demand for various types of housing needed in the City.

Primary Market Area

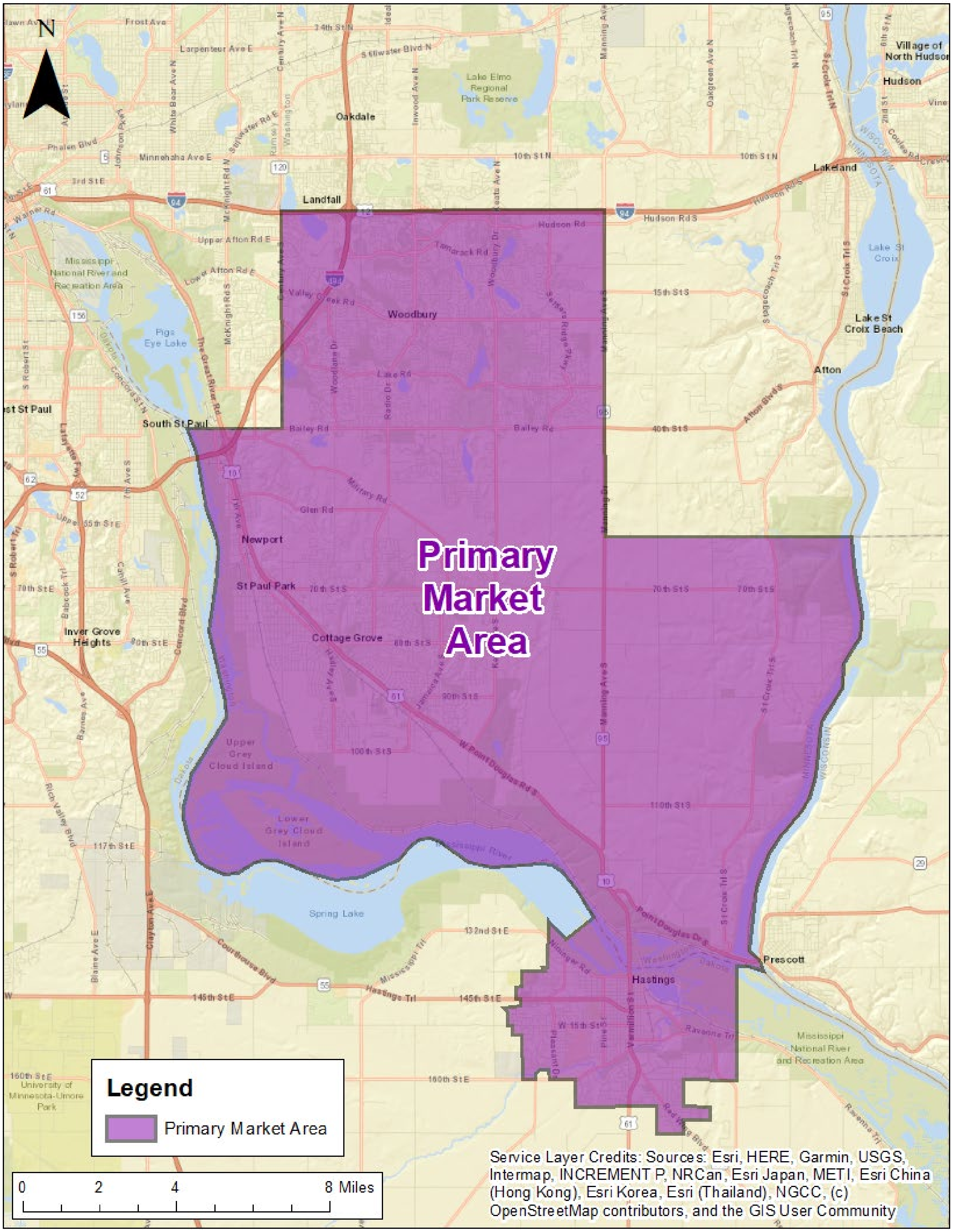
For the housing analysis, the Primary Market Area (PMA) is identified as the Cities of Cottage Grove, Woodbury, Newport, St. Paul Park, Hastings and the Townships of Grey Cloud Island and Denmark. The Primary Market Area is considered as the geography from which an estimated 70% of the demand for housing will be generated. The remaining 30% of demand is expected to be generated from outside of the PMA due to higher household mobility across the Metro Area.

Cottage Grove is classified as a Suburban Edge community by the Metropolitan Council's *Thrive MSP 2040* document. Suburban Edge communities are characterized generally by their auto-focused development patterns, limited transit options, access to recreational opportunities, and ample land still available for development.[1]

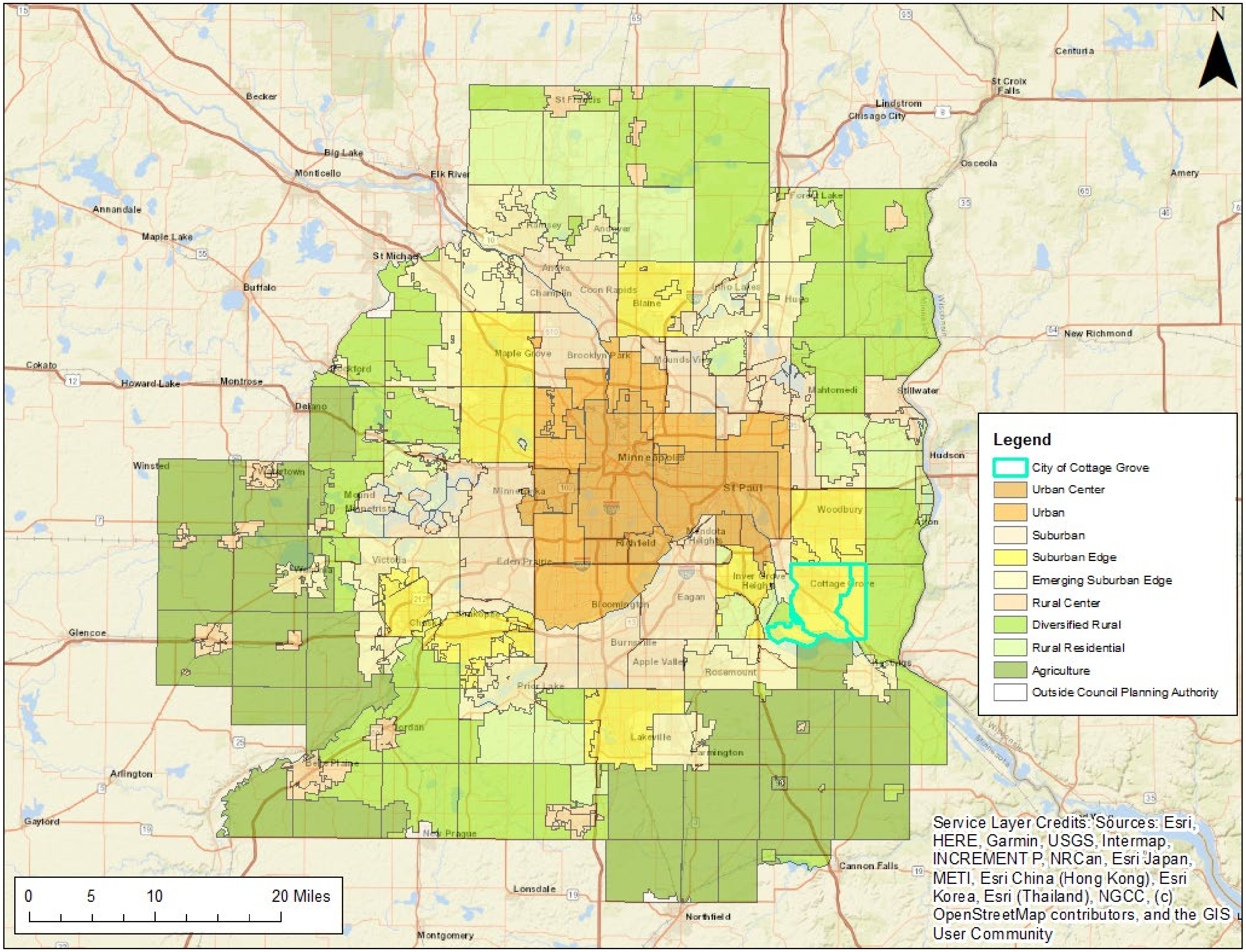
In some cases, additional demand for housing will come from individuals moving from just outside the Market Area, those who return from other locations (particularly young households returning after pursuing their degrees or elderly returning from retirement locations), and seniors who move to be near their adult children living in Cottage Grove or the Remainder of the Market Area. Demand generated from inside and outside of the Market Area considered in the demand calculations is presented later in the analysis. The maps on the following pages highlight the Primary Market Area, the Metropolitan Council's 2040 Community Designations, Regional Boundaries, the Primary Market Area Remainder and Cottage Grove city boundaries.

[1] "Urban Center: Growing vitality in the region's core." *Metropolitan Council: Thrive MSP 2040*. Pgs. 96-97. https://metrocouncil.org/Planning/Publications-And-Resources/Thrive-MSP-2040-Plan-(1)/ThriveMSP2040.aspx. Accessed 7 May. 2024.

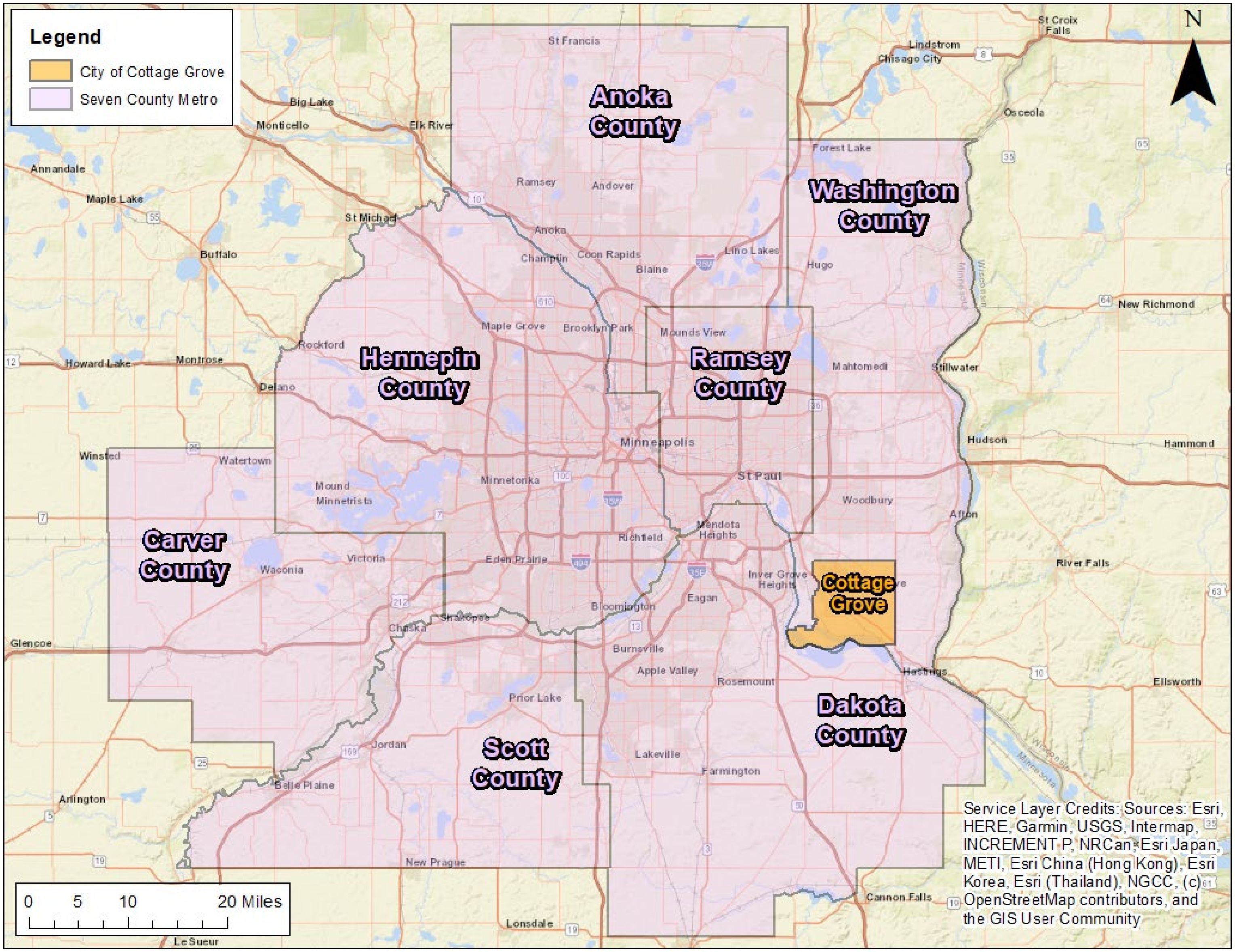
Cottage Grove Primary Market Area



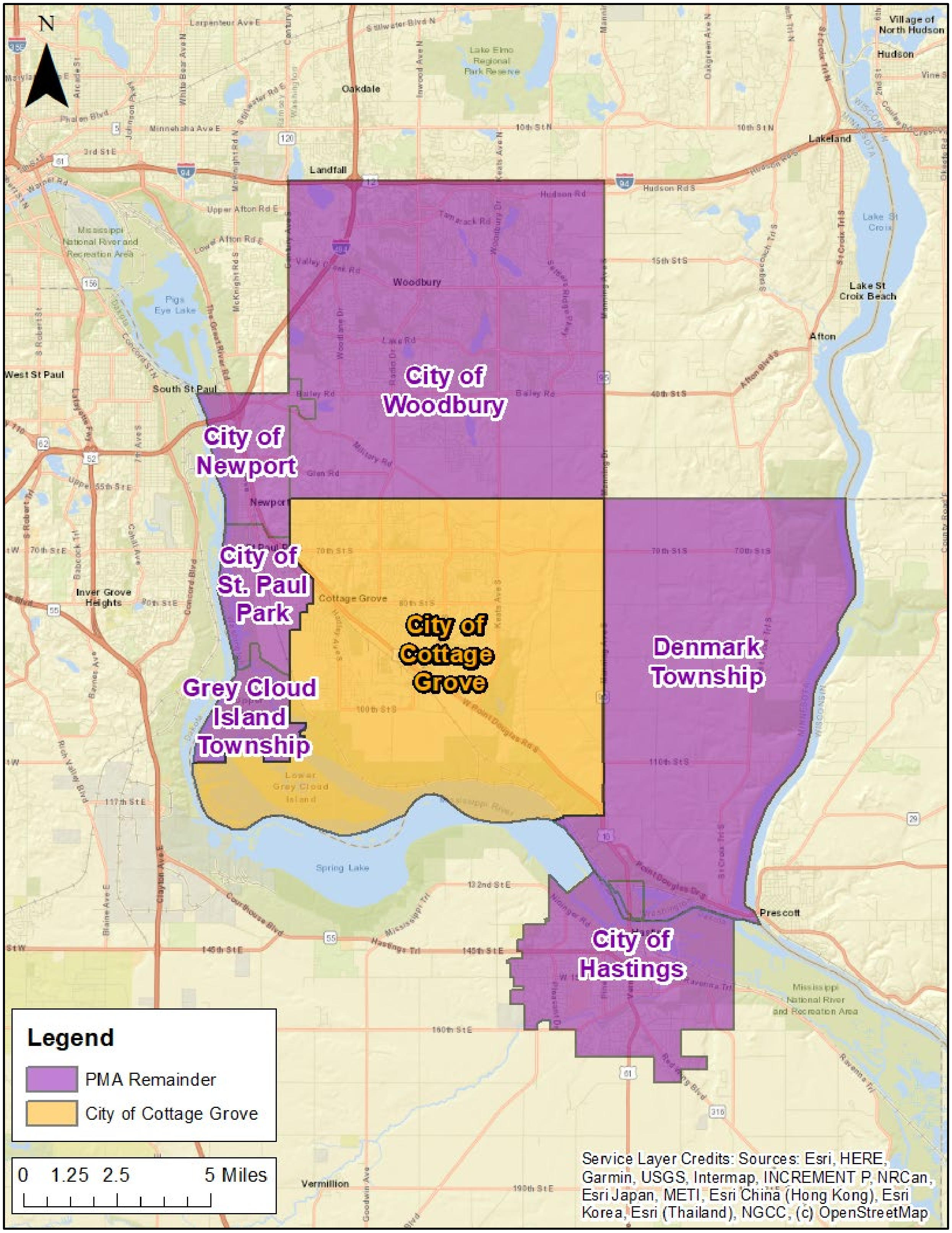
Metropolitan Council's *Thrive 2040* Community Designations



City of Cottage Grove and Seven County Metro

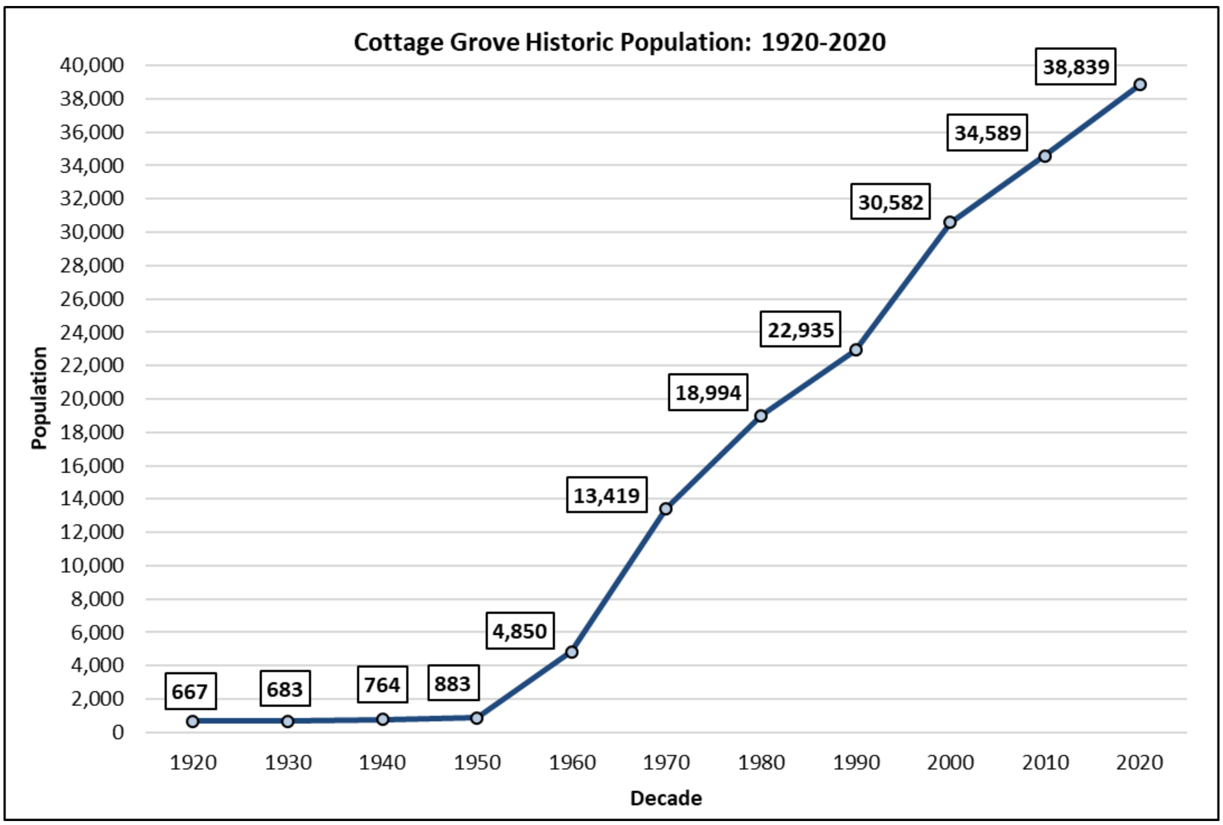


Primary Market Area Remainder & Cottage Grove City Boundaries



Historical Population Growth

In 1920, Cottage Grove had a total of 667 people. Rapid growth began in Cottage Grove in the 1950s when the community grew 449.3% from 883 people in 1950 to 4,850 people in 1960. High growth continued in the City between 1960 and 1970, with an increase of 176.7% from 4,850 people in 1960 to 13,419 people in 1970. Rapid growth persisted between 1970 and 1980 with Cottage Grove's population growing by 41.5% to 18,994 people by 1980. Growth continued, but at a slower pace than during the 1980s, increasing by 20.7% to 22,935 people as of 1990. From 1990 to 2000, the City reached 30,000 people, growing 33.3% to 30,582 people by 2000. From 2000 to 2010 and from 2010 to 2020, Cottage Grove's population increased by 13.1% and 12.3%, respectively, growing to 34,589 people in 2010 and 38,839 people by 2020.



Population and Household Growth from 2000 to 2020

Table D-1 presents population and household growth trends in Cottage Grove as of 2000, 2010 and 2020. Current estimates and projections to 2040 are addressed in the following section. Historical data is from the U.S. Decennial Census.

Population

- Cottage Grove's population increased from 34,589 people to 38,839 people between 2010 and 2020 (4,250 people, 12.3%). Growth this past decade was higher numerically than between 2000 and 2010, but at a slightly slower growth rate, 12.3% versus 13.1%. Washington County's and the Metro Area's growth rates from 2010 to 2020 were 12.4% and 11.0%, respectively.

Households

- Household growth trends are typically a more accurate indicator of housing needs than population growth since a household is, by definition, an occupied housing unit. Additional demand however, can result from changing demographics of the population base, which results in demand for different housing products.

- Cottage Grove added 2,087 households during the 2010s (9.6%), increasing its household base to 23,830 households as of 2020. Households in Washington County increased by 13.3% and the Metro Area increased 10.9% over the same period.

- Household growth rates over the past two decades (2000 to 2020) outpaced population growth in Cottage Grove and in the PMA. Cottage Grove's population increased 27% compared to a 32% increase in households between 2000 and 2020. This is the result of fewer people in each household, caused by demographic and social trends such as couples delaying marriage, an increasing senior base and couples' decisions to have fewer children or no children at all. As a result, most new apartment construction has targeted smaller household sizes in these properties unit mixes (i.e. a higher proportion of one-bedroom units).

Population and Household Estimates and Projections

Table D-1 presents population and household growth trends and projections for Cottage Grove, the Primary Market Area, Washington County and Seven County Metro Area to 2040. Estimates for 2024 and projections to 2040 are based on information from ESRI (a national demographics service provider) and the Metropolitan Council, with adjustments by Maxfield Research.

TABLE D-1
POPULATION AND HOUSEHOLD GROWTH TRENDS AND PROJECTIONS
PRIMARY MARKET AREA
2000 to 2040

	U.S. Census			Estimate	Forecast			Change							
								2000 to 2010		2010 to 2020		2020 to 2030		2030 to 2040	
	2000	2010	2020	2024	2029	2030	2040	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
POPULATION															
Cottage Grove	30,582	34,589	38,839	43,148	43,700	44,200	48,500	4,007	13.1%	4,250	12.3%	5,361	13.8%	4,300	9.7%
*Remainder of PMA**	75,107	94,873	108,681	113,952	117,840	118,420	124,460	19,766	26.3%	13,808	14.6%	9,739	9.0%	6,040	5.1%
PMA	**105,689**	**129,462**	**147,520**	**157,100**	**161,540**	**162,620**	**172,960**	**23,773**	**22.5%**	**18,058**	**13.9%**	**15,100**	**10.2%**	**10,340**	**6.4%**
Washington County	201,130	238,136	267,568	284,411	305,950	310,260	341,330	37,006	18.4%	29,432	12.4%	42,692	16.0%	31,070	10.0%
Seven-County Metro Area	2,642,056	2,849,567	3,163,104	3,242,239	3,350,000	3,397,400	3,590,000	207,511	7.9%	313,537	11.0%	234,296	7.4%	192,600	5.7%
HOUSEHOLDS															
Cottage Grove	9,932	11,719	13,105	14,300	16,200	16,400	18,800	1,787	18.0%	1,386	11.8%	3,295	25.1%	2,400	14.6%
*Remainder of PMA**	27,163	35,382	40,697	43,400	43,300	45,520	49,120	8,219	30.3%	5,315	15.0%	4,823	11.9%	3,600	7.9%
PMA	**37,095**	**47,101**	**53,802**	**57,700**	**59,500**	**61,920**	**67,920**	**10,006**	**27.0%**	**6,701**	**14.2%**	**8,118**	**15.1%**	**6,000**	**9.7%**
Washington County	71,462	87,859	99,507	108,000	110,000	115,000	124,000	16,397	22.9%	11,648	13.3%	15,493	15.6%	9,000	7.8%
Seven-County Metro Area	1,021,454	1,117,749	1,239,526	1,285,000	1,330,000	1,348,230	1,448,000	96,295	9.4%	121,777	10.9%	108,704	8.8%	99,770	7.4%

Seven County Metro Area includes Anoka, Carver, Dakota, Hennepin, Ramsey, Scott and Washington Counties.

Sources: U.S. Census Bureau; ESRI; Metropolitan Council; Maxfield Research & Consulting

- As of 2024, Cottage Grove is estimated to have 43,148 people. The City continued to grow during the last decade (2010 to 2020 – 12.3%), but at a slightly slower rate than in the 2000s (2000 to 2010 – 13.1%). Between 2020 and 2030, we estimate that Cottage Grove will add 5,361 people (13.8%) and 3,295 households (25.1%).

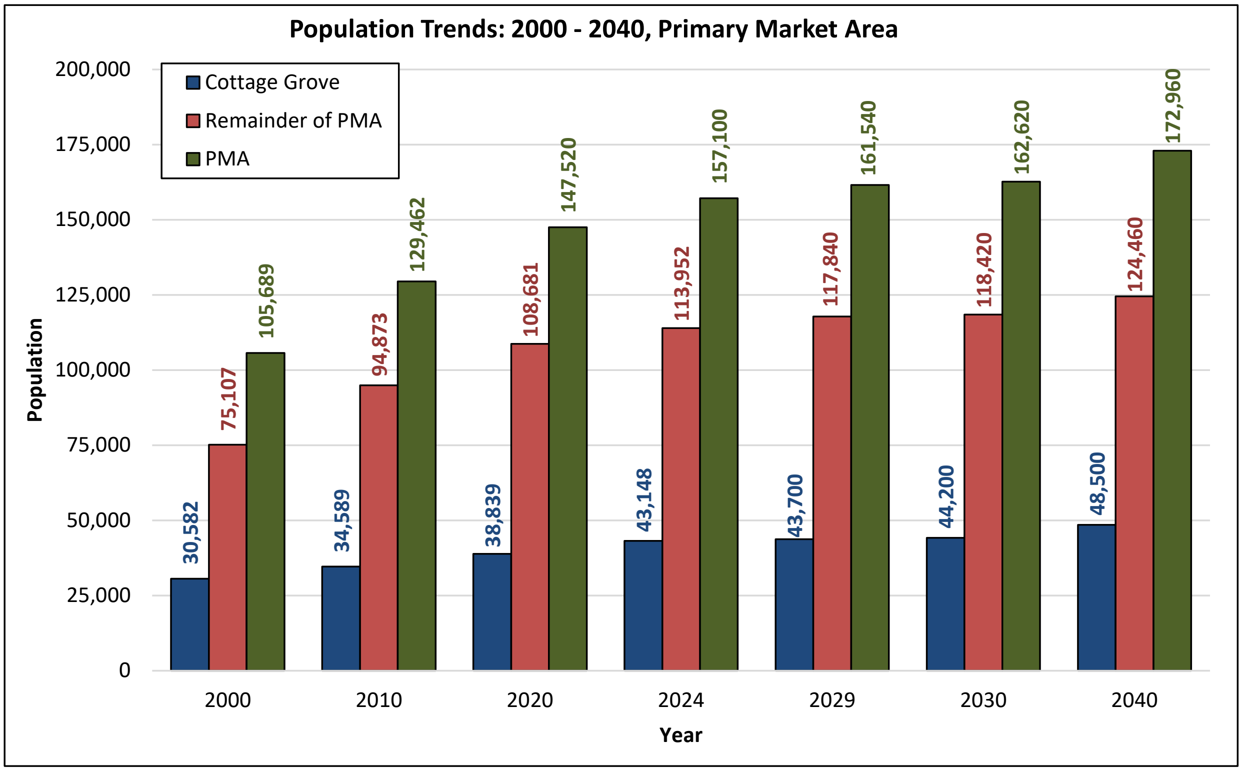
- As of 2024, the PMA is estimated to have 157,100 people. The Market Area, like Cottage Grove, grew over the last decade (2010 to 2020 – 13.9%), but at a slower rate than in the 2000s (2000 to 2010 – 22.5%). The PMA is estimated to add 9,739 people (9.0%) and 8,118 households (15.1%) between 2020 and 2030.

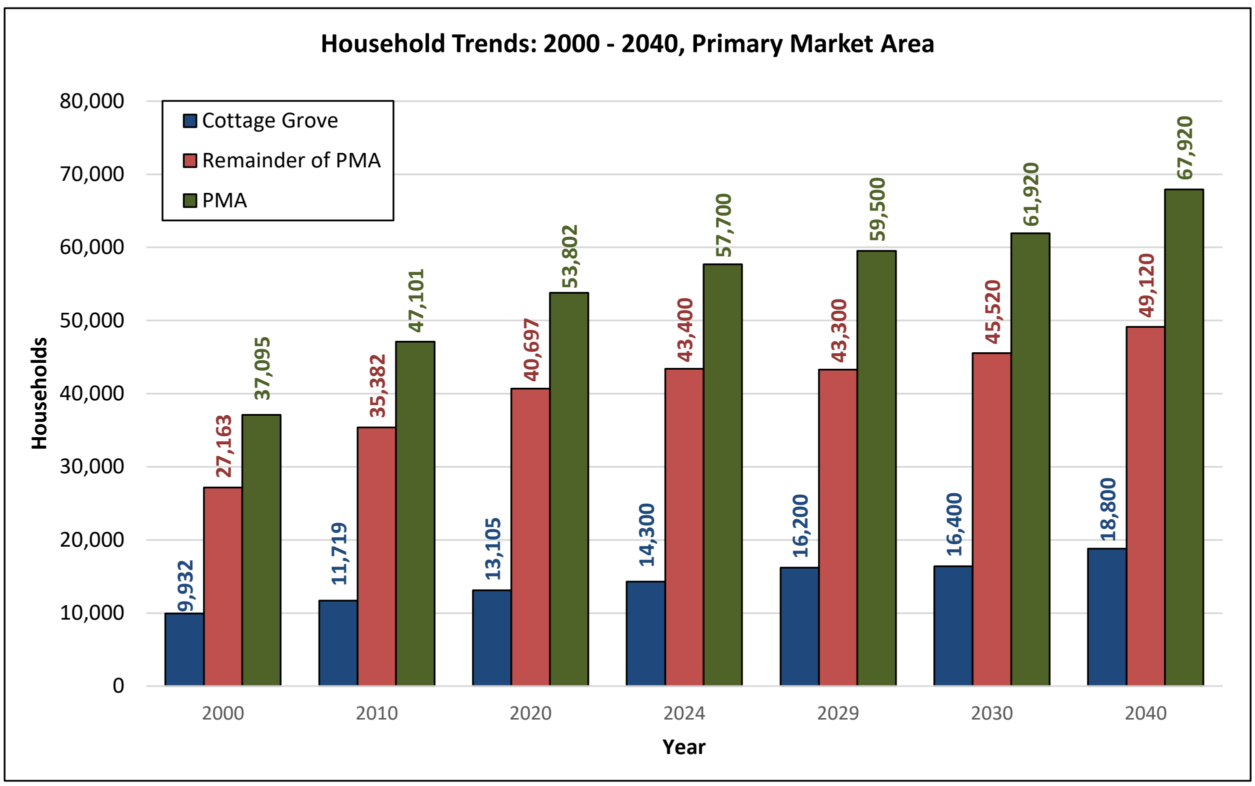
- Between 2030 and 2040, Cottage Grove's population is forecast to increase by 4,300 people (9.7%) to 48,500 people while households are projected to increase by 2,400 (14.6%), reaching 18,800 households.

- Between 2030 and 2040, the PMA population is forecast to increase by 9,739 people (9.0%) to 172,960 people while households are projected to increase by 5,585 (9.3%) to 65,378 households.

- Washington County is forecast to increase by 15,100 people (7.4%) and 15.493 people (15.1%) from 2020 to 2030. Between 2030 and 2040, Washington County is projected to gain 20,983 people (7.3%) and 10,528 households (9.6%).

- The Metro Area is forecast to grow by 234,296 people (7.1%) and 108,704 households (8.8%) between 2020 and 2030. From 2030 and 2040, the Metro Area is projected to gain 192,600 people (5.7%) and 99,970 households (7.4%).


Population Trends: 2000 - 2040, Primary Market Area
Cottage Grove
Remainder of PMA
PMA
Population
Year
200,000
175,000
150,000
125,000
100,000
75,000
50,000
25,000
0
2000
2010
2020
2024
2029
2030
2040
30,582
75,107
105,689
34,589
94,873
129,462
38,839
108,681
147,520
43,148
113,952
157,100
43,700
117,840
161,540
44,200
118,420
162,620
48,500
124,460
172,960


Household Trends: 2000 - 2040, Primary Market Area
Cottage Grove
Remainder of PMA
PMA
Households
Year
80,000
70,000
60,000
50,000
40,000
30,000
20,000
10,000
0
2000
2010
2020
2024
2029
2030
2040
9,932
27,163
37,095
11,719
35,382
47,101
13,105
40,697
53,802
14,300
43,400
57,700
16,200
43,300
59,500
16,400
45,520
61,920
18,800
49,120
67,920

City Water Tower

Age Distribution Trends

Age distribution affects demand for different types of housing since needs and desires change at different stages of the life cycle. Table D-2 shows the distribution of persons in nine age cohorts for Cottage Grove, PMA Remainder, PMA and Seven-County Metro Area in 2000 and 2010 with estimates for 2024 and projections for 2030. The 2000 and 2010 age distribution numbers are from the U.S. Census Bureau while 2024 and 2030 data is based on data obtained from the Metropolitan Council and ESRI Inc. with adjustments by Maxfield Research. The following are key points from the table.

- The 35 to 44 age cohort is the largest adult cohort in Cottage Grove and the PMA Remainder comprising 14.8% and 15.5%, respectively as of 2024. This age cohort in Cottage Grove and the PMA Remainder represented higher proportions than in the Metro Area (14.1%).

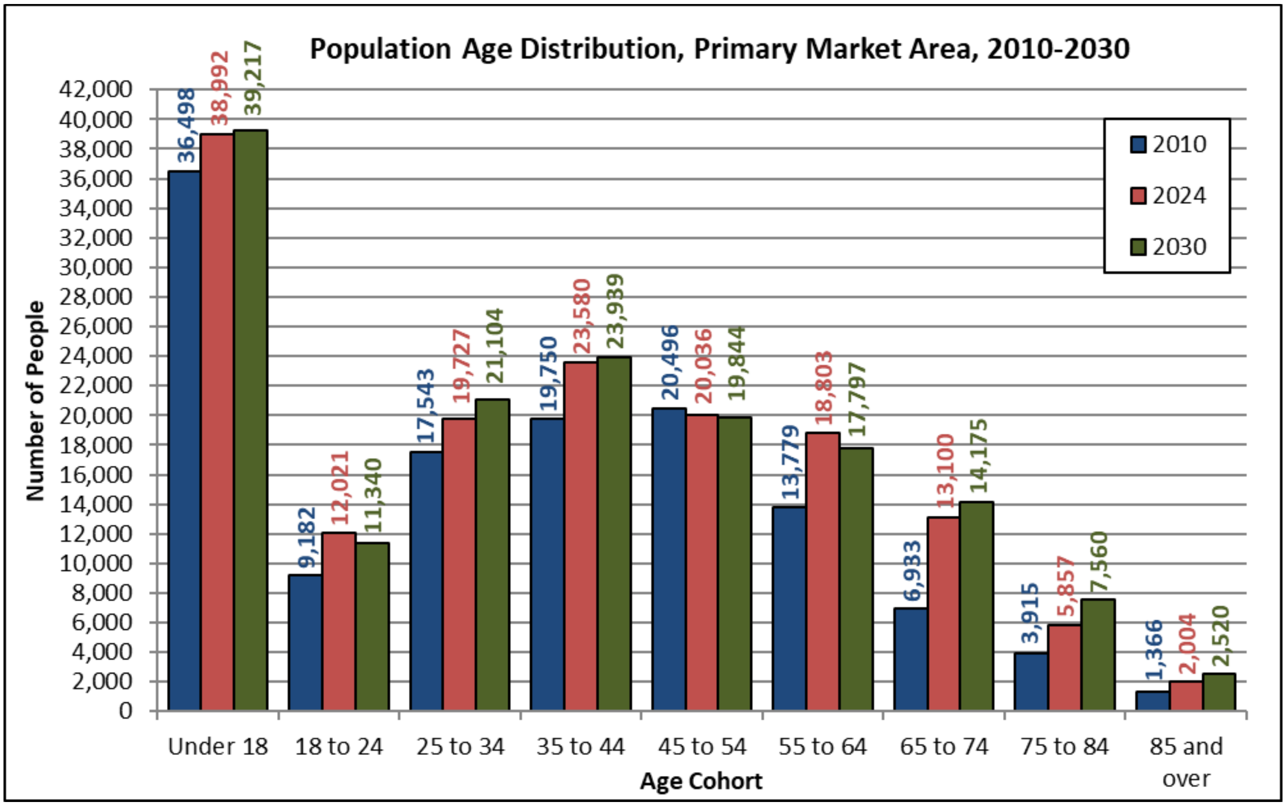
- Cottage Grove's and the overall PMA's populations of 18 to 34-year-olds, which consists primarily of renters and first-time homebuyers, increased by 28.9% and 18.2%, respectively between 2010 and 2024. The same age cohort is projected to decrease by 0.8% in Cottage Grove, while decreasing by 3.5% in the PMA over the next six years. Despite the modest decreases, demand remains strong as home production has not kept pace with the need.

TABLE D-2
POPULATION AGE DISTRIBUTION
PRIMARY MARKET AREA
2000 to 2030

	Census			Estimate	Forecast	Change					
	2000	2010	2020	2024	2030	2000-2010		2010-2020		2020-2030	
Age	No.	No.	No.	No.	No.	No.	Pct.	No.	Pct.	No.	Pct.
Cottage Grove											
Under 18	9,987	10,015	10,604	10,787	10,785	28	0.3%	589	5.9%	181	1.7%
18 to 24	2,257	2,688	2,949	3,322	3,050	431	19.1%	261	9.7%	101	3.4%
25 to 34	4,760	4,609	4,658	6,084	6,276	-151	-3.2%	49	1.1%	1,618	34.7%
35 to 44	5,756	5,447	5,760	6,386	6,895	-309	-5.4%	313	5.7%	1,135	19.7%
45 to 54	4,144	5,318	5,076	5,609	5,481	1,174	28.3%	-242	-4.6%	405	8.0%
55 to 64	2,188	3,655	4,727	5,178	5,039	1,467	67.0%	1,072	29.3%	312	6.6%
65 to 74	1,092	1,765	3,144	3,711	3,978	673	61.6%	1,379	78.1%	834	26.5%
75 to 84	342	860	1,369	1,596	2,077	518	151.5%	509	59.2%	708	51.7%
85 and over	56	232	552	475	619	176	314.3%	320	137.9%	67	12.1%
Total	***30,582***	***34,589***	***38,839***	***43,148***	***44,200***	***4,007***	***13.1%***	***4,250***	***12.3%***	***5,361***	***13.8%***
Remainder of PMA											
Under 18	22,064	26,483	27,874	28,959	29,708	4,419	20.0%	1,391	5.3%	1,834	6.6%
18 to 24	5,261	6,494	7,974	8,931	8,659	1,233	23.4%	1,480	22.8%	685	8.6%
25 to 34	11,668	12,934	12,521	14,025	15,515	1,266	10.9%	-413	-3.2%	2,994	23.9%
35 to 44	14,366	14,303	15,266	17,650	17,823	-63	-0.4%	963	6.7%	2,557	16.7%
45 to 54	10,339	15,178	14,730	14,814	15,009	4,839	46.8%	-448	-3.0%	279	1.9%
55 to 64	5,419	10,124	14,252	13,988	13,337	4,705	86.8%	4,128	40.8%	-915	-6.4%
65 to 74	3,344	5,168	9,426	9,643	10,658	1,824	54.5%	4,258	82.4%	1,232	13.1%
75 to 84	1,823	3,055	4,651	4,373	5,728	1,232	67.6%	1,596	52.2%	1,077	23.2%
85 and over	823	1,134	1,987	1,568	1,983	311	37.8%	853	75.2%	-4	-0.2%
Total	***75,107***	***94,873***	***108,681***	***113,952***	***118,420***	***19,766***	***26.3%***	***13,808***	***14.6%***	***9,739***	***9.0%***
Primary Market Area											
Under 18	32,051	36,498	38,478	39,746	40,492	4,447	13.9%	1,980	5.4%	2,014	5.2%
18 to 24	7,518	9,182	10,923	12,254	11,709	1,664	22.1%	1,741	19.0%	786	7.2%
25 to 34	16,428	17,543	17,179	20,109	21,791	1,115	6.8%	-364	-2.1%	4,612	26.8%
35 to 44	20,122	19,750	21,026	24,036	24,718	-372	-1.8%	1,276	6.5%	3,692	17.6%
45 to 54	14,483	20,496	19,806	20,423	20,490	6,013	41.5%	-690	-3.4%	684	3.5%
55 to 64	7,607	13,779	18,979	19,166	18,376	6,172	81.1%	5,200	37.7%	-603	-3.2%
65 to 74	4,436	6,933	12,570	13,354	14,636	2,497	56.3%	5,637	81.3%	2,066	16.4%
75 to 84	2,165	3,915	6,020	5,970	7,806	1,750	80.8%	2,105	53.8%	1,786	29.7%
85 and over	879	1,366	2,539	2,042	2,602	487	55.4%	1,173	85.9%	63	2.5%
Total	***105,689***	***129,462***	***147,520***	***157,100***	***162,620***	***23,773***	***22.5%***	***18,058***	***13.9%***	***15,100***	***10.2%***
Seven-County Metro Area											
Under 18	697,534	700,960	728,883	723,019	733,838	3,426	0.5%	27,923	4.0%	4,955	0.7%
18 to 24	244,226	263,462	283,334	288,559	295,574	19,236	7.9%	19,872	7.5%	12,240	4.3%
25 to 34	411,155	420,311	461,046	453,913	462,046	9,156	2.2%	40,735	9.7%	1,000	0.2%
35 to 44	469,324	391,324	433,214	457,156	492,623	-78,000	-16.6%	41,890	10.7%	59,409	13.7%
45 to 54	363,592	440,753	383,578	392,311	407,688	77,161	21.2%	-57,175	-13.0%	24,110	6.3%
55 to 64	200,980	326,007	407,524	415,007	390,701	125,027	62.2%	81,517	25.0%	-16,823	-4.1%
65 to 74	130,615	163,425	280,318	311,255	349,932	32,810	25.1%	116,893	71.5%	69,614	24.8%
75 to 84	90,292	97,442	130,248	142,659	193,652	7,150	7.9%	32,806	33.7%	63,404	48.7%
85 and over	34,338	45,883	54,959	58,360	71,345	11,545	33.6%	9,076	19.8%	16,386	29.8%
Total	***2,642,056***	***2,849,567***	***3,163,104***	***3,242,239***	***3,397,400***	***207,511***	***7.9%***	***313,537***	***11.0%***	***234,296***	***7.4%***

Sources: U.S. Census Bureau; ESRI; Maxfield Research and Consulting

- Between 2010 and 2020, the largest percentage growth rates in the PMA occurred in the 65 to 74 (81.3%) and the 85 plus (85.9%) age groups. The third largest proportional growth was in the 75 to 84 age group (53.8%). The 25 to 34 age group and the 45 to 54 age groups lost 2.1% and 3.4%, respectively, due to regional demographic shifts in this group.

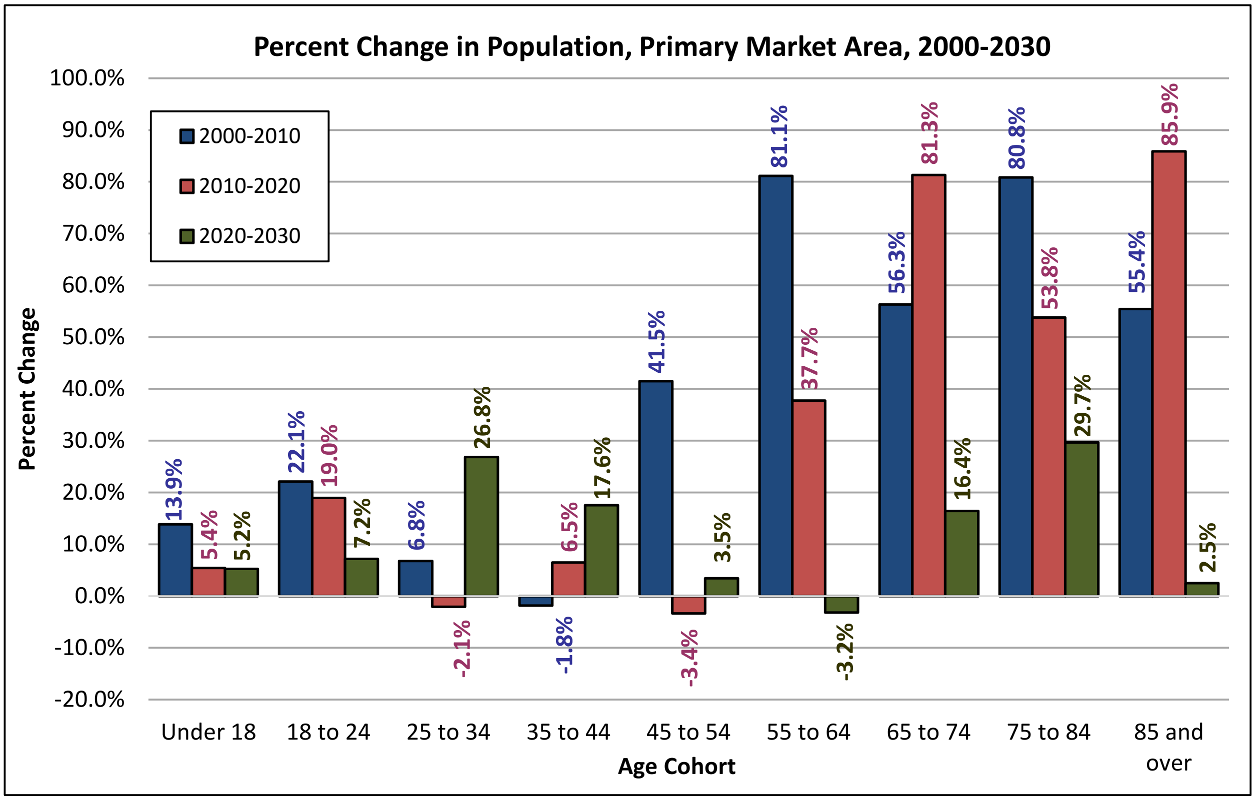


- Mirroring trends observed across the Nation, the aging Baby Boom generation is substantially impacting the composition of the PMA's population. Born between 1946 and 1964, these individuals primarily comprise the 55 to 64 and 65 to 74 age groups. As of 2024, the 55 to 64 and 65 to 74 age groups accounted for a combined 20.7% of the PMA's population and 20.5% in Cottage Grove.

- The 75 to 84 age cohort is projected to have the greatest percent growth in the PMA from 2024 to 2030, increasing by 30.8% (1,836 people). Growth in this age cohort can be largely attributed to the continued aging of the Baby Boom generation.

- The next three age cohorts with the largest projected proportional growth rates are those 85 and over (27.4%), 65 to 74 (9.6%), and the 25 to 34 (8.4%).

- The social changes that occurred with the aging of the Baby Boom generation, such as higher divorce rates, higher levels of education and lower birth rates has led to a greater variety of lifestyles than existed in the past – not only among baby boomers, but also among their parents and children. The increased variety of lifestyles has fueled demand for alternative housing products to the single-family home. Seniors and mid-age people tend to do more traveling and participate in more activities than previous generations and they increasingly prefer maintenance-free housing that enables them to spend more time on activities outside the home.



Race and Ethnicity

Table D-3 presents the race and ethnicity of the population in Cottage Grove, the PMA Remainder, PMA and Seven County Metro in 2010, 2020 and 2024. One must select their race as well as whether one is of Hispanic/Latino origin. Since people self-identify their racial classification, there may be confusion on the part of some people about what category most accurately describes their race. Some people may choose to self-identify using their ethnicity as their race. The increase in diversity of the United States will likely result in some confusion over race/ethnicity classifications for some time until additional racial classifications are formulated and assigned to population subsets. The term "Whites" in this report refers to Non-Hispanic White or White, Not Hispanic or Latino individuals.

- "Whites," in 2024, comprised the largest proportion of the population in Cottage Grove (79.4%) and the Primary Market Area (78.5%). While this category has always been the largest, it has increased from the 2010 proportions of 86.5% in Cottage Grove and 85.6% in the PMA. Compared to the Metro Area (69.8%), Cottage Grove has a higher percentage of those considered "White" in 2024.

TABLE D-3
POPULATION DISTRIBUTION BY RACE
PRIMARY MARKET AREA
2010, 2020, & 2024

	White Alone			Black or African American Alone			American Indian or Alaska Native Alone (AIAN)			Native Hawaiian or Pacific Islander Alone (NHPI)		
	2010	2020	2024	2010	2020	2024	2010	2020	2024	2010	2020	2024
Number												
Cottage Grove	**29,921**	**29,623**	**34,244**	**1,348**	**2,370**	**2,767**	**175**	**177**	**62**	**20**	**15**	**57**
Remainder of PMA	80,580	82,797	90,649	4,203	6,734	4,822	335	506	123	26	32	89
Primary Market Area	110,771	112,420	123,329	5,551	9,104	7,293	510	683	180	46	47	140
Seven-County Metro Area	2,161,906	2,216,027	2,262,377	237,599	328,772	334,133	20,698	24,566	18,670	1,247	1,206	967
Percentage												
Cottage Grove	**86.5%**	**71.4%**	**79.4%**	**3.9%**	**5.7%**	**6.4%**	**0.5%**	**0.4%**	**0.1%**	**0.06%**	**0.04%**	**0.13%**
Remainder of PMA	**85.2%**	**72.7%**	**79.6%**	**4.4%**	**5.9%**	**4.2%**	**0.4%**	**0.4%**	**0.1%**	**0.03%**	**0.03%**	**0.08%**
Primary Market Area	**85.6%**	**72.4%**	**78.5%**	**4.3%**	**5.9%**	**4.6%**	**0.4%**	**0.4%**	**0.1%**	**0.04%**	**0.03%**	**0.09%**
Seven-County Metro Area	**78.4%**	**67.0%**	**69.8%**	**8.6%**	**9.9%**	**10.3%**	**0.8%**	**0.7%**	**0.6%**	**0.05%**	**0.04%**	**0.03%**

	Asian Alone			Some Other Race			Two or More Races Alone			Hispanic or Latino (Ethnicity)		
	2010	2020	2024	2010	2020	2024	2010	2020	2024	2010	2020	2024
Number												
Cottage Grove	**1,820**	**2,769**	**2,497**	**493**	**959**	**714**	**812**	**2,926**	**2,807**	**1,658**	**2,628**	**2,053**
Remainder of PMA	6,220	9,553	10,956	976	1,684	2,201	2,263	7,375	5,112	3,504	5,232	5,786
Primary Market Area	8,040	12,322	14,339	1,469	2,643	2,909	3,075	10,301	8,910	5,162	7,860	7,840
Seven-County Metro Area	180,943	259,578	257,408	73,185	115,503	120,207	82,947	217,452	248,477	167,558	146,529	222,840
Percentage												
Cottage Grove	**5.3%**	**6.7%**	**5.8%**	**1.4%**	**2.3%**	**1.7%**	**2.3%**	**7.1%**	**6.5%**	**4.8%**	**6.3%**	**4.8%**
Remainder of PMA	**6.6%**	**8.4%**	**9.6%**	**1.0%**	**1.5%**	**1.9%**	**2.4%**	**6.5%**	**4.5%**	**3.7%**	**4.6%**	**5.1%**
Primary Market Area	**6.2%**	**7.9%**	**9.1%**	**1.1%**	**1.7%**	**1.9%**	**2.4%**	**6.6%**	**5.7%**	**4.0%**	**5.1%**	**5.0%**
Seven-County Metro Area	**6.6%**	**7.8%**	**7.9%**	**2.7%**	**3.5%**	**3.7%**	**3.0%**	**6.6%**	**7.7%**	**6.1%**	**4.4%**	**6.9%**

Note: Hispanic/Latino totals included within the other race categories.

Sources: U.S. Census Bureau; Maxfield Research and Consulting.

- "Two or More Races Alone" comprised the second largest proportion of those in Cottage Grove (6.5%), followed by "Black, African American" at 6.4% in 2024 while in the PMA, "Asian Alone" was the second largest category (9.1%).

- "Native Hawaiian or Pacific Islander Alone" experienced the largest proportional growth in the PMA, increasing by 204.3% (94 people) between 2010 and 2024. In Cottage Grove, "Two or More Races Alone" experienced the largest proportional growth, increasing by 247.2% (1,995 people).

- Compared to the Twin Cities Metro Area, Cottage Grove and the PMA are less diverse.

- In Cottage Grove and the PMA, Hispanics/Latinos comprised 4.8% and 5.0%, respectively of the population in 2024, less than the Seven-County Metro Area where Latinos comprised 6.9% of the population. Hispanic/Latino Origin may be of any race.

Household Income by Age of Householder

The estimated distribution of household incomes in the Primary Market Area for 2024 and 2030 are shown in Table D-4. The data was estimated by Maxfield Research based on income trends provided by ESRI. The data helps ascertain the demand for different housing products based on the size of the market at specific cost levels.

The Department of Housing and Urban Development defines affordable housing costs as 30% of a household's adjusted gross income. For example, a household with an income of $100,000 per year would be able to afford a monthly housing cost of about $2,500. Maxfield Research utilizes a figure of 25% to 30% for younger households and 40% or more for seniors, since seniors generally have lower living expenses and can often sell their homes and use the proceeds toward rent payments.

A generally accepted standard for affordable owned housing is that a typical household can afford to pay 3.0 to 3.5 times their annual income. Thus, a $110,889 income would translate to an affordable owned home of between $332,700 and $388,100. The higher end of this range assumes that the person has adequate funds for down payment and closing costs, but also does not include savings or equity in an existing home which would allow them to purchase a higher priced home.

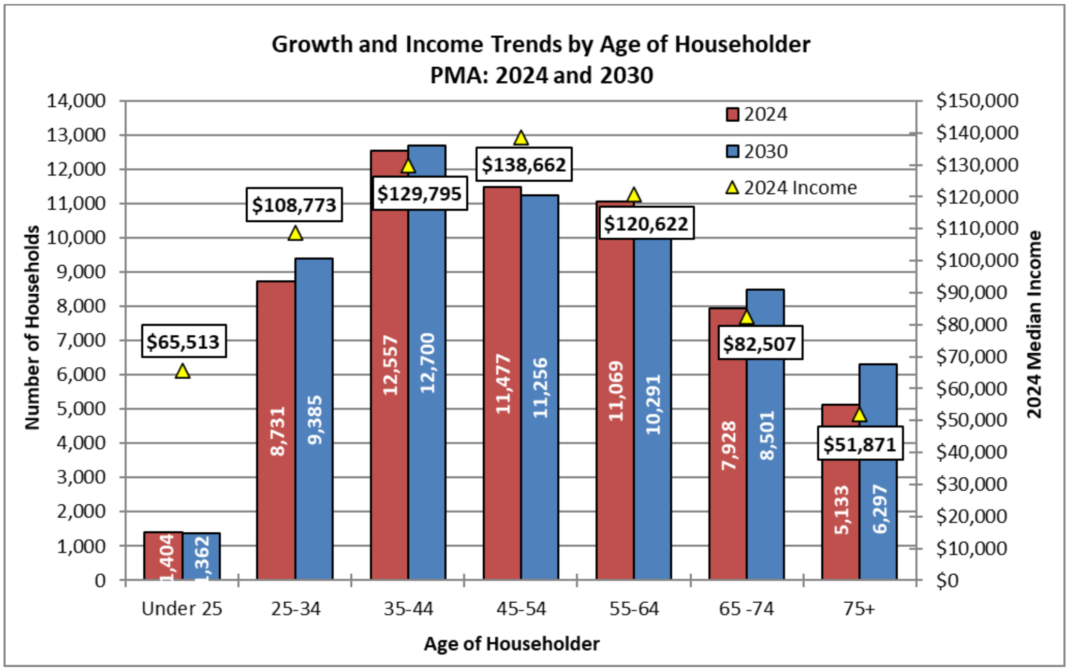
- The PMA had an estimated median household income of $110,889 in 2024. It is projected to increase over the next six years to $124,608 in 2030 (12.4%, or 2.0% annually).

- A 2024 household income of $96,024 for households under age 65 translates to an estimated monthly housing cost of $2,401, based on an allocation of 30% of income toward housing. A senior household (65+) with a 2024 median income of $70,467 could afford a monthly housing cost of $2,349 based on an allocation of 40% of income toward housing.

TABLE D-4
HOUSEHOLD INCOME BY AGE OF HOUSEHOLDER
PRIMARY MARKET AREA
(Number of Households)
2024 and 2030

		Age of Householder						
	Total	**Under 25**	**25-34**	**35-44**	**45-54**	**55-64**	**65-74**	**75+**
2024								
Less than $15,000	2,050	125	251	236	239	394	369	437
$15,000 to $24,999	1,701	82	147	149	148	318	330	528
$25,000 to $34,999	2,333	110	328	224	227	362	377	706
$35,000 to $49,999	3,835	174	562	547	386	603	691	874
$50,000 to $74,999	8,060	310	1,210	1,355	1,034	1,304	1,868	980
$75,000 to $99,999	7,737	256	1,409	1,678	1,329	1,380	1,193	493
$100,000 to $149,999	12,749	207	2,126	3,169	2,908	2,487	1,436	417
$150,000 to $199,999	9,076	88	1,383	2,287	2,238	1,851	793	437
$200,000+	10,159	39	1,227	2,784	2,851	2,257	793	208
Total	**57,700**	**1,389**	**8,641**	**12,428**	**11,359**	**10,955**	**7,847**	**5,080**
Median Income	*$110,889*	*$65,513*	*$108,773*	*$129,795*	*$138,662*	*$120,622*	*$82,507*	*$51,871*
2030								
Less than $15,000	1,832	134	214	197	187	277	335	489
$15,000 to $24,999	1,226	62	117	92	93	171	229	463
$25,000 to $34,999	1,905	95	262	158	128	224	308	730
$35,000 to $49,999	3,219	138	486	408	280	405	563	939
$50,000 to $74,999	7,967	310	1,215	1,184	909	1,119	1,919	1,311
$75,000 to $99,999	7,763	265	1,419	1,552	1,271	1,247	1,312	698
$100,000 to $149,999	13,906	253	2,440	3,341	2,972	2,472	1,770	659
$150,000 to $199,999	11,719	116	1,886	2,854	2,634	2,217	1,197	815
$200,000+	12,383	38	1,681	3,367	3,182	2,526	1,171	417
Total	**61,920**	**1,411**	**9,719**	**13,152**	**11,657**	**10,657**	**8,804**	**6,521**
Median Income	*$124,608*	*$73,991*	*$122,501*	*$148,728*	*$155,273*	*$140,641*	*$99,132*	*$63,818*
Change - 2024 to 2030								
Less than $15,000	-218	9	-37	-39	-52	-117	-34	52
$15,000 to $24,999	-475	-20	-30	-57	-54	-147	-101	-65
$25,000 to $34,999	-428	-15	-66	-66	-99	-138	-69	24
$35,000 to $49,999	-616	-35	-76	-139	-106	-198	-127	65
$50,000 to $74,999	-93	1	5	-171	-124	-185	52	330
$75,000 to $99,999	26	10	10	-126	-58	-134	119	205
$100,000 to $149,999	1,156	46	314	172	64	-15	334	242
$150,000 to $199,999	2,643	28	503	567	397	365	405	378
$200,000+	2,224	-1	454	583	331	269	378	209
Total	**4,220**	**22**	**1,078**	**724**	**297**	**-299**	**957**	**1,441**
Median Income	*$13,718*	*$8,478*	*$13,728*	*$18,934*	*$16,612*	*$20,020*	*$16,625*	*$11,947*

Sources: ESRI; Maxfield Research and Consulting.



Non-Senior Households

- In 2024, 2.8% of non-senior (under age 65) households in the Primary Market Area had incomes under $15,000 (1,258 households). These households would be eligible for subsidized rental housing. Another 2.0% of the PMA's non-senior households had incomes between $15,000 and $25,000 (898 households). Many of these households would also qualify for subsidized housing, but many could also afford "affordable" or older market rate apartments. If housing costs absorb 30% of income, households with incomes of $15,000 to $25,000 could afford to pay $375 to $625 per month. Note that very few naturally occurring (NOAH) units in Cottage Grove and the PMA have rents in this range.

- In most geographic areas, household median incomes peak in the 45 to 54 age group, when householders are considered in their peak earning years. This is also the case in the PMA where household median incomes peak in the 45 to 54 age cohort at $138,662. By 2030, the median income for the 45 to 54 age group is projected to increase by 12.0% to $155,273.

- The median resale price of homes in the PMA was $399,890 through 2023 (see Table FS-1). The income required to afford a home at this price would be between $114,254 and $133,297; based on the standard of 3.0 to 3.5 times the median income (and assuming these households do not have a high level of debt).

- Incomes are expected to increase by 13.8% between 2024 and 2030 in the PMA for a median income of $140,782 for non-senior households, equating to a 2.8% annual increase. The PMA's non-senior household income growth is higher than the Metro Area's projected non-senior household income growth of 1.9%.

Senior Households

- The oldest householders are likely to have lower incomes in 2024. In the PMA, 4.7% of households ages 65 to 74 had incomes below $15,000, in addition to 8.6% of households ages 75 and over. Many of these low-income older senior households rely solely on social security benefits. Typically, younger seniors have higher incomes due to the fact they are still working or are married couples with two incomes and/or higher social security benefits. The 2024 median income for PMA householders in the 65 to 74 age cohort and 75+ age cohort are $82,507 and $51,871; respectively.

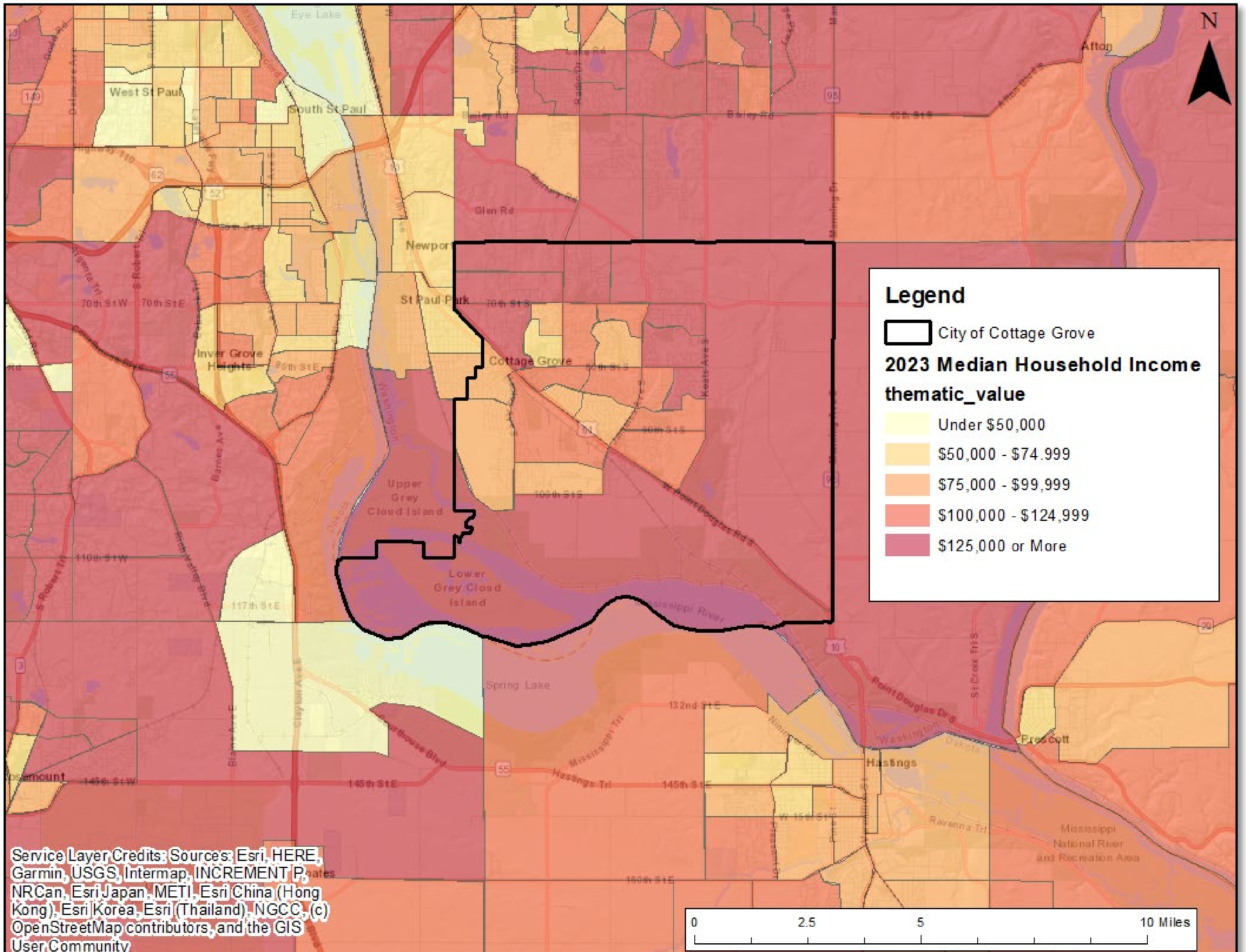
- Generally, senior households with incomes greater than $35,000 can afford market rate senior housing (often with the sale of their home proceeds). Based on a 40% allocation of income for housing, this translates to monthly rents of at least $1,000. An estimated 10,286 senior households in the PMA had incomes of $35,000 or higher in 2024. A one-bedroom market rate unit at $1,400 is affordable at $42,000 based on a 40% allocation of income toward housing.

- Seniors who are able and willing to pay 80% or more of their income on assisted living housing would need an annual income of $37,875 to afford monthly rents of $2,525; which is about the beginning monthly rent for assisted living properties in the PMA. There are an estimated 3,243 older senior (ages 75 and over) households with incomes greater than $37,875 (64.0% of households 75 and over) in 2024. Seniors 75 and older are the primary market for assisted living housing.

- The median income for seniors age 65+ in the PMA is $70,468 in 2024 and is projected to increase by $13,638 (19.4%) to $84,105 by 2030.

A map on the following page, created with ESRI data, displays 2023 median household incomes by block group across Cottage Grove and neighboring communities. Income categories are as follows: under $50,000; $50,000 to $74,999; $75,000 to $99,999; $100,000 to $124,999; and $125,000 and over. Median incomes in Cottage Grove are highest in the far southern portion of the City, the far eastern portion of the City and the far northern portion of the City.

Cottage Grove Median Household Income by Block Group, 2023



Tenure by Age of Householder

Table D-5 shows the number of owner and renter households in Cottage Grove, the PMA Remainder, PMA and Seven-County Metro Area by age group in 2010, 2020, and 2024. The data is useful in determining demand for certain types of housing since housing preferences change throughout an individual's life cycle. The following are key findings from Table D-5.

- In 2010, 88.6% of all households in Cottage Grove and 78.9% of all households in the PMA owned their housing. By 2024, those percentages decreased to 87.3% in Cottage Grove and 78.0% in the PMA as homeownership rates across the Metro Area decreased over the period.

- As households progress through their life cycle, housing needs change. Typically, the proportion of renter households decreases as households age out of their young-adult years. This trend is evident in both Cottage Grove and the PMA. For seniors, rental housing often becomes a more viable option than homeownership, reducing the responsibility of maintenance and a financial commitment.

- In 2024, 60.5% of PMA households between the ages of 15 and 24 rented their housing (78.6% of Cottage Grove households), compared to 37.4% of PMA households between the ages of 25 and 34 (20.8% of Cottage Grove households). The PMA's households between 65 and 74 were overwhelmingly homeowners, resulting in a 90.4% homeownership rate (97.3% in Cottage Grove). Also, note that in the recent 2020 Census 80.9% of white households in the PMA owned versus 68.5% of non-white households. In Cottage Grove, as of 2020, 88% of white households in the PMA owned versus 77.5% of non-white households.

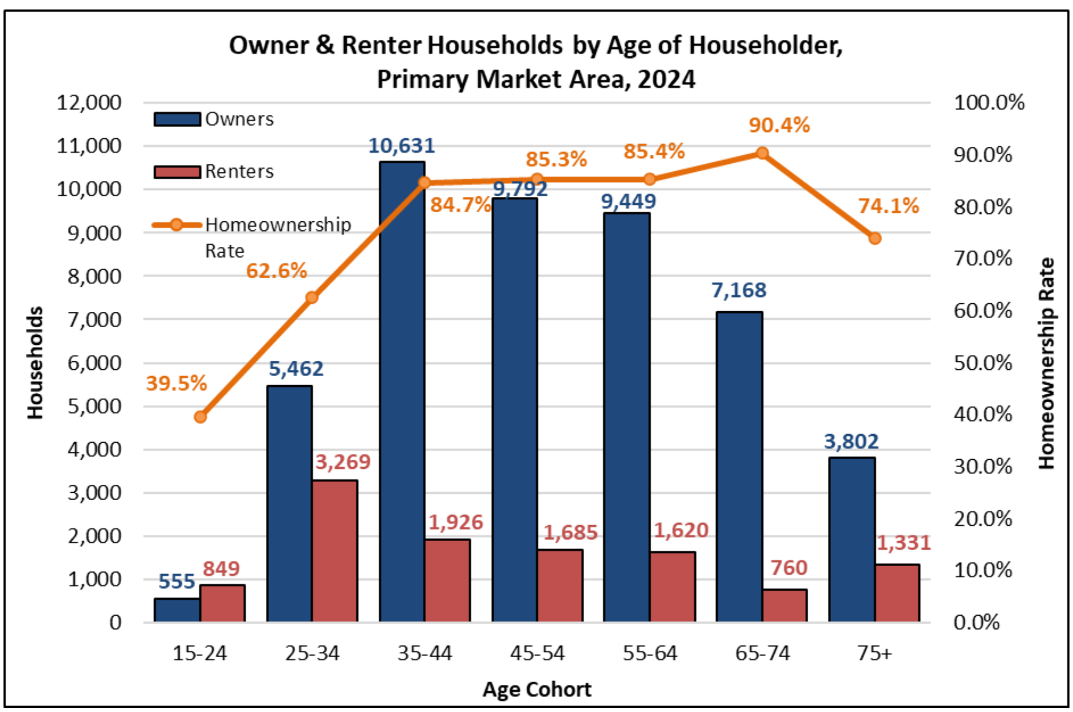


TABLE D-5
TENURE BY AGE OF HOUSEHOLDER
PRIMARY MARKET AREA
2010, 2020, and 2024

		CITY OF COTTAGE GROVE						REMAINDER OF PRIMARY MARKET AREA					
		2010		2020		2024		2010		2020		2024	
Age		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
15-24	Own	127	52.9%	67	43.5%	49	21.4%	270	26.7%	160	21.5%	523	44.6%
	Rent	113	47.1%	87	56.5%	181	78.6%	741	73.3%	585	78.5%	650	55.4%
	Total	**240**	**100.0%**	**154**	**100.0%**	**230**	**100.0%**	**1,011**	**100.0%**	**745**	**100.0%**	**1,173**	**100.0%**
25-34	Own	1,597	82.5%	1,371	81.1%	1,843	79.2%	3,967	65.8%	3,078	56.8%	3,180	49.7%
	Rent	339	17.5%	319	18.9%	485	20.8%	2,066	34.2%	2,339	43.2%	3,224	50.3%
	Total	**1,936**	**100.0%**	**1,690**	**100.0%**	**2,327**	**100.0%**	**6,033**	**100.0%**	**5,417**	**100.0%**	**6,404**	**100.0%**
35-44	Own	2,480	89.5%	2,566	87.3%	2,601	88.9%	6,280	81.2%	6,260	76.6%	7,796	80.9%
	Rent	291	10.5%	373	12.7%	324	11.1%	1,450	18.8%	1,917	23.4%	1,836	19.1%
	Total	**2,771**	**100.0%**	**2,939**	**100.0%**	**2,925**	**100.0%**	**7,730**	**100.0%**	**8,177**	**100.0%**	**9,632**	**100.0%**
45-54	Own	2,678	92.2%	2,449	90.0%	2,539	90.6%	7,475	86.5%	6,881	82.4%	7,031	81.0%
	Rent	225	7.8%	272	10.0%	262	9.4%	1,162	13.5%	1,466	17.6%	1,644	19.0%
	Total	**2,903**	**100.0%**	**2,721**	**100.0%**	**2,802**	**100.0%**	**8,637**	**100.0%**	**8,347**	**100.0%**	**8,675**	**100.0%**
55-64	Own	1,967	95.1%	2,393	92.3%	2,431	91.9%	5,261	88.1%	6,950	85.3%	6,735	79.9%
	Rent	101	4.9%	199	7.7%	214	8.1%	713	11.9%	1,200	14.7%	1,690	20.1%
	Total	**2,068**	**100.0%**	**2,592**	**100.0%**	**2,645**	**100.0%**	**5,974**	**100.0%**	**8,150**	**100.0%**	**8,425**	**100.0%**
65-74	Own	985	93.1%	1,616	90.5%	1,887	97.3%	2,795	87.6%	4,797	85.2%	5,115	85.4%
	Rent	73	6.9%	170	9.5%	52	2.7%	397	12.4%	836	14.8%	874	14.6%
	Total	**1,058**	**100.0%**	**1,786**	**100.0%**	**1,939**	**100.0%**	**3,192**	**100.0%**	**5,633**	**100.0%**	**5,989**	**100.0%**
75+	Own	553	74.4%	852	69.7%	918	77.7%	1,987	70.8%	2,983	70.6%	2,805	71.0%
	Rent	190	25.6%	371	30.3%	264	22.3%	818	29.2%	1,245	29.4%	1,147	29.0%
	Total	**743**	**100.0%**	**1,223**	**100.0%**	**1,181**	**100.0%**	**2,805**	**100.0%**	**4,228**	**100.0%**	**3,952**	**100.0%**
TOTAL	Own	10,387	88.6%	11,314	86.3%	12,268	87.3%	28,035	79.2%	31,109	76.4%	33,185	75.0%
	Rent	1,332	11.4%	1,791	13.7%	1,782	12.7%	7,347	20.8%	9,588	23.6%	11,065	25.0%
	Total	**11,719**	**100.0%**	**13,105**	**100.0%**	**14,050**	**100.0%**	**35,382**	**100.0%**	**40,697**	**100.0%**	**44,250**	**100.0%**

		PRIMARY MARKET AREA						SEVEN COUNTY METRO AREA					
		2010		2020		2024		2010		2020		2024	
Age		No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
15-24	Own	397	31.7%	227	25.3%	555	39.5%	7,947	16.0%	5,639	12.1%	17,582	34.3%
	Rent	854	68.3%	672	74.7%	849	60.5%	41,789	84.0%	40,844	87.9%	33,607	65.7%
	Total	**1,251**	**100.0%**	**899**	**100.0%**	**1,404**	**100.0%**	**49,736**	**100.0%**	**46,483**	**100.0%**	**51,189**	**100.0%**
25-34	Own	5,564	69.8%	4,449	62.6%	5,462	62.6%	102,236	50.6%	93,576	43.8%	144,663	68.7%
	Rent	2,405	30.2%	2,658	37.4%	3,269	37.4%	99,716	49.4%	119,854	56.2%	66,043	31.3%
	Total	**7,969**	**100.0%**	**7,107**	**100.0%**	**8,731**	**100.0%**	**201,952**	**100.0%**	**213,430**	**100.0%**	**210,706**	**100.0%**
35-44	Own	8,760	83.4%	8,826	79.4%	10,631	84.7%	154,678	72.3%	157,237	67.3%	203,244	82.7%
	Rent	1,741	16.6%	2,290	20.6%	1,926	15.3%	59,303	27.7%	76,238	32.7%	42,459	17.3%
	Total	**10,501**	**100.0%**	**11,116**	**100.0%**	**12,557**	**100.0%**	**213,981**	**100.0%**	**233,475**	**100.0%**	**245,703**	**100.0%**
45-54	Own	10,153	88.0%	9,330	84.3%	9,792	85.3%	202,404	79.8%	162,870	75.1%	190,547	86.5%
	Rent	1,387	12.0%	1,738	15.7%	1,685	14.7%	51,379	20.2%	53,890	24.9%	29,742	13.5%
	Total	**11,540**	**100.0%**	**11,068**	**100.0%**	**11,477**	**100.0%**	**253,783**	**100.0%**	**216,760**	**100.0%**	**220,289**	**100.0%**
55-64	Own	7,228	89.9%	9,343	87.0%	9,449	85.4%	162,595	82.6%	187,656	78.9%	213,142	88.5%
	Rent	814	10.1%	1,399	13.0%	1,620	14.6%	34,355	17.4%	50,148	21.1%	27,638	11.5%
	Total	**8,042**	**100.0%**	**10,742**	**100.0%**	**11,069**	**100.0%**	**196,950**	**100.0%**	**237,804**	**100.0%**	**240,780**	**100.0%**
65-74	Own	3,780	88.9%	6,413	86.4%	7,168	90.4%	85,347	82.6%	138,161	80.0%	166,166	87.5%
	Rent	470	11.1%	1,006	13.6%	760	9.6%	17,998	17.4%	34,483	20.0%	23,736	12.5%
	Total	**4,250**	**100.0%**	**7,419**	**100.0%**	**7,928**	**100.0%**	**103,345**	**100.0%**	**172,644**	**100.0%**	**189,902**	**100.0%**
75+	Own	2,540	71.6%	3,835	70.4%	3,802	74.1%	67,268	68.6%	82,507	69.4%	96,817	73.7%
	Rent	1,008	28.4%	1,616	29.6%	1,331	25.9%	30,734	31.4%	36,333	30.6%	34,613	26.3%
	Total	**3,548**	**100.0%**	**5,451**	**100.0%**	**5,133**	**100.0%**	**98,002**	**100.0%**	**118,840**	**100.0%**	**131,430**	**100.0%**
TOTAL	Own	38,422	81.6%	42,423	78.9%	46,860	80.4%	782,475	70.0%	827,646	66.8%	1,032,161	80.0%
	Rent	8,679	18.4%	11,379	21.1%	11,440	19.6%	335,274	30.0%	411,790	33.2%	257,838	20.0%
	Total	**47,101**	**100.0%**	**53,802**	**100.0%**	**58,300**	**100.0%**	**1,117,749**	**100.0%**	**1,239,436**	**100.0%**	**1,289,999**	**100.0%**

Sources: U.S. Census Bureau; Maxfield Research and Consulting.

Tenure by Household Income

Table D-6 shows household tenure by age of householder for Cottage Grove, the PMA Remainder, PMA, and the Seven-County Metro Area in 2024. Data is based on estimates from the American Community Survey with adjustments by Maxfield Research. Household tenure information is important to assess the propensity for owner-occupied or renter-occupied housing options based on household affordability. As stated earlier, the Department of Housing and Urban Development determines affordable housing as not exceeding 30% of the household's income. It is important to note that the higher the income, the lower 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, while middle-aged households in their prime earning years typically allocate 20% to 25% of their income.

- Typically, as income increases, so does the rate of homeownership. This can be seen in the PMA, where the homeownership rate steadily increases from 55.0% of households with incomes below $15,000 (73.4% of Cottage Grove households) to 94.2% of households with incomes above $150,000 (95.6% of Cottage Grove households).

- A portion of renter households that are referred to as lifestyle renters, or those who are financially able to own but choose to rent, have household incomes above $60,000 ($1,500 rent | 59.2% of PMA renters and 62.3% of Cottage Grove renters in 2024). In addition, 27.5% of PMA renters and 59.2% of Cottage Grove renters earn $100,000 or more. Some renters choose to be cost burdened (i.e. pay more than 30% of income to housing) and pay higher rental costs for amenities and proximity to transit while giving up their vehicles.

- Households with incomes below $25,000 are the primary market for deep-subsidy rental housing (14.8% of PMA renters and 8.3% of Cottage Grove renters in 2024). An estimated 11.7% of the PMA's rental housing is affordable units.

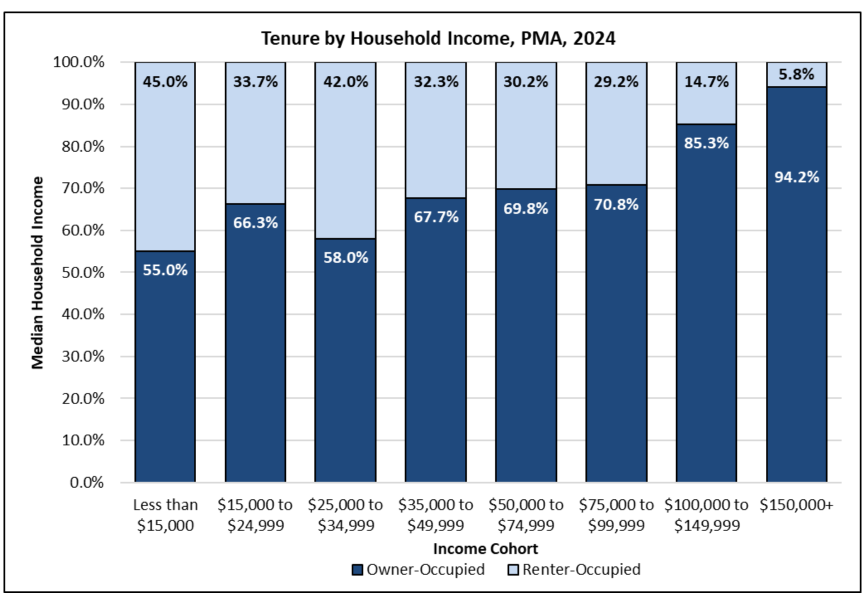


TABLE D-6
TENURE BY HOUSEHOLD INCOME
PRIMARY MARKET AREA
2024

	CITY OF COTTAGE GROVE				REMAINDER OF PMA				PRIMARY MARKET AREA				SEVEN-COUNTY METRO AREA			
Income	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.
Less than $15,000	279	73.4%	101	26.6%	933	51.2%	889	48.8%	1,212	55.0%	990	45.0%	23,658	32.8%	48,435	67.2%
$15,000 to $24,999	167	81.8%	37	18.2%	1,195	64.6%	655	35.4%	1,362	66.3%	692	33.7%	21,481	36.7%	37,129	63.3%
$25,000 to $34,999	301	67.4%	146	32.6%	956	55.6%	763	44.4%	1,257	58.0%	909	42.0%	30,081	44.9%	36,925	55.1%
$35,000 to $49,999	414	67.5%	199	32.5%	2,073	67.7%	989	32.3%	2,488	67.7%	1,188	32.3%	54,371	49.7%	55,114	50.3%
$50,000 to $74,999	1,514	80.5%	366	19.5%	3,485	65.9%	1,800	34.1%	4,999	69.8%	2,167	30.2%	110,556	59.9%	74,085	40.1%
$75,000 to $99,999	1,548	89.8%	177	10.2%	4,064	65.5%	2,142	34.5%	5,612	70.8%	2,319	29.2%	110,118	68.6%	50,392	31.4%
$100,000 to $149,999	3,649	89.3%	436	10.7%	7,972	83.5%	1,571	16.5%	11,622	85.3%	2,006	14.7%	197,397	80.0%	49,217	20.0%
$150,000+	4,504	95.6%	210	4.4%	13,845	94%	917	6.2%	18,350	94.2%	1,127	5.8%	313,128	90.9%	31,189	9.1%
Total	12,378	**88.1%**	1,672	**11.9%**	**34,524**	78.0%	**9,726**	**22.0%**	**46,902**	**80.4%**	**11,398**	**19.6%**	**860,790**	**69.2%**	**382,486**	**30.8%**
Median Household Income*	**$123,333**		**$74,167**		**$130,364**		**$73,331**		**$125,079**		**$68,649**		**$119,273**		**$54,187**	

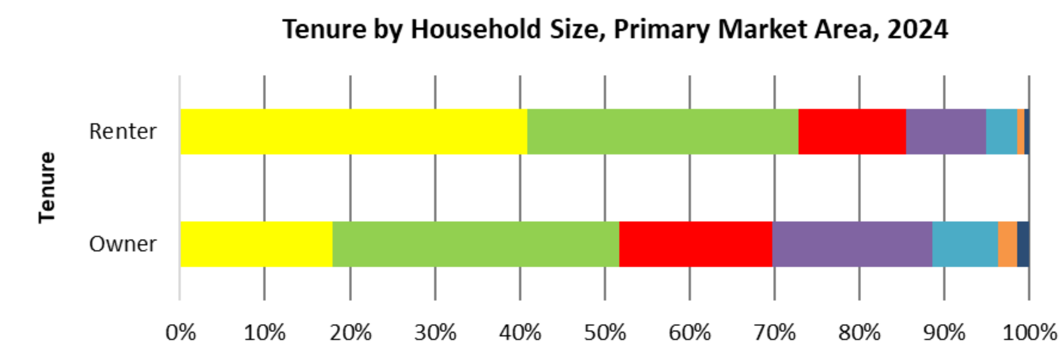
*As of 2022. PMA and PMA Remainder renter household income number does not include Grey Cloud Island in calculationswhich is missing data.

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

Tenure by Household Size

Table D-7 shows the distribution of households by size and tenure in the PMA in 2024. This data is useful in that it sheds insight into the number of units by unit type that may be most needed in the City of Cottage Grove, PMA Remainder, PMA, and Seven County Metro Area.

- Household size for renters tends to be smaller than for owners. This trend is a result of the typical market segments for rental housing, including households that are younger and are less likely to be married with children as well as older adults and seniors who choose to downsize from their single-family homes. In 2022, the average Cottage Grove renter household consisted of 2.66 persons compared to the average owner household of 3.01 persons.



	Owner	Renter
1PP Household	18.0%	40.9%
2PP Household	33.8%	32.0%
3PP Household	17.9%	12.6%
4PP Household	18.9%	9.4%
5PP Household	7.8%	3.6%
6PP Household	2.2%	0.9%
7PP+ Household	1.5%	0.6%

Percentage

- An estimated 41.6% of renter households in the PMA and 36.6% of renter households in Cottage Grove, in 2024, have one person while an additional 32.0% of renter households in the PMA and 17.9% of renter households in Cottage Grove have two people. One-person households would primarily seek one-bedroom units and two-person households that are couples would primarily seek one-bedroom units. Two-person households that consist of a parent and child or roommate would primarily seek two-bedroom units. Larger households would seek units with multiple bedrooms.

TABLE D-7
TENURE BY HOUSEHOLD SIZE
PRIMARY MARKET AREA
2010, 2020, AND 2024

	CITY OF COTTAGE GROVE											
	2010				2020				2024			
	Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied	
Size	Number	Pct.	Number	Pct.	Number	Pct.	Number	Pct.	Number	Pct.	Number	Pct.
1PP Household	1,370	13.2%	374	28.1%	1,550	14.9%	633	47.5%	1,516	12.3%	611	36.6%
2PP Household	3,446	33.2%	318	23.9%	3,755	36.2%	433	32.5%	4,168	33.7%	299	17.9%
3PP Household	1,938	18.7%	250	18.8%	2,038	19.6%	259	19.4%	2,340	18.9%	301	18.0%
4PP Household	2,162	20.8%	189	14.2%	2,273	21.9%	234	17.6%	2,878	23.3%	216	12.9%
5PP Household	980	9.4%	135	10.1%	1,063	10.2%	128	9.6%	1,025	8.3%	119	7.1%
6PP Household	325	3.1%	47	3.5%	380	3.7%	64	4.8%	284	2.3%	71	4.3%
7PP+ Household	166	1.6%	19	1.4%	255	2.5%	40	3.0%	166	1.3%	53	3.2%
Total	**10,387**	100.0%	**1,332**	100.0%	**11,314**	108.9%	**1,791**	134.5%	**12,378**	100.0%	**1,672**	100.0%

	REMAINDER OF PRIMARY MARKET AREA											
	2010				2020				2024			
	Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied	
Size	Number	Pct.	Number	Pct.	Number	Pct.	Number	Pct.	Number	Pct.	Number	Pct.
1PP Household	5,220	18.6%	2,714	36.9%	5,939	57.2%	3,754	281.8%	6,908	20.0%	4,049	41.6%
2PP Household	9,567	34.1%	2,144	29.2%	10,537	101.4%	2,852	214.1%	11,675	33.8%	3,343	34.4%
3PP Household	4,861	17.3%	1,192	16.2%	5,102	49.1%	1,324	99.4%	6,075	17.6%	1,138	11.7%
4PP Household	5,159	18.4%	786	10.7%	5,800	55.8%	955	71.7%	5,975	17.3%	859	8.8%
5PP Household	2,242	8.0%	327	4.5%	2,544	24.5%	382	28.7%	2,627	7.6%	286	2.9%
6PP Household	666	2.4%	121	1.6%	803	7.7%	194	14.6%	749	2.2%	31	0.3%
7PP+ Household	320	1.1%	63	0.9%	384	3.7%	127	9.5%	515	1.5%	20	0.2%
Total	**28,035**	100.0%	**7,347**	100.0%	**31,109**	299.5%	**9,588**	719.8%	**34,524**	100.0%	**9,726**	100.0%

	PRIMARY MARKET AREA											
	2010				2020				2024			
	Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied	
Size	Number	Pct.	Number	Pct.	Number	Pct.	Number	Pct.	Number	Pct.	Number	Pct.
1PP Household	6,590	17.2%	3,088	35.6%	7,489	72.1%	4,387	329.4%	8,424	18.0%	4,661	40.9%
2PP Household	13,013	33.9%	2,462	28.4%	14,292	137.6%	3,285	246.6%	15,843	33.8%	3,642	32.0%
3PP Household	6,799	17.7%	1,442	16.6%	7,140	68.7%	1,583	118.8%	8,415	17.9%	1,440	12.6%
4PP Household	7,321	19.1%	975	11.2%	8,073	77.7%	1,189	89.3%	8,854	18.9%	1,075	9.4%
5PP Household	3,222	8.4%	462	5.3%	3,607	34.7%	510	38.3%	3,653	7.8%	405	3.6%
6PP Household	991	2.6%	168	1.9%	1,183	11.4%	258	19.4%	1,033	2.2%	102	0.9%
7PP+ Household	486	1.3%	82	0.9%	639	6.2%	167	12.5%	681	1.5%	73	0.6%
Total	**38,422**	100.0%	**8,679**	100.0%	**42,423**	408.4%	**11,379**	854.3%	**46,902**	100.0%	**11,398**	100.0%

	SEVEN-COUNTY METRO AREA											
	2010				2020				2024			
	Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied		Owner Occupied		Renter Occupied	
Size	Number	Pct.	Number	Pct.	Number	Pct.	Number	Pct.	Number	Pct.	Number	Pct.
1PP Household	171,241	21.9%	147,789	44.1%	175,744	1692.0%	181,959	44.2%	195,840	21.9%	181,499	45.7%
2PP Household	280,552	35.9%	87,139	26.0%	297,838	2867.4%	115,980	28.2%	327,652	36.7%	111,258	28.0%
3PP Household	128,197	16.4%	42,563	12.7%	130,571	1257.1%	48,041	11.7%	140,966	15.8%	45,037	11.3%
4PP Household	123,219	15.7%	29,587	8.8%	132,666	1277.2%	33,797	8.2%	139,247	15.6%	31,241	7.9%
5PP Household	50,854	6.5%	14,883	4.4%	56,390	542.9%	16,539	4.0%	57,225	6.4%	15,955	4.0%
6PP Household	16,887	2.2%	6,908	2.1%	20,411	196.5%	8,376	2.0%	18,944	2.1%	6,240	1.6%
7PP+ Household	11,525	1.5%	6,405	1.9%	14,026	135.0%	7,188	1.7%	13,267	1.5%	5,631	1.4%
Total	**782,475**	100.0%	**335,274**	100.0%	**827,646**	7968.1%	**411,880**	100.0%	**893,140**	100.0%	**396,860**	100.0%

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

Household Type

Table D-8 shows a breakdown of the type of households present in Cottage Grove, the PMA Remainder, PMA, and Seven-County Metro Area in 2010, 2020, and 2024. The data is useful in assessing housing demand since the household composition often dictates the type of housing needed and preferred.

- Between 2010 and 2024, Cottage Grove and the PMA experienced an increase in all types of households. "Other families" include single-parents and unmarried couples with children. Households with Roommates experienced the largest increase as a percentage in both Cottage Grove (28.3%) and the PMA (40.8%).

- Compared to the PMA, PMA Remainder, and the Metro Area, Cottage Grove had a lower proportion of Married without Children households. In 2024, 35.1% of Cottage Grove households were in the Married without Children compared to 31.3% in the PMA, 30.1% in the PMA Remainder, and 19.2% in the Metro area.

- Persons Living Alone grew significantly adding 3,397 households (37.9%) between 2010 and 2024 in the PMA. This household type is significantly larger in the PMA compared to Cottage Grove (22.0%) and the Metro Area (18.3%). This could indicate an aging senior population or millennials moving to the area.

- As the frailty level of seniors increases, they typically move out of their homes in pursuit of housing with services. Millennials are more likely to choose to live alone due to the generations' delayed marriage and home purchase rates and preference to live in smaller quarters in urban areas.

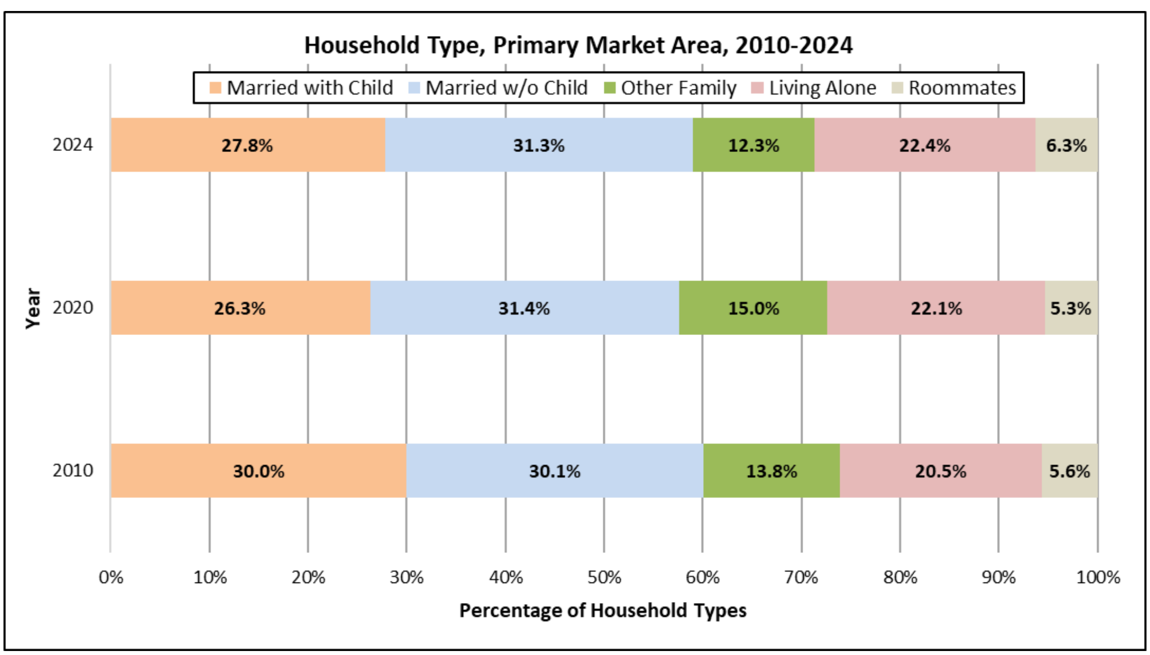


TABLE D-8
HOUSEHOLD TYPE
PRIMARY MARKET AREA
2010, 2020, & 2024

				Family Households									Non-Family Households					
	Total HH's			Married w/ Child			Married w/o Child			Other *			Living Alone			Roommates **		
Households	2010	2020	2024	2010	2020	2024	2010	2020	2024	2010	2020	2024	2010	2020	2024	2010	2020	2024
Cottage Grove	**11,719**	**13,105**	**14,050**	**3,857**	**3,789**	**4,360**	**3,947**	**4,523**	**4,925**	**1,633**	**2,052**	**1,948**	**1,744**	**2,183**	**2,128**	**538**	**558**	**690**
Remainder of PMA	35,382	40,697	44,250	10,269	10,358	11,835	10,219	12,350	13,308	4,858	6,023	5,202	7,934	9,693	10,945	2,102	2,273	2,960
Primary Market Area	47,101	53,802	58,300	14,126	14,147	16,189	14,166	16,873	18,236	6,491	8,075	7,147	9,678	11,876	13,075	2,640	2,831	3,653
Seven-County Metro Area	1,117,749	1,239,526	1,290,000	244,687	244,749	377,487	298,723	343,050	247,221	164,086	186,774	179,342	319,030	357,703	377,339	91,223	107,250	108,611
Percent																		
Cottage Grove	**100.0%**	**100.0%**	**100.0%**	**32.9%**	**28.9%**	**31.0%**	**33.7%**	**34.5%**	**35.1%**	**13.9%**	**15.7%**	**13.9%**	**14.9%**	**16.7%**	**15.1%**	**4.6%**	**4.3%**	**4.9%**
Remainder of PMA	100.0%	100.0%	100.0%	29.0%	25.5%	26.7%	28.9%	30.3%	30.1%	13.7%	14.8%	11.8%	22.4%	23.8%	24.7%	5.9%	5.6%	6.7%
Primary Market Area	100.0%	100.0%	100.0%	30.0%	26.3%	27.8%	30.1%	31.4%	31.3%	13.8%	15.0%	12.3%	20.5%	22.1%	22.4%	5.6%	5.3%	6.3%
Seven-County Metro Area	100.0%	100.0%	100.0%	21.9%	19.7%	29.3%	26.7%	27.7%	19.2%	14.7%	15.1%	13.9%	28.5%	28.9%	29.3%	8.2%	8.7%	8.4%

	Change 2010-2024											
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Cottage Grove	**2,331**	**19.9%**	**503**	**13.0%**	**978**	**24.8%**	**315**	**19.3%**	**384**	**22.0%**	**152**	**28.3%**
Remainder of PMA	8,868	25.1%	1,566	15.3%	3,089	30.2%	344	7.1%	3,011	37.9%	858	40.8%
Primary Market Area	11,199	23.8%	2,063	14.6%	4,070	28.7%	656	10.1%	3,397	35.1%	1,013	38.4%
Seven-County Metro Area	172,251	15.4%	132,800	54.3%	-51,502	-17.2%	15,256	9.3%	58,309	18.3%	17,388	19.1%

* Predominantly single-parents with children
** Includes unmarried couples without children and unrelated people living together
Sources: U. S. Census; ESRI, Inc.; Maxfield Research and Consulting

Net Worth

Table D-9 shows household net worth by age of householder in Cottage Grove, the PMA Remainder, PMA and the Seven-County Metro Area in 2024 as well as the 2024 average and median net worth by age cohort for 2024. Simply stated, net worth is the difference between assets and liabilities, or the total value of assets after the debt is subtracted. The data was compiled and estimated by ESRI based on the Survey of Consumer Finances and Federal Reserve Board data with adjustments by Maxfield Research.

According to data released by the National Association of Realtors in February 2022, the average American homeowner has a net worth about 40 times greater than that of a renter which equates to an average net worth of $300,000 for homeowners and $8,000 for renters.[2]

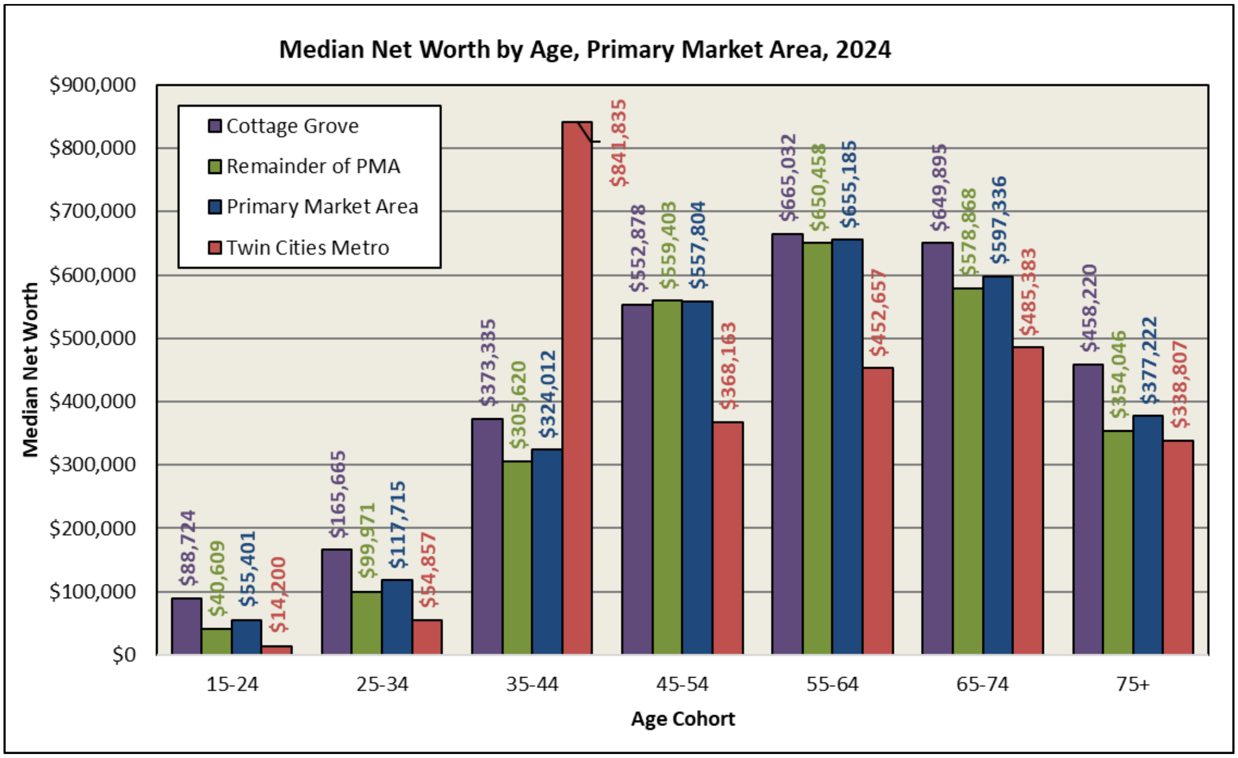
Cottage Grove had an average net worth of $1,532,161 in 2024, 2.1% lower than the average net worth of a PMA householder ($1,565,742) but 15.7% higher than the average net worth of a Metro Area householder ($1,324,393). Cottage Grove had a 2024 median net worth of $425,439; 14.4% higher than the median net worth in the PMA ($371,983) and 76.5% higher than the median net worth in the Metro Area ($371,983). Median net worth is generally a better indicator of the net worth as it is not significantly impacted by uncommonly high- or low-income households. Median net worth peaked in the 55 to 64 age cohort at $655,185 while average net worth also peaked in the 55 to 64 age group at $2,573,769. Similarly, in Cottage Grove, median and average net worth peaked in the 55 to 64 age group at $665,032 and $2,343,98; respectively.

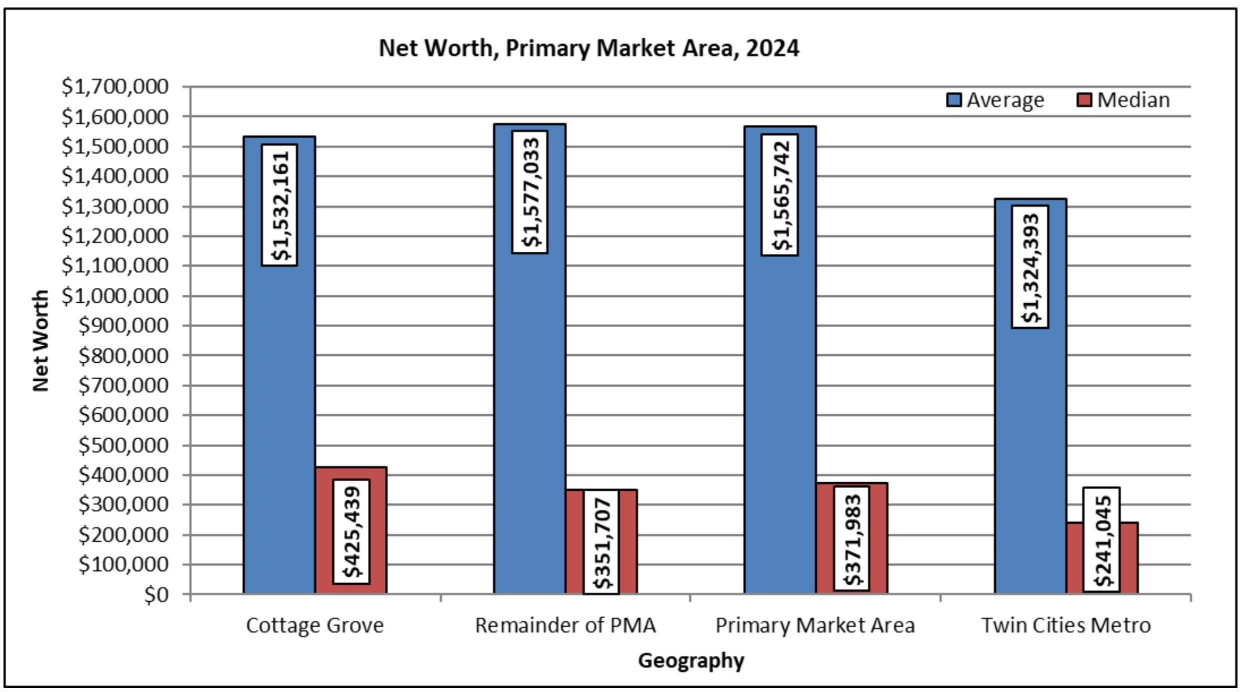
TABLE D-9
ESTIMATED NET WORTH BY AGE OF HOUSEHOLDER
PRIMARY MARKET AREA
2024

	Age of Householder							
	Total		15-24		25-34		35-44	
	Average	Median	Average	Median	Average	Median	Average	Median
Cottage Grove	**$1,532,161**	**$425,439**	**$111,288**	**$88,724**	**$281,353**	**$165,665**	**$1,176,862**	**$373,335**
Remainder of PMA	$1,577,033	$351,707	$85,250	$40,609	$214,410	$99,971	$1,093,431	$305,620
Primary Market Area	$1,565,742	$371,983	$89,725	$55,401	$233,084	$117,715	$1,113,771	$324,012
Seven-County Metro Area	$1,324,393	$241,045	$50,523	$14,200	$145,139	$54,857	$841,835	$841,835
	45-54		55-64		65-74		75+	
	Average	Median	Average	Median	Average	Median	Average	Median
Cottage Grove	**$1,884,635**	**$552,878**	**$2,343,968**	**$665,032**	**$1,995,413**	**$649,895**	**$1,739,365**	**$458,220**
Remainder of PMA	$2,156,903	$559,403	$2,650,388	$650,458	$1,922,131	$578,868	$1,321,447	$354,046
Primary Market Area	$2,087,338	$557,804	$2,573,769	$655,185	$1,941,043	$597,336	$1,422,097	$377,222
Seven-County Metro Area	$1,750,410	$368,163	$2,269,398	$452,657	$1,846,160	$485,383	$1,414,027	$338,807

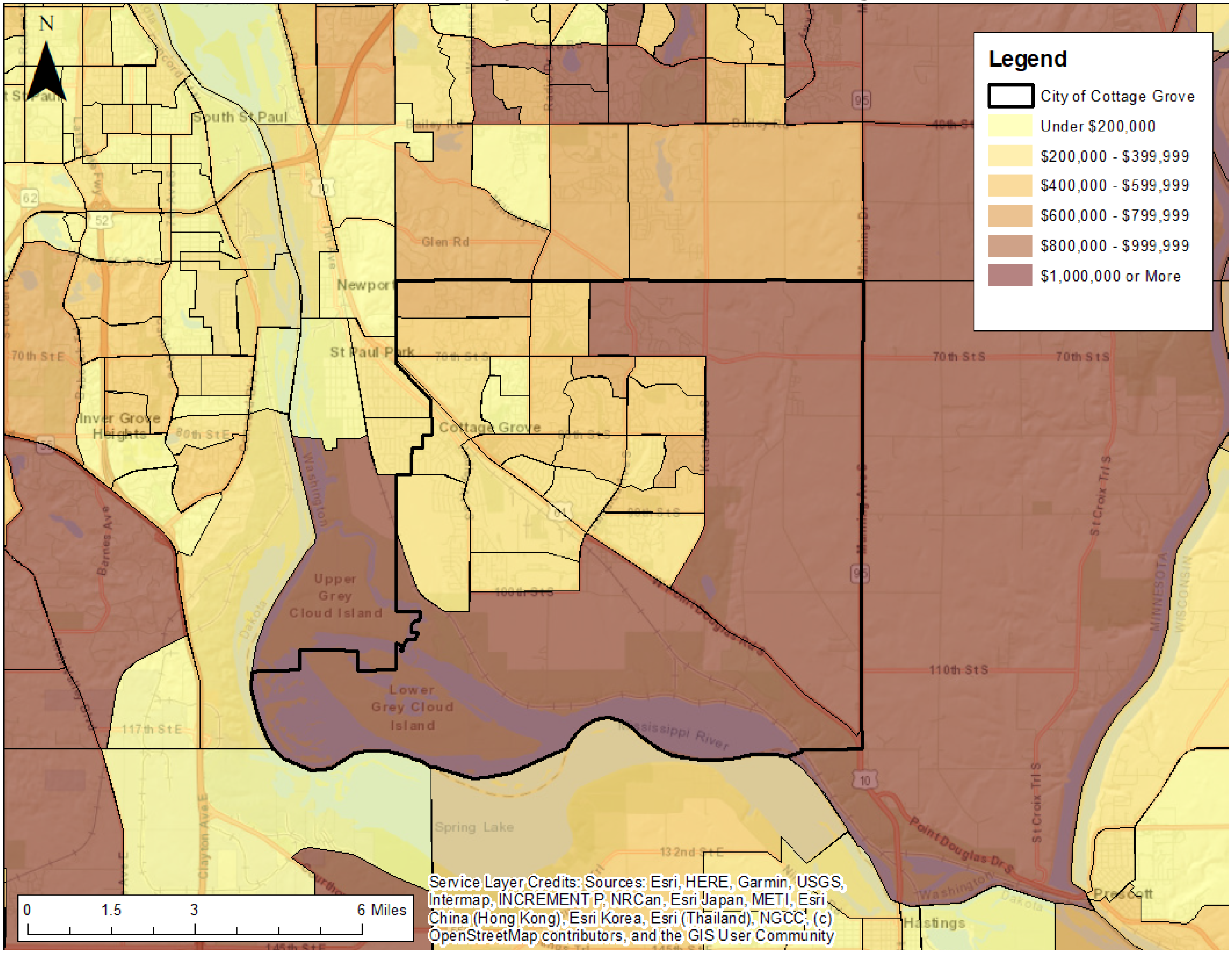
Sources: ESRI; Maxfield Research and Consulting

[2] "2022 Snapshot of Race and Home Buying in America." *National Association of Realtors Research® Group*, pp. 5, Feb. 2022. https://www.nar.realtor/research-and-statistics/research-reports/a-snapshot-of-race-and-home-buying-in-america. Accessed 7 Oct. 2022.

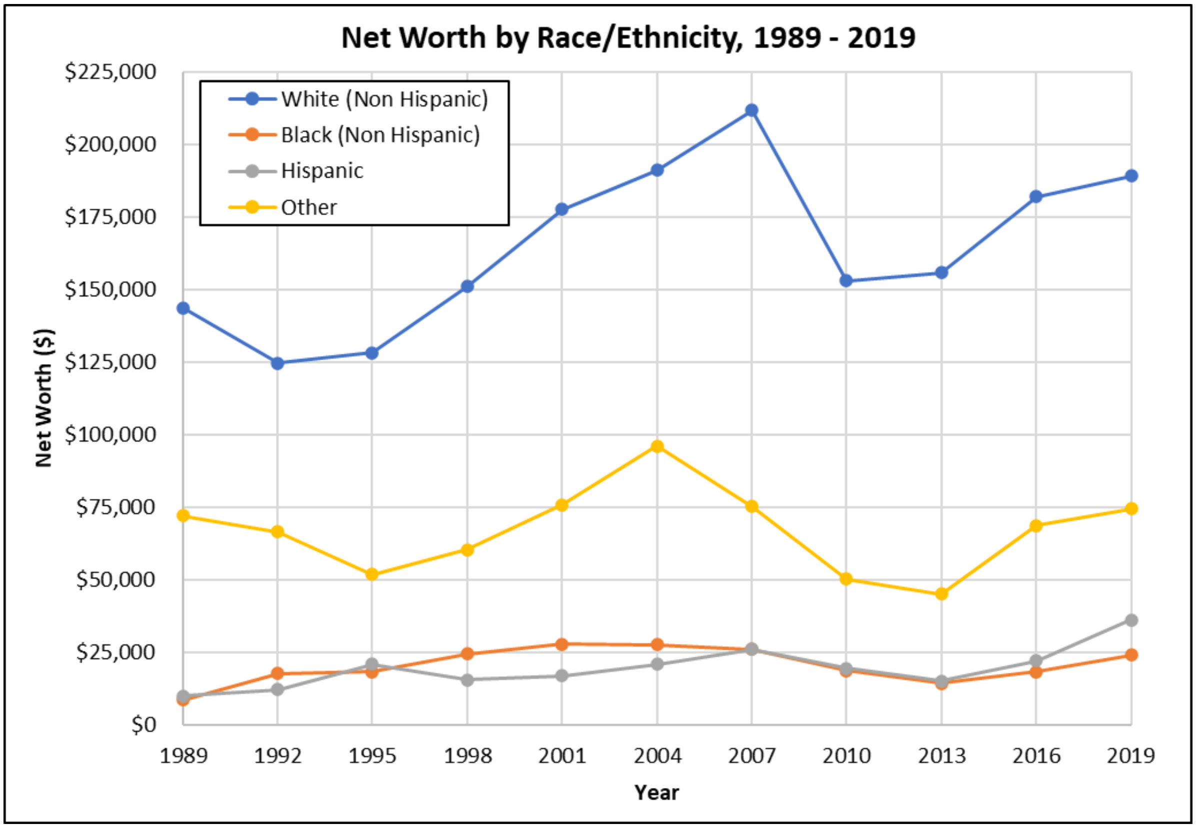

Median Net Worth by Age, Primary Market Area, 2024
Cottage Grove
Remainder of PMA
Primary Market Area
Twin Cities Metro
Median Net Worth
Age Cohort
$900,000
$800,000
$700,000
$600,000
$500,000
$400,000
$300,000
$200,000
$100,000
$0
15-24
25-34
35-44
45-54
55-64
65-74
75+
$88,724
$40,609
$55,401
$14,200
$165,665
$99,971
$117,715
$54,857
$373,335
$305,620
$324,012
$841,835
$552,878
$559,403
$557,804
$368,163
$665,032
$650,458
$655,185
$452,657
$649,895
$578,868
$597,336
$485,383
$458,220
$354,046
$377,222
$338,807


Net Worth, Primary Market Area, 2024
Average
Median
Net Worth
Geography
$1,700,000
$1,600,000
$1,500,000
$1,400,000
$1,300,000
$1,200,000
$1,100,000
$1,000,000
$900,000
$800,000
$700,000
$600,000
$500,000
$400,000
$300,000
$200,000
$100,000
$0
Cottage Grove
Remainder of PMA
Primary Market Area
Twin Cities Metro
$1,532,161
$425,439
$1,577,033
$351,707
$1,565,742
$371,983
$1,324,393
$241,045

Median Net Worth by Census Block in and Near Cottage Grove



- The following chart depicts median net worth by race and ethnicity nationwide between 1989 and 2019. The data is sourced to the Federal Reserve Survey of Consumer Finances. As of 2019 housing net worth by category were as follows: White (Non-Hispanic), $189,100; Black (Non-Hispanic), $24,100; Hispanic, $36,050; and Other $74,500. Between 1989 and 2019 net worth by category increased the following percentages: White (Non-Hispanic), 31.7%; Black (Non-Hispanic), 181.9%; Hispanic, 262.7%; and Other 3.5%.



Demographic Summary

Table D-10 provides a demographic summary that compares Cottage Grove and the PMA and the Metro Area. Data in D-10 is as of 2024.

- Cottage Grove had higher proportions of those age 35 to 44 and 45 to 54 than the Metro Area. As of 2024, 14.8% and 13.0%, respectively of Cottage Grove's population were in these age groups compared to 14.1% and 12.1%, respectively in the Metro Area.

- Cottage Grove's median household income ($114,459) was an estimated $5,012 more than in the Remainder of the PMA ($109,447), $3,569 more than in the PMA ($110,889) and $22,027 more than in the Twin Cities Metro ($92,432).

- Cottage Grove had a lower percentage of renters at 12.7% of its households compared to 25.0% of households in the PMA Remainder, 22.0% of households in the PMA and 20.0% of households in the Metro Area.

- Cottage Grove had a high percentage of households that were married with children (31.0%). As a comparison, the PMA had 26.7% of households married with children and the Metro Area had 29.3% of households married with children. Additionally, Cottage Grove had a higher proportion of households living alone (15.1%); lower than in the PMA (22.4%) and the Metro Area (29.3%).

TABLE D-10
DEMOGRAPHIC SUMMARY
PRIMARY MARKET AREA
2024

Summary	Cottage Grove		Remainder of PMA		PMA		TWIN CITIES METRO	
	Num	Pct.	Num	Pct.	Num	Pct.	Num	Pct.
Demographics								
Population	39,940	100.0%	114,180	100.0%	154,120	100.0%	3,281,675	100.0%
Households	14,050	100.0%	44,250	100.0%	58,300	100.0%	1,290,000	100.0%
Age Distribution								
Under 18	10,787	27.0%	28,959	18.8%	39,746	25.8%	723,019	22.0%
18-24	3,322	8.3%	8,931	5.8%	12,254	8.0%	288,559	8.8%
25-34	6,084	15.2%	14,025	9.1%	20,109	13.0%	453,913	13.8%
35-44	6,386	16.0%	17,650	11.5%	24,036	15.6%	457,156	13.9%
45-54	5,609	14.0%	14,814	9.6%	20,423	13.3%	392,311	12.0%
55-64	5,178	13.0%	13,988	9.1%	19,166	12.4%	415,007	12.6%
65-74	3,711	9.3%	9,643	6.3%	13,354	8.7%	311,255	9.5%
75-84	1,596	4.0%	4,373	2.8%	5,970	3.9%	142,659	4.3%
85+	475	1.2%	1,568	1.0%	2,042	1.3%	58,360	1.8%
Household Income								
Average Household Income	$144,426		$146,304		$145,831		$129,699	
Median Household Income	$114,459		$109,447		$110,889		$92,432	
Net Worth								
Average Net Worth	$1,532,161		$1,577,033		$1,565,742		$1,324,393	
Median Net Worth	$425,439		$351,707		$371,983		$241,045	
Household Tenure								
Own	12,268	87.3%	33,184	75.0%	45,452	78.0%	1,032,161	80.0%
Rent	1,782	12.7%	11,066	25.0%	12,848	22.0%	257,839	20.0%
Household Type								
Married with Children	4,360	31.0%	11,835	26.7%	16,189	27.8%	377,487	29.3%
Married without Children	4,925	35.1%	13,308	30.1%	18,236	31.3%	247,221	19.2%
Other	1,948	13.9%	5,202	11.8%	7,147	12.3%	179,342	13.9%
Living Alone	2,128	15.1%	10,945	24.7%	13,075	22.4%	377,339	29.3%
Roommates	690	4.9%	2,960	6.7%	3,653	6.3%	108,611	8.4%

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

Introduction

The variety and condition of the housing stock in a community provides the basis for an attractive living environment. Housing functions as a building block for neighborhoods and goods and services. We examined the housing market in Cottage Grove by reviewing data on the age of the existing housing supply; examining residential building trends since 2010; and reviewing housing data from the American Community Survey. Data is also provided for the PMA Remainder and Seven County Metro Area or Minnesota for comparison.

Residential Construction Trends

Building Permits

Maxfield Research obtained data on the number of new construction housing units in Cottage Grove from 2019 through May 2024. Note that data for 2024 is through May. Data was obtained from the City of Cottage Grove. Table HC-1, on the following page, displays information for these years.

Detached single-family is defined as fully detached housing units. Multifamily housing includes for-sale and rental projects includes duplex, triplex, and four-plex structures, in addition to buildings with five or more units. A multifamily structure is generally defined as a residential building containing units built one on top of another and those built side-by-side which do not have a ground-to-roof wall and/or have common facilities. Townhomes include attached single-family units, semi-attached units, side-by-side units, and rowhouses. All permitted multifamily units permitted in Cottage Grove between 2019 and May 2024 were townhomes. Table HC-1 breaks down permit activity by single-family and low- and higher-density multifamily.

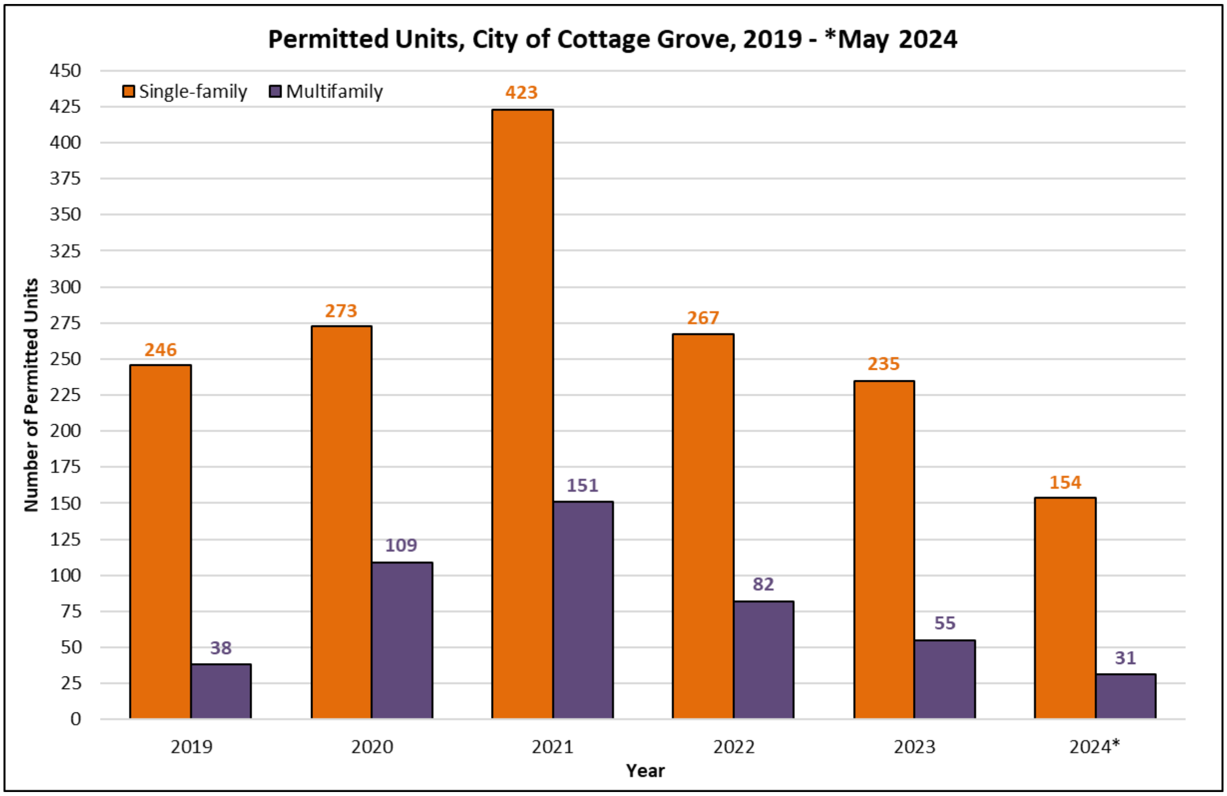
- Development activity has been high in the City of Cottage Grove with an average of 376 units built per year between 2019 and 2023. In addition, 185 units have already been permitted between January and May 2024.

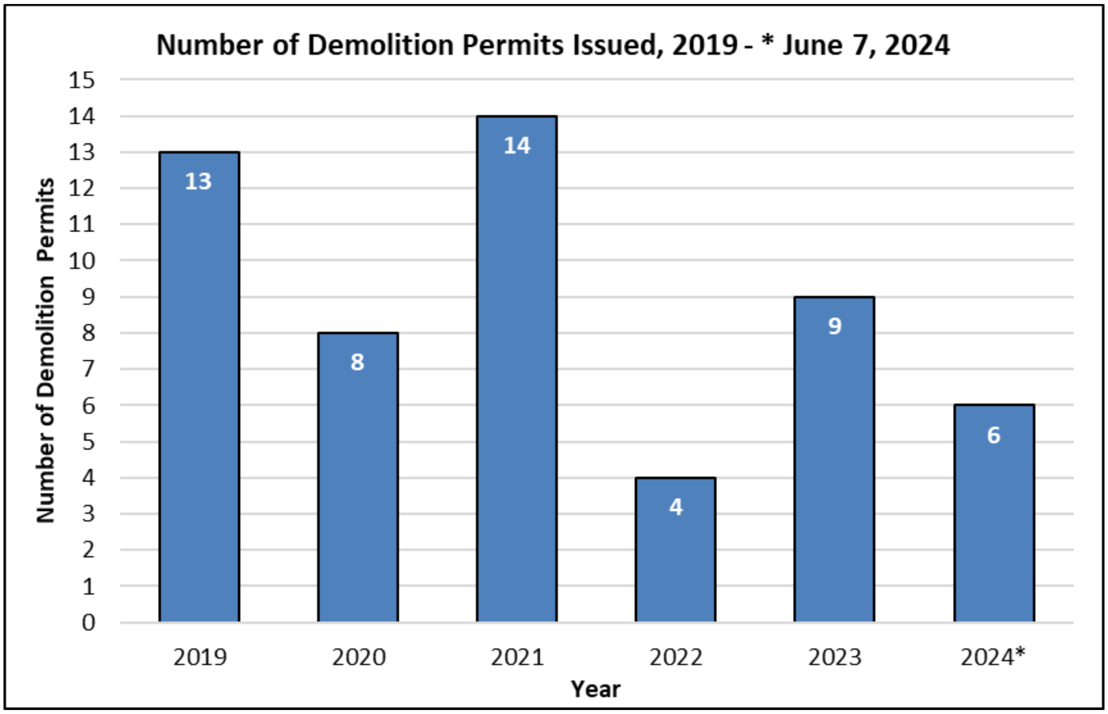
- Of the 2,064 new residential units permitted in Cottage Grove, over 77% (77.4%) of those permitted units were issued for single-family units while 22.6% were issued for multifamily units.

- In addition to new units added, 54 permits for demolition were issued between 2019 and June 7, 2024. This equates to nine demolition permits issued annually during the period.

HC-1 PERMITTED UNITS CITY OF COTTAGE GROVE 2019 THORUGH MAY 2024			
	Units Permitted		
Year	Single-Family Units	Multifamily Units	Total Units
2019	246	38	284
2020	273	109	382
2021	423	151	574
2022	267	82	349
2023	235	55	290
2024*	154	31	185
Totals	**1,598**	**466**	**2,064**

* Through May.
Note: All multifamily units are townhomes.
Sources: City of Cottage Grove & Maxfield Research and Consulting.





American Community Survey

The American Community Survey ("ACS") is an ongoing statistical survey administered by the U.S. Census Bureau that is sent to approximately 3 million addresses annually. The survey gathers data previously contained only in the long form of the decennial census. As a result, the survey provides a more "up-to-date" portrait of demographic, economic, social, and household characteristics every year, not just every ten years. The most recent ACS highlights data collected between 2018 and 2022. All ACS surveys are subject to sampling error and uncertainty. The ACS reports margins of errors (MOEs) with estimates for most standard census geographies. The MOE is shown by reliability from low, medium to high. Due to the MOE, 2022 ACS data may have inconsistencies with previous 2010 Census data and more current 2020 Census data.

Tables HC-2 through HC-10 show key data from the American Community Survey for the City of Cottage Grove, PMA Remainder, Seven County Metro Area and for Table HC-2 and Minnesota.

Occupied Housing Units by Tenure

Tenure is a key variable that analyzes the propensity for householders to rent or own their housing unit. Tenure is an integral statistic used by numerous governmental agencies and private sector industries to assess neighborhood stability. Table HC-2 shows the tenure by occupied housing units in 2022.

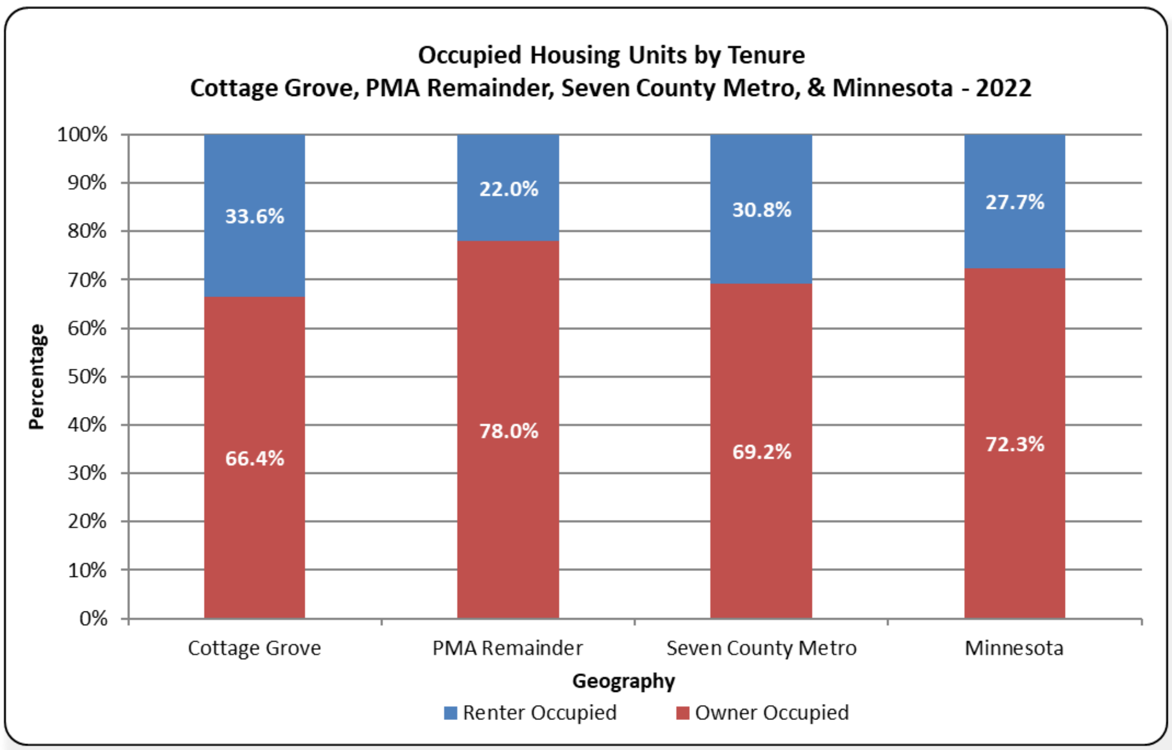
- Housing in Cottage Grove is predominantly owner occupied. In 2022, 66.4% of housing units were owner occupied in the City. By comparison, to the PMA Remainder (78.0% owner-occupied), the Seven County Metro (69.2% owner-occupied) and the State of Minnesota (72.3% owner-occupied), the proportion of owner-occupied units in Cottage Grove (66.4%) is less than in the other three geographies.

- The proportion of renter occupied units was higher within the City of Cottage Grove than in the PMA Remainder, Seven-County Metro or the State of Minnesota. In Cottage Grove, 33.6% of households were renter occupied in 2022 compared to 22.0% of households in the PMA Remainder, 30.8 of households in the Seven County Metro, and 27.7% of households in the State of Minnesota.

TABLE HC-2
OCCUPIED HOUSING UNITS BY TENURE
PRIMARY MARKET AREA
2022

	Cottage Grove		PMA Remainder		Seven County Metro		Minnesota	
Year/Occupancy	**Pct.**	**Pct.**	**No.**	**Pct.**	**No.**	**Pct.**	**No.**	**Pct.**
Owner Occupied	3,036	66.4%	32,817	78.0%	860,790	69.2%	1,631,701	72.3%
Renter Occupied	1,534	33.6%	9,230	22.0%	382,486	30.8%	624,425	27.7%
Total	**4,570**	**100.0%**	**42,047**	**100.0%**	**1,243,276**	**100.0%**	**2,256,126**	**100.0%**

Sources: U.S. Census Bureau-American Community Survey & Maxfield Research and Consulting.



Age of Housing Stock

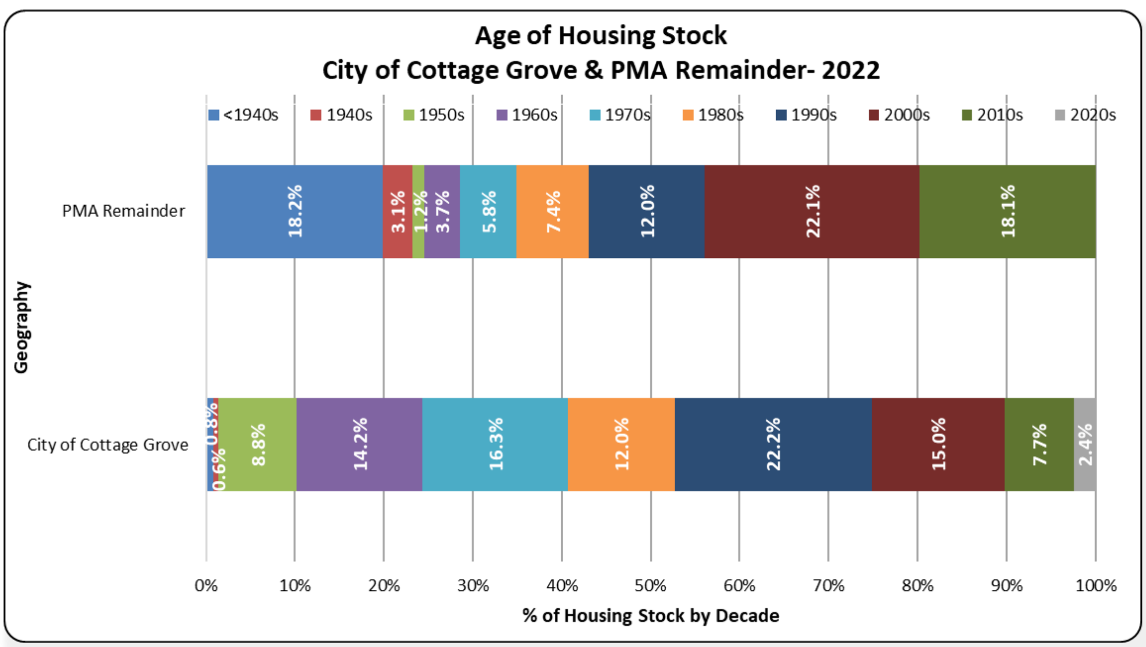
The following graph shows the age distribution of the housing stock based on data from the U.S. Census Bureau and the American Community Survey (5-Year estimates). Table HC-3 includes the number of housing units built in the City of Cottage Grove, the PMA Remainder, and the Seven County Metro, prior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

- In Cottage Grove, the highest proportion of homes were built in the 1990s (22.2%). In contrast, in the PMA Remainder, the highest proportion of homes were built in the 2000s (22.1%) while in the Seven County Metro Area most homes were built in the 1980s (14.6%).

- The second highest decade for which housing was built in Cottage Grove was the 1970s (16.3%). By comparison, the second highest decade the PMA Remainder was prior to the 1940s (18.2%) while in the Seven-County Metro the second highest decade was the 1970s (14.1%).

- Since the 2010s, 10.2% of Cottage Grove's housing stock has been built compared to 18.1% in the PMA Remainder and 8.2% in the Metro Area. With over 10% of homes in Cottage Grove and over 18% of homes in the PMA Remainder built since the 2010s, new construction will continue to play a big role in new housing stock in the Market Area.

- The below chart illustrates the breakdown by decade of the housing stock in Cottage Grove compared to the PMA Remainder.



- Owner occupied units in Cottage Grove have an older median age (1988) than in the PMA Remainder (1987) but newer than in the Seven County Metro Area (1976). Similarly, renter occupied units in Cottage Grove have an older median age (1987) than in the PMA Remainder (1990) but newer than in the Seven-County Metro Area (1978).

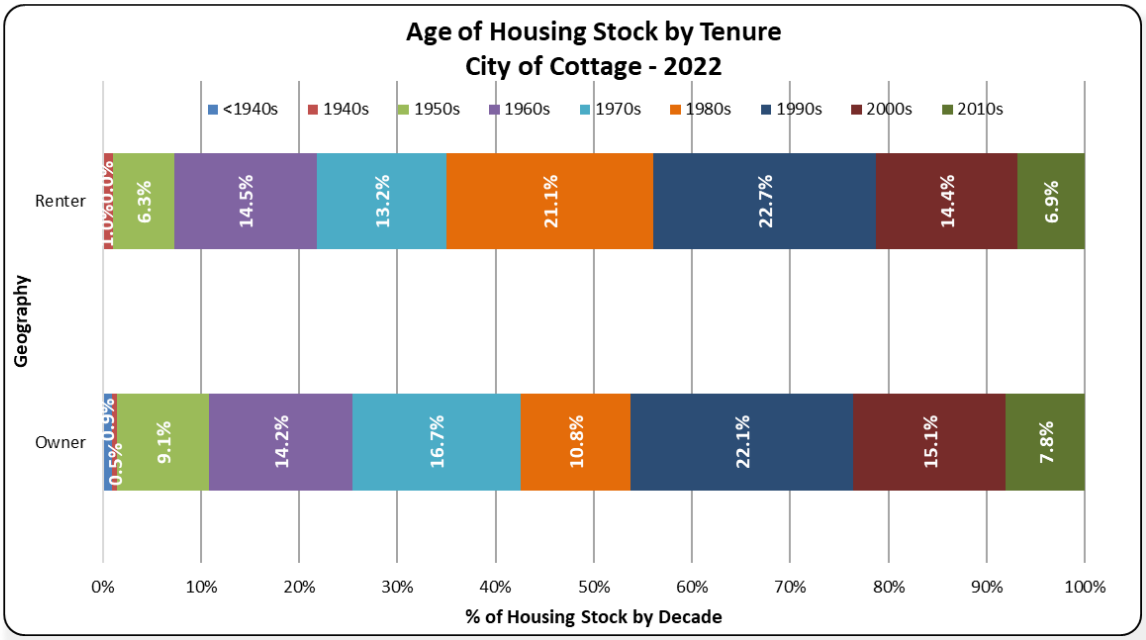


TABLE HC-3
AGE OF HOUSING STOCK
PRIMARY MARKET AREA
2022

	Total	Med. Yr.	Year Unit Built																			
	Units	**Built**	**<1940**		**1940s**		**1950s**		**1960s**		**1970s**		**1980s**		**1990s**		**2000s**		**2010s**		**2020s**	
			No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
City of Cottage Grove																						
Owner-Occupied	11,624	1988	106	0.9%	60	0.5%	1,061	9.1%	1,645	14.2%	1,943	16.7%	1,254	10.8%	2,567	22.1%	1,756	15.1%	910	7.8%	322	2.8%
Renter-Occupied	1,570	1987	0	0.0%	16	1.0%	99	6.3%	227	14.5%	207	13.2%	331	21.1%	356	22.7%	226	14.4%	108	6.9%	0	0.0%
Total	**13,194**	**1988**	**106**	**0.8%**	**76**	**0.6%**	**1,160**	**8.8%**	**1,872**	**14.2%**	**2,150**	**16.3%**	**1,585**	**12.0%**	**2,923**	**22.2%**	**1,982**	**15.0%**	**1,018**	**7.7%**	**322**	**2.4%**
PMA Remainder																						
Owner-Occupied	41,682	1991	9,230	22.1%	1,183	2.8%	519	1.2%	1,638	3.9%	2,389	5.7%	2,701	6.5%	4,397	10.5%	9,271	22.2%	7,312	17.5%	3,042	7.3%
Renter-Occupied*	9,069	1990*	0	0.0%	366	4.0%	111	1.2%	228	2.5%	555	6.1%	1,049	11.6%	1,686	18.6%	1,964	21.7%	1,864	20.6%	1,246	13.7%
Total	**50,751**	**1991**	**9,230**	**18.2%**	**1,549**	**3.1%**	**630**	**1.2%**	**1,866**	**3.7%**	**2,944**	**5.8%**	**3,750**	**7.4%**	**6,083**	**12.0%**	**11,235**	**22.1%**	**9,176**	**18.1%**	**4,288**	**8.4%**
Seven County Metro																						
Owner-Occupied	860,790	1976	120,364	14.0%	37,154	4.3%	99,931	11.6%	77,985	9.1%	107,767	12.5%	125,151	14.5%	125,931	14.6%	109,695	12.7%	52,402	6.1%	4,410	0.5%
Renter-Occupied	382,486	1978	53,183	13.9%	11,396	3.0%	25,765	6.7%	47,762	12.5%	67,433	17.6%	56,658	14.8%	39,738	10.4%	36,025	9.4%	42,496	11.1%	2,030	0.5%
Total	**1,243,276**	**1978**	**173,547**	**14.0%**	**48,550**	**3.9%**	**125,696**	**10.1%**	**125,747**	**10.1%**	**175,200**	**14.1%**	**181,809**	**14.6%**	**165,669**	**13.3%**	**145,720**	**11.7%**	**94,898**	**7.6%**	**6,440**	**0.5%**

*Excludes Grey Cloud Island Township for which renter-occcupied data by median year built is not available.

Sources: U.S. Census Bureau - American Community Survey & Maxfield Research and Consulting.

Housing Units by Structure and Tenure

Table HC-4 shows the housing stock in Cottage Grove, the PMA Remainder, and the Seven County Metro by type of structure and tenure based on 2022 Five-year ACS estimates (2018-2022).

- Single-family detached units are overwhelmingly the dominate housing type for owner-occupied units in the City Cottage Grove (91.0%), the PMA Remainder (74.1%), and the Seven County Metro (80.0%).

- Single family detached units also made of up the largest share of renter-occupied units in the City of Cottage Grove (25.7%). In contrast, in both the PMA Remainder and Seven County Metro, the 50 or more-unit category made up the largest share of renter-occupied units at 11.3% and 34.1%, respectively.

- Single-family units account for about 62.3% of all unit types in Cottage Grove, 60.4% of all unit types in the PMA Remainder, and 59.0% of all unit types in the Seven County Metro. Cottage Grove has a relatively high amount of single-family rental units at 25.7% compared to the PMA Remainder and Seven County Metro at 11.3% and 11.6%, respectively. Single-family rental housing demand is on the rise as home prices continue to increase, due largely to rising home values and higher mortgage rates of the past year. Other Twin Cities ex-urban communities are now building purpose-built single-family rental housing.

- Rental properties with 50 or more units accounted for 10.1% of rental units and buildings in Cottage Grove, 18.6% of rental units with 20 to 49 units in the city, and 15.0% of rental units with 10 to 19 units in the City.

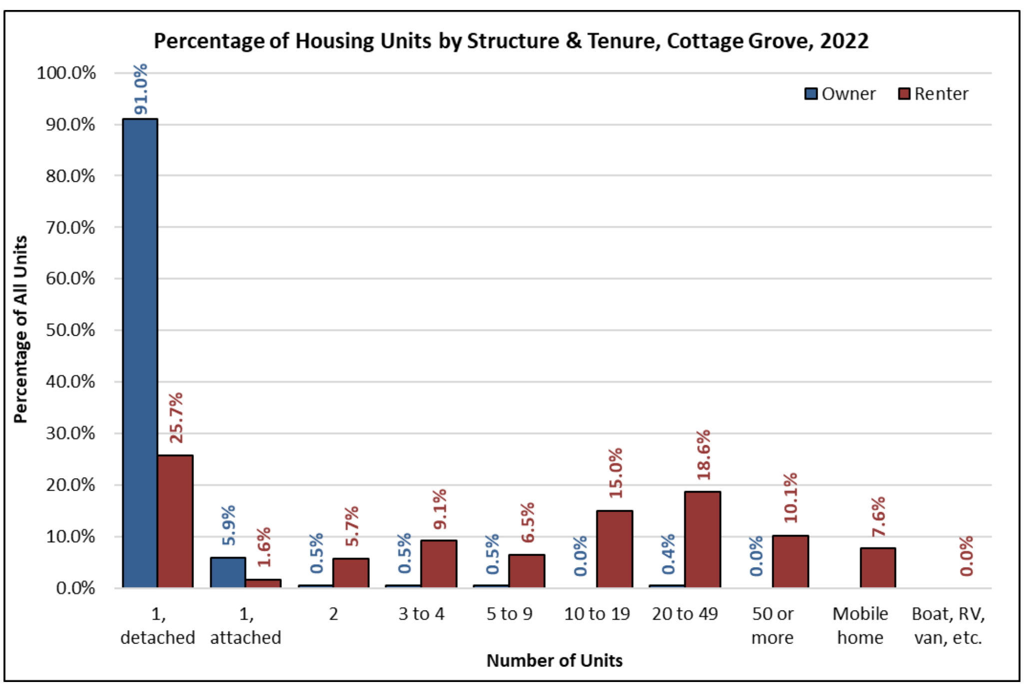


TABLE HC-4
HOUSING UNITS BY STRUCTURE & TENURE
PRIMARY MARKET AREA
2022

	Cottage Grove				PMA Remaider				Seven County Metro			
Units in Structure	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.
1, detached	2,764	91.0%	395	25.7%	24,328	74.1%	1,040	11.3%	688,821	80.0%	44,556	11.6%
1, attached	180	5.9%	25	1.6%	6,806	20.7%	2,078	22.5%	101,802	11.8%	35,013	9.2%
2	16	0.5%	88	5.7%	238	0.7%	223	2.4%	8,604	1.0%	21,731	5.7%
3 to 4	16	0.5%	140	9.1%	327	1.0%	694	7.5%	6,610	0.8%	18,546	4.8%
5 to 9	14	0.5%	99	6.5%	326	1.0%	339	3.7%	6,738	0.8%	22,202	5.8%
10 to 19	0	0.0%	230	15.0%	113	0.3%	604	6.5%	4,586	0.5%	42,713	11.2%
20 to 49	12	0.4%	285	18.6%	110	0.3%	1,252	13.6%	8,553	1.0%	64,470	16.9%
50 or more	0	0.0%	155	10.1%	157	0.5%	2,884	31.2%	22,469	2.6%	130,561	34.1%
Mobile home	34	1.1%	117	7.6%	408	1.2%	73	0.8%	12,461	1.4%	2,376	0.6%
Boat, RV, van, etc.	0	0.0%	0	0.0%	4	0.0%	43	0.5%	146	0.0%	318	0.1%
Total	**3,036**	**100%**	**1,534**	**100%**	**32,817**	**100%**	**9,230**	**100%**	**860,790**	**100%**	**382,486**	**100%**

Sources: U.S. Census Bureau - American Community Survey & Maxfield Research and Consulting.

Owner-Occupied Housing Units by Mortgage Status

Table HC-5 shows mortgage status from the American Community Survey for 2022 (5-Year estimates). Mortgage status provides information on the cost of homeownership when analyzed in conjunction with mortgage payment data. A mortgage refers to all forms of debt where the property is pledged as security for repayment of debt. A first mortgage has priority claim over any other mortgage or if it is the only mortgage. A second (and sometimes third) mortgage are called a "junior mortgage," a home equity line of credit (HELOC) would also fall into this category. Finally, a housing unit without a mortgage is owned free and clear and is debt free.

- In Cottage Grove, 71.9% of homes have a mortgage while 28.1% own their homes without a mortgage. Thus, the percentage of housing units in Cottage Grove owned without a mortgage is less than the PMA Remainder (30.2%) and the Metro Area (30.3%).

- Of homes with a mortgage in Cottage Grove, 10.6% had an additional second mortgage, home equity loan, or both. In comparison, 10.2% of homes in the PMA Remainder and 3.4% of homes in the Seven County Metro had a second mortgage, home equity loan, or both.

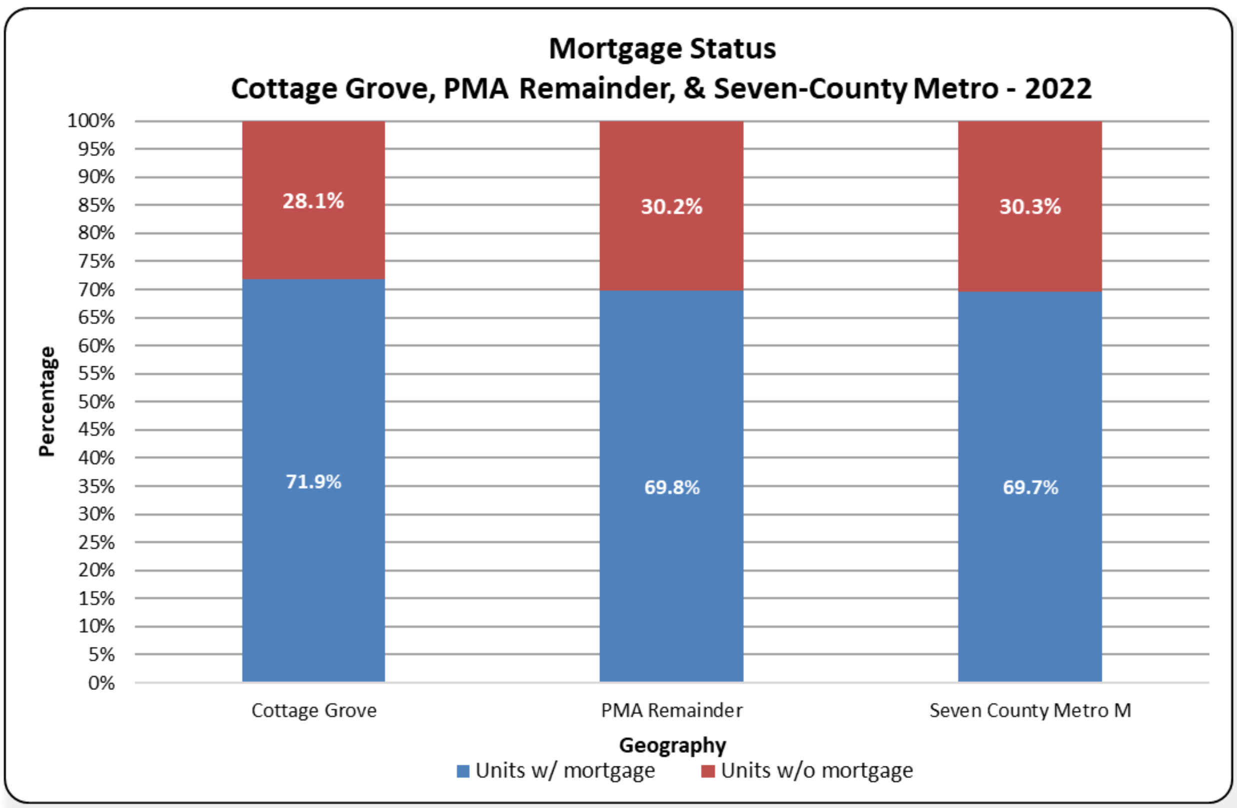
- Housing units with a mortgage reported a higher median value than those without a mortgage. The median value of housing units with a mortgage was $339,600 in Cottage Grove compared to $329,400 for homes without a mortgage. Compared to Cottage Grove, homes with mortgages had a median value of $282,744 in the PMA and $400,689 in the Seven County Metro. Homes without a mortgage had a median value of $252,352 in the PMA Remainder and $376,222 in the Seven County Metro.

TABLE HC-5
OWNER-OCCUPIED HOUSING UNITS BY MORTGAGE STATUS
PRIMARY MARKET AREA
2022

	Cottage Grove		PMA Remainder		Seven-County Metro	
Mortgage Status	**No.**	**Pct.**	**No.**	**Pct.**	**No.**	**Pct.**
Housing units without a mortgage	3,272	28.1%	9,923	30.2%	260,985	30.3%
Housing units with a mortgage/debt	8,352	71.9%	22,894	69.8%	599,805	69.7%
Second mortgage only	*164*	*1.4%*	568	*1.7%*	18,526	*2.2%*
Home equity loan only	*934*	*8.0%*	2,632	*8.0%*	8,713	*1.0%*
Both second mortgage and equity loan	*136*	*1.2%*	159	*0.5%*	2,138	*0.2%*
No second mortgage or equity loan	*7,023*	*60.4%*	19,184	*58.5%*	506,576	*58.9%*
Total	**11,624**	**100.0%**	**32,817**	**100.0%**	**860,790**	**100.0%**
Median Value by Mortgage Status						
Housing units with a mortgage	$339,600		$282,744*		$400,689	
Housing units without a mortgage	$329,400		$252,352*		$376,222	

* Excludes Washington County portion of Hastings, for which data is not available.

Sources: U.S. Census Bureau - American Community Survey & Maxfield Research and Consulting.



Owner-Occupied Housing Units by Value

Table HC-6 presents data on housing values summarized by nine price ranges. Housing value refers to the estimated price point the property would sell if the property were for sale. For single-family and townhome properties, value includes both the land and the structure. For condominium units, value refers to only the unit.

- The median owner-occupied home value in Cottage Grove ($337,000) was lower than in either the PMA Remainder ($373,513) or the Seven-County Metro ($342,501).

- In Cottage Grove, homes valued between $300,000 and $399,999 comprised the largest proportion of homes, accounting for 30.9% of owner-occupied units. Another 20.2% of owner-occupied units were valued between $200,000 and $249,999.

- The largest proportion of owner-occupied homes in the PMA Remainder were priced at greater than $500,000 (22.7%) followed by homes between $300,000 and $399,999 (21.5%). The Metro Area's two largest categories of owner-occupied homes were between $300,000 and $399,999 (24.4%) followed by greater than $500,000 (20.3%).

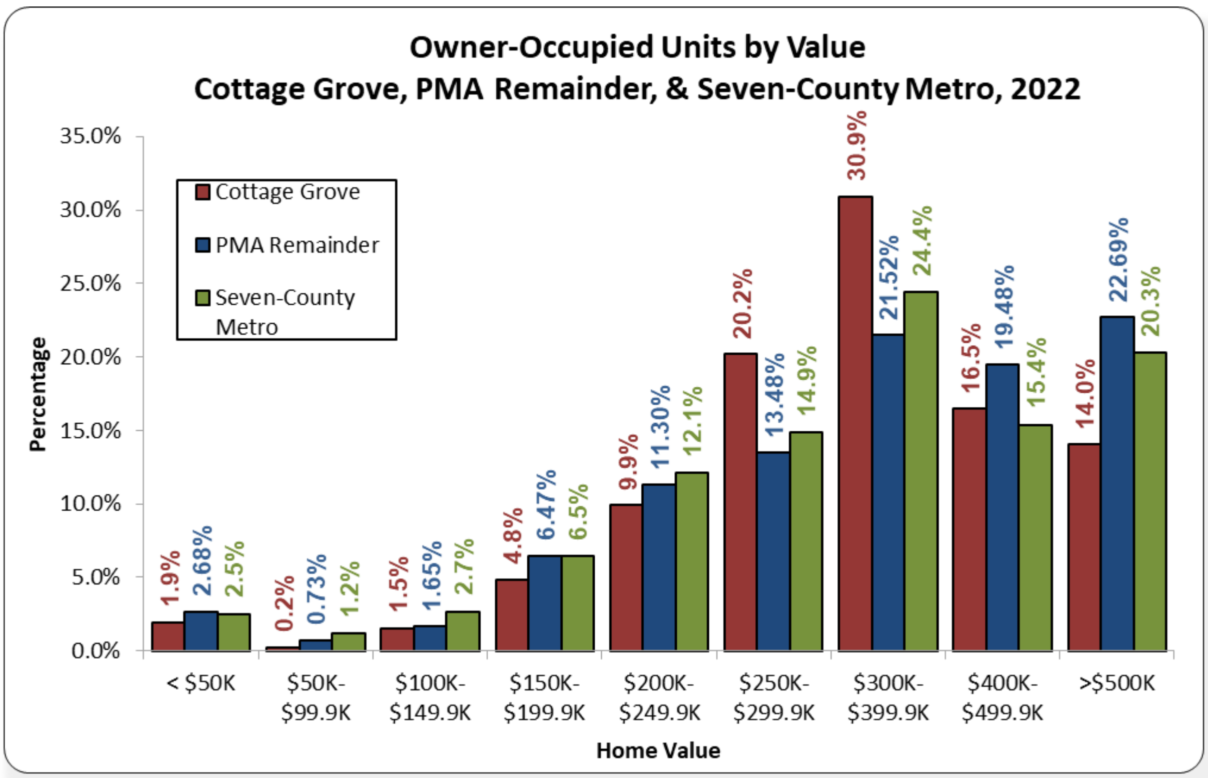


TABLE HC-6
OWNER-OCCUPIED UNITS BY VALUE
PRIMARY MARKET AREA
2022

	Cottage Grove		PMA Remainder		Seven-County Metro	
Home Value	**No.**	**Pct.**	**No.**	**Pct.**	**No.**	**Pct.**
Less than $50,000	223	1.9%	878	2.7%	21,689	2.5%
$50,000-$99,999	26	0.2%	239	0.7%	10,401	1.2%
$100,000-$149,999	176	1.5%	541	1.6%	23,115	2.7%
$150,000-$199,999	561	4.8%	2,124	6.5%	55,715	6.5%
$200,000-$249,999	1,150	9.9%	3,708	11.3%	104,397	12.1%
$250,000-$299,999	2,346	20.2%	4,424	13.5%	128,226	14.9%
$300,000-$399,999	3,595	30.9%	7,062	21.5%	210,332	24.4%
$400,000-$499,999	1,915	16.5%	6,394	19.5%	132,516	15.4%
Greater than $500,000	1,632	14.0%	7,447	22.7%	174,399	20.3%
Total	**11,624**	**100.0%**	**32,817**	**100.0%**	**860,790**	**100.0%**
Median Home Value	$337,000		$373,513		$342,501	

Note: The median year built for the PMA Remainder is weighted and only includes cities/townships with available data.

Sources: U.S. Census Bureau - American Community Survey & Maxfield Research and Consulting.

Renter-Occupied Units by Contract Rent

Table HC-7 presents information on the monthly housing costs for renters called contract rent (also known as asking rent) as sourced from the U.S. Census ACS. Contract rent is the monthly rent agreed to regardless of any utilities, furnishings, fees, or services that may be included.

- Cottage Grove renters were most likely to pay between $1,000 and $2,499 in monthly rent, with an estimated 80.7% of renter-occupied units reporting rents in this range. Reflecting the high rents in the City, another 4.5% of renters paid $2,500 or more in monthly rent. Therefore, over 85% (85.2%) of renter households paid $1,000 or more in monthly rent.

- Compared to the PMA Remainder, residents in the PMA Remainder and Seven County Metro were less likely than Cottage Grove to pay $1,000 or more in monthly rent. The percentages of those paying $1,000 or more were the following: 76.3% in the PMA Remainder and 70.7% in the Seven-County Metro.

- The median rent in Cottage Grove was estimated at $1,467 in 2022, 7.7% higher than in the PMA Remainder ($1,362) and 16.6% higher than in the Seven-County Metro ($1,255). Factoring in annual percentage rent increases, the 2024 median rent in Cottage Grove is estimated at $1,578, based on recent increases of 5% annually. This would compare to $1,465 for the PMA Remainder and $1,350 for the Seven County Metro.

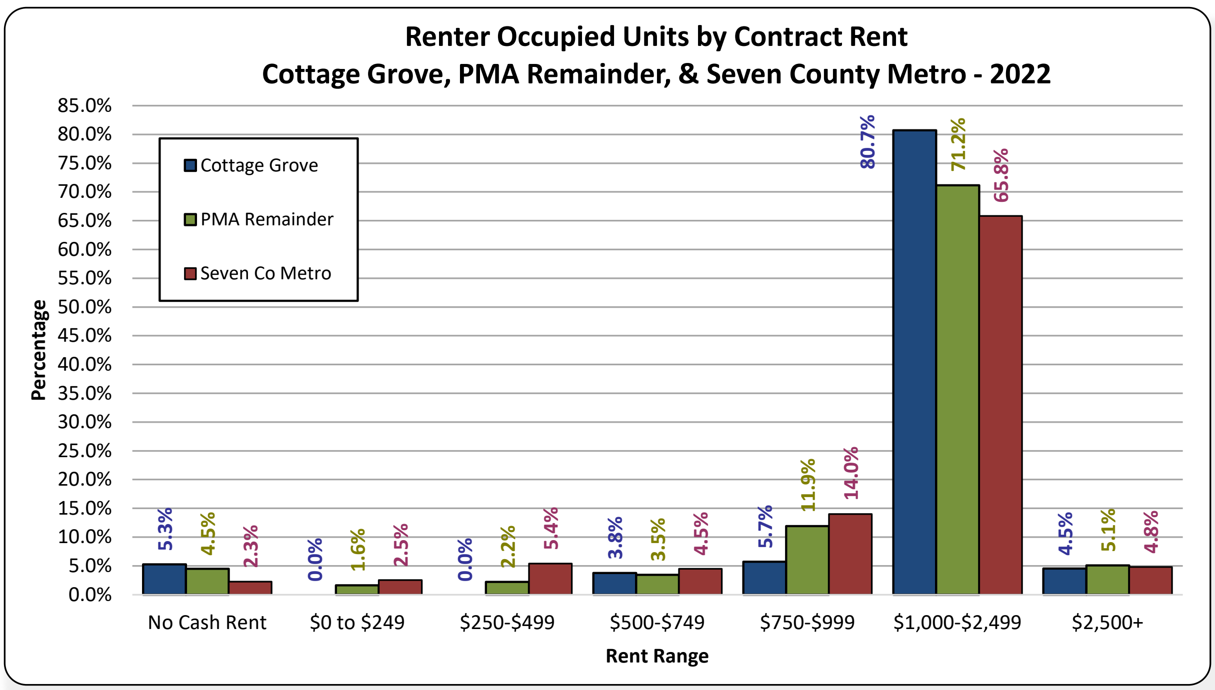
- Housing units without payment of rent ("no cash rent") make up 5.3% of Cottage Grove renters. The proportion was modestly lower in the PMA Remainder (4.5%) but less than that in the Metro Area (2.3%). Typically, units may be owned by a relative or friend who lives elsewhere whom allow occupancy without charge. Other sources may include caretakers or ministers who may occupy a residence without charge.

TABLE HC-7
RENTER-OCCUPIED UNITS BY CONTRACT RENT
PRIMARY MARKET AREA
2022

	Cottage Grove		PMA Remainder		Seven-County Metro	
Contract Rent	No.	Pct.	No.	Pct.	No.	Pct.
No Cash Rent	83	5.3%	415	4.5%	8,746	2.3%
Cash Rent	1,487	94.7%	8,815	95.5%	373,740	97.7%
$0 to $249	0	*0.0%*	151	*1.6%*	9,687	*2.5%*
$250-$499	0	*0.0%*	204	*2.2%*	20,694	*5.4%*
$500-$749	59	*3.8%*	320	*3.5%*	17,234	*4.5%*
$750-$999	90	*5.7%*	1,101	*11.9%*	53,582	*14.0%*
$1,000-$2,499	1,267	*80.7%*	6,568	*71.2%*	251,831	*65.8%*
$2,500+	71	*4.5%*	471	*5.1%*	18,480	*4.8%*
Total	**1,570**	**100.0%**	**9,230**	**100.0%**	**382,486**	**100.0%**
Median Contract Rent	$1,467		$1,362*		$1,255	

*Excludes Denmark Township, Grey Cloud Isand Township, and the Washington County portion of Hastings. No data is available for these geographies.

Sources: U.S. Census Bureau - American Community Survey & Maxfield Research and Consulting.



Tenure by Household Income

Table HC-8 presents information on tenure by household incomes in the PMA. Data was obtained through the American Community Survey for 2022 and adjusted forward by Maxfield Research based on current household income totals and tenure proportions.

- Larger communities attract development of rental properties due to employment opportunities and retail goods and services offered. Cottage Grove and its proximity to Woodbury, Interstates 94 and 494, Interstate 35E and the Minneapolis-St. Paul Airport make the City an attraction location for renters. The City is estimated to have 11.9% renter households and 88.1% owner households. By comparison, the PMA Remainder is estimated to have 22.0% renter households and 78.0% owner households while the Metro Area is estimated to have 30.8% renter households and 69.2% owner households.

- As incomes rise, the proportion of owner-occupied units increases. In Cottage Grove, for households earning $150,000 or more, 95.6% are owners, up from a low of 67.5% of those making between $25,000 and $34,999.

- A portion of renter households are referred to as lifestyle renters, those who are financially able to own a home but choose to rent. Lifestyle renters in the Twin Cities Metro Area typically have household incomes of $60,000 or above ($1,500 in monthly housing expenses). An estimated 58% of renter households have incomes of $60,000 or more in Cottage Grove. Therefore, renters in Cottage Grove are more well off than in the PMA Remainder and the Metro Area where 47.6% and 41.9%, respectively, are lifestyle renters.

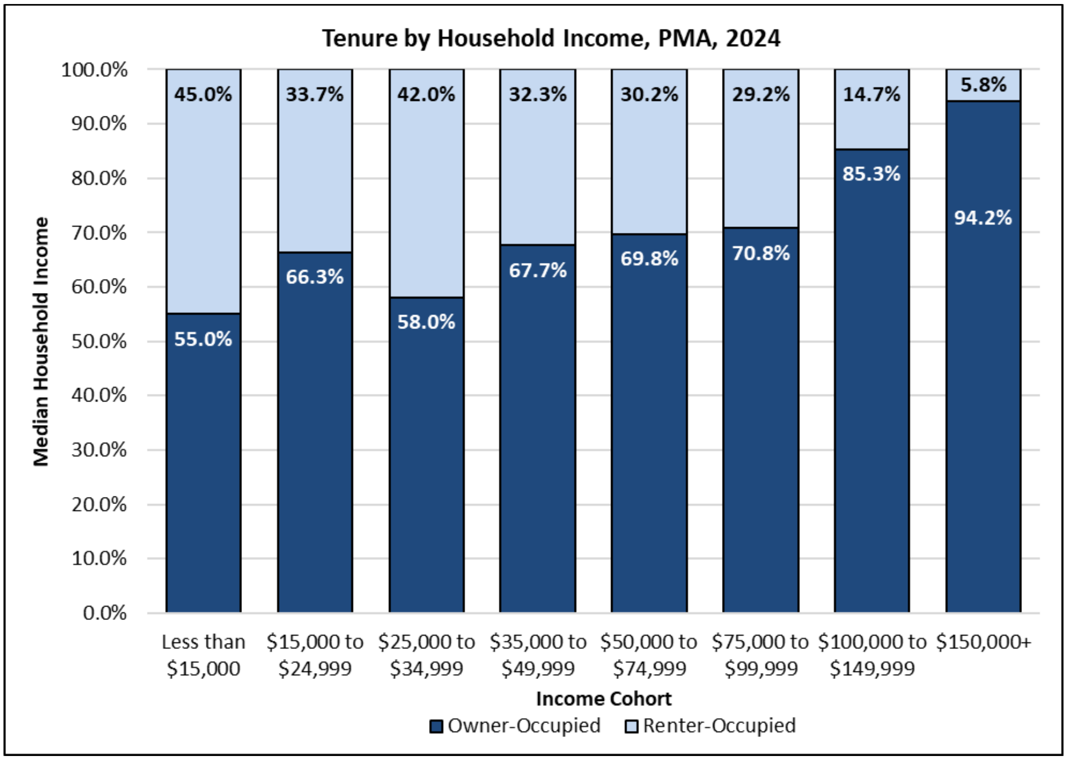
- The median income of renter households was 40% less than the median income of owner households in Cottage Grove. In 2024, owner households in Cottage Grove reported a median income of $123,333 compared to $74,167 among renter-occupied households.

TABLE D-6
TENURE BY HOUSEHOLD INCOME
PRIMARY MARKET AREA
2024

	CITY OF COTTAGE GROVE				REMAINDER OF PMA				PRIMARY MARKET AREA				SEVEN-COUNTY METRO AREA			
Income	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.	Owner-Occupied	Pct.	Renter-Occupied	Pct.
Less than $15,000	279	73.4%	101	26.6%	933	51.2%	889	48.8%	1,212	55.0%	990	45.0%	23,658	32.8%	48,435	67.2%
$15,000 to $24,999	167	81.8%	37	18.2%	1,195	64.6%	655	35.4%	1,362	66.3%	692	33.7%	21,481	36.7%	37,129	63.3%
$25,000 to $34,999	301	67.4%	146	32.6%	956	55.6%	763	44.4%	1,257	58.0%	909	42.0%	30,081	44.9%	36,925	55.1%
$35,000 to $49,999	414	67.5%	199	32.5%	2,073	67.7%	989	32.3%	2,488	67.7%	1,188	32.3%	54,371	49.7%	55,114	50.3%
$50,000 to $74,999	1,514	80.5%	366	19.5%	3,485	65.9%	1,800	34.1%	4,999	69.8%	2,167	30.2%	110,556	59.9%	74,085	40.1%
$75,000 to $99,999	1,548	89.8%	177	10.2%	4,064	65.5%	2,142	34.5%	5,612	70.8%	2,319	29.2%	110,118	68.6%	50,392	31.4%
$100,000 to $149,999	3,649	89.3%	436	10.7%	7,972	83.5%	1,571	16.5%	11,622	85.3%	2,006	14.7%	197,397	80.0%	49,217	20.0%
$150,000+	4,504	95.6%	210	4.4%	13,845	94%	917	6.2%	18,350	94.2%	1,127	5.8%	313,128	90.9%	31,189	9.1%
Total	12,378	**88.1%**	1,672	**11.9%**	**34,524**	78.0%	**9,726**	**22.0%**	**46,902**	**80.4%**	**11,398**	**19.6%**	**860,790**	**69.2%**	**382,486**	**30.8%**
Median Household Income*	**$123,333**		**$74,167**		**$130,364**		**$73,331**		**$125,079**		**$68,649**		**$119,273**		**$54,187**	

*As of 2022. PMA and PMA Remainder renter household income number does not include Grey Cloud Island in calculationswhich is missing data.

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



Mobility in the Past Year

Table HC-9 shows the mobility patterns of PMA residents. The information reflects the proportion of residents that reported a move within the last year at the time the ACS survey was conducted. The table presents the estimates of mobility within the last year based on an average of five years of data collection (2018-2022).

- Most Cottage Grove residents (86.4%) did not move during the last year. In the PMA Remainder (81.9%) of its residents did not move in the last year while 81.8% of Metro Area residents did not move.

- Among Cottage Grove residents that moved, most were likely to move within their same county (5.0%) followed by a move from a different county in Minnesota (4.3%). Those moving from a different state represented 1.2% while those moving from abroad represented 0.1%.

- The age group most likely to move is the age 25 to 34 cohort as an estimated 20.5% moved in the past year followed by those ages 35 to 44 at 18.8%. Those ages 25 to 34 may consider moving to communities such as Cottage Grove as they begin families.

- Mobility increased among those age 75 years or older as this age group often relocates for health and lifestyle reasons. This cohort may move to smaller homes, a senior living facility or to another community to be closer to family.

TABLE D-9
MOBILITY IN THE PAST YEAR BY AGE FOR CURRENT RESIDENCE
PRIMARY MARKET AREA
2022

Cottage Grove	Did Not Move		Moved							
	Same House		Within Same County		Different County Same State		Different State		Abroad	
Age	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under 18	8,939	86.1%	678	6.5%	349	3.4%	92	0.9%	12	0.1%
18 to 24	2,795	87.2%	132	4.1%	61	1.9%	120	3.7%	0	0.0%
25 to 34	3,573	79.5%	169	3.8%	504	11.2%	105	2.3%	12	0.3%
35 to 44	5,829	81.2%	556	7.7%	472	6.6%	107	1.5%	0	0.0%
45 to 54	4,751	91.2%	199	3.8%	105	2.0%	0	0.0%	0	0.0%
55 to 64	4,043	90.7%	174	3.9%	93	2.1%	17	0.4%	0	0.0%
65 to 74	2,766	93.1%	0	0.0%	73	2.5%	44	1.5%	0	0.0%
75+	1,804	88.4%	102	5.0%	74	3.6%	0	0.0%	0	0.0%
Total	**34,500**	**86.4%**	**2,010**	**5.0%**	**1,731**	**4.3%**	**485**	**1.2%**	**24**	**0.1%**

Remainder of PMA	Same House		Within Same County		Different County Same State		Different State		Abroad	
Age	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under 18	22,495	82.5%	1,527	5.6%	986	3.6%	793	2.9%	12	0.0%
18 to 24	6,488	66.8%	865	8.9%	1,143	11.8%	721	7.4%	0	0.0%
25 to 34	8,667	68.4%	926	7.3%	1,884	14.9%	497	3.9%	12	0.1%
35 to 44	13,656	80.8%	1,181	7.0%	569	3.4%	529	3.1%	0	0.0%
45 to 54	14,130	87.5%	492	3.0%	288	1.8%	372	2.3%	0	0.0%
55 to 64	13,215	88.8%	342	2.3%	342	2.3%	194	1.3%	0	0.0%
65 to 74	9,086	89.8%	207	2.0%	289	2.9%	25	0.2%	0	0.0%
75+	5,828	89.8%	171	2.6%	139	2.1%	26	0.4%	0	0.0%
Total	**93,565**	**81.9%**	**5,711**	**5.0%**	**5,640**	**4.9%**	**3,157**	**2.8%**	**24**	**0.0%**

PMA	Same House		Within Same County		Different County Same State		Different State		Abroad	
Age	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under 18	31,434	83.5%	2,205	5.9%	1,335	3.5%	885	2.4%	93	0.2%
18 to 24	9,283	71.9%	997	7.7%	1,204	9.3%	841	6.5%	3	0.0%
25 to 34	12,240	71.3%	1,095	6.4%	2,388	13.9%	602	3.5%	74	0.4%
35 to 44	19,485	80.8%	1,737	7.2%	1,041	4.3%	636	2.6%	123	0.5%
45 to 54	18,881	88.4%	691	3.2%	393	1.8%	372	1.7%	53	0.2%
55 to 64	17,258	89.3%	516	2.7%	435	2.3%	211	1.1%	42	0.2%
65 to 74	11,852	90.6%	207	1.6%	362	2.8%	69	0.5%	5	0.0%
75+	7,632	89.5%	273	3.2%	213	2.5%	26	0.3%	0	0.0%
Total	**128,065**	**83.1%**	**7,721**	**5.0%**	**7,371**	**4.8%**	**3,642**	**2.4%**	**393**	**0.3%**

Seven-County Metro	Same House		Within Same County		Different County Same State		Different State		Abroad	
Age	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Under 18	611,554	84.1%	42,550	5.9%	23,526	3.2%	9,253	1.3%	2,764	0.4%
18 to 24	184,140	64.8%	36,437	12.8%	30,187	10.6%	15,699	5.5%	3,125	1.1%
25 to 34	340,010	70.2%	57,468	11.9%	40,453	8.4%	18,042	3.7%	3,345	0.7%
35 to 44	382,551	82.5%	30,022	6.5%	17,312	3.7%	8,112	1.7%	1,633	0.4%
45 to 54	353,929	87.0%	16,279	4.0%	10,355	2.5%	4,211	1.0%	1,212	0.3%
55 to 64	377,827	88.6%	13,709	3.2%	8,726	2.0%	3,035	0.7%	1,020	0.2%
65 to 74	263,819	89.8%	8,015	2.7%	4,370	1.5%	1,836	0.6%	500	0.2%
75+	169,551	86.9%	8,516	4.4%	4,572	2.3%	1,740	0.9%	639	0.3%
Total	**2,683,381**	**81.8%**	**212,996**	**6.5%**	**139,501**	**4.3%**	**61,928**	**1.9%**	**14,238**	**0.4%**

Sources: American Community Survey; Maxfield Research and Consulting.

Introduction

Employment characteristics are important components in assessing housing needs in any given Market Area. These trends are important to consider since employment growth often fuels household growth. Typically, households prefer to live near work for convenience, which is a primary factor in choosing a housing location. This preference is particularly true among renters. Young adults entering the workforce, a primary target market for rental housing, often place excellent value on living near employment, education, shopping and entertainment. Many households commute greater distances to work provided their housing is affordable enough to offset the additional transportation costs.

Although employment growth often parallels population growth, it is tied more strongly to transportation access. Cities with interstate access and intra- and inter-metro transportation connections attract more businesses and post higher employment gains.

Employment Growth and Projections

Table E-1 on the following page shows employment growth trends and projections in Cottage Grove, Washington County, the Seven-County Metro Area and Minnesota from 2000 to 2035 based on the latest information available from the Minnesota Department of Employment and Economic Development (MN DEED). Data from 2000 through 2023 represents the annual average employment for that year. Projections for 2025, 2030 and 2035 are based on projections from MN DEED with adjustments by Maxfield Research.

- Between 2000 and 2010, Cottage Grove and Washington County experienced employment increases of 5.3% and 6.3%, respectively. In comparison, the Seven County Metro Minnesota saw declines in employment. The Metro Area declined by 4.0% while Minnesota declined by 1.7%.

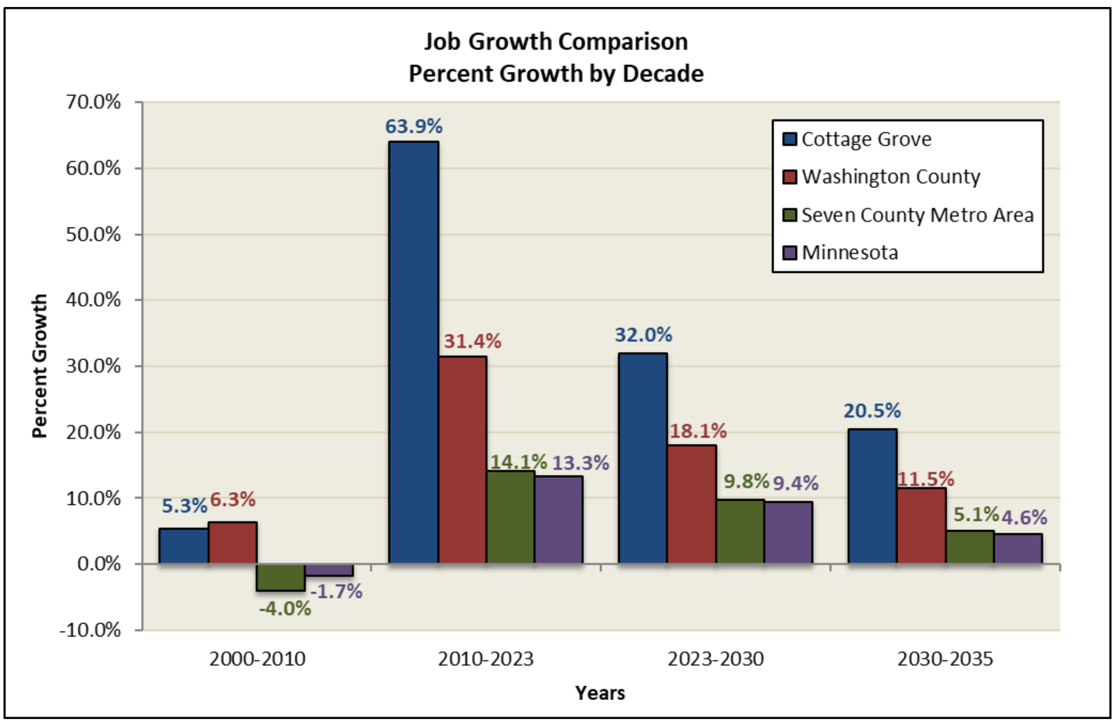
- Cottage Grove accounted for 9.0% of jobs in Washington County and 0.4% of jobs in the Seven County Metro in 2000 and 2010. In 2020, Cottage Grove's percentage of jobs in Washington County and the Metro increased to 10.6% and 0.5%, respectively. By 2030, Cottage Grove is projected to make up 12.5% of jobs in Washington County and 0.7% of jobs in the Metro Area.

- Between 2010 and 2023, Cottage Grove gained 4,083 jobs (63.9%) while Washington County gained 22,392 jobs (31.4%). During those 13 years, the number of jobs also increased in the Metro Area (217,284 jobs, 14.1%) and Minnesota (339,873, 13.3%).

TABLE E-1
EMPLOYMENT GROWTH TRENDS AND PROJECTIONS
PRIMARY MARKET AREA
2000 to 2035

Annual Employment	Cottage Grove		Washington County		Seven County Metro Area		Minnesota	
2000	6,061		67,056		1,600,741		2,608,844	
2005	6,321		73,456		1,593,962		2,637,323	
2010	6,385		71,292		1,537,041		2,563,391	
2015	6,863		79,139		1,675,292		2,774,426	
2020	8,917		84,005		1,644,852		2,707,821	
2021	9,561		88,479		1,679,342		2,774,366	
2022	9,860		91,825		1,730,056		2,856,018	
2023	10,468		93,684		1,754,325		2,903,264	
2025 Forecast	**11,465**		**99,195**		**1,832,865**		**3,038,350**	
2030 Forecast	**13,815**		**110,595**		**1,925,835**		**3,177,560**	
2035 Forecast	**16,650**		**123,310**		**2,024,070**		**3,323,145**	
Change	**No.**	**Pct.**	**No.**	**Pct.**	**No.**	**Pct.**	**No.**	**Pct.**
2000 - 2010	324	5.3%	4,236	6.3%	-63,700	-4.0%	-45,453	-1.7%
2010 - 2023	4,083	63.9%	22,392	31.4%	217,284	14.1%	339,873	13.3%
2023 - 2030	**3,347**	**32.0%**	**16,911**	**18.1%**	**171,510**	**9.8%**	**274,296**	**9.4%**
2030 - 2035	**2,835**	**20.5%**	**12,715**	**11.5%**	**98,235**	**5.1%**	**145,585**	**4.6%**

Sources: MN DEED; & Maxfield Research & Consulting.



- Between 2023 and 2030, jobs are projected to increase by 3,347 (32.0%) in Cottage Grove and 16,911 jobs (18.1%) in Washington County. In contrast, the Seven County Metro Area and Minnesota are forecast to increase employment by 171,510 (9.8%) and 274,296 (9.4%), respectively.

- Between 2030 and 2035, employment is projected to increase by 2,835 (20.5%) in Cottage Grove and 12,715 jobs (11.5%) in Washington County. In contrast, the Seven County Metro Area and Minnesota are forecast to increase employment by 98,235 (5.1%) and 145,585 (4.6%), respectively.

Resident Labor Force

Table E-2, on the following page, presents resident employment data for the Cottage Grove from 2008 through July 2024. Resident employment data is calculated as an annual average *and reveals the work force and number of employed persons living in the County*. Not all of these individuals work in Cottage Grove. The data is obtained from the Minnesota Department of Economic Development (MN DEED). Data is also provided for the Twin Cities Metro Area, Minnesota and the US.

- In 2023, Cottage Grove had a labor force of 21,179 with 20,640 employed residents, which equates to a 2.5% unemployment rate. By comparison, 2023 unemployment rates were 2.6% in Washington County, 2.6% in the Seven County Metro Area, 2.8% in Minnesota and 3.6% in the US.

- Cottage Grove's annual unemployment rate has been lower than Washington County, the Seven County Metro, Minnesota and the US every year since 2020.

TABLE E-2
ANNUAL AVERAGE RESIDENT EMPLOYMENT
COTTAGE GROVE, SEVEN-COUNTY METRO AREA, MINNESOTA, & US
2008 through 2024 (July)

Year	Labor Force	Employed	Unemployed	Unemployment Rate
Cottage Grove				
2008	19,304	18,344	960	5.0%
2009	19,207	17,795	1,412	7.4%
2010	19,369	18,071	1,298	6.7%
2011	19,458	18,317	1,141	5.9%
2012	19,528	18,480	1,048	5.4%
2013	19,618	18,698	920	4.7%
2014	19,698	18,952	746	3.8%
2015	19,836	19,184	652	3.3%
2016	19,968	19,283	685	3.4%
2017	20,563	19,902	661	3.2%
2018	20,704	20,170	534	2.6%
2019	21,052	20,466	586	2.8%
2020	21,206	19,990	1,216	5.7%
2021	20,676	19,993	683	3.3%
2022	20,961	20,501	460	2.2%
2023	21,179	20,640	539	2.5%
2024	21,208	20,401	807	3.8%
Change 2008 through 2024 (July)				
Number	1,904	2,057	-153	--
Percent	9.9%	11.2%	-15.9%	--
Seven-County Metro Area				
2008	1,603,501	1,522,589	80,912	5.0%
2009	1,601,871	1,482,667	119,204	7.4%
2010	1,593,385	1,479,385	114,000	7.2%
2011	1,606,856	1,506,887	99,969	6.2%
2012	1,611,797	1,524,778	87,019	5.4%
2013	1,626,969	1,550,140	76,829	4.7%
2014	1,642,460	1,577,850	64,610	3.9%
2015	1,653,838	1,597,310	56,528	3.4%
2016	1,669,746	1,612,583	57,163	3.4%
2017	1,706,940	1,653,641	53,299	3.1%
2018	1,714,156	1,668,797	45,359	2.6%
2019	1,736,631	1,686,236	50,395	2.9%
2020	1,742,641	1,630,026	112,615	6.5%
2021	1,694,102	1,631,670	62,432	3.7%
2022	1,712,706	1,672,095	40,611	2.4%
2023	1,728,472	1,683,595	44,877	2.6%
2024	1,726,370	1,661,889	64,481	3.7%
Change 2008-2024 (July)				
Number	122,869	139,300	-16,431	--
Percent	7.7%	9.1%	-20.3%	--

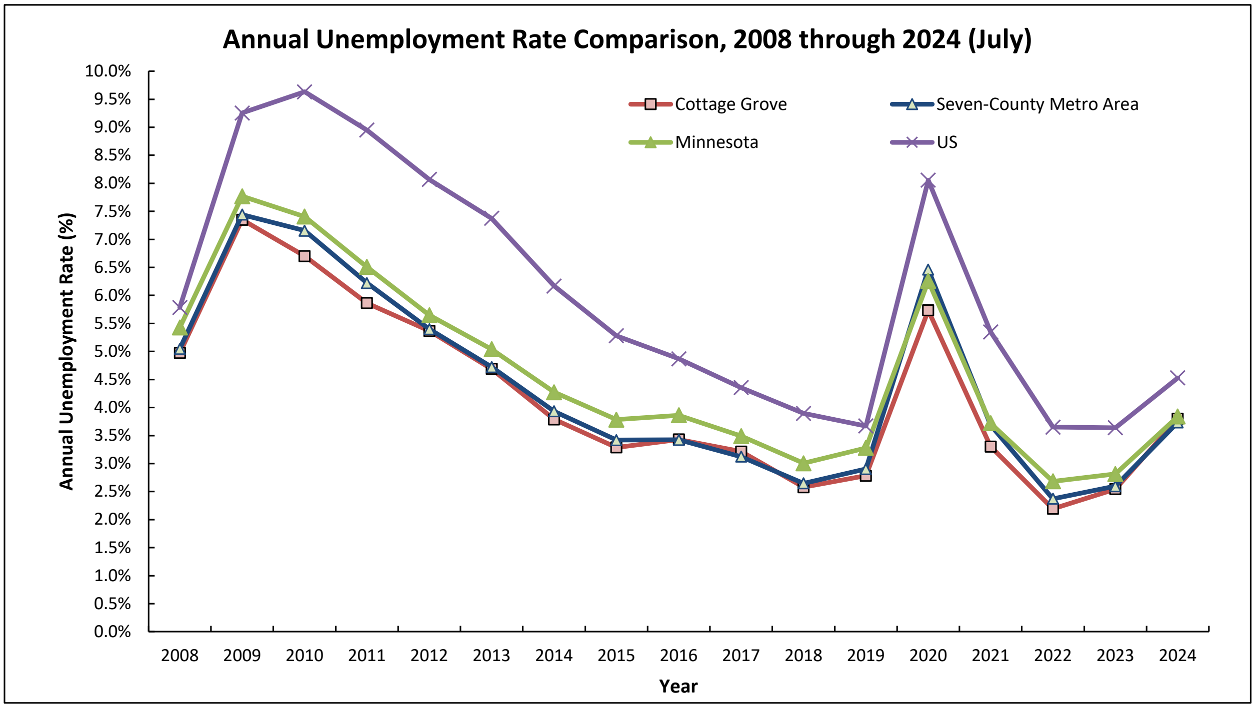
Continued

TABLE E-2
ANNUAL AVERAGE RESIDENT EMPLOYMENT
COTTAGE GROVE, SEVEN-COUNTY METRO AREA, MINNESOTA, & US
2008 to 2024 (July)

Year	Labor Force	Employed	Unemployed	Unemployment Rate
Minnesota				
2008	2,925,088	2,766,342	158,746	5.4%
2009	2,941,976	2,713,426	228,550	7.8%
2010	2,940,816	2,723,025	217,791	7.4%
2011	2,952,527	2,760,399	192,127	6.5%
2012	2,949,769	2,783,181	166,588	5.6%
2013	2,961,728	2,812,452	149,275	5.0%
2014	2,979,798	2,852,487	127,310	4.3%
2015	3,005,413	2,891,672	113,740	3.8%
2016	3,023,110	2,906,348	116,761	3.9%
2017	3,071,005	2,963,829	107,176	3.5%
2018	3,075,089	2,982,657	92,431	3.0%
2019	3,111,673	3,009,672	102,001	3.3%
2020	3,122,015	2,926,643	195,371	6.3%
2021	3,049,037	2,935,653	113,384	3.7%
2022	3,077,500	2,994,919	82,580	2.7%
2023	3,099,922	3,012,707	87,215	2.8%
2024	3,115,318	2,995,686	119,632	3.8%
Change 2008-2024 (July)				
Number	190,230	229,344	-39,114	--
Percent	6.5%	8.3%	-24.6%	--
US				
2008	154,286,666	145,362,500	8,924,250	5.8%
2009	154,142,000	139,877,500	14,264,583	9.3%
2010	153,888,583	139,063,916	14,824,750	9.6%
2011	153,616,666	139,869,250	13,747,416	8.9%
2012	154,974,583	142,469,083	12,505,583	8.1%
2013	155,389,166	143,929,333	11,459,833	7.4%
2014	155,921,833	146,305,333	9,616,416	6.2%
2015	157,129,916	148,833,416	8,296,333	5.3%
2016	159,187,166	151,435,833	7,751,000	4.9%
2017	160,319,750	153,337,416	6,982,250	4.4%
2018	162,075,000	155,761,000	6,313,916	3.9%
2019	163,538,666	157,538,083	6,000,583	3.7%
2020	160,742,333	147,794,750	12,947,583	8.1%
2021	161,203,916	152,580,666	8,623,250	5.3%
2022	164,287,166	158,291,083	5,996,000	3.6%
2023	167,116,416	161,036,583	6,079,916	3.6%
2024	169,723,000	162,038,000	7,685,000	4.5%
Change 2008-2024 (July)				
Number	15,436,334	16,675,500	-1,239,250	--
Percent	10.0%	11.5%	-13.9%	--

Sources: MN DEED & Maxfield Research & Consulting, LLC.

- The chart below illustrates how unemployment in Cottage Grove has mirrored national trends but has remained well below the national rate throughout the past twelve years.



- Cottage Grove began the 2010s with a high unemployment rate of 6.4%, reached a low of 2.2% in 2022 and was still low in 2023 at 2.5%.

- As a result of the COVID-19 pandemic and its related shutdowns and layoffs, Cottage Grove's unemployment rate increased dramatically from 2.8% in 2019 to a high of 5.7% in 2020. This was due to the shutdown and layoffs that occurred because of the pandemic. Since 2020, unemployment decreased to 3.3% in 2021 and to 2.2% in 2022 prior to increasing slightly to 2.5% in 2023.

- The chart, on the following page, provides a month-by-month unemployment rate comparison for Cottage Grove, the Seven County Metro, Minnesota and the US from January 2020 before the pandemic hit the US through April 2024, the most recent month with available data.

- The chart demonstrates that after the initial shutdowns, due to the emerging pandemic, the resulting high unemployment rates throughout the country rose significantly in the Spring and early Summer of 2020.

Covered Employment by Industry

Table E-3 presents covered employment workforce numbers for Cottage Grove and the Seven County Metro Area for 2000 through 2023. Covered employment data is calculated as an annual average and *reveals the number of jobs in the designated area,* which are covered by unemployment insurance. Many temporary workforce positions, agricultural, self-employed persons and some other types of jobs are not covered by unemployment insurance and are not included in the table. The data is sourced from the Minnesota Department of Employment and Economic Development. The following are key trends derived from the employment data.

- The Manufacturing industry accounted for the largest share of employment in Cottage Grove with 3,007 employees accounting for nearly 29% (28.7%) in 2023. The Manufacturing Industry is followed by the Trade, Transportation, and Utilities sector with 2,704 employees (25.8% of 2023 employment) and the Education and Health Services sector with 2,147 employees (20.5% of 2023 employment).

- In contrast to Cottage Grove, the Education and Health Services Sector accounted for the largest share of employment in the Seven County Metro Area, with employees accounting for over one quarter of all employment (25.4% - 425,826) in 2023. The Trade, Transportation and Utilities sector is followed by the Trade, Transportation and Utilities sector with 318,157 employees (19.0% of 2023 employment) and the Professional and Business Services sector with 292,175 employees (17.4% of 2023 employment).

- Between 2010 and 2023, the Education and Health Services sector experienced the largest numeric growth in the Metro Area adding 84,148 employees, a 24.6% increase.

- The Metro Area's Construction sector experienced the highest percentage growth between 2010 and 2023, growing by 60.1% (30,046 employees).

TABLE E-3
COVERED EMPLOYMENT TRENDS
NOBLES COUNTY AND CITY OF WORTHINGTON
2000 through 2023
NORTH AMERICAN INDUSTRIAL CLASSIFICATION SYSTEM (NAICS)

City of Cottage Grove									Change									
Average Number of Employees									2010 - 2023		% of Total							
Industry	2000	2005	2010	2015	2020	2021	2022	2023	No.	Pct.	2000	2005	2010	2015	2020	2021	2022	2023
Natural Resources & Mining	--	--	--	--	--	--	--	--	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Construction	118	212	102	160	321	325	469	512	410	193.4%	1.9%	3.4%	1.6%	2.3%	3.6%	3.4%	4.8%	4.9%
Manufacturing	1,400	1,256	969	870	2,211	2,317	2,593	3,007	2,038	162.3%	23.1%	19.9%	15.2%	12.7%	24.8%	24.2%	26.3%	28.7%
Trade, Transportation, and Utilities	1,501	1,645	1,554	1,891	2,432	2,690	2,667	2,704	1,150	69.9%	24.8%	26.0%	24.3%	27.6%	27.3%	28.1%	27.0%	25.8%
Information	47	42	28	23	38	24	26	23	-5	-11.9%	0.8%	0.7%	0.4%	0.3%	0.4%	0.3%	0.3%	0.2%
Financial Services	157	171	139	144	210	191	226	199	60	35.1%	2.6%	2.7%	2.2%	2.1%	2.4%	2.0%	2.3%	1.9%
Professional and Business Services	223	147	151	240	332	378	333	366	215	146.3%	3.7%	2.3%	2.4%	3.5%	3.7%	4.0%	3.4%	3.5%
Education and Health Services	1,428	1,515	2,107	2,132	2,109	2,108	2,059	2,147	40	2.6%	23.6%	24.0%	33.0%	31.1%	23.7%	22.0%	20.9%	20.5%
Leisure and Hospitality	656	839	746	828	759	828	866	889	143	17.0%	10.8%	13.3%	11.7%	12.1%	8.5%	8.7%	8.8%	8.5%
Other Services	282	205	318	311	237	316	321	317	-1	-0.5%	4.7%	3.2%	5.0%	4.5%	2.7%	3.3%	3.3%	3.0%
Public Administration	249	289	271	264	268	296	300	304	33	11.4%	4.1%	4.6%	4.2%	3.8%	3.0%	3.1%	3.0%	2.9%
Totals	**6,061**	**6,321**	**6,385**	**6,863**	**8,917**	**9,561**	**9,860**	**10,468**	**4,083**	**63.9%**								

Twin Cities Metro Area									Change									
Average Number of Employees									2010 - 2023		% of Total							
Industry	2000	2005	2010	2015	2020	2021	2022	2023	No.	Pct.	2000	2005	2010	2015	2020	2021	2022	2023
Natural Resources & Mining	3,220	3,568	3,444	3,427	3,668	3,852	4,104	4,183	739	21.5%	na	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.2%
Construction	75,163	78,475	49,972	66,709	73,128	75,994	78,312	80,018	30,046	60.1%	4.7%	4.9%	3.3%	4.0%	4.6%	4.9%	5.1%	4.8%
Manufacturing	217,161	186,238	156,570	168,480	166,172	168,098	174,669	175,817	19,247	12.3%	13.6%	11.7%	10.2%	10.1%	10.4%	10.9%	11.4%	10.5%
Trade, Transportation, and Utilities	341,177	327,767	294,894	313,380	302,009	307,307	315,737	318,157	23,263	7.9%	21.3%	20.6%	19.2%	18.7%	18.9%	20.0%	20.5%	19.0%
Information	44,568	43,964	41,010	38,798	32,215	30,603	31,349	30,049	-10,961	-26.7%	2.8%	2.8%	2.7%	2.3%	2.0%	2.0%	2.0%	1.8%
Financial Services	126,979	137,347	130,997	137,046	140,939	138,171	133,432	130,848	-149	-0.1%	7.9%	8.6%	8.5%	8.2%	8.8%	9.0%	8.7%	7.8%
Professional and Business Services	263,779	244,612	250,151	277,443	283,689	289,095	296,168	292,175	42,024	16.8%	16.5%	15.3%	16.3%	16.6%	17.8%	18.8%	19.3%	17.4%
Education and Health Services	268,968	302,256	341,678	380,336	398,486	405,269	410,924	425,829	84,151	24.6%	16.8%	19.0%	22.2%	22.7%	25.0%	26.4%	26.7%	25.4%
Leisure and Hospitality	138,716	150,712	148,531	164,825	125,410	139,667	160,004	167,245	18,714	12.6%	8.7%	9.5%	9.7%	9.8%	7.9%	9.1%	10.4%	10.0%
Other Services	55,632	55,269	52,359	56,000	48,170	50,914	53,573	55,509	3,150	6.0%	3.5%	3.5%	3.4%	3.3%	3.0%	3.3%	3.5%	3.3%
Public Administration	65,378	63,754	67,435	68,847	70,966	70,372	71,784	74,495	7,060	10.5%	4.1%	4.0%	4.4%	4.1%	4.5%	4.6%	4.7%	4.4%
Totals	**1,600,741**	**1,593,962**	**1,537,041**	**1,675,292**	**1,644,852**	**1,679,342**	**1,730,056**	**1,754,325**	**217,284**	**14.1%**								

N/A: Not Assessed.
Sources: MN DEED; Maxfield Research and Consulting

Employment and Wages

Table E-4 displays information on employment and wages in the City of Cottage Grove and the Seven County Metro Area. Quarterly Census of Employment and Wages (QCEW) data is sourced from Minnesota DEED for the fourth quarter of 2022 and 2023. All establishments covered under the Unemployment Insurance (UI) Program are required to report wage and employment statistics quarterly to DEED. Federal government establishments are also covered by the QCEW program.

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

- In Cottage Grove, the Information industry reported the highest weekly wage, $1,474; or approximately $76,648 annually in the fourth quarter of 2023. Following not far behind is the Financial Services sector with an average weekly wage of $1,411 ($74,620 annually).

- The Manufacturing Services industry accounts for 29.3% of the employment in the City of Cottage Grove. Other large industries in the City include the Trade, Transportation, and Utilities sector (25.4% of employment in Cottage Grove) and the Education and Health Services sector (20.9% of Cottage Grove employment).

- The largest industries in the Seven County Metro were in the Education and Health Services, Trade, Transportation, and Utilities, and Trade, Professional and Business Services sectors.

- The Manufacturing industry experienced the highest percentage employment and numeric growth in Cottage Grove between the fourth quarters of 2022 and 2023, increasing by 15.1% or 417 jobs. The industry with the largest percentage and numeric growth in the Seven County Metro Area was the Education and Health Services Sector at 4.4% or 18,623 jobs.

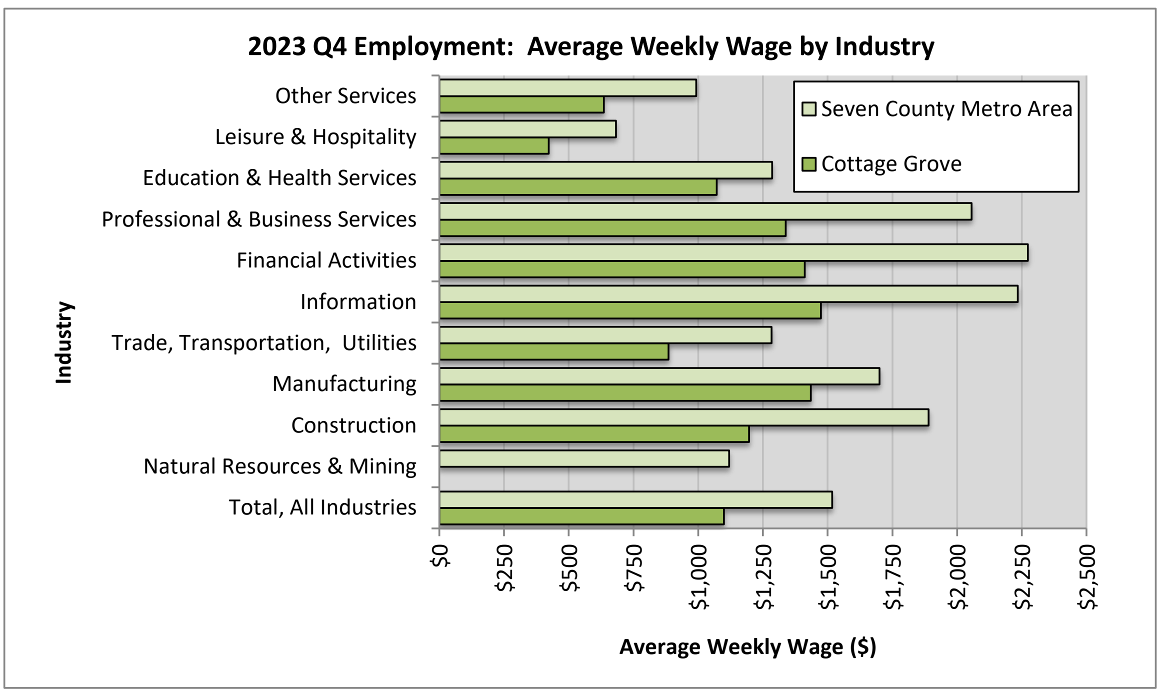
- In Cottage Grove, the Financial Activities sector reported the largest numeric growth in wages between the fourth quarters of 2022 and 2023. Wages increased by $62 in this sector. In contrast, in the Metro Area, the Information sector experienced the largest numeric wage increase of any sector, increasing by $180 between the fourth quarters of 2022 and 2023.

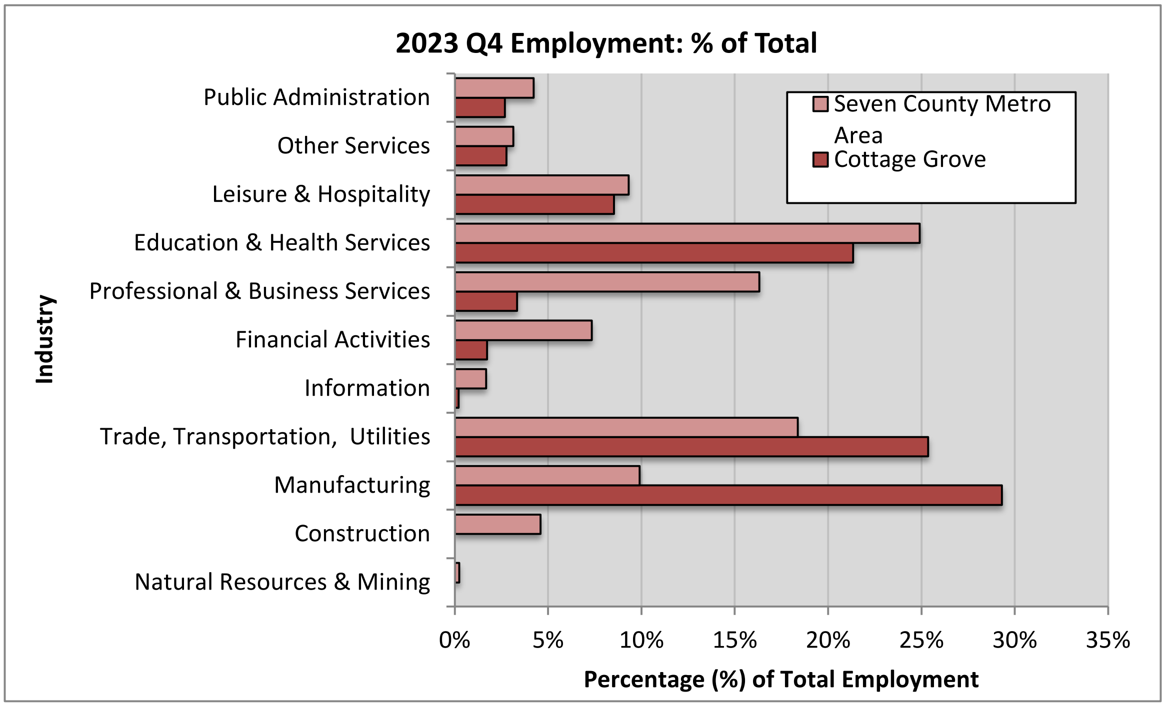
- Percentage wise, the Other Services industry reported the highest percentage growth in wages (10.2% growth) between the fourth quarters of 2022 and 2023 in Cottage Grove. Wages in the Metro Area experienced the largest percentage increase in the Information industry, increasing by 8.8%.

TABLE E-4 QUARTERLY CENSUS OF EMPLOYMENT AND WAGES PRIMARY MARKET AREA										
	2022 Q4			2023 Q4			Change 2022 Q4 - 2023 Q4			
							Employment		Wage	
Industry	Establish-ments	Employ-ment	Weekly Wage	Establish-ments	Employ-ment	Weekly Wage	#	%	#	%
Cottage Grove										
Total, All Industries	600	10,050	$1,072	610	10,835	$1,099	785	7.8%	$27	2.5%
Natural Resources & Mining	--	--	--	--	--	--	--	--	--	--
Construction	27	469	$1,153	34	512	$1,196	43	9.2%	$43	3.7%
Manufacturing	9	2,759	$1,462	8	3,176	$1,435	417	15.1%	($27)	-1.8%
Trade, Transportation, Utilities	133	2,667	$862	136	2,748	$885	81	3.0%	$23	2.7%
Information	8	22	$1,497	8	23	$1,474	1	4.5%	($23)	-1.5%
Financial Activities	58	233	$1,349	57	188	$1,411	-45	-19.3%	$62	4.6%
Professional & Business Services	93	329	$1,302	99	361	$1,338	32	9.7%	$36	2.8%
Education & Health Services	141	2,109	$1,045	146	2,313	$1,071	204	9.7%	$26	2.5%
Leisure & Hospitality	46	858	$414	47	924	$423	66	7.7%	$9	2.2%
Other Services	82	314	$577	72	299	$636	-15	-4.8%	$59	10.2%
Public Administration	3	290	$1,171	3	291	$1,231	1	0.3%	$60	5.1%
Seven County Metro Area										
Total, All Industries	93,464	1,748,505	$1,477	93,762	1,765,176	$1,517	16,671	1.0%	$40	2.7%
Natural Resources & Mining	347	4,042	$1,076	345	4,063	$1,119	21	0.5%	$43	4.0%
Construction	7,138	78,689	$1,794	7,106	80,988	$1,890	2,299	2.9%	$96	5.4%
Manufacturing	4,064	175,921	$1,658	4,011	174,755	$1,700	-1,166	-0.7%	$42	2.5%
Trade, Transportation, Utilities	15,859	320,994	$1,279	15,846	324,431	$1,283	3,437	1.1%	$4	0.3%
Information	2,053	30,951	$2,054	2,024	29,545	$2,234	-1,406	-4.5%	$180	8.8%
Financial Activities	9,544	132,400	$2,125	9,515	129,547	$2,273	-2,853	-2.2%	$148	7.0%
Professional & Business Services	17,848	298,195	$1,984	17,937	288,046	$2,056	-10,149	-3.4%	$72	3.6%
Education & Health Services	15,945	420,899	$1,255	16,488	439,522	$1,286	18,623	4.4%	$31	2.5%
Leisure & Hospitality	8,356	160,229	$668	8,363	164,315	$683	4,086	2.6%	$15	2.2%
Other Services	11,506	54,382	$958	11,325	55,459	$992	1,077	2.0%	$34	3.5%
Public Administration	804	71,800	$1,536	804	74,502	$1,620	2,702	3.8%	$84	5.5%

NA: Not Asssessed/Not Available

Sources: MN DEED; Maxfield Research and Consulting





Commuting Patterns

Proximity to employment is often a primary consideration when choosing where to live, since transportation costs often account for a considerable proportion of households' budgets. Tables E-5 highlights the commuting patterns of workers in Cottage Grove in 2021 (the most recent data available), based on Employer-Household Dynamics data from the U.S. Census Bureau. Home destination is defined as where workers live who are employed in the selection area. Work destination is defined as where workers are employed who live in the selection area. Please note: Data is unavailable post 2021, hence these numbers do not reflect the shift in commuting patterns post pandemic and the work from home/hybrid shift in employment.

- As Table E-5 illustrates, of workers who are employed in Cottage Grove, 25.3% also live in Cottage Grove. Other home destinations with a large proportion of Cottage Grove workers include St Paul (10.3%), Woodbury (8.3%), and Hastings 4.7%.

- Of workers who live in Cottage Grove, 16.7% work in St Paul and 12.7% both live and work in Cottage Grove. Other large work destinations for Cottage Grove residents are Minneapolis (10.2%) and Woodbury (7.4%).

- For workers that live in Cottage Grove, over half of all workers (52.7%) commute 10 to 24 miles followed by 35.5% of those commuting less than 10 miles. In addition, 7.9% of workers living in Cottage Grove commute 25 to 50 miles while 3.9% commute more than 50 miles.

TABLE E-5
COMMUTING PATTERNS
CITY OF COTTAGE GROVE
2021

Home Destination			Work Destination		
Place of Residence	**Count**	**Share**	**Place of Employment**	**Count**	**Share**
Cottage Grove city, MN	2,614	25.3%	St. Paul city, MN	3,326	16.2%
St. Paul city, MN	1,061	10.3%	Cottage Grove city, MN	2,614	12.7%
Woodbury city, MN	863	8.3%	Minneapolis city, MN	2,096	10.2%
Hastings city, MN	488	4.7%	Woodbury city, MN	1,525	7.4%
St. Paul Park city, MN	310	3.0%	Eagan city, MN	884	4.3%
Minneapolis city, MN	250	2.4%	Bloomington city, MN	652	3.2%
Inver Grove Heights city, MN	230	2.2%	Hastings city, MN	386	1.9%
Maplewood city, MN	203	2.0%	Eden Prairie city, MN	376	1.8%
Oakdale city, MN	192	1.9%	Inver Grove Heights city, MN	354	1.7%
Eagan city, MN	182	1.8%	Maplewood city, MN	348	1.7%
All Other Locations	3,946	38.2%	All Other Locations	8,027	39.0%
Distance Traveled			**Distance Traveled**		
Total of All Jobs	10,339	100.0%	Total of All Jobs	20,588	100.0%
Less than 10 miles	5,466	52.9%	Less than 10 miles	7,304	35.5%
10 to 24 miles	3,436	33.2%	10 to 24 miles	10,848	52.7%
25 to 50 miles	856	8.3%	25 to 50 miles	1,624	7.9%
Greater than 50 miles	581	5.6%	Greater than 50 miles	812	3.9%

Home Destination = Where workers live who are employed in Cottage Grove.
Work Destination = Where workers are employed who live in Cottage Grove.

Sources: US Census Bureau Local Employment Dynamics; Maxfield Research and Consulting

Inflow/Outflow

Table E-6 provides a summary of the inflow and outflow of workers in Cottage Grove. Outflow reflects the number of workers living in the city but employed outside of the city while inflow measures the number of workers that are employed in the city but live outside. Data is sourced to “On the Map” and subject to specified categories as identified by the U.S Census ACS.

- Cottage Grove is a net exporter of workers, with 7,725 workers commuting into the city compared to 17,974 workers leaving the city for work. In addition, 2,614 workers live and work in the city.

- Inflow workers and interior flow workers were most like to work in the “All Other Services” industry, followed by the “Trade, Transportation and Utilities” industry.

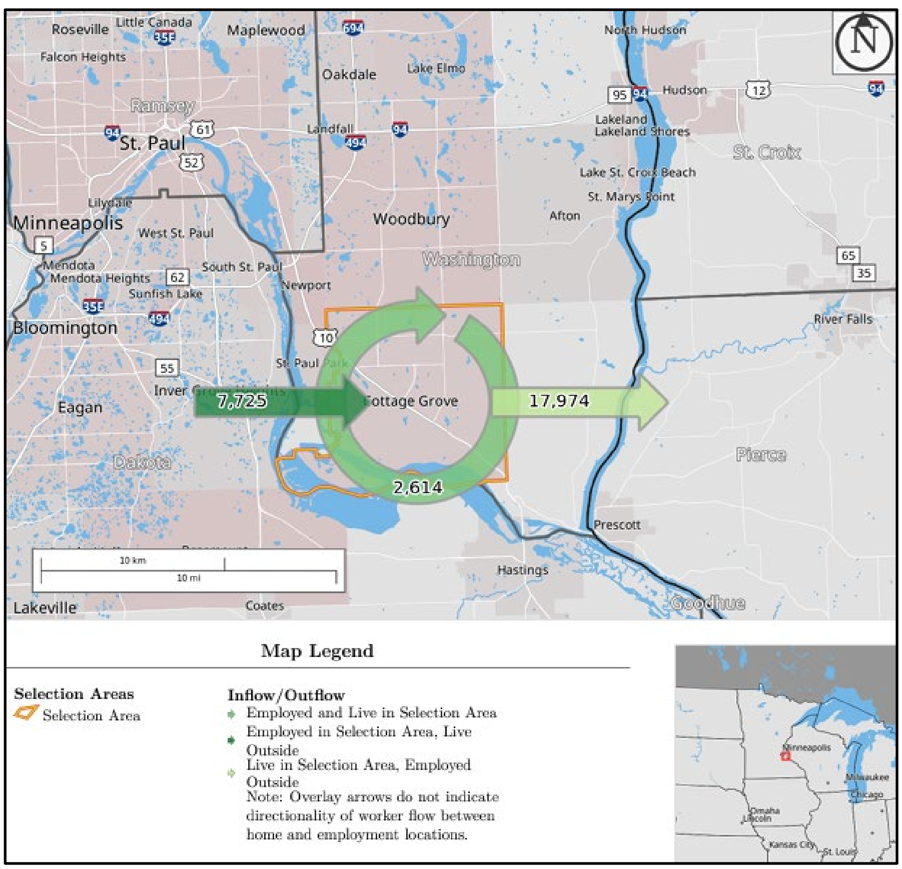
TABLE E-6
COMMUTING INFLOW/OUTFLOW CHARACTERISTICS
CITY OF COTTAGE GROVE
2021

	Outflow		Inflow		Interior Flow	
City of Cottage Grove	**17,974**	**100.0%**	**7,725**	**100.0%**	**2,614**	**100.0%**
By Age						
Workers Aged 29 or younger	3,663	20.4%	2,092	27.1%	915	35.0%
Workers Aged 30 to 54	10,606	59.0%	4,210	54.5%	1,120	42.8%
Workers Aged 55 or older	3,705	20.6%	1,423	18.4%	579	22.1%
By Monthly Wage						
Workers Earning $1,250 per month or less	2,681	14.9%	1,405	18.2%	840	32.1%
Workers Earning $1,251 to $3,333 per month	3,422	19.0%	1,627	21.1%	766	29.3%
Workers Earning More than $3,333 per month	11,871	66.0%	4,693	60.8%	1,008	38.6%
By Industry						
"Goods Producing"	2,592	14.4%	2,819	36.5%	404	15.5%
"Trade, Transportation, and Utilities"	2,944	16.4%	1,885	24.4%	849	32.5%
"All Other Services"*	12,438	69.2%	3,021	39.1%	1,361	52.1%

*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 and Consulting

Cottage Grove 2021 Employment Inflow/Outflow



Source: US Census: Longitudinal Employment-Household Dynamics, 2021

Resident Profile

Table E-9 compares characteristics of employed residents living in Cottage Grove, Washington County, the Seven County Metro and Minnesota in 2021. Information on monthly earnings, age, race and ethnicity, educational attainment and job classification is provided. Both primary and private jobs are included.

TABLE E-9
RESIDENT PROFILE
CITY OF COTTAGE GROVE, WASHINGTON COUNTY, SEVEN-COUNTY METRO, & MN
2021

	City of Cottage Grove		Washington County		Seven County Metro		MN
	No.	Pct.	No.	Pct.	No.	Pct.	Pct.
Total Jobs							
Total All Jobs	20,588	100.0%	135,870	100.0%	1,522,848	100.0%	100.0%
Monthly Earnings							
$1,250 per month or less	3,521	17.1%	23,693	17.4%	257,628	16.9%	18.8%
$1,251 to $3,333 per month	4,188	20.3%	26,311	19.4%	330,636	21.7%	23.5%
More than $3,333 per month	12,879	62.6%	85,866	63.2%	934,584	61.4%	57.7%
Worker Ages							
Age 29 or younger	4,578	22.2%	29,079	21.4%	351,137	23.1%	23.5%
Age 30 to 54	11,726	57.0%	74,459	54.8%	827,110	54.3%	52.9%
Age 55 or older	4,284	20.8%	32,332	23.8%	344,601	22.6%	23.6%
Worker Race and Ethnicity							
White Alone	17,191	83.5%	114,612	84.4%	1,209,136	79.4%	85.2%
Black or African American Alone	1,343	6.5%	7,920	5.8%	145,553	9.6%	6.5%
American Indian or Alaska Native Alone	101	0.5%	622	0.5%	9,059	0.6%	0.9%
Asian Alone	1,589	7.7%	10,239	7.5%	125,663	8.3%	5.5%
Native Hawaiian or Other Pacific Islander Alone	10	0.0%	97	0.1%	1,329	0.1%	0.1%
Two or More Race Groups	354	1.7%	2,380	1.8%	32,108	2.1%	1.8%
Ethnicity							
Not Hispanic or Latino	19,440	94.4%	130,064	95.7%	1,440,887	94.6%	95.1%
Hispanic or Latino	1,148	5.6%	5,806	4.3%	81,961	5.4%	4.9%
Worker Educational Attainment							
Less than high school	1,424	6.9%	8,792	6.5%	106,681	7.0%	6.8%
High school or equivalent, no college	3,846	18.7%	24,824	18.3%	272,068	17.9%	19.4%
Some college or Associate degree	5,172	25.1%	34,577	25.4%	376,237	24.7%	26.2%
Bachelor's degree or advanced degree	5,568	27.0%	38,598	28.4%	416,725	27.4%	24.2%
Educational attainment not available (workers age 29 or younger)	4,578	22.2%	29,079	21.4%	351,137	23.1%	23.5%

Sources: U.S. Census Bureau (LEHD), Maxfield Research and Consulting.

- Cottage Grove residents earning more than $3,333 per month (monthly earning figures used by the U.S. Census) account for 62.6% of workers. This is above the proportion of residents earning more than $3,333 per month in the Seven County Metro Area (61.4%) and Minnesota (57.8%), but below that in Washington County (63.2%).

- Workers between the ages of 30 and 54 account for 57.0% of workers in Cottage Grove. This is above the proportion of residents 30 to 54 in Washington County (54.8%), the Seven County Metro Area (54.3%) and Minnesota (52.9%).

- The proportion of workers who live in Cottage Grove with a high school diploma (18.7%) was above that of Washington County (18.3%) and the Seven County Metro Area (17.9%), but below that of Minnesota (19.4%).

- The proportion of those with a bachelor's degree or higher in Cottage Grove (27.0%) was more than that in Minnesota (24.2%) but less than that in Washington County (28.4%) or the Seven County Metro (27.4%).

Major Employers

A portion of the employment growth in Cottage Grove will be generated by the largest employers in the area. Table E-10 lists the top employers in Cottage Grove for 2023 and 2024, along with a description of their primary industry and number of employees based on data from the City of Cottage Grove.

The following are key points from the Table.

- The largest employer in Cottage Grove is Independent School District 833 with 2,828 employees in 2023, increasing 5.5% to 2,893 employees as of 2024. The District includes all or parts of the communities of Cottage Grove, Woodbury, Newport, St. Paul Park and Grey Cloud Island Township. The number listed refers to District employees in Cottage Grove.

- The only other employer in the City with more than 1,000 employees is Renewal by Anderson. The manufacturing company had 1,600 employees as of 2023, increasing 0.6% to 1,610 employees as of 2024.

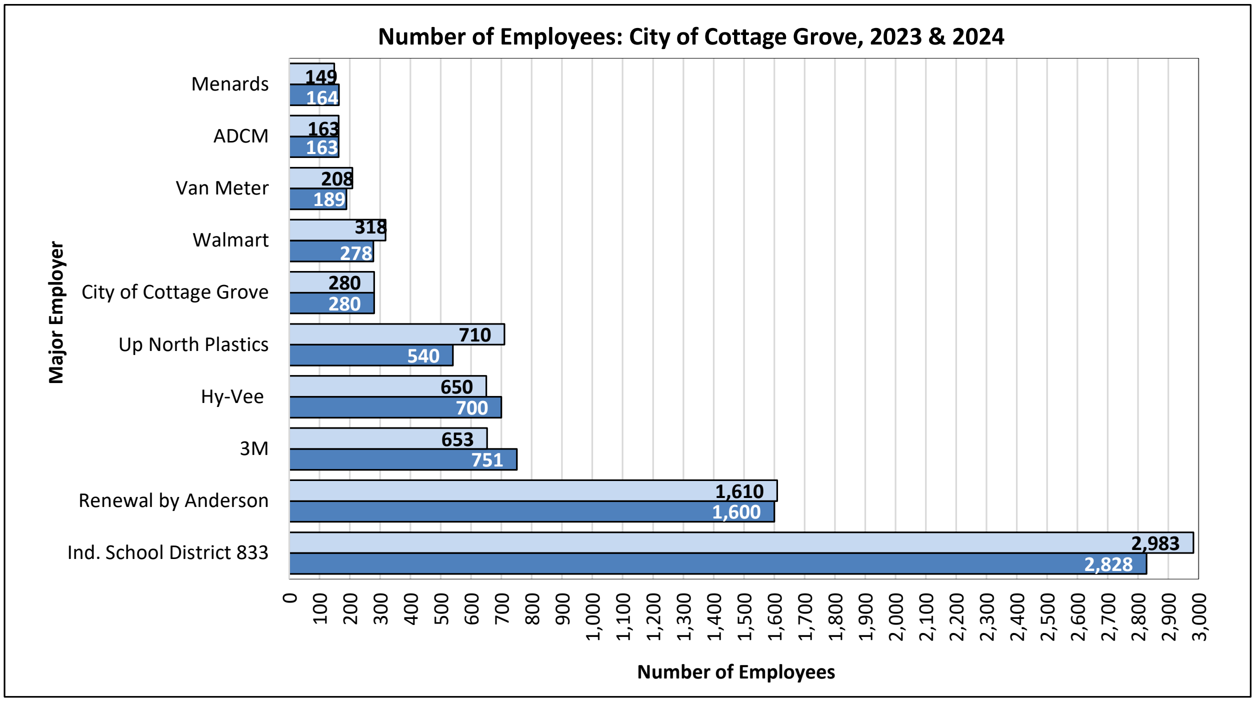
TABLE E-10
MAJOR EMPLOYERS
CITY OF COTTAGE GROVE
2023 & 2024

Name	Industry/Product/Service	Number of Employees 2023	Number of Employees 2024
Independent School District 833	Education	2,828	2,983
Renewal by Anderson	Manufacturing	1,600	1,610
3M	Manufacturing	751	653
Hy-Vee	Retail	700	650
Up North Plastics	Manufacturing	540	710
City of Cottage Grove	Government	280	280
Walmart	Retail	278	318
Van Meter	Electrical Equipment & Supplies	189	208
ADCM	Manufacturing	163	163
Menards	Retail	164	149
Totals		**7,493**	**7,724**

Sources: City of Cottage Grove and Maxfield Research and Consulting.

- Other employers in Cottage Grove with 500 or more employees, as of 2024, include 3M (653 employees), Hy-Vee (650 employees) and Up North Plastics (710 employees).

- Among the ten largest employers in Cottage Grove, the manufacturing industry represented the largest employment sector with 40% of all major employers followed by the retail sector with 30% of all major employers.



Introduction

Maxfield Research and Consulting identified and surveyed larger rental properties of 20 or more units in Cottage Grove and the other communities in the Primary Market Area. In addition, interviews were conducted with real estate agents, developers, rental housing management firms and others in the community familiar with Cottage Grove's rental housing stock.

For the analysis, we classify rental properties into two groups, general occupancy and senior (age restricted). All senior properties are included in the *Senior Rental Analysis* section of this report. The general occupancy rental properties are divided into three groups, market rate (those without income restrictions), affordable (those with income restrictions, with incomes between 50% and 80% of AMI) and subsidized (those with income restrictions based an adjusted household income of 50% or less of AMI).

Rental Market Overview

Table R-1 shows average monthly rents and vacancy from 2nd Quarter 2023 and 2nd Quarter 2024 by unit type in Cottage Grove and its neighboring communities. Data is from Marquette Advisors, Inc., which compiles apartment trends quarterly, with 2nd Quarter 2024 being the most recent information available.

While Cottage Grove has its own employment base that drives housing demand, its housing growth is also tied to the health of the Twin Cities Metro Area as a whole. Table R-1 provides average monthly rents and vacancy as a comparison.

- Average monthly rents, as of the 2nd Quarter of 2024, in Cottage Grove/Newport/St. Paul Park, were $725 for studio units, $1,248 for one-bedroom units, $1,312 for two-bedroom units and $2,091 for three-bedroom units. Overall, the average monthly rent was $1,474, which was a 5.1% increase over the previous year.

- The properties included in the survey are newer and older. The Apartment Trends Report does not separate newer from older properties in each submarket. The average rents shown in Table R-1 are less what the newest properties are achieving.

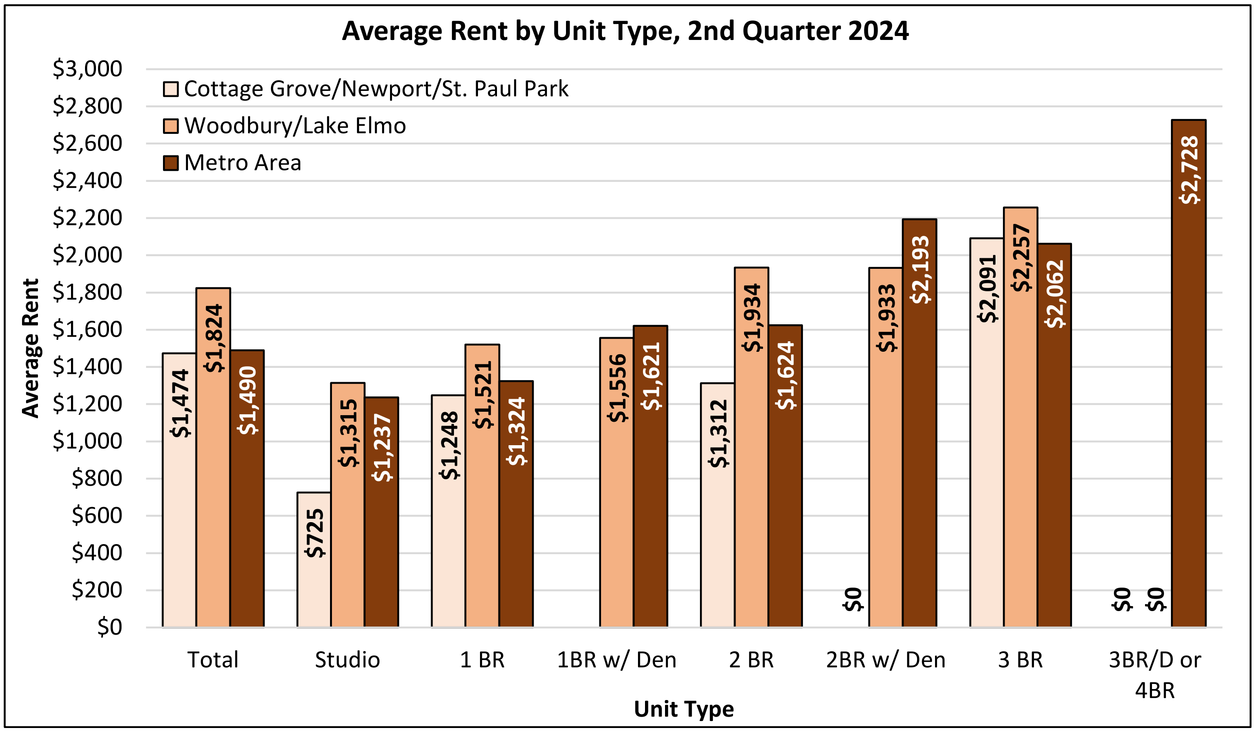
- The overall vacancy rate in Cottage Grove/Newport/St. Paul Park was 9.8%. Vacancy rates above 5% indicate a potential oversupply or softness in the rental market, although a vacancy rate above 5% does not necessarily indicate that more units cannot be supported. The overall Metro Area vacancy rate was 4.5%, just below market equilibrium.

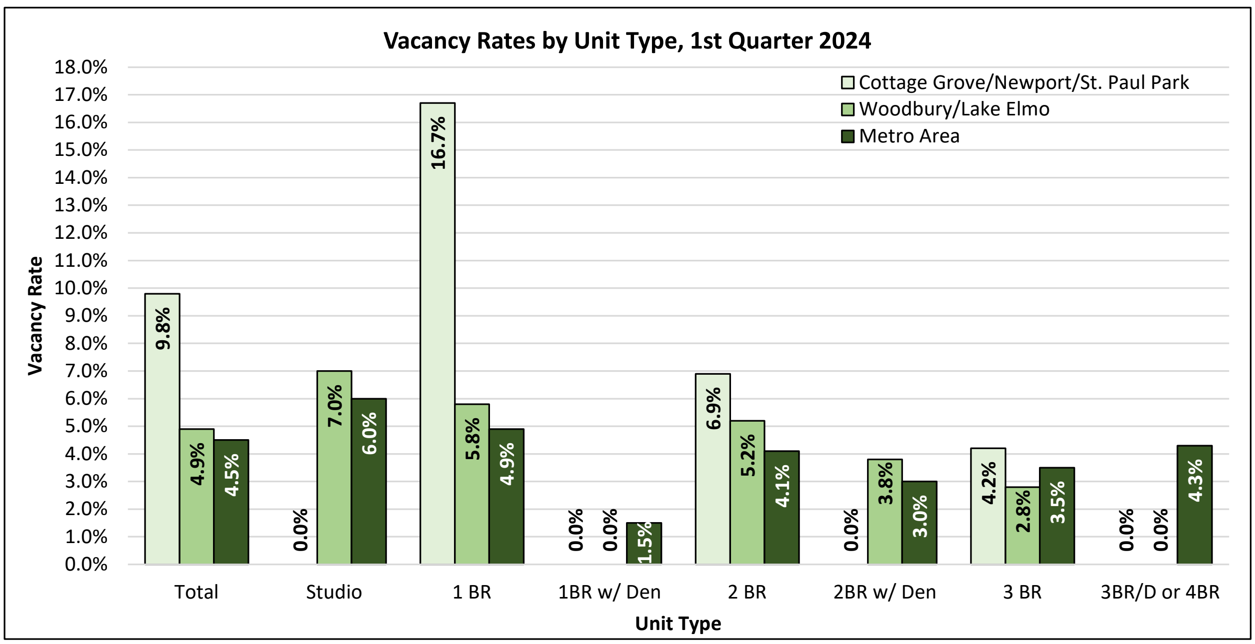
- Cottage Grove/Newport/St. Paul Park's 1st Quarter 2024 overall rent was 1.1% lower than the overall Metro Area ($1,490). In addition, Cottage Grove/Newport/St. Paul Park's 1st Quarter 2024 rent was lower than its neighboring communities of Woodbury/Lake Elmo ($1,824).

TABLE R-1
AVERAGE RENTS/VACANCIES TRENDS
COTTAGE GRVE AND NEIGHBORING COMMUNITIES
2ND QUARTER 2023 & 2ND QUARTER 2024

		Total	Studio	1 BR	1 BR w/ Den	2 BR	2 BR w/ Den	3 BR	3 BR/D or 4BR	PH	Average Increase
Cottage Grove/Newport/St. Paul Park											
Q2/2023	Units	**908**	2	294	--	363	--	249	--	--	--
	No. Vacant	**82**	0	56	--	19	--	7	--	--	--
	Avg. Rent	**$1,405**	$789	$1,107	--	$1,188	--	$2,079	--	--	14.7%
	Vacancy	**9.0%**	0.0%	19.0%	--	5.2%	--	2.8%	--	--	6.9%
Q2/2024	Units	**1,082**	5	395	--	421	--	261	--	--	--
	No. Vacant	**102**	0	59	--	29	--	14	--	--	--
	Avg. Rent	**$1,481**	$725	$1,250	--	$1,318	--	$2,108	--	--	5.4%
	Vacancy	**9.4%**	0.0%	14.9%	--	6.9%	--	5.4%	--	--	0.4%
Woodbury/Lake Elmo											
Q2/2023	Units	**4,163**	43	1,222	195	2,140	78	485	--	--	--
	No. Vacant	**127**	3	39	3	78	1	3	--	--	--
	Avg. Rent	**$1,747**	$1,381	$1,497	$1,544	$1,803	$1,958	$2,206	--	--	3.1%
	Vacancy	**3.1%**	7.0%	3.2%	1.5%	3.6%	1.3%	0.6%	--	--	-1.0%
Q2/2024	Units	**4,340**	43	1,302	195	2,226	78	496	--	--	--
	No. Vacant	**99**	3	36	0	55	3	2	--	--	--
	Avg. Rent	**$1,829**	$1,319	$1,523	$1,556	$1,941	$1,939	$2,263	--	--	4.7%
	Vacancy	**2.3%**	7.0%	2.8%	0.0%	2.5%	3.8%	0.4%	--	--	-0.8%
Twin Cities Metro Area											
Q2/2023	Units	**176,726**	13,429	78,967	3,728	69,437	1,807	8,950	408	--	--
	No. Vacant	**7,296**	794	3,453	76	2,612	65	265	31	--	--
	Avg. Rent	**$1,458**	$1,194	$1,291	$1,614	$1,600	$2,184	$1,944	$3,008	--	4.4%
	Vacancy	**4.1%**	5.9%	4.4%	2.0%	3.8%	3.6%	3.0%	7.6%	--	0.1%
Q2/2024	Units	**186,603**	14,661	83,958	3,699	72,134	1,806	9,883	462	--	--
	No. Vacant	**7,365**	715	3,614	51	2,654	41	273	17	--	--
	Avg. Rent	**$1,500**	$1,251	$1,334	$1,626	$1,634	$2,217	$2,076	$2,737	--	2.9%
	Vacancy	**3.9%**	4.9%	4.3%	1.4%	3.7%	2.3%	2.8%	3.7%	--	-0.2%

Sources: Marquette Advisors; Maxfield Research & Consulting.


Average Rent by Unit Type, 2nd Quarter 2024
$3,000
$2,800
$2,600
$2,400
$2,200
$2,000
$1,800
$1,600
$1,400
$1,200
$1,000
$800
$600
$400
$200
$0
Average Rent
Cottage Grove/Newport/St. Paul Park
Woodbury/Lake Elmo
Metro Area
$1,474
$1,824
$1,490
$725
$1,315
$1,237
$1,248
$1,521
$1,324
$1,556
$1,621
$1,312
$1,934
$1,624
$0
$1,933
$2,193
$2,091
$2,257
$2,062
$0
$0
$2,728
Total
Studio
1 BR
1BR w/ Den
2 BR
2BR w/ Den
3 BR
3BR/D or 4BR
Unit Type


Vacancy Rates by Unit Type, 1st Quarter 2024
18.0%
17.0%
16.0%
15.0%
14.0%
13.0%
12.0%
11.0%
10.0%
9.0%
8.0%
7.0%
6.0%
5.0%
4.0%
3.0%
2.0%
1.0%
0.0%
Vacancy Rate
Cottage Grove/Newport/St. Paul Park
Woodbury/Lake Elmo
Metro Area
9.8%
4.9%
4.5%
0.0%
7.0%
6.0%
16.7%
5.8%
4.9%
0.0%
0.0%
1.5%
6.9%
5.2%
4.1%
0.0%
3.8%
3.0%
4.2%
2.8%
3.5%
0.0%
0.0%
4.3%
Total
Studio
1 BR
1BR w/ Den
2 BR
2BR w/ Den
3 BR
3BR/D or 4BR
Unit Type

General Occupancy Rental Properties

Our research of the Cottage Grove PMA's general occupancy rental market includes a survey of 57 rental properties including 41 market rate communities, 15 affordable communities and one subsidized property as of July and August 2024. Table R-2 shows a summary of the rental properties by their affordability (market rate, affordable, and subsidized.

These properties represent a combined total of 7,049 units, including 6,282 market rate units (89.1%) of all units, 717 affordable units (10.2% of all units) and 50 subsidized units (0.7% of all units).

At the time of the survey, including new construction units, which have not yet reached stabilized occupancy, there were 378 vacant market rate units and 25 vacant affordable units. No subsidized units were vacant. As a result, market rate general occupancy units had a vacancy rate of 6.0%, affordable units had a vacancy rate of 3.5%, and subsidized units had no vacancies. The overall vacancy rate in Cottage Grove for all property types was 5.7%. The overall stabilized vacancy rate was only 2.5%, indicating pent-up demand for additional rental units. The stabilized vacancy rate is lower than the industry standard of 5% vacancy for a balanced rental market which promotes competitive rates, ensures adequate choice, and allows for unit turnover.

Note that vacancies in the previous paragraph includes properties still in initial lease up. Excluding properties in initial lease up leaves an overall stabilized vacancy rate of 3.7% (322 vacancies), below market equilibrium (5% vacancy rate). Market rate properties had a stabilized vacancy rate of 4.0% (322 vacancies) while affordable and subsidized units each had a vacancy rate of 0% (no vacancies). As a result, all unit types have pent up demand.

Table R-2 below summarizes information on the PMA's rental properties by type (market rate, affordable and subsidized).

TABLE R-2
RENT SUMMARY
GENERAL OCCUPANCY RENTAL DEVELOPMENTS
COTTAGE GROVE PRIMARY MARKET AREA
SEPTEMBER 2024

Market Rate

Unit Type	Total Units	% of Total	Avg. Size	Monthly Rents: Range Low - High	Monthly Rents: Avg. Rent	Monthly Rents: Avg. Rent/ Sq. Ft.
Studio	160	2.5%	532	$794 - $1,686	$1,243	$2.33
1BR	1,920	30.5%	733	$946 - $2,075	$1,418	$2.01
1BR+D	186	3.0%	922	$1,424 - $1,995	$1,720	$1.86
2BR	3,011	47.8%	1,074	$1,025 - $2,807	$1,757	$1.65
2BR+D	90	1.4%	1,250	$1,614 - $2,255	$1,933	$1.55
3BR	825	13.1%	1,429	$1,054 - $3,285	$2,328	$1.63
4BR	91	1.4%	2,186	$2,888 - $3,645	$3,514	$1.61
5BR	15	0.2%	2,865	$4,375 - $4,375	$4,375	$1.53
Total:	**6,298**	**100%**	**1,044**	**$794 - $4,375**	**$1,825**	**$1.80**

Affordable

Unit Type	Total Units	% of Total	Avg. Size	Monthly Rents: Range Low - High	Monthly Rents: Avg. Rent	Monthly Rents: Avg. Rent/ Sq. Ft.
Studio	7	0.9%	715	$424 - $755	$590	$0.86
1BR	164	20.9%	726	$757 - $1,213	$940	$1.33
2BR	360	45.9%	1,039	$824 - $1,559	$1,114	$1.11
3BR	242	30.8%	1,264	$477 - $1,944	$1,334	$1.08
4BR	12	1.5%	1,706	$2,194 - $2,194	$2,194	$1.31
Total:	**785**	**100%**	**1,017**	**$424 - $2,194**	**$1,166**	**$1.18**

Subsidized

Unit Type	Total Units	% of Total	Avg. Size	Monthly Rents: Range Low - High	Monthly Rents: Avg. Rent	Monthly Rents: Avg. Rent/ Sq. Ft.
2BR	16	32.0%	882	N/A - N/A	N/A	N/A
3BR	30	60.0%	1,313	N/A - N/A	N/A	N/A
4BR	4	8.0%	1,625	N/A - N/A	N/A	N/A
Total:	**50**	**100%**	**1,200**	N/A - N/A	N/A	N/A

N/A: Not Applicable
Note: Only includes properties with complete information.
Source: Maxfield Research & Consulting

Market Rate

- Two-bedroom units account for most of the market rate units in the Cottage Grove PMA (46.2%).

- The unit breakout by unit type is summarized below.

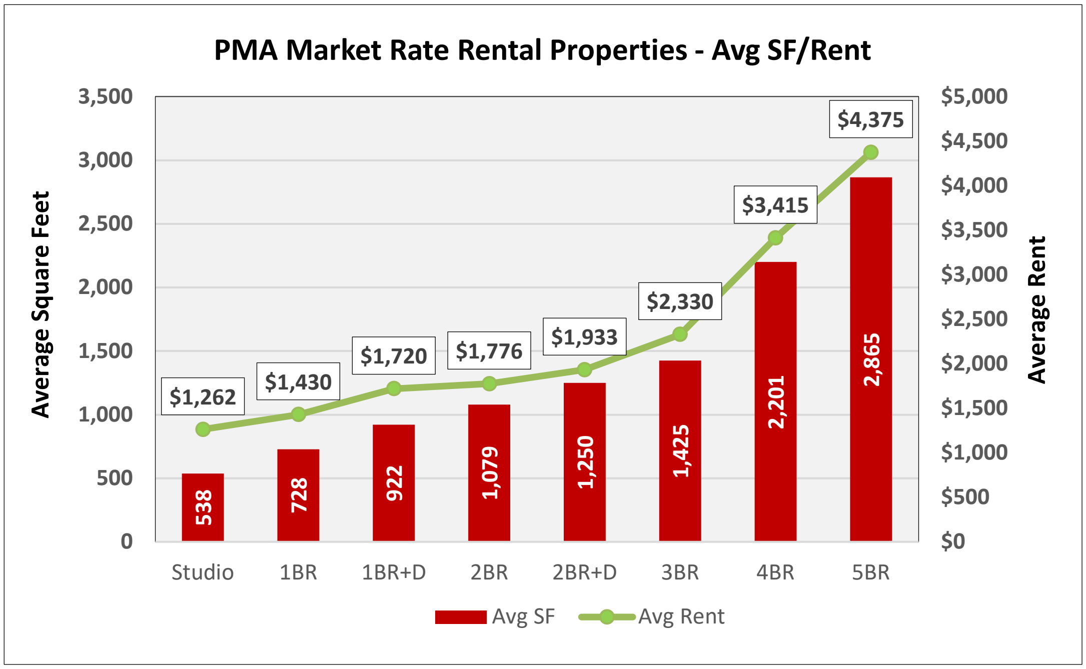
  - **Studio units:** 150 | 2.5%
  - **One-bedroom units:** 1,902 | 30.3%
  - **One-bedroom + den units:** 186 | 3.0%
  - **Two-bedroom units:** 2,969| 47.3%
  - **Two-bedroom + den units:** 90 | 1.4%
  - **Three-bedroom units:** 869 | 13.8%
  - **Four-bedroom units:** 91 | 1.4%
  - **Five-bedroom units:** 15| 0.2%

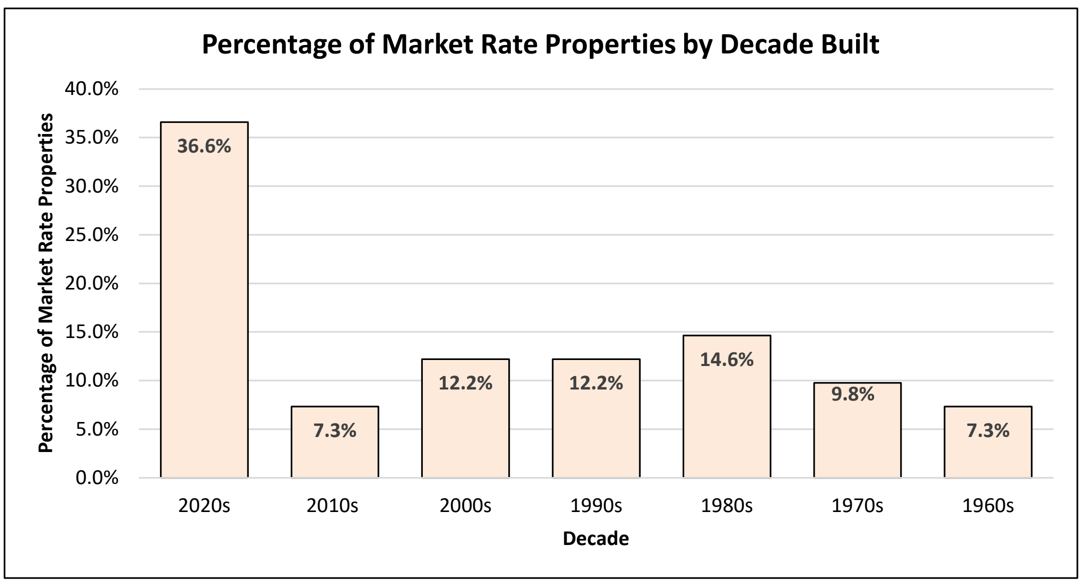
- The following are the monthly rent ranges and average rent for each unit type:

  - **Studio units:** $794 to $1,686 | Avg. $1,243
  - **One-bedroom units:** $946 to $2,075 | Avg. $1,418
  - **One-bedroom + den units:** $1,424 to $1,995 | Avg. $1,720
  - **Two-bedroom units:** $1,025 to $2,807 | Avg. $1,720
  - **Two-bedroom + den units:** $1,614 to $2,255 | Avg. $1,933
  - **Three-bedroom units:** $1,054 to $3,285| Avg. $2,301
  - **Four-bedroom units:** $2,888 to $3,645 | Avg. $3,514
  - **Five-bedroom units:** $4,375 | Avg. $4,375

- One-bedroom and two bedrooms units are the most common market rate unit types in the Cottage Grove PMA and in Cottage Grove. One-bedroom and two-bedroom units in the PMA account for 30.2% and 46.8%, respectively. In Cottage Grove, these proportions are 26% and 28%, respectively. **Three-bedroom units however, account for the highest proportion of market rate units at 38%, dissimilar to most other communities.**

	Avg Unit SF	Avg Price/SF
Studio	532	2.33
1BR	729	1.96
1BR+D	922	1.86
2BR	1,076	1.65
2BR+D	1,250	1.55
3BR	1,415	1.62
4BR	2,186	1.61
5BR	2,865	1.53
Total-Avg	**1,043**	**1.79**





Affordable

- There are eleven affordable, income-restricted, projects in the Cottage Grove PMA. The largest proportion were constructed in the 2000s (six properties). Only one property has been built since 2020 in Hastings.

- Two-bedroom units constitute the largest share of units (50.2%). One-bedroom units account for 22.9%, three-bedroom units account for 24.3% and four-bedroom units account for 1.7% of units. Below is the breakdown of the unit types by number and percent.

- **Studio units:** 7 | 1.0%
- **One-bedroom units:** 164 | 36.5%
- **Two-bedroom units:** 360 | 50.2%
- **Three-bedroom units:** 174 | 24.3%
- **Four-bedroom units:** 12 | 1.7%

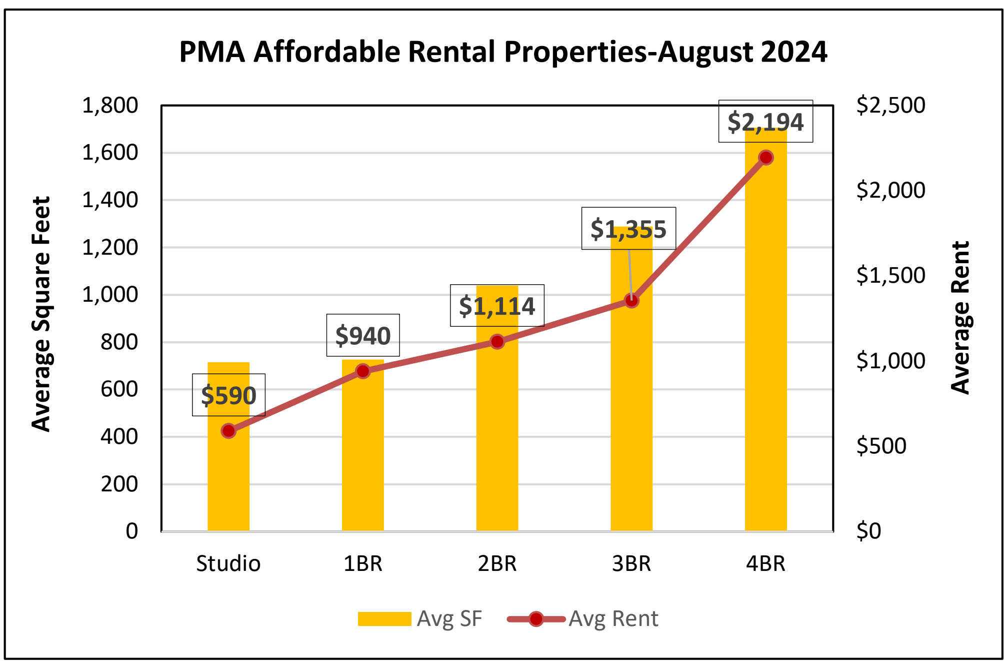
- The following are the monthly rent ranges and average rent for each unit type:

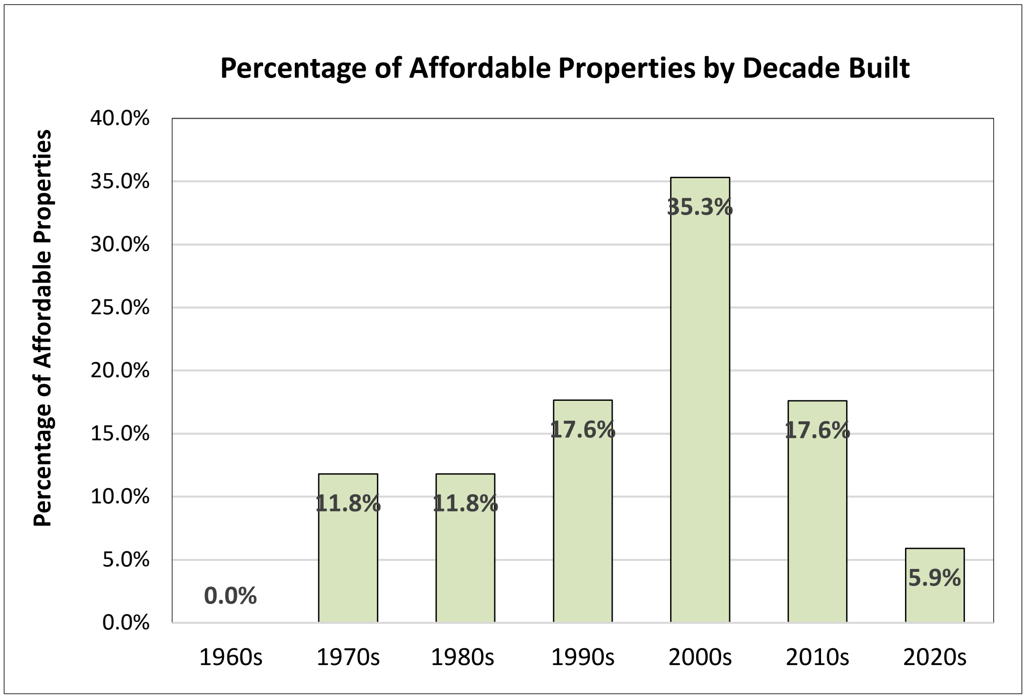
  - **Studio units:** $424 to $755 | Avg. $590
  - **One-bedroom units:** $757 to $1,213 | Avg. $940
  - **Two-bedroom units:** $824 to $1,559 | Avg. $1,114
  - **Three-bedroom units:** $477 to $1,944 | Avg. $1,355
  - **Four-**bedroom units: $2,194 | Avg. $2,194

- Affordable rents per square foot by unit type are as follows:

	Avg./SF	Avg Size
Studio	$0.86	715
1BR	$1.33	726
2BR	$1.11	1,039
3BR	$1.07	1,288
4BR	$1.31	1,706

- Of the 16 affordable rental properties, one was built in the 2020s, three in the 2010s, six in the 2000s, three in the 1990s, two in the 1980s and one in the 1970s. The following graphs display this information.





Subsidized

- There is one subsidized property in Cottage Grove with 50 units. Woodmount Townhomes was built in 1980 but has been renovated. The property's wait list is closed, but they started accepting applications in September 2024 for households to be added to the wait list.

- Three-bedroom units account for the largest share of the units at Woodmount Townhomes (60% of the units). The smallest share of units are two-bedroom units.

- Average sizes are 882 square feet for two-bedroom units, three-bedroom units 1,313 square feet and four-bedroom units; 1,625 square feet.

Natural Occurring Affordable Housing (i.e. Unsubsidized Affordable)

Although affordable housing is typically associated with income restrictions, there are other housing units in communities that indirectly provide affordable housing. Housing units that were not developed or designated with income guidelines (i.e. assisted) yet are more affordable than other units in a community are considered "naturally occurring" or "unsubsidized affordable" units. This rental supply is available through the private market, versus assisted housing programs through various government agencies. Property values on these units are lower based on a combination of factors, such as: age of structure/housing stock, location, condition, size, functionally obsolete, lack of contemporary amenities, etc.

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

Because many of these properties have rents that are affordable, project-based, and private housing markets cannot be easily separated. Some households may income-qualify for both market rate and project-based affordable housing, although the gap is widening between market rate and affordable properties as rents in the private market continue to rise. Therefore, it is important to recognize the naturally occurring affordable housing stock to quantify the proportion of units with rents that may be affordable to low and/or moderate-income renters. The analysis does not identify the number of units that are rented to households with incomes at those affordability levels as any tenant that financially qualifies may be able to rent at the property.

Table R-3 illustrates monthly rents by unit type and household size as they relate to affordability. Table R-4 presents a breakdown of all market rate general-occupancy rental properties by household size and area median income (AMI). Table R-5 summarizes property data from Table R-6 based on unit type and affordability. Note that not all properties are included due to rents not being available for all properties. Furthermore, the NOAH tables feature market rate units only and inclusionary units are excluded.

- Among the 673 market rate units in Cottage Grove that were inventoried by unit mix and monthly rents, none are affordable to households with incomes at or less than 30% of AMI. An estimated 16% are affordable to householders with incomes at 50% of AMI. An estimated 39%% of units are affordable to households with incomes at 60% AMI while 46% are affordable to households with incomes at 80% AMI.

- Many of the existing rental units in Cottage Grove, excluding single-family and townhome rentals (owned units), are newer construction and therefore have higher income thresholds needed to afford. Comparatively, older rental units have more affordable rents and a higher proportion of households with moderate incomes are able to afford those units.

- With the limited number of units available at the various AMI thresholds, Cottage Grove needs additional rental units, market rate and affordable to meet demand across the income spectrum.

TABLE R-3
MAXIMUM RENT BASED ON HOUSEHOLD SIZE AND AREA MEDIAN INCOME
MINNEAPOLIS-ST. PAUL-BLOOMINGTON MN-WI HUD METRO FMR AREA 2024 (EFFECTIVE 4/01/2024)

	HHD Size		Maximum Rent Based on Household Size (@30% of Income)											
			30%		50%		60%		80%		100%		120%	
Unit Type[1]	Min	Max	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.
Studio	1	1	$653	- $653	$1,088	- $1,088	$1,305	- $1,305	$1,740	- $1,740	$2,175	- $2,175	$2,610	- $2,610
1BR	1	2	$653	- $746	$1,088	- $1,243	$1,305	- $1,491	$1,740	- $1,988	$2,175	- $2,485	$2,610	- $2,982
2BR	2	4	$746	- $932	$1,243	- $1,553	$1,491	- $1,863	$1,988	- $2,484	$2,485	- $3,105	$2,982	- $3,726
3BR	3	6	$839	- $1,081	$1,398	- $1,801	$1,677	- $2,162	$2,236	- $2,882	$2,795	- $3,603	$3,354	- $4,323
4BR	4	8	$932	- $1,230	$1,553	- $2,050	$1,863	- $2,460	$2,484	- $3,280	$3,105	- $4,100	$3,726	- $4,920

[1] One-bedroom plus den and two-bedroom plus den units are classified as 1BR and 2BR units, respectively. To be classified as a bedroom, a den must have a window and closet.

Note: 4-person Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area AMI is $124,200 (2024)

Sources: HUD, MHFA, Novogradac, Maxfield Research and Consulting

TABLE R-4
MULTIFAMILY MARKET RATE RENTAL DEVELOPMENTS
ASSESSMENT OF MARKET RATE RENTAL HOUSING BY AFFORDABILITY CALCULATION
CITY OF COTTAGE GROVE
AUGUST 2024

Unit Type/Project Name	Total Units	Rent Range Min - Max	Min. Income Needed to Afford[1]	Units that are Market Rate Affordability by AMI[2] 30%	50%	60%	80%	100%	120%
Studio									
The Aurilla	12	$1,365 - $1,550	$54,600 - $62,000	--	--	--	12	--	--
Grove80 Apartments	31	$1,375 - $1,450	$55,000 - $58,000	--	--	--	31	--	--
Total/ Average	**43**			**0**	**0**	**0**	**43**	**0**	**0**
One-Bedroom				**30%**	**50%**	**60%**	**80%**	**100%**	**120%**
The Aurilla	86	$1,565 - $1,730	$62,600 - $69,200	--	--	--	86	--	--
The View	1	$1,595 - $1,595	$63,800 - $63,800	--	--	--	1	--	--
Grove80 Apartments	47	$1,645 - $1,725	$65,800 - $69,000	--	--	--	47	--	--
Hinton Heights	40	$1,413 - $1,413	$56,520 - $56,520	--	--	40	--	--	--
Grove Ridge	18	$1,195 - $1,195	$47,800 - $47,800	--	18	--	--	--	--
Total/ Average	**192**			**0**	**18**	**40**	**134**	**0**	**0**
Two-Bedroom				**30%**	**50%**	**60%**	**80%**	**100%**	**120%**
The Aurilla	58	$1,875 - $2,420	$75,000 - $96,800	--	--	--	58	--	--
The View	15	$1,895 - $1,895	$75,800 - $75,800	--	--	--	15	--	--
Grove80 Apartments	35	$1,845 - $2,065	$73,800 - $82,600	--	--	10	25	--	--
Hinton Heights	78	$1,569 - $1,569	$62,760 - $62,760	--	--	78	--	--	--
Grove Ridge	42	$1,335 - $1,435	$53,400 - $57,400	--	42	--	--	--	--
Total/ Average	**228**			**0**	**42**	**88**	**98**	**0**	**0**
Three Bedroom				**30%**	**50%**	**60%**	**80%**	**100%**	**120%**
The Aurilla	12	$2,400 - $2,550	$96,000 - $102,000	--	--	--	12	--	--
The View	15	$2,395 - $2,395	$95,800 - $95,800	--	--	--	15	--	--
Grove80 Apartments	4	$2,525 - $2,525	$101,000 - $101,000	--	--	--	4	--	--
Hinton Heights	131	$1,914 - $1,924	$76,560 - $76,960	--	--	131	--	--	--
Cottage Grove Estates	24	$1,385 - $1,435	$55,400 - $57,400	--	24	--	--	--	--
Grove Ridge	24	$1,580 - $1,580	$63,200 - $63,200	--	24	--	--	--	--
Total/ Average	**210**			**0**	**48**	**131**	**31**	**0**	**0**
Total/ Average	**673**			**0**	**108**	**259**	**306**	**0**	**0**

[1] Based on a 30% allocation of income to housing for general-occupancy. Senior housing is excluded from the calculation.
[2] Market rate housing that has rents that could be classified as "unsubsidized affordable" units based on the monthly rents and adjusted for household size.

Note: Plus den units are categorized by their number of bedrooms. For example one-bedroom plus den units would be classified as one bedroom units and two-bedroom plus den units would be classified as two-bedroom units. One, two, and three bedroom townhomes are also categorized in their respective categories ie. three bedroom townhomes are classified as three bedroom units. Note both numeric mix and rents must be included to be in table.

Source: Maxfield Research and Consulting

- Of market rate units affordable at 60% of AMI, 51.1% are two-bedroom units, 43.4% are one-bedroom units, 4.4% are studio units, and 1.1% are three-bedroom units.

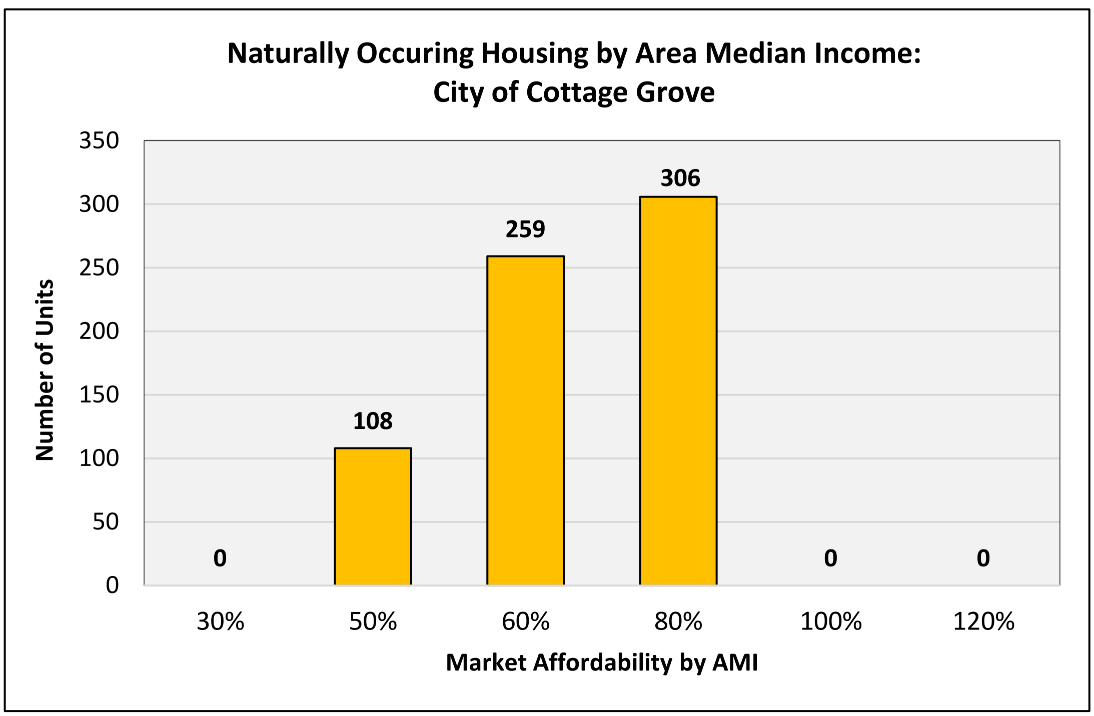
- At 50% of AMI, 36.9% of market rate units are two-bedroom units, 55.1% are one-bedroom units, 6.3% are studio units and 1.7% are three-bedroom units.

TABLE R-5
MULTIFAMILY MARKET RATE RENTAL PROPERTIES
NATURAL OCCURRING SUMMARY
CITY OF COTTAGE GROVE
AUGUST 2024

	Market Rate Affordability by AMI					
Unit Type	**30%**	**50%**	**60%**	**80%**	**100%**	**120%**
STUDIO	0	0	0	43	0	0
1 BR	0	18	40	134	0	0
2 BR	0	42	88	98	0	0
3 BR	0	48	131	31	0	0
Subtotal	**0**	**108**	**259**	**306**	**0**	**0**
Pct. Of Total	**0.0%**	**16.0%**	**38.5%**	**45.5%**	**0.0%**	**0.0%**
Pct. Of Affordability Category						
STUDIO	**0.0%**	**0.0%**	**0.0%**	**14.1%**	**0.0%**	**0.0%**
1 BR	**0.0%**	**16.7%**	**15.4%**	**43.8%**	**0.0%**	**0.0%**
2 BR	**0.0%**	**38.9%**	**34.0%**	**32.0%**	**0.0%**	**0.0%**
3 BR	**0.0%**	**44.4%**	**50.6%**	**10.1%**	**0.0%**	**0.0%**

Note: Excludes single-family rentals, which are considered separately.

Source: Maxfield Research and Consulting



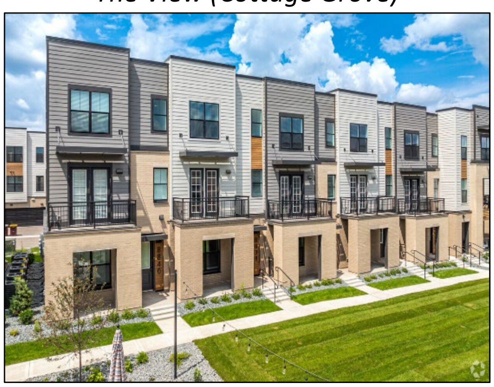
Select Newer Rental Developments

Grove 80 (Cottage Grove)

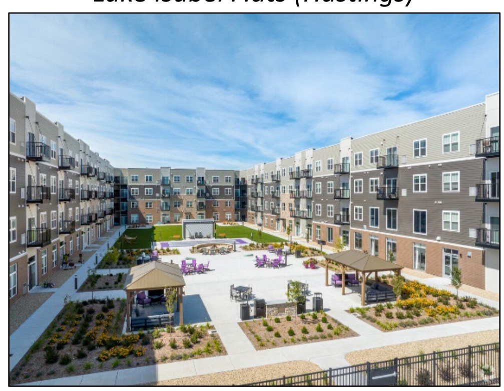
The Aurilla (Cottage Grove)

The View (Cottage Grove)

Lake Isabel Flats (Hastings)



Meridian at City Place (Woodbury)



The Edison at Woodbury (Woodbury)

Canvas St. Croix (Woodbury)

Beyond Woodbury (Woodbury)

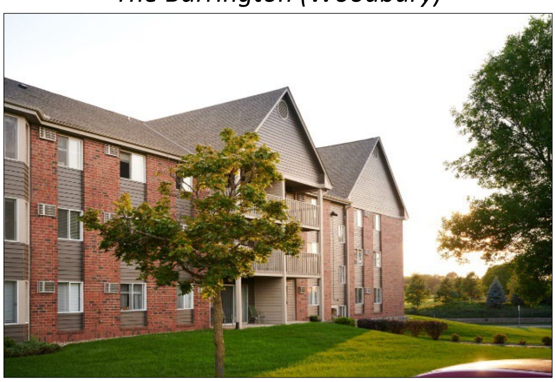
Select Older Rental Developments

Hinton Heights (Cottage Grove)


Eagle Pointe Apartments (Hastings)


The Barrington (Woodbury)


Cottage Grove Estates (Cottage Grove)


Valley Creek Apts (Woodbury)


Newport Ponds (Newport)

Valley Manor Apts (Hastings)


Grove Ridge Apts (Cottage Grove)

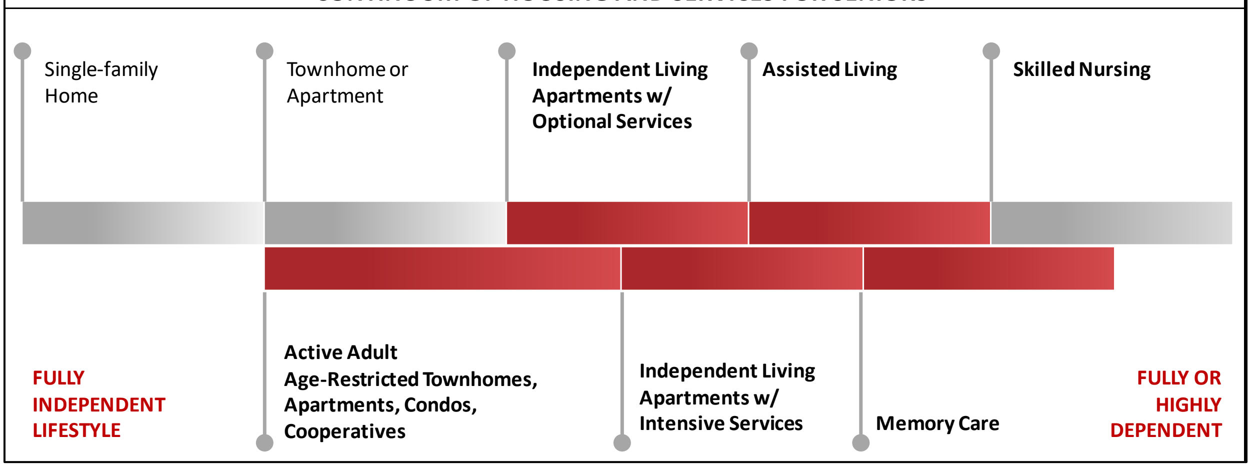
Introduction

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

Senior Housing Defined

Senior housing is a concept that generally refers to the integrated delivery of housing and services to seniors. However, as Figure 1 illustrates, senior housing embodies a wide variety of product types across the service-delivery spectrum.

FIGURE 1
CONTINUUM OF HOUSING AND SERVICES FOR SENIORS



Products range from independent apartments and/or townhomes with virtually no services on one end, to highly specialized, service-intensive assisted living units or housing geared for people with dementia-related illnesses (termed "memory care") on the other end of the spectrum.

In general, independent senior housing attracts people 65 and older while assisted living typically attracts people 80 and older who need assistance with activities of daily living (ADLs). For analytical purposes, Maxfield Research and Consulting classifies senior housing into five primary categories based on the level and type of services offered as described in the following figure.

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

- ***Independent Living*** properties (or independent living with services available) offer support services such as meals and/or housekeeping, either on an optional basis or a limited amount included in the rents. These properties often dedicate a larger share of the overall building area to common areas, in part, because the units are smaller than in adult housing and in part to encourage socialization among residents. Independent living properties attract a slightly older target market than adult housing, typically seniors 75 or older. Rents are also above those of the active adult buildings. Sponsorship by a nursing home, hospital or other health care organization is common.

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

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

- **Skilled Nursing Care, or long-term care** facilities, provides a living arrangement that integrates shelter and food with medical, nursing, psychosocial and rehabilitation services for persons who require 24-hour nursing supervision. Residents in skilled nursing homes can be funded under Medicare, Medicaid, Veterans, HMOs, and private insurance as well as use of private funds.

Older Adult (Age 55+) Population and Household Trends

The Demographic Analysis section of this study presented general demographic characteristics of the PMA's population in comparison to the PMA Remainder, PMA and the Seven County Metro Area. The following points summarize key findings from that section as they pertain to the older adult population in the Market Area and Seven County Metro. Table SN-1 shows the older adult and senior population and households from 2010 to 2029.

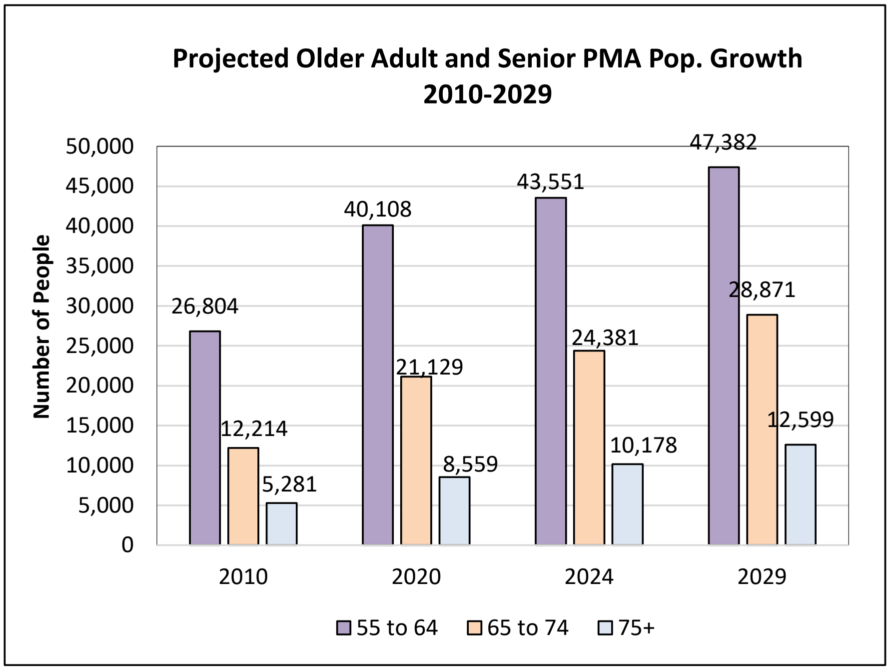
- Between 2010 and 2020, one of the fastest growing populations in the PMA was those between the ages of 70 and 74, which experienced an 81.3% increase in population, an addition of 5,637 people. Cottage Grove and the Metro Area also experienced significant growth in this age group with increases of 68.8% (1,797 people) and 83.0% (135,656 people), respectively of the population between 65 to 74 increased between 2010 and 2020.

- Between 2020 and 2029, the fastest population growth in the PMA is projected to be in those between the ages of 75 and 84, which are forecast to experience a 54.6% increase in population, an addition of 3,288 people. Over the same period, Cottage Grove and the Metro Area are forecast to experience increases of where 23.9% (609 people) and 29.5% (41,802 people), respectively of the population between 75 and 84 years.

TABLE SN-1
OLDER ADULT (55+) POPULATION & HOUSEHOLD AGE DISTRIBUTION
PRIMARY MARKET AREA
2010 to 2029

	Historic	Current	Estimate	Forecast	Change			
POPULATION								
Age	**2010**	**2020**	**2024**	**2029**	**2010-2020**		**2020-2029**	
55 to 64	14,590	18,979	19,170	18,511	4,389	30.1%	-468	-2.5%
65 to 69	4,014	7,023	7,973	8,888	3,009	75.0%	1,865	26.6%
70 to 74	2,919	5,547	6,230	7,384	2,628	90.0%	1,837	33.1%
75 to 79	2,318	3,610	4,584	5,495	1,292	55.7%	1,885	52.2%
80 to 84	1,597	2,410	2,820	3,813	813	50.9%	1,403	58.2%
85 +	1,366	2,539	2,774	3,291	1,173	85.9%	752	29.6%
Total 55+	26,804	40,108	43,551	47,382	13,304	49.6%	7,274	18.1%
Total 65+	12,214	21,129	24,381	28,871	8,915	73.0%	7,742	36.6%
Total 75+	5,281	8,559	10,178	12,599	3,278	62.1%	4,040	47.2%
Tot. Pop.	**129,462**	**147,520**	**157,100**	**166,644**	**18,058**	**13.9%**	**19,124**	**13.0%**
HOUSEHOLDS								
Age	**2010**	**2020**	**2024**	**2029**	**2010-2020**		**2020-2029**	
55 to 64	8,109	10,742	10,871	10,366	2,633	32.5%	-376	-3.5%
65 to 74	6,809	7,419	8,375	9,476	610	9.0%	2,057	27.7%
75+	6,336	5,451	6,478	7,916	-885	-14.0%	2,465	45.2%
Total 55+	21,254	23,612	25,724	27,758	2,358	11.1%	4,146	17.6%
Total 65+	13,145	12,870	14,853	17,392	-275	-2.1%	4,522	35.1%
Total 75+	6,336	5,451	6,478	7,916	-885	-14.0%	2,465	45.2%
Tot. HH	**47,101**	**53,802**	**57,700**	**59,500**	**1,198**	**2.5%**	**5,698**	**10.6%**

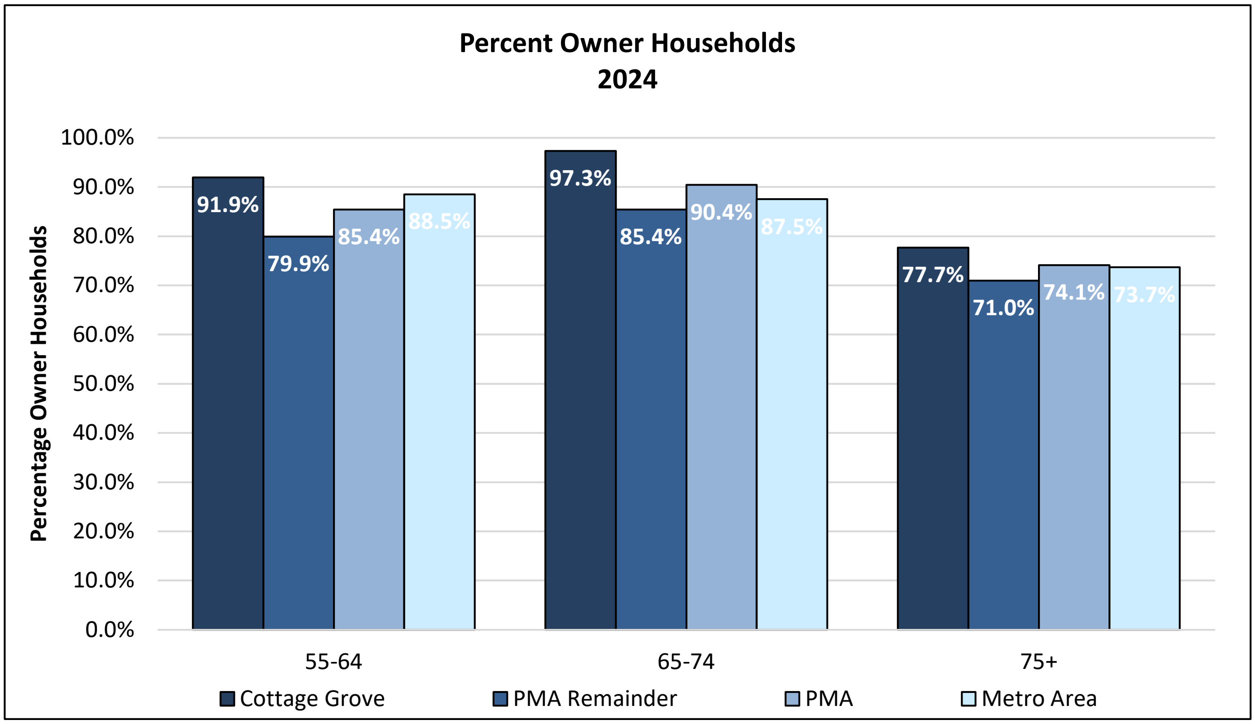
Sources: U.S. Census Bureau; ESRI; Maxfield Research and Consulting



- The primary market for service-enhanced housing is senior households age 75 and older. While individuals in their 50s and 60s typically do not comprise the market base for service-enhanced senior housing, they often have elderly parents to whom they provide support when they decide to relocate to senior housing. Since elderly parents typically prefer to be near their adult caregivers, growth in the older adult age cohort (age 55 to 64) generally results in additional demand for senior housing products.

- Homeownership information lends insight into the number of households that may still have homes to sell and could potentially supplement their incomes from the sales of their homes to support monthly fees for alternative housing.

- The PMA maintains high rates of homeownership in the older adult age cohorts. The homeownership rate as of 2024 is 85.4% for households 55 to 64. Seniors typically begin to consider moving into senior housing alternatives or more convenient housing such as apartment buildings or twin homes in their early to mid-70s. This movement pattern is demonstrated by the drop in homeownership between the 65 to 74 age cohort (90.4) and the 75+ age cohort (75.1%).



- With a homeownership rate of 84.7% for all Cottage Grove PMA households over the age of 65, many residents would be able to use proceeds from the sales of their homes toward senior housing alternatives. The resale of single-family homes would allow additional senior households to qualify for market rate housing products, since equity from the home sale could be used as supplemental income for alternative housing. These considerations are factored into our demand calculations.

A map on the following page, created with ESRI data, displays the percentage of 65 and older population by census block group in Cottage Grove and neighboring communities in 2023 (latest available data). Percentage categories for those 65 and older are as follows: under 5%; 10% to 14.99%; 15% to 19.99%; 20% to 24.99%; and 25% or more. Areas of Cottage Grove with the highest percentage of those 65 and older are in the southern portion of the City, including Lower Grey Cloud Island and in the central portion of the City paralleling US Highway

Supply of Senior Housing

Table SN-2 provides summary information on number of units, average unit size, average rent and price per square foot by service level in Cottage Grove and the surrounding PMA. The following paragraphs discuss the number of units in the PMA, the number of units in Cottage Grove and current vacancies.

- Maxfield Research identified 13 senior housing developments in the PMA. Several properties provide for a continuum of care while others offer only one service level. Combined, these properties contain a total of 2,126 senior housing units. Of those 2,126 units, 1,398 units (65.8%) are market rate and 728 (34.2%) are either shallow-subsidy or deep-subsidy units.

- Based on the survey, 61.4% of the units provide service-enhanced housing, for a total of 1,305 units. These include 471 independent living units, 462 assisted living units and 372 memory care units. The remaining 38.6% (805 units) are active adult, including 728 affordable (deep- and shallow-subsidy), 4 market rate rental and 73 cooperative/ownership units. Of the 2,126 senior housing units, 90 are currently vacant, representing a 4.2% vacancy rate. Vacancy rates of 5% for independent living and 7% for assisted living and memory care are considered equilibrium for service-enriched housing.

- Market rate active adult units are 0.0% vacant and affordable active adult properties are 2.0% vacant. As such, the current vacancy rates indicate that the market rate active adult market is significantly undersupplied and the affordable active adult market is somewhat undersupplied.

- The affordable active adult properties are predominantly shallow-subsidy properties with rent levels set at between 50% and 60% of AMI. A small portion of units are deep-subsidy where residents pay 30% of their income toward their housing costs and must qualify with an adjusted annual gross income of no greater than 50% of AMI.

- Cottage Grove has two age-restricted senior properties that have income-restricted units: Legends of Cottage Grove (2017) and Cottages of Cottage Grove (1993). Vacancies are very low at both of these properties.

TABLE SN-2 PMA MARKET RATE SENIOR HOUSING UNITS BY SERVICE LEVEL COTTAGE GROVE PRIMARY MARKET AREA August 2024					
Unit Type	No of Units	Avg SF	Price Range	Avg Rent	Rent/ SF
Adult Rental					
2BR	2	960	$1,354 - $1,354	$1,354	$1.41
3BR	2	1,000	$1,577 - $1,577	$1,577	$1.58
Total/Avg	***4***	***980***	***$1,354 - $1,577***	***$1,466***	***$1.50***
Adult Ownership					
1BR+Den	3	1,059	$1,485 - $3,110	$2,243	$2.12
2BR	59	1,301	$2,265 - $3,705	$3,283	$2.52
2BR+Den	11	1,303	$2,690 - $4,570	$3,680	$2.82
Total/Avg	***73***	***1,024***	***$1,485 - $4,570***	***$3,007***	***$2.94***
Independent Living					
1BR	188	750	$1,485 - $3,110	$2,243	$2.99
1BR+Den	118	1,069	$2,265 - $3,705	$3,283	$3.07
2BR	165	1,303	$2,690 - $4,570	$3,680	$2.82
Total/Avg	***471***	***1,024***	***$1,485 - $4,570***	***$3,007***	***$2.94***
Assisted Living					
Studio	117	448	$2,525 - $4,150	$3,123	$6.97
1BR	261	633	$2,800 - $5,195	$3,818	$6.03
1BR+Den	40	842	$4,310 - $5,075	$4,779	$5.68
2BR	44	990	$3,250 - $5,510	$5,032	$5.08
Total/Avg	***462***	***637***	***$2,525 - $5,510***	***$3,836***	***$6.02***
Memory Care					
Studio	234	355	$3,590 - $9,900	$5,759	$16.22
1BR	105	445	$4,250 - $10,210	$3,553	$7.98
2BR	6	725	$5,905 - $10,450	$8,575	$11.83
Total/Avg	***345***	***389***	***$3,590 - $10,450***	***$5,136***	***$13.20***
Source: Maxfield Research and Consulting					

- The Cottages of Cottage Grove is the only property with market rate active adult rental units. The development, as mentioned in the previous bullet point, is mixed income. Of the 59 total units, only four units are market rate. Applewood Pointe of Woodbury is the only cooperative senior living property in the PMA with 73 units.

- There are six independent living properties with services available, totaling 471 independent living units in the PMA, 10 of which are vacant (2.1% vacancy rate). Independent living with services available units have rents that range from a low of $1,485 for a one-bedroom unit to a high of $4,570 for a two-bedroom unit.

- There are nine assisted living properties in the PMA with a total of 462 units, 46 of which were vacant for a vacancy rate of 9.9%. Assisted living properties generally include three meals per day, snacks, housekeeping, linen and laundry service, and emergency call systems. Fees for service care level packages are in addition to the base monthly fee.

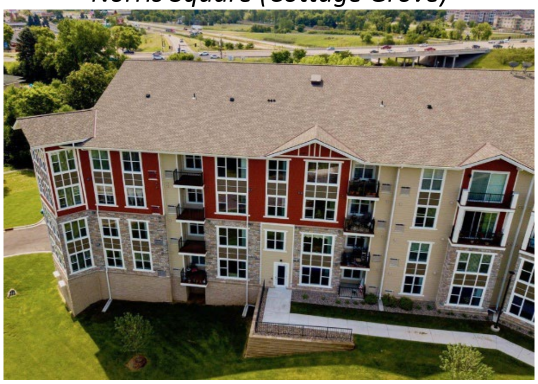
- There are 10 facilities providing 372 memory care units in the PMA with 19 units vacant for a vacancy rate of 5.1%. One facility provides all-inclusive pricing while the others require service care packages in addition to the base monthly fee.

- Pending senior developments can be found later in the report in the Pending Developments section.

Select Senior Developments

Norris Square (Cottage Grove)

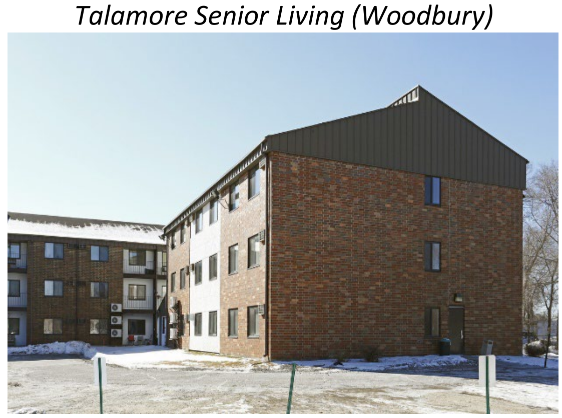
White Pine AL/MC (Cottage Grove)



Legends of Cottage Grove (Cottage Grove)

Talamore Senior Living (Woodbury)

Prelude Memory Care (Woodbury)



Red Rock Manor (Newport)

The Quill (Hastings)

St. Therese of Woodbury (Woodbury)

Introduction

Maxfield Research and Consulting analyzed the for-sale housing market in Cottage Grove and the larger Market Area, by collecting data on single-family and multifamily home sales and active listings and pending for-sale developments.

Home Resales in PMA

Table FS-1 presents closed resale data for Cottage Grove, the PMA Remainder, PMA and the Seven County Metro from 2010 through 2023. Table FS-2 presents median resale prices during that same period for the same four geographies. The data was obtained from the Greater Mpls Area Association of Realtors. The following are key points.

Closed Sales

- Between 2010 and 2023, there has been an average of 646 home sales per year in Cottage Grove and 2,514 in the PMA. Sales averaged 768 per year from 2020 through 2023 in Cottage Grove and 2,738 per year in the PMA. Earlier, from 2010 through 2019, there were an average of 597 sales per year in Cottage Grove and 2,424 in the PMA.

- The number of closed sales from 2010 through 2023 in Cottage Grove represented one-quarter (25.7%) of all sales in the PMA and 1.4% of all sales in the Seven County Metro.

- During 2023, there were 615 closed sales in Cottage Grove, down 24.4% from 808 closed sales in 2022. Similarly, from 2022 through 2023, closed sales were down 19.0% and 17.5%, in the PMA remainder and PMA, respectively. In the Seven County Metro, closed sales were down 17.5% during the same period.

TABLE FS-1
CLOSED RESALES
COTTAGE GROVE, PMA REMAINDER, PMA, & SEVEN COUNTY METRO
2010 - 2023

Year	Cottage Grove	PMA Remainder	PMA	Seven County Metro
2010	419	1,277	1,696	33,134
2011	439	1,419	1,858	36,194
2012	558	1,588	2,147	42,594
2013	540	1,876	2,419	46,145
2014	538	1,687	2,227	42,965
2015	631	1,914	2,545	48,750
2016	681	2,054	2,740	51,741
2017	683	2,121	2,805	51,745
2018	675	2,107	2,783	50,046
2019	803	2,217	3,022	50,518
2020	813	2,282	3,100	54,085
2021	834	2,284	3,115	55,922
2022	808	1,805	2,617	45,298
2023	615	1,507	2,121	37,389

Source: InfoSparks & Maxfield Research and Consulting.

Median Resale Prices

- The median resale price declined 8.6% in Cottage Grove and 9.5% between 2010 and 2011 at the trough of the real estate market. Between 2011 and 2022, the City has experienced median resale increases every year equating to an overall 94.5% increase (8.7% annually).

- Except the period 2022 through 2023 (1.4% decrease), Cottage Grove has experienced median resale price increases every year. Throughout the PMA, since 2011, the PMA experienced median resale price increases every year (7.4% annual increase).

- The PMA Remainder and Seven County Metro Area experienced annual median resale price increases of 7.1% and 9.7%, respectively between 2011 and 2023.

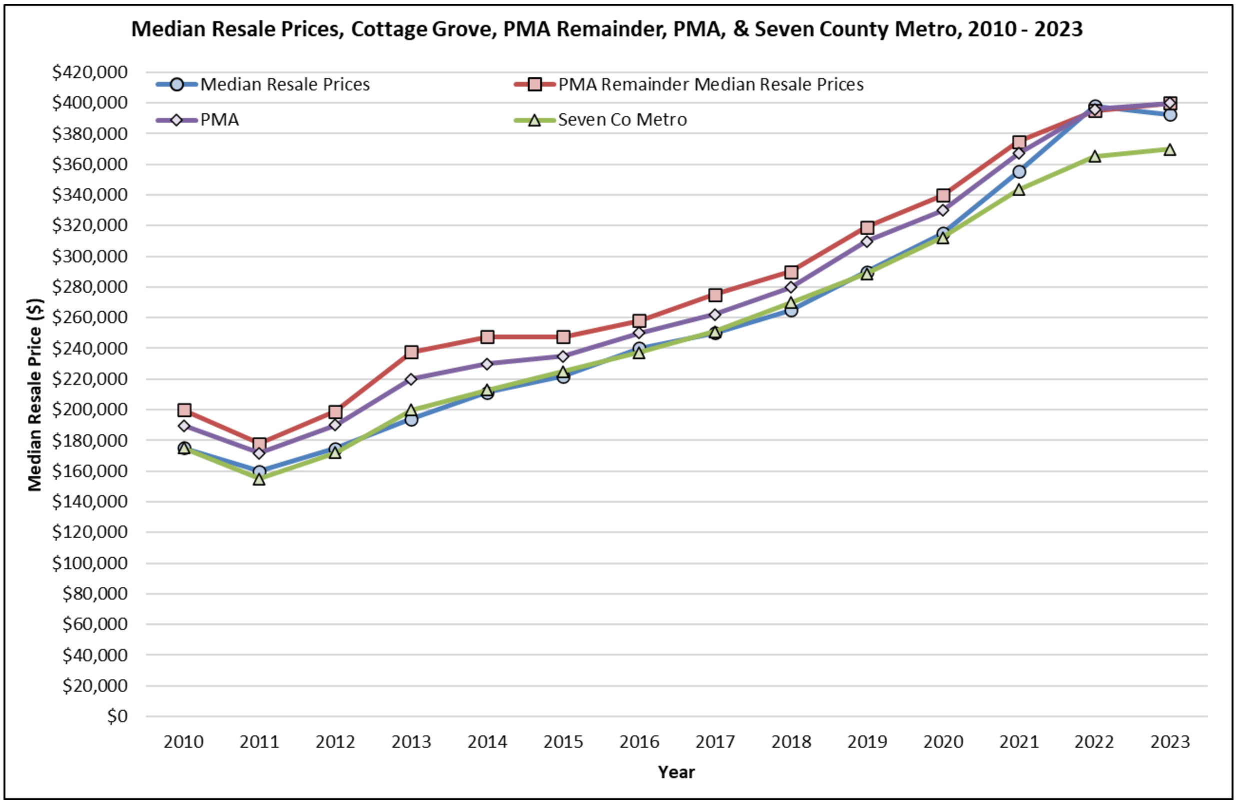
TABLE FS-2
MEDIAN RESALE PRICES
COTTAGE GROVE, PMA REMAINDER, PMA, & SEVEN COUNTY METRO
2010 - 2023

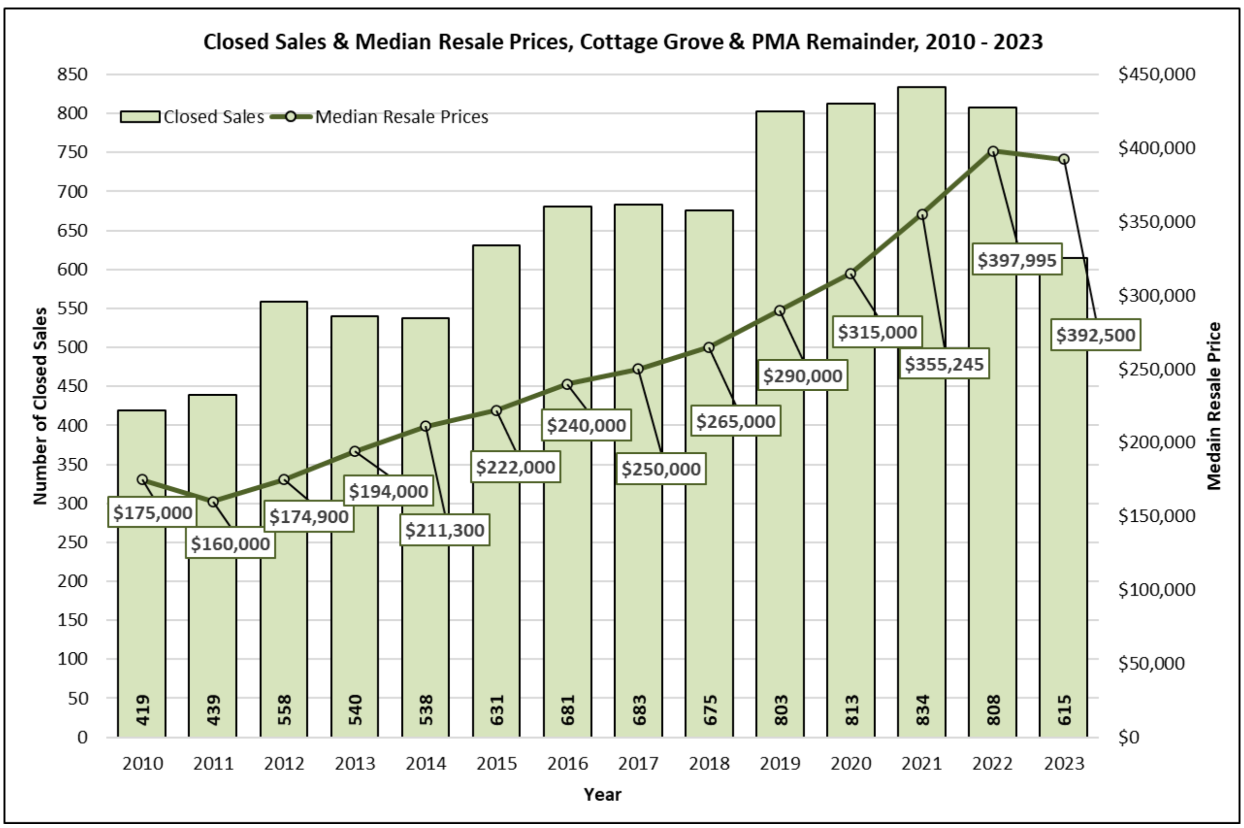
Year	Cottage Grove	PMA Remainder	PMA	Seven County Metro
2010	$175,000	$199,900	$189,700	$175,000
2011	$160,000	$177,900	$171,750	$155,000
2012	$174,900	$199,000	$189,900	$172,000
2013	$194,000	$237,731	$220,000	$199,900
2014	$211,300	$247,500	$230,000	$213,000
2015	$222,000	$247,565	$235,000	$224,900
2016	$240,000	$258,050	$250,000	$237,200
2017	$250,000	$275,000	$262,000	$251,000
2018	$265,000	$290,000	$279,900	$270,000
2019	$290,000	$318,965	$309,900	$288,900
2020	$315,000	$339,900	$330,000	$312,146
2021	$355,245	$375,000	$367,000	$343,500
2022	$397,995	$395,000	$395,963	$365,115
2023	$392,500	$400,000	$399,890	$370,000

Source: InfoSparks & Maxfield Research and Consulting.

- In Cottage Grove, from 2010 through 2023, the median resale price was lowest in 2011 at $160,000. Similarly, median resale prices were also the lowest in 2011 in the PMA Remainder ($177,900), the PMA ($171,500) and the Seven County Metro ($155,000).

- From 2022 through 2023, median resale prices increased in three of the four geographies. The PMA's median resale price increased 1.0% to $399,890 while the PMA Remainder and Seven County Metro's median resale prices increased 5.1% (to $368,000) and 7.7% (to $370,000), respectively. By contrast, Cottage Grove's median resale price decreased slightly by 1.4% to $392,500.


Median Resale Prices, Cottage Grove, PMA Remainder, PMA, & Seven County Metro, 2010 - 2023
Median Resale Prices
PMA Remainder Median Resale Prices
PMA
Seven Co Metro
Median Resale Price ($)
Year
$0
$20,000
$40,000
$60,000
$80,000
$100,000
$120,000
$140,000
$160,000
$180,000
$200,000
$220,000
$240,000
$260,000
$280,000
$300,000
$320,000
$340,000
$360,000
$380,000
$400,000
$420,000
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023


Closed Sales & Median Resale Prices, Cottage Grove & PMA Remainder, 2010 - 2023
Closed Sales
Median Resale Prices
Number of Closed Sales
Medain Resale Price
Year
419
439
558
540
538
631
681
683
675
803
813
834
808
615
$175,000
$160,000
$174,900
$194,000
$211,300
$222,000
$240,000
$250,000
$265,000
$290,000
$315,000
$355,245
$397,995
$392,500
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
2022
2023

Current Supply of Homes on the Market

To examine the current market more closely for available owner-occupied housing in Cottage Grove, we reviewed the current supply of homes on the market (listed for sale). Table FS-3 shows homes currently listed for sale in Cottage Grove and the Primary Market Area distributed into eleven price ranges. The listings were obtained August 2024 from the Greater Mpls Area Association of Realtors.

- As of August 2024, there were 141 homes listed for sale in Cottage Grove (96 SF and 45 MF) and 484 homes listed for sale in the Primary Market Area (309 SF and 175 MF).

- The median list prices in Cottage Grove and the PMA, for single-family and multifamily homes were $485,689 and $373,990, respectively. The median sale price is generally a more accurate indicator of housing values in a community than the average sale price. Average sale prices can be easily skewed by a few very high-priced or low-priced home sales in any given year, whereas the median sale price better represents the pricing of most homes in a given market.

- The PMA's average listed sales price of $509,873 was 9.2% more than Cottage Grove's average listed sales price of $467,004.

TABLE FS-3
HOMES CURRENTLY LISTED FOR-SALE
COTTAGE GROVE & PRIMARY MARKET AREA
August 2024

	Cottage Grove		Primary Market Area	
Price Range	**No.**	**Pct.**	**No.**	**Pct.**
Under $100,000	1	0.7%	1	0.2%
$100,000 to $199,999	0	0.0%	10	2.1%
$200,000 to $299,999	12	8.5%	63	13.0%
$300,000 to $399,999	42	29.8%	113	23.3%
$400,000 to $499,999	43	30.5%	84	17.4%
$500,000 to $599,999	23	16.3%	86	17.8%
$600,000 to $699,999	9	6.4%	51	10.5%
$700,000 to $799,999	5	3.5%	36	7.4%
$800,000 to $999,999	4	2.8%	17	3.5%
$900,000 to $999,999	0	0.0%	14	2.9%
$1,000,000 or More	2	1.4%	9	1.9%
	141	**100%**	**484**	**100%**
Minimum	$90,000		$90,000	
Maximum	$1,250,000		$3,200,000	
Median	$442,000		$509,873	
Average	$467,004		$474,398	

Note: Includes single family, townhomes, twin homes, and condos (Previously owned and completed new construction).

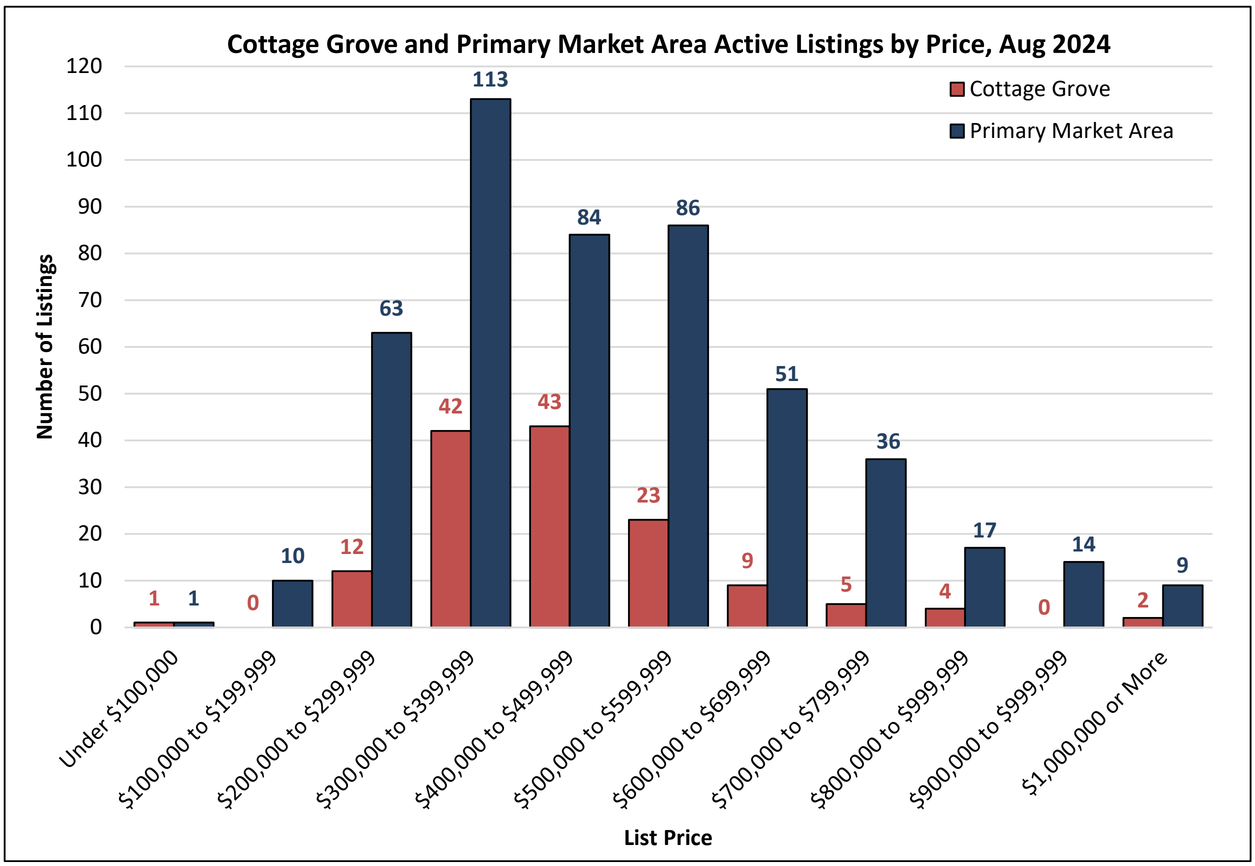
Sources: Greater Mpls Area Assoc of Realtors; Maxfield Research and Consulting

- As shown, 44% of homes in the PMA were priced at $500,000 or more compared to 31% of homes in Cottage Grove.

- An estimated 69% of homes in Cottage Grove are priced between $200,000 and $500,000 while in the PMA, 54% of homes are priced in this same range.

- Based on a median list price of $442,000 for Cottage Grove, the income required to afford a home at this price would be between $126,286 and $147,333; based on the standard of 3.0 to 3.5 times the median income (and assuming these households do not have a high level of debt). A household with significantly more equity (in an existing home and/or savings) could afford a higher priced home. An estimated 43% (42.8%) of Cottage Grove's households have annual incomes at or above $131,274.

- Based on a median list price of $489,990 for the PMA, the income required to afford a home at this price would be between $139,997 and $163,330; based on the standard of 3.0 to 3.5 times the median income (and assuming these households do not have a high level of debt). A household with significantly more equity (in an existing home and/or savings) could afford a higher priced home. About 38% (37.8%) of PMA households have annual incomes at or above $139,997.



- Most of the single-family and multifamily homes listed for sale in Cottage Grove are priced between $300,000 and $399,999 (35.5%), $400,000 and $499,999 (23.2%), and $500,000 and $599,999 (16.7%). In the PMA, Most of the single-family and multifamily homes listed for sale are also priced between $300,000 and $399,999 (27.5%), $500,000 and $599,999 (18.9%), $600,000 and $699,999 (15.4%), and $400,000 and $499,999 (14.9%).

Tables FS-4 shows homes currently listed for sale in Cottage Grove by property type while table FS-5 does the same for the PMA. The listings were obtained May 22, 2024, from the RMLS.

TABLE FS-4
ACTIVE LISTINGS BY HOUSING TYPE
COTTAGE GROVE
AUGUST 2024

Property Type	Listings	Pct.	Avg. List Price	Avg. Home Size Sq. Ft.	Avg. Price Per Sq. Ft.	Avg. Age of Home
Single-Family						
One Story	11	8.0%	$479,409	2,212	$217	1980
One and One Half Story	1	0.7%	$380,000	2,193	$173	1945
Two-Story	55	39.9%	$545,519	2,831	$193	2015
More than Two Stories	0	0.0%	--	--	--	--
Two-Level Split	10	7.2%	$391,450	2,077	$188	1983
Modified Two Story	6	4.3%	$508,500	2,148	$237	1997
Three-Level Split	10	7.2%	$452,258	1,943	$233	2003
Three or More	0	0.0%	--	--	--	--
Four or More Level Split	3	2.2%	$572,963	3,103	$185	1999
Total	**96**	**69.6%**	**$512,311**	**2,586**	**$198**	**2004**
Multifamily						
Townhouse	45	32.6%	$378,606	1,864	$203	2017
Twin Home	0	0.0%	--	--	--	--
Condominiums	0	0.0%	--	--	--	--
Total	**45**	**32.6%**	**$378,808**	**1,864**	**$203**	**2017**
Cottage Grove Totals	**138**	**100.0%**	**$459,458**	**2,300**	**$200**	**2009**

Sources: RMLS & Maxfield Research and Consulting.

- Of the 141 listings in Cottage Grove, 96 (68.1%) were single-family homes while 45 listings (31.9%) were multifamily homes. In the PMA, of 484 listings, 309 were single family homes (63.8%) while 175 listings were multifamily homes (36.2%).

- Townhomes (39.1%) and two story (37.1%) listings are the two most common housing types in Cottage Grove, accounting for a combined 76.1% of all of listings. In contrast, throughout the PMA, two story (38.0%) and townhomes (35.7%) listings are the two most common property types accounting for a combined 73.7% of all active listings.

- In Cottage Grove, the only multifamily housing type are townhomes. By comparison, townhomes represent 35.7% of all listings, condominiums represent 1.2% of all listings and twin homes represent 0.7% of all listings in the overall PMA.

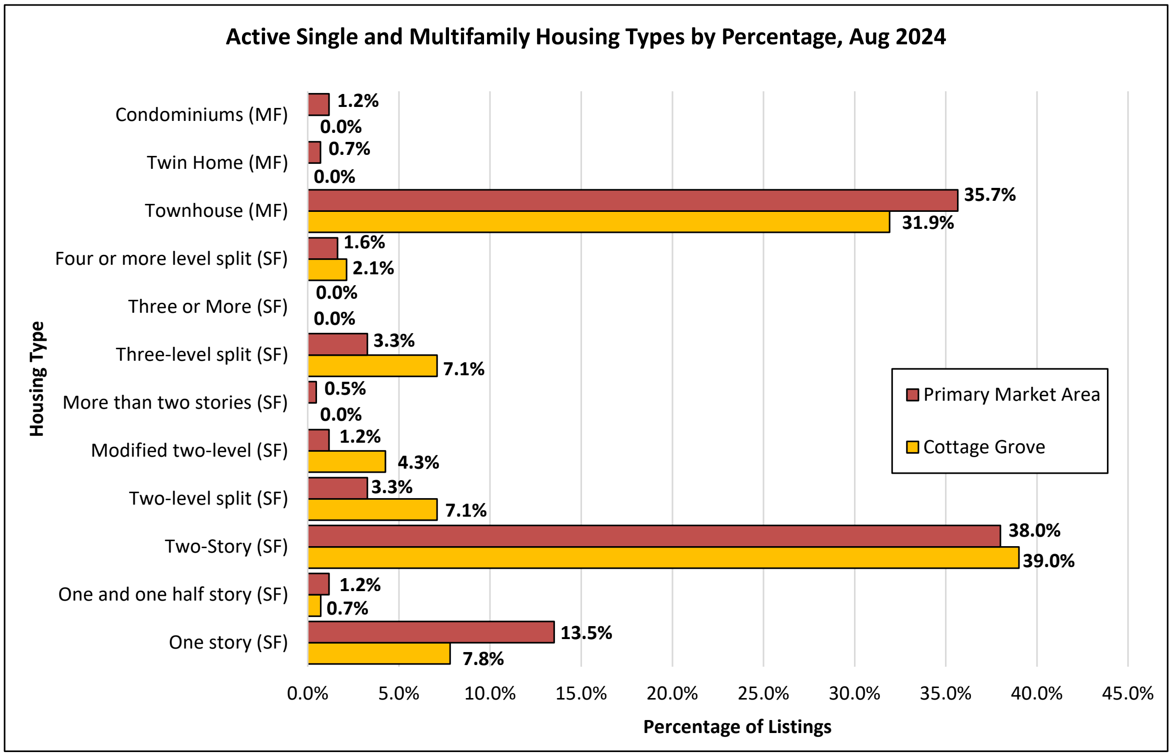
TABLE FS-5
ACTIVE LISTINGS BY HOUSING TYPE
PRIMARY MARKET AREA
August 2024

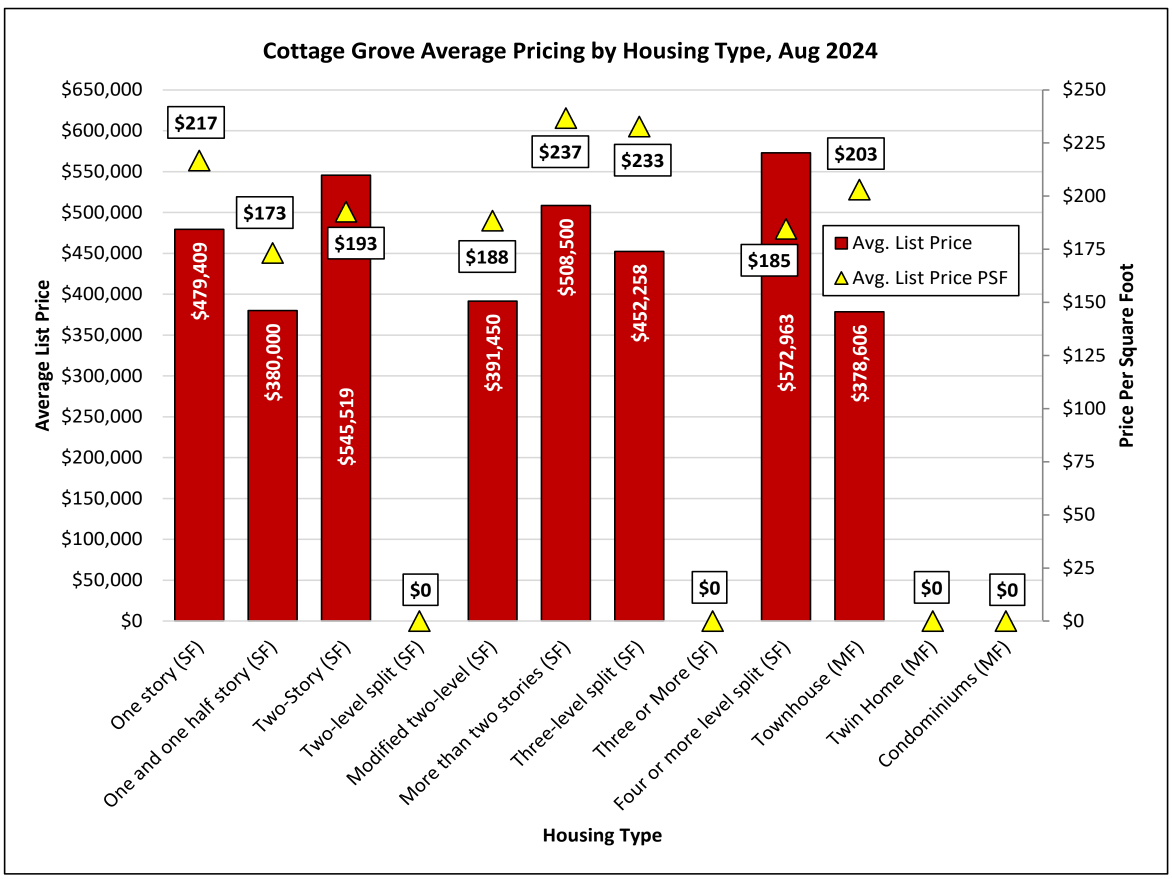
Property Type	Listings	Pct.	Avg. List Price	Avg. Home Size Sq. Ft.	Avg. Price Per Sq. Ft.	Avg. Age of Home
Single-Family						
One Story	58	13.5%	$558,998	2,362	$237	1997
One and One Half Story	5	1.2%	$315,940	1,641	$193	1928
Two-Story	163	38.0%	$662,726	3,214	$206	2012
More than Two Stories	2	0.5%	$527,000	3,767	$140	1949
Two-Level Split	14	3.3%	$385,386	1,994	$193	1982
Modified Two Story	5	1.2%	$522,400	2,571	$203	1997
Three or More	0	0.0%	--	--	--	--
Three-Level Split	14	3.3%	$476,514	2,025	$235	2002
Four or More Level Split	7	1.6%	$531,827	2,641	$201	1994
Total	**268**	**62.5%**	**$531,827**	**2,641**	**$201**	**1994**
Multifamily						
Townhouse	153	35.7%	$378,190	1,879	$201	2011
Twin Home	3	0.7%	$519,667	2,820	$184	2003
Condominiums	5	1.2%	$244,240	1,266	$193	1989
Total	161	**37.5%**	**$376,804**	**1,787**	**$211**	**2018**
PMA Totals	**429**	**100.0%**	**$517,773**	**2,486**	**$208**	**2013**

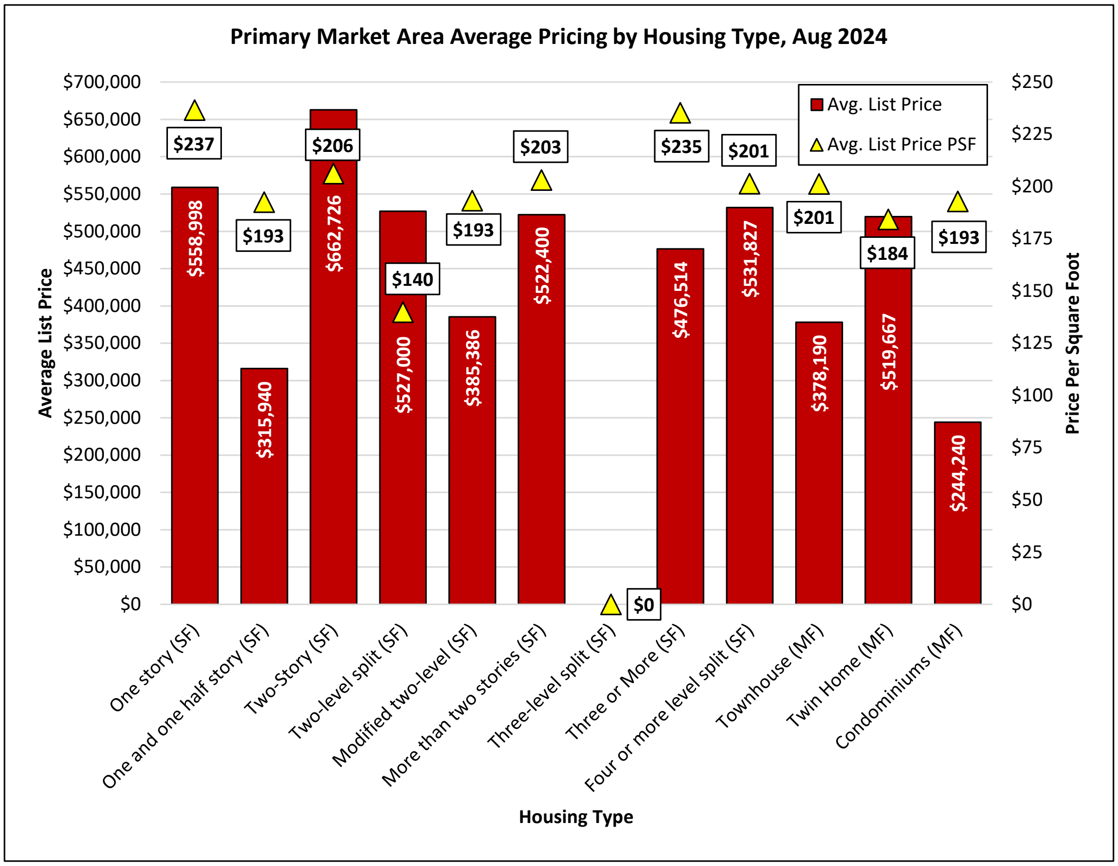
Sources: Greater Mpls Area Assoc of Realtors; Maxfield Research and Consulting.

- Listings for townhomes report the lowest average list price ($378,190) in Cottage Grove while condominiums report the lowest average list price in the PMA ($244,240). Townhomes report the lowest average square footage in Cottage Grove (1,864 square feet) while condominiums report the lowest average square footage in the PMA (1,266 square feet).

- Listings for four or more level split homes report the highest average list price ($572,963) in Cottage Grove while two story homes report the highest average list price in the PMA ($662,726). Four or more level split homes report the highest average square feet in Cottage Grove (3,103 square feet) while more than two-story homes report the highest average square feet in the PMA (3,767 square feet).

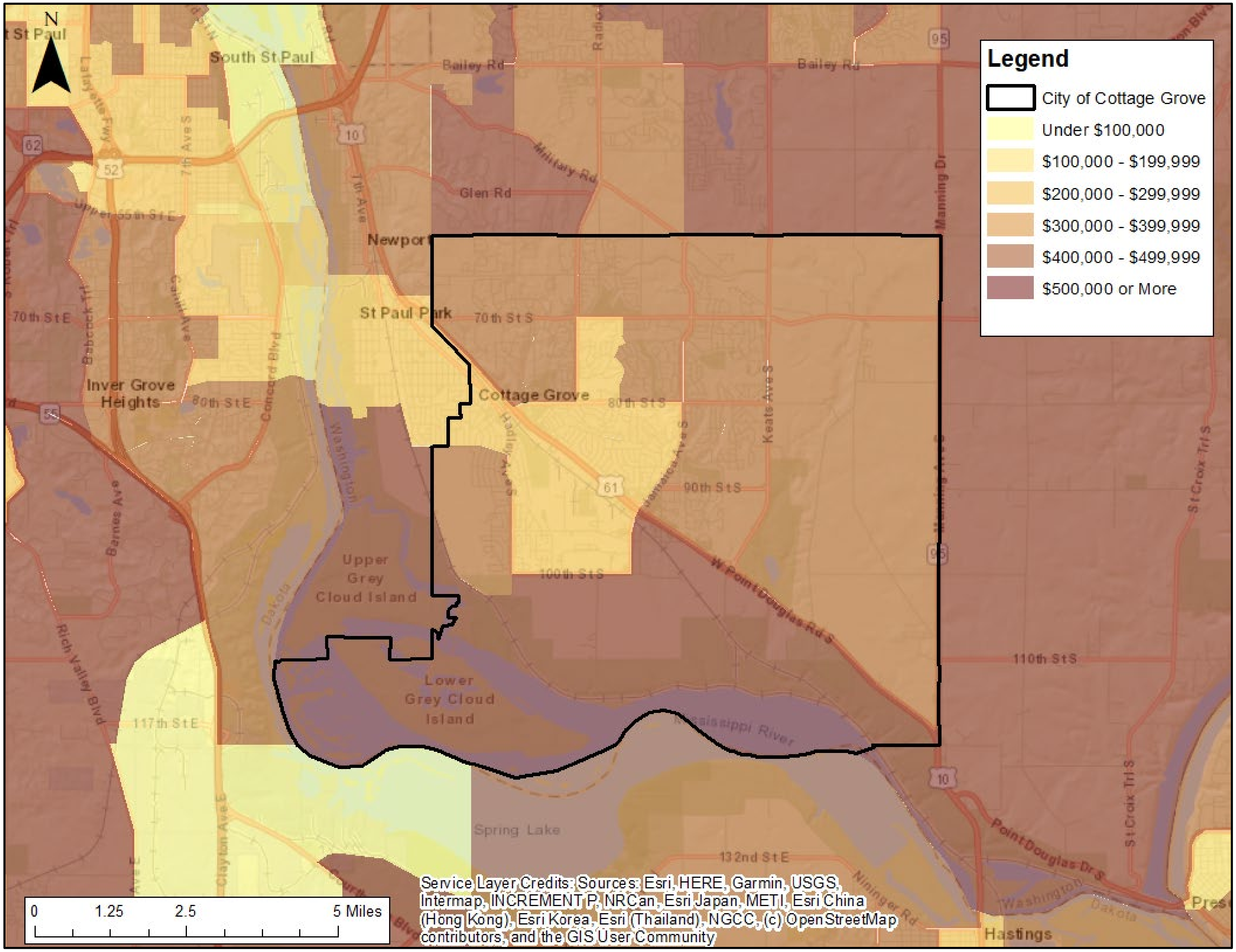

Active Single and Multifamily Housing Types by Percentage, Aug 2024
Housing Type
Condominiums (MF)
Twin Home (MF)
Townhouse (MF)
Four or more level split (SF)
Three or More (SF)
Three-level split (SF)
More than two stories (SF)
Modified two-level (SF)
Two-level split (SF)
Two-Story (SF)
One and one half story (SF)
One story (SF)
1.2%
0.0%
0.7%
0.0%
35.7%
31.9%
1.6%
2.1%
0.0%
0.0%
3.3%
7.1%
0.5%
0.0%
1.2%
4.3%
3.3%
7.1%
38.0%
39.0%
1.2%
0.7%
13.5%
7.8%
Primary Market Area
Cottage Grove
0.0% 5.0% 10.0% 15.0% 20.0% 25.0% 30.0% 35.0% 40.0% 45.0%
Percentage of Listings


Cottage Grove Average Pricing by Housing Type, Aug 2024
Average List Price
$650,000 $600,000 $550,000 $500,000 $450,000 $400,000 $350,000 $300,000 $250,000 $200,000 $150,000 $100,000 $50,000 $0
Price Per Square Foot
$250 $225 $200 $175 $150 $125 $100 $75 $50 $25 $0
$217
$479,409
$173
$380,000
$193
$545,519
$0
$188
$391,450
$237
$508,500
$233
$452,258
$0
$185
$572,963
$203
$378,606
$0
$0
Avg. List Price
Avg. List Price PSF
One story (SF)
One and one half story (SF)
Two-Story (SF)
Two-level split (SF)
Modified two-level (SF)
More than two stories (SF)
Three-level split (SF)
Three or More (SF)
Four or more level split (SF)
Townhouse (MF)
Twin Home (MF)
Condominiums (MF)
Housing Type

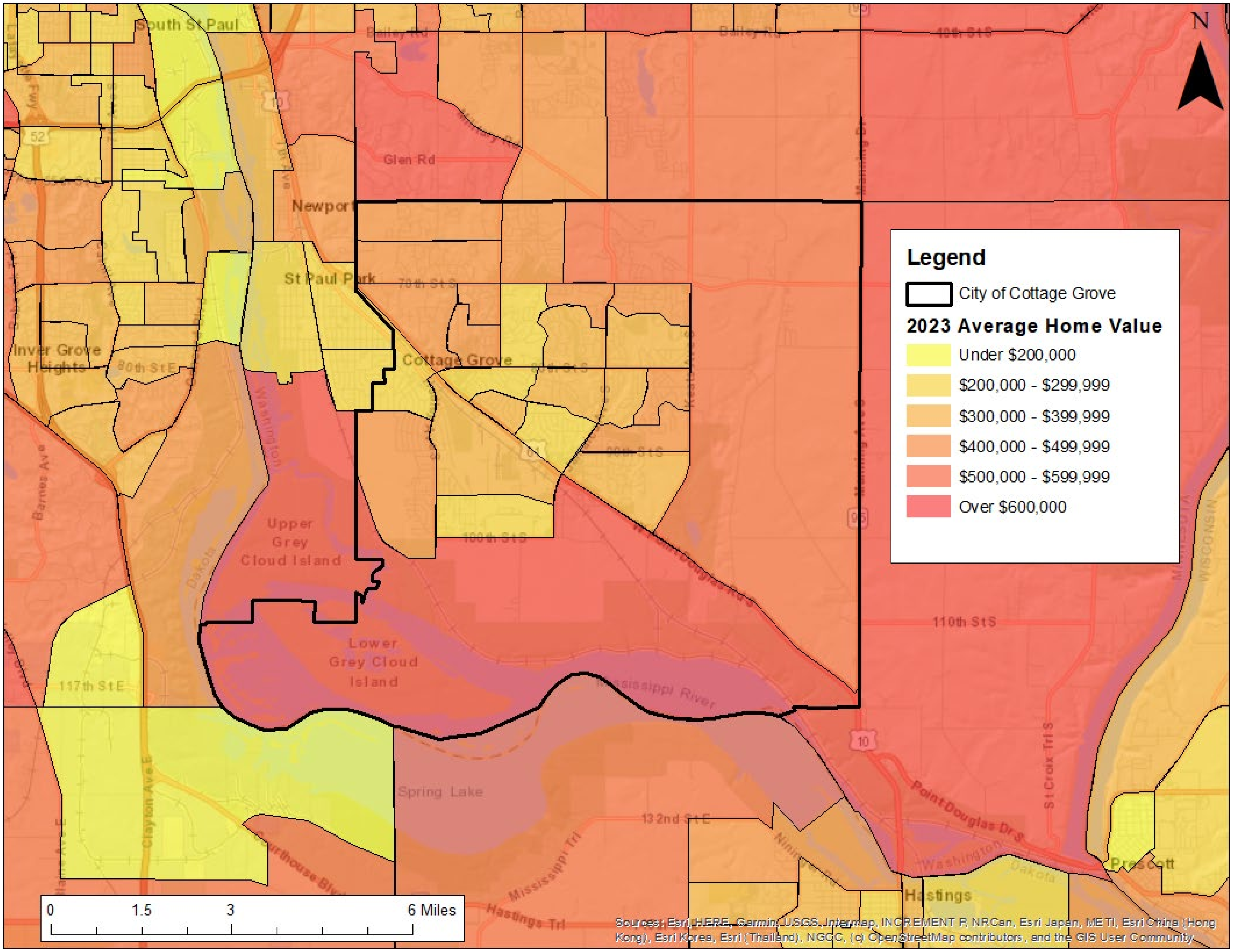


Maps of 2023 median and average home values by census block, created with ESRI data, across Cottage Grove and neighboring communities are displayed on the following pages. Home value categories for both maps are as follows: under $100,000; $100,000 to $199,999; $200,000 to $299,999; $300,000 to $399,999; $400,000 to $499,999; and $500,000 and over. Median and average home values in Cottage Grove are highest in the southern portion of the City. In addition, median and average home values are also higher in the far eastern and northern portions of the City.

Cottage Grove Median Home Value by Block Group, 2023



Cottage Grove Average Home Value by Block Group, 2023



Owner-Occupied Turnover

Table FS-6 illustrates existing home turnover as a percentage of owner-occupied units in Cottage Grove, the PMA and the Seven County Metro. Resales are based on historic transaction volume between 2010 and 2024 as obtained from listings through the Greater Minneapolis Area Association of Realtors. Owned housing units are sourced to the American Community Survey.

As displayed in the table, an estimated 14.1% of Cottage Grove's owner-occupied housing stock is sold annually. The turnover rate in the PMA is 7.0% compared to 5.4% in the Seven County Metro. Typically, the turnover rate for owned homes ranges from 3% at the low-end to 8% at the high-end in many communities in the Midwest.

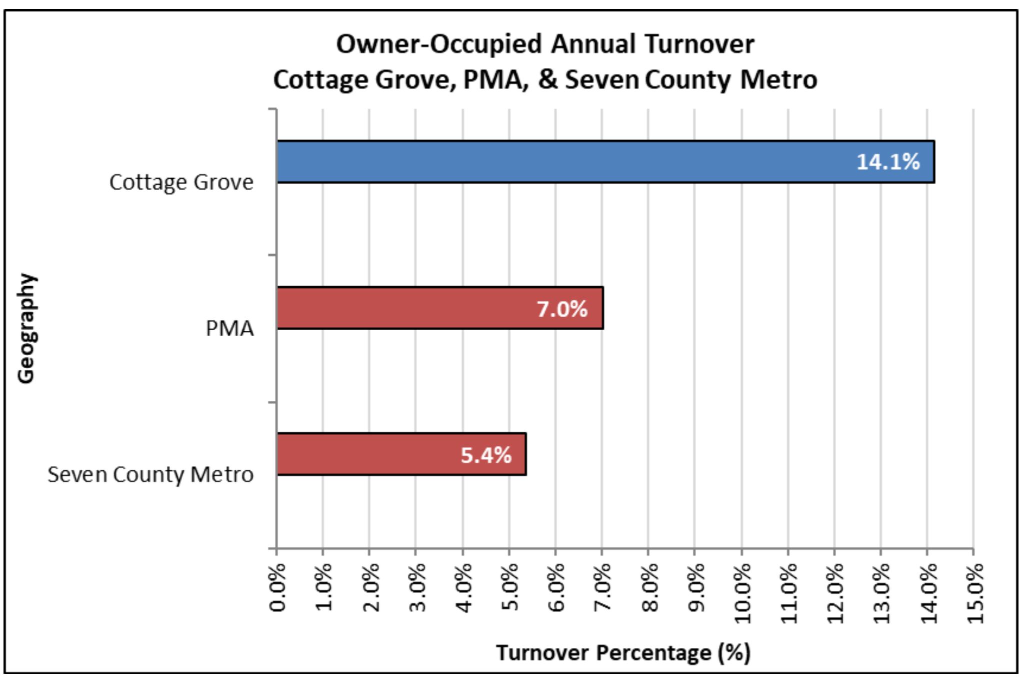
TABLE FS-6
OWNER-OCCUPIED TURNOVER
COTTAGE GROVE, PMA, & SEVEN COUNTY METRO

Geography	Owner-occupied Housing Units[1]	Resales Annual Avg.[2]	Turnover Pct.
Cottage Grove	4,570	646	14.1%
PMA	35,853	2,514	7.0%
Seven County Metro	860,790	46,180	5.4%

[1] Owner-occupied housing units in 2022 (based on American Community Survey 5-year average (2018-2022) adjusted to 2022 by Maxfield Research.

[2] Annual average of resales between 2010 and 2023.

Sources: U.S. Census Bureau, Mpls Area Assoc of Realtors, Maxfield Research and Consulting



School Districts

School districts have a direct impact on community home values. Nearly all of Cottage Grove is included in the South Washington County School District (District 833) with a small sliver of eastern and southeast Cottage Grove in the Hastings School District (District 200). The South Washington County School District is bordered by the following school districts: Stillwater Area (District 834), Hastings (District 200), Rosemount-Apple Valley-Eagan (District 196), Inver Grove Heights (District 199), South St Paul (District 0006-03), Saint Paul (District 625), and North St. Paul-Maplewood-Oakdale (District 622). Table FS-9 displays school rankings for high schools in or near Cottage Grove. A map, following the text of this section, shows the City of Cottage Grove, as well as nearby districts in Minnesota and Wisconsin.

- The South Washington County School District is home to three high schools, Woodbury High School, East Ridge High School, and Park High School. Park High School, located in Cottage Grove, serves most of the city, in addition to the City of City Paul Park. East Ridge High School, located in Woodbury, serves the far northern portion of Cottage Grove, in addition to the City of Newport and southern Woodbury. Woodbury High School only serves the City of Woodbury.

- Of the two high schools in the South Washington County District servicing Cottage Grove residents, East Ridge High School is ranked the 26th best high school in the state and 25th best high school in the Metro Area according to the latest data available in an online study published by US News and World Report. Nationally East Ridge High School is ranked 1,578 across all surveyed schools in the nation. Park High School is ranked the 164th best high school in the state and 100th best high school in the Metro Area according to the latest data available in an online study published by US News and World Report. Nationally Park High School is ranked 8,981 across all surveyed schools in the nation.

- Hastings High School, in Hastings, serves a very small portion of far eastern and southeastern Cottage Grove. Hastings High School is ranked the 69th best high school in the state and 63rd best high school in the Metro Area according to the latest data available in an online study published by US News and World Report. Nationally Hastings High School is ranked 3,972 across all surveyed schools in the nation.

- Of the three high schools serving parts of Cottage Grove, East Ridge High School has the highest college readiness score, 43.4, followed by Park High School at 24.3, and Hastings High School at 22.0. The college readiness score is based on state and Advanced Placement (AP) Testing.

- East Ridge High School and Hastings High School each had graduation rates of 94% while Park High School had a graduation rate of 91%. The average graduation rate among the fourteen schools analyzed was 93%, ranging from a low of 86% at Tartan Senior High School in Oakdale, Minnesota to a high of 98% at Prescott High School in Prescott, Wisconsin.

- Of the three high schools serving parts of Cottage Grove, East Ridge High School had the highest enrollment at 2,021 students followed by Park High School with 1,938 students, and Hastings High School with 1,353 students. The average enrollment was 1,643 students across the 14 schools.

- The student-teacher ratio of 43 students to every teacher at East Ridge High School and 35 students to every teacher at Park High School have the second and third highest student to teacher ratios of all 14 surveyed schools. Only Woodbury High School, at 44 students for every teacher, had a higher student to teacher ratio. Hastings High School had a student to teacher ratio of 23 students to every teacher, below that of the average 25 to one student to teacher ratios across all fourteen schools.

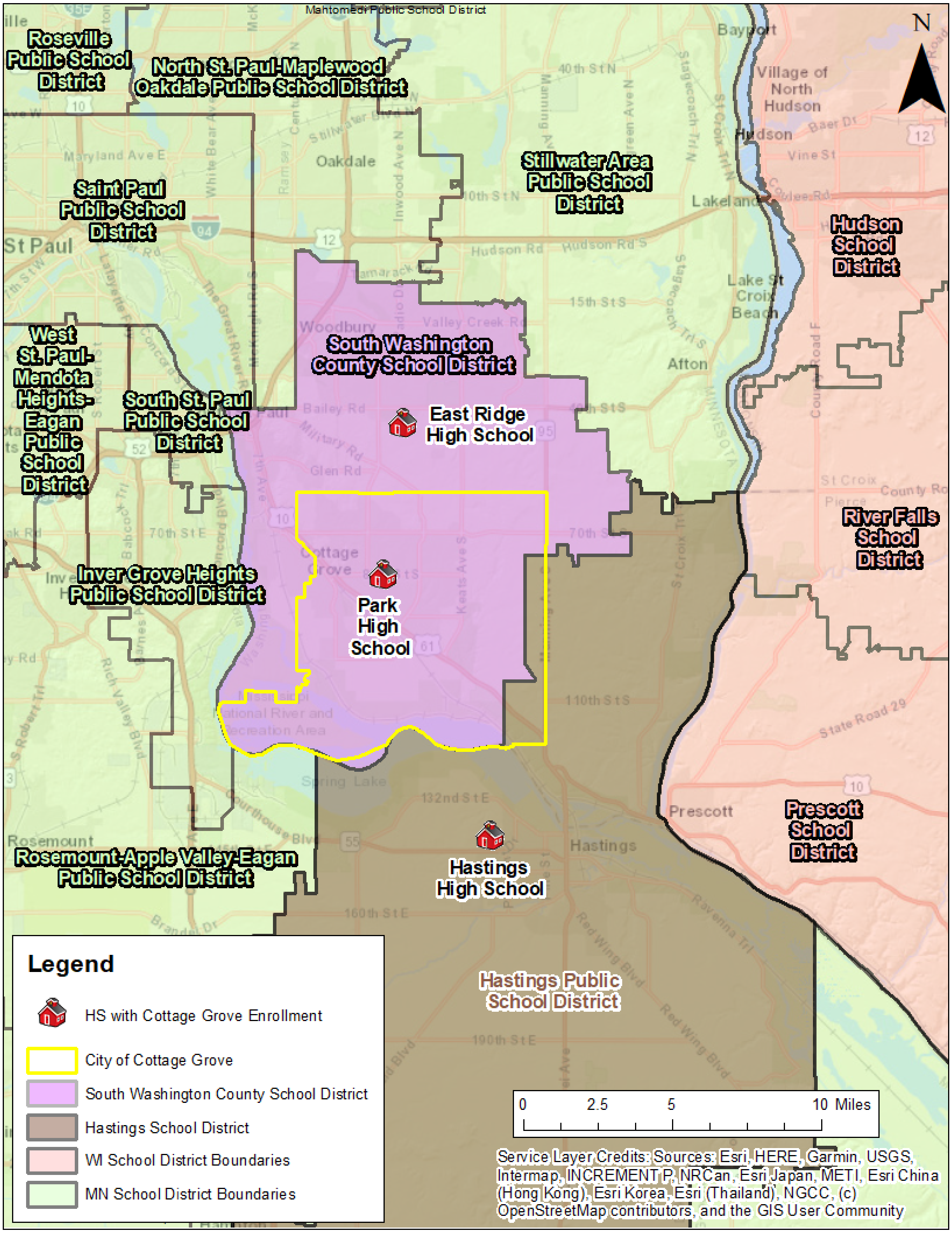
- Of the fourteen surveyed schools, Hudson High School, just across the St. Croix River in Wisconsin was ranked the highest in national rankings at 913 in the nation. In Wisconsin, it was the 20th best high school and in the Minneapolis Metro Area, the 13th best school.

Table FS-7
COTTAGE GROVE & NEARBY COMMUNITIES: 2024 HIGH SCHOOL RANKINGS

	High School	Address	National Rankings	Statewide Rankings	Minneapolis Metro Rankings	Grades Served	Enrollment	Student Teacher Ratio	College Readiness*	Graduation Rate
1	Hudson High School	1501 Vine St Hudson St Hudson, WI	913	20	13	9-12	1,783	16:1	55.9	96%
2	Eagan Senior High School	4185 Braddock Tr, Eagan, MN	922	13	14	9-12	2,171	20:1	45.3	95%
3	Woodbury High School	2665 Woodlane Dr Woodbury, MN	1,497	24	24	9-12	1,979	44:1	44.4	94%
4	East Ridge High School	4200 Pioneer Dr Woodbury, MN	1,578	26	25	9-12	2,021	43:1	43.4	94%
5	Two Rivers High School	1897 Delaware Ave, Mendota Heights, MN	1,780	30	28	9-12	1,479	19:1	32	88%
6	Stillwater High School	5701 Stillwater Blvd N, Oak Park Heights, MN	2,601	44	40	9-12	2,647	26:1	38.2	96%
7	Rosemount Senior High School	3335 142nd St W Rosemount, MN	2,743	48	44	9-12	2,425	19:1	41.7	91%
8	River Falls High School	818 Cemetary Rd River Falls, WI	2,767	82	46	9-12	1,112	17:1	22.5	96%
9	Prescott High School	1010 Dexter St Prescott, WI	3,362	108	59	9-12	430	14:1	27.5	98%
10	Hastings High School	200 General Sieben Dr Hastings, MN	3,972	69	63	9-12	1,353	23:1	22.0	94%
11	Tartan Senior High School	828 Greenway Ave N, Oakdale, MN	4,498	80	67	9-12	1,683	20:1	26.8	86%
12	South St. Paul Secondary	7700 N 2nd St South St Paul, MN	4,561	82	68	9-12	923	25:1	28.6	90%
13	Simley Senior High School	2920 80th St E Inver Grove Heights, MN	5,475	101	78	9-12	1,062	22:1	35.3	91%
14	Park High School	8040 80th St S Cottage Grove, MN 55016	8,981	164	100	9-12	1,938	35:1	24.3	91%

*:Based on state proficiency and Advanced Placement (AP) tests.
Note: Analyzed Data is based off 2022-2023, 2021-2022, and 2020-2021 school years. Statewide rankings for MN schools are for MN and statewide rankings for WI schools are for WI schools.
Source: US News and World Report and RTI International utilizing data from The Common Core of Data (U.S. Department of Education), state math and reading assessments, The College Board, and International Baccalaureate (IB) - 2024 Data.

City of Cottage Grove and Area School District Boundaries



Lot Supply

Maxfield Research identified newer subdivisions (developed since 2018) in the PMA along with available lots. Table FS-8, on the following pages, displays this information. Data was obtained from the City of Cottage Grove.

- Since 2018 44 new subdivisions have been platted. In those 44 subdivisions are over 2,500 lots (2,504 lots)

- Of the 2,500 lots 22.3% or 559 lots were vacant.

- Average lot sizes ranged from a low of 1.36 acres at Thompson Grove Community Hall to a high of 54.80 acres at Summers Landing 4th Addition.

TABLE FS-8 LOT SUPPLY WITHIN NEWER SUBDIVISIONS IN COTTAGE GROVE SUMMER 2024				
Subdivision	No. of Lots/Units	Vacant Lots	Average Lot Size (Acres)	Density Per Acre
Graymont Village 2nd Addition	66	66	16.36	4.03
Mississippi Landing 1st Addition	110	110	NA	--
Graymont Village 1st Addition	60	20	3.77	15.92
Ravine Crossing	79	65	28.60	2.76
Glacial Valley 2nd	76	64	9.58	7.93
Settlers Bluff 2nd Addition	77	15	16.70	4.61
Hawthorne 2nd Addition	106	69	49.80	2.13
Hinton Woods (Townhomes)	55	0	10.74	5.12
Glacial Valley Estates 1st Addition	24	0	4.06	5.91
Woodward Ponds 2nd & 3rd Addition - Townhomes	116	58	16.62	6.98
High Pointe 2nd Addition - Townhomes	31	0	4.73	6.55
Rolling Meadows	41	14	17.60	2.33
Hinton Woods	61	10	19.98	3.05
Eastbrooke 3rd Addition	38	25	9.73	3.91
Settlers Bluff 1st Addition	78	0	9.73	8.02
Calarosa 6th Addition	86	4	29.33	2.93
Cardinal Reserve	59	24	22.16	2.66
Hawthorne 1st Addition	93	3	68.55	1.36
Northwick Park 2nd Addition	24	0	7.11	3.38
Summers Landing 5th Addition	79	0	10.17	7.77
Calarosa 5th Addition - SF	54	0	7.61	7.10
Woodward Ponds 1st Addition - Townhomes	48	0	12.22	3.93
CONTINUED				

TABLE FS-8 (CONTINUED)
LOT SUPPLY WITHIN NEWER SUBDIVISIONS IN COTTAGE GROVE
SUMMER 2024

Subdivision	No. of Lots/Units	Vacant Lots	Average Lot Size (Acres)	Density Per Acre
High Pointe 1st Addition - Townhomes	51	0	14.40	3.54
Summers Landing 4th Addition	122	0	54.80	2.23
Calarosa 5th Addition - SF	35	0	13.62	2.57
Northwick Park 1st Addition	47	0	27.60	1.70
Langdon Hills	51	0	25.01	2.04
Eastbrooke 2nd Addition	33	5	37.99	0.87
Ravine Meadows	26	0	9.85	2.64
Calarosa 4th Addition - Quads	24	0	2.72	8.82
Bailey Woods	41	0	19.94	2.06
Summers Landing 3rd Addition	75	0	25.30	2.96
Parkview Pointe	60	0	20.71	2.90
Kingston Fields 2nd Addition	34	5	10.60	3.21
Young Property by Lennar Homes	10	0	5.00	2.00
Calarosa 3rd Addition - MF	16	0	2.13	7.51
Calarosa 3rd Addition - SF	70	0	20.50	3.41
Kingston Fields	87	0	34.00	2.56
Hamlet Heights	24	0	10.35	2.32
Calarosa 2nd Addition	49	0	28.37	1.73
Eastbrooke (Phase I)	50	0	22.27	2.25
Mississippi Dunes Estates Fifth	44	0	23.38	1.88
Thompson Grove Community Hall	3	0	1.36	2.21
Summers Landing 2nd Addition	91	2	36.34	2.50
Totals	**2,504**	**559**	**19.10**	**4.01**

Sources: City of Cottage Grove & Maxfield Research and Consulting.

Planned and Proposed Developments

There are a few pending developments in the planning process in the PMA. This section discusses the developments that have already submitted plans to the City, some of which have received preliminary and/or final approvals. Below is a brief discussion of pending rental and senior developments in Cottage Grove and other PMA communities. Table P-1 lists pending and under construction rental and senior housing developments.

The pending list breaks down into three categories: under construction, approved and proposed. The number of housing units is separated between affordable and market rate.

Most of the for-sale developments in Cottage Grove and Woodbury consists of developments already underway and are building out various subdivisions. Many of these that are in process are nearly sold out or have sold a substantial number of lots.

TABLE P-1
RENTAL & SENIOR HOUSING DEVELOPMENT PIPELINE
PRIMARY MARKET AREA
AUGUST 2024

Project Name/Address	City	Developer	Status	Units/Lots Aff.	Units/Lots MR	Units/Lots Total	Project Type	Comments
Under Construction								
Vermillion Acres Senior Housing 1190 County Rd 47	Hastings	Headwater Development	Under Construction	0	75	75	Assisted Living & Memory	Modular buildings
Red Rock II 150 Red Rock Crossing	Newport	MWF Properties	Under Construction	60	0	60	Affordable General	Scheduled to open Nov. 2024
Approved								
Karen Drive Multifamily S of Hudson Rd and E of Settlers Ridge Pkwy	Woodbury	Real Estate Equities	Approved	252	0	252	Affordable	48 (1BR), 126 (2BR) 72 (3BR)
Manning Avenue Apartments 1/4 Mile S of Hudson Rd & Manning Rd	Woodbury	LSBD Woodbury Manning, LLC	Approved	237	0	237	Affordable	27 (1BR), 111 (2BR), 99 (3BR)
Roer's Cottage Grove Apartments 6850 E Point Douglas Rd S	Cottage Grove	Roers	Approved	37	107	144	Mixed Income GO Rental	107 units (MR); 29 units (50% AMI) 8 units (60% AMI).
Bluestem Apartments 7601 79th St S	Cottage Grove	Trellis	Approved	52	0	52	Affordable Active Adult	55+ 36 units 30% AMI and 16 units 60% AMI
Norhart Apartments Hadley Ave S & 100th St N	Cottage Grove	Norhart Development	Approved	0	299	299	Market Rate	45 Std., 21 Alc; 119 1BR, 89 2BR, 25 3BR
Prelude Village of Woodbury 10350 Bailey Road	Woodbury	Emmaus Companies	Approved	0	20	20	Senior - IL	Cottages - Taking Reservations
Summer Valley Jeffrey Ave S. / 63rd Ave S	Cottage Grove	Summergate Development	Approved	0	71	71	Market Rate	Single-Family Homes
Sienna Grove 10662 Bent Pine Lane	Woodbury	D. R. Horton	Approved	0	172	172	Market Rate	Single-Family Homes
Proposed								
Walden at Hastings Hwy 316 and Michael Avenue	Hastings	Land Equity LLC	Proposed	0	511	511	Lifestyle-All Ages	54 TW, 68 TH, 170 Apts, 60 AA, 55 SF, 104 AL Need to annex land from Nininger Twp.
Mississippi Landing II 409 Golf Links Drive	Grey Cloud Is	Rachel Development	Proposed	0	377	377	Market Rate	Redevelopment of former golf course

	Aff.	MR	Total
Under Construction	**60**	**75**	**135**
Approved	**578**	**669**	**1,247**
Proposed	**0**	**888**	**888**

NA: Not Assessed or Not Applicable.

Sources: PMA Cities; Maxfield Research and Consulting

Introduction

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

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

FIGURE 1
AREA MEDIAN INCOME (AMI) DEFINITIONS

Definition	AMI Range
Extremely Low Income	0% - 30%
Very Low Income	31% - 50%
Low Income	51% - 80%
Moderate Income | Workforce Housing	80% - 120%

Note: Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area 4-person AMI = $124,200 (2024)

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

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

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

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

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

Rent and Income Limits

Table HA-1 shows the maximum allowable incomes by household size to qualify for affordable housing and maximum gross rents that can be charged by bedroom size in the Minnesota-St Paul-Bloomington Area. These incomes are published and revised annually by the Department of Housing and Urban Development (HUD) and published separately by the Minnesota Housing Finance Agency based on the date the project was placed into service. Fair market rent is the amount needed to pay gross monthly rent at modest rental housing in a given area. This table is used as a basis for determining the payment standard amount used to calculate the maximum monthly subsidy for families at financially assisted housing.

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

TABLE HA-1
MHFA/HUD INCOME AND RENT LIMITS
WASHINGTON COUNTY, MN (EFFECTIVE 4/01/2024)

	Income Limits by Household Size							
	1 pph	2 pph	3 pph	4 pph	5 pph	6 pph	7 pph	8 pph
30% of median	$26,100	$29,820	$33,540	$37,260	$40,260	$43,230	$46,230	$49,200
50% of median	$43,500	$49,700	$55,900	$62,100	$67,100	$72,050	$77,050	$82,000
60% of median	$52,200	$59,640	$67,080	$74,520	$80,520	$86,460	$92,460	$98,400
80% of median	$69,600	$79,520	$89,440	$99,360	$107,360	$115,280	$123,280	$131,200
100% of median	$87,000	$99,400	$111,800	$124,200	$134,200	$144,100	$154,100	$164,000
120% of median	$104,400	$119,280	$134,160	$149,040	$161,040	$172,920	$184,920	$196,800

	Maximum Gross Rent				
	EFF	1BR	2BR	3BR	4BR
30% of median	$652	$699	$838	$969	$1,080
50% of median	$1,087	$1,165	$1,397	$1,615	$1,801
60% of median	$1,305	$1,398	$1,677	$1,938	$2,161
80% of median	$1,740	$1,864	$2,236	$2,584	$2,882
100% of median	$2,172	$2,328	$2,795	$3,228	$3,602
120% of median	$2,607	$2,794	$3,354	$3,874	$4,323

	Fair Market Rent				
	EFF	1BR	2BR	3BR	4BR
Fair Market Rent	$1,174	$1,327	$1,622	$2,188	$2,478

Sources: MHFA; HUD; Maxfield Research and Consulting

TABLE HA-2
MAXIMUM RENT BASED ON HOUSEHOLD SIZE AND AREA MEDIAN INCOME
MINNEAPOLIS-ST. PAUL-BLOOMINGTON MN-WI HUD METRO FMR AREA 2024 (EFFECTIVE 4/01/2024)

	HHD Size		Maximum Rent Based on Household Size (@30% of Income)											
			30%		50%		60%		80%		100%		120%	
Unit Type[1]	Min	Max	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.	Min.	Max.
Studio	1	1	$653	$653	$1,088	$1,088	$1,305	$1,305	$1,740	$1,740	$2,175	$2,175	$2,610	$2,610
1BR	1	2	$653	$746	$1,088	$1,243	$1,305	$1,491	$1,740	$1,988	$2,175	$2,485	$2,610	$2,982
2BR	2	4	$746	$932	$1,243	$1,553	$1,491	$1,863	$1,988	$2,484	$2,485	$3,105	$2,982	$3,726
3BR	3	6	$839	$1,081	$1,398	$1,801	$1,677	$2,162	$2,236	$2,882	$2,795	$3,603	$3,354	$4,323
4BR	4	8	$932	$1,230	$1,553	$2,050	$1,863	$2,460	$2,484	$3,280	$3,105	$4,100	$3,726	$4,920

[1] One-bedroom plus den and two-bedroom plus den units are classified as 1BR and 2BR units, respectively. To be classified as a bedroom, a den must have a window and closet.

Note: 4-person Minneapolis-St. Paul-Bloomington, MN-WI HUD Metro FMR Area AMI is $124,200 (2024)

Sources: HUD, MHFA, Novogradac, Maxfield Research and Consulting LLC.

Housing Cost Burden

Table HA-3 shows the number and percentage of owner and renter households in Cottage Grove, the PMA Remainder, the PMA and the Seven-County Metro Area that pay 30% or more of their gross income for housing. This information was compiled from the American Community Survey 2022 estimates. This information is different than the 2000 Census which separated households that paid 35% or more in housing costs. As such, the information presented in the tables may be overstated in terms of households that may be "cost burdened." The Federal standard for affordability is 30% of income for housing costs. Without a separate break out for households that pay 35% or more, there are likely a number of households that elect to pay slightly more than 30% of their gross income to select the housing that they choose. Moderately cost-burdened is defined as households paying between 30% and 50% of their income to housing; while severely cost-burdened is defined as households paying more than 50% of their income for housing.

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

Key findings from Table HA-3 follow.

- In Cottage Grove, 15.0% of owner households and 42.1% of renter households are considered cost burdened. In comparison, 16.8% of owner households and 40.9% of renter households are considered cost burdened in the PMA Remainer. Throughout the PMA, 16.3% of its owner households and 41.1% of its renter households are cost burdened. Across the Seven-County Metro Area 34.2% of owner households and 47.5% of renter households are cost burdened.

- Among owner households earning less than $50,000, 68.7% are cost burdened in Cottage Grove. By comparison, among owner households earning less than $50,000, 68.1% are cost burdened in the PMA Remainder. In the PMA, 68.2% of owner households earning less than $50,000 are cost burdened while in the Seven-County Metro, 56.7% of owner households earning less than $50,000 are cost-burdened.

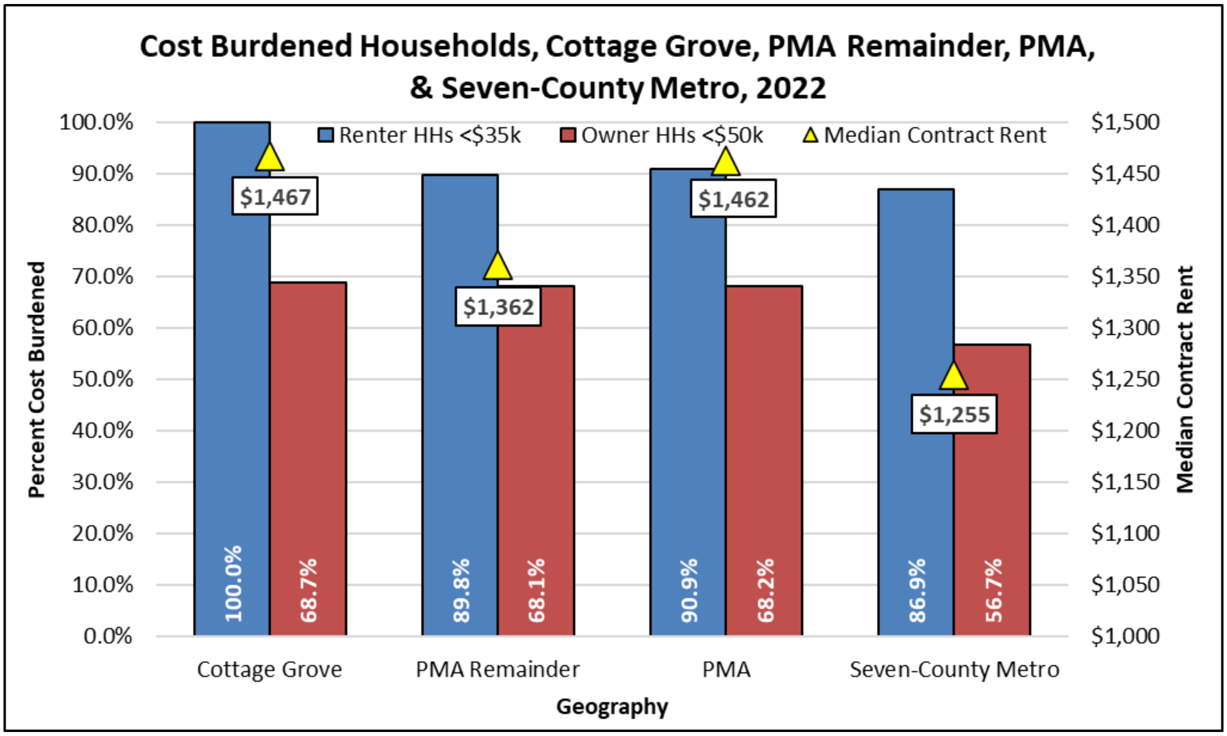
- In Cottage Grove, 100% of renter households earning less than $35,000 are cost-burdened while 89.8% of PMA Remainder renter households earning less than $35,000 are cost-burdened. Throughout the PMA, 90.9% of renter households earning less than $35,000 are cost burdened. In the Seven County Metro, 86.9% of renter households earning less than $35,000 are cost burdened.

TABLE HA-3
HOUSING COST BURDEN
PRIMARY MARKET AREA
2022

	Cottage Grove		PMA Remainder		PMA		Seven-County Metro	
	No.	Pct.	No.	Pct.	No.	Pct.	No.	Pct.
Owner Households								
All Owner Households	11,624		32,817		44,441		879,008	
Cost Burden 30% or greater	1,739	15.0%	5,479	16.8%	7,218	16.3%	297,746	34.2%
Owner Households w/ incomes <$50,000	1,091		4,896		5,987		317,495	
Cost Burden 30% or greater	745	68.7%	3,237	68.1%	3,982	68.2%	175,498	56.7%
Renter Households								
All Renter Households	1,570		9,230		10,800		382,486	
Cost Burden 30% or greater	626	42.1%	3,587	40.9%	4,213	41.1%	175,109	47.5%
Renter Households w/ incomes <$35,000	267		2,188		2,455		122,489	
Cost Burden 30% or greater	260	100.0%	1,827	89.8%	2,087	90.9%	98,983	86.9%
Median Contract Rent[1]	**$1,467**		**$1,362***		**$1,462***		**$1,255**	

[1] Median Contract Rent 2022
Note: Calculations exclude households not computed.
NA: Not Assessed. The majority of PMA cities are missing contract rent data.
* Excludes Denmark Township, Grey Cloud Isand Township, and the Washington County portion of Hastings. No data is available for these geographies.

Sources: American Community Survey 2018-2022 estimates & Maxfield Research and Consulting LLC.



Housing Vouchers

In addition to subsidized apartments, "tenant-based" subsidies like *Housing Choice Vouchers,* can help lower income households afford market-rate rental housing. The tenant-based subsidy is funded by the Department of Housing and Urban Development (HUD) and is managed by the Washington County Community Development Agency. Under the Housing Choice Voucher program (also referred to as Section 8) qualified households are issued a voucher that can be used in a rental unit within the private market that has rents in line with payment standards. Payment standards are set with guidance from the annually published HUD Fair Market Rents. The household pays approximately 30% of their adjusted gross income for rent and utilities, and the Federal government pays the remainder of the rent to the landlord. The maximum income limit to be eligible for a Housing Choice Voucher is 50% AMI based on household size, as shown in Table HA-1. The following are key points about Washington County's Housing Choice Voucher Program.

- Washington County is authorized to issue up to 259 vouchers (HCV, VASH, Family Unification, and Mainstream).

- Currently, there are 247 people on the waiting list. Those on the wait list can wait up to three years or more for a voucher.

Housing Costs as Percentage of Household Income

Housing costs are generally considered affordable at 30% of a households adjusted gross income. Table HA-4 on the following page illustrates key housing metrics based on housing costs and household incomes in Cottage Grove. The table estimates the percentage of Cottage Grove householders that can afford rental and for-sale housing based on a 30% allocation of income to housing. Housing costs are based on the Cottage Grove average.

The housing affordability calculations assume the following:

<u>For-Sale Housing</u>

- 10% down payment with good credit score
- Closing costs rolled into mortgage
- 30-year mortgage at 7.180% interest rate
- Private mortgage insurance (equity of less than 20%)
- Homeowners insurance for single-family homes and association dues for townhomes
- Owner household income per 2023 ACS adjusted to 2024 by Maxfield Research

<u>Rental Housing</u>

- Background check on tenant to ensure credit history
- 30% allocation of income
- Renter household income per 2022 ACS adjusted to 2024 by Maxfield Research

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

- The median income of all Cottage Grove households in 2024 was $114,459. The median income varies by tenure. According to the 2024 American Community Survey, the median income of a homeowner was $125,079, 45.1% higher than that of renters ($68,649).

- An estimated 87% of all households and 73% of owner households could afford to purchase an entry-level home in Cottage Grove estimated at $250,000. When adjusting for move-up buyers ($380,000) 63% of all households and 60% of owner households would income qualify.

- Of existing renter households, 72% can afford to rent an older one-bedroom unit in Cottage Grove ($1,200/month). The percentage of renter income-qualified households decreases to 59% that can afford an existing three-bedroom unit ($1,600/month). After adjusting for new construction rental housing, the percentage of renters that are income-qualified decreases. An estimated 76% of renters can afford a new market rate one-bedroom unit while 39% can afford a new three-bedroom unit.

TABLE HA-4
PRIMARY MARKET AREA HOUSING AFFORDABILITY - BASED ON HOUSEHOLD INCOME

For-Sale (Assumes 10% down payment and good credit)

	Single-Family			Townhome/Twinhome/Condo		
	Entry-Level	Move-Up	Executive	Entry-Level	Move-Up	Executive
Price of House	$250,000	$385,000	$500,000	$300,000	$450,000	$700,000
Pct. Down Payment	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%
Total Down Payment Amt.	$25,000	$38,500	$50,000	$30,000	$45,000	$70,000
Estimated Closing Costs (rolled into mortgage)	$7,500	$11,550	$15,000	$9,000	$13,500	$21,000
Cost of Loan	$232,500	$358,050	$465,000	$279,000	$418,500	$651,000
Interest Rate	6.750%	6.750%	6.750%	6.750%	6.750%	6.750%
Number of Pmts.	449	449	449	449	449	449
Monthly Payment (P & I)	-$1,422	-$2,191	-$2,845	-$1,707	-$2,560	-$3,983
(plus) Prop. Tax	-$208	-$321	-$417	-$250	-$375	-$583
(plus) HO Insurance/Assoc. Fee for TH	-$83	-$128	-$167	-$100	-$100	-$100
(plus) PMI/MIP (less than 20%)	-$101	-$155	-$202	-$121	-$181	-$282
Subtotal monthly costs	-$1,815	-$2,795	-$3,630	-$2,178	-$3,217	-$4,948
Housing Costs as % of Income	30%	30%	30%	30%	30%	30%
Minimum Income Required	$72,594	$111,794	$145,187	$87,112	$128,669	$197,929
Pct. of ALL Cottage Grove HHDS who can afford[1]	**86.8%**	**63.3%**	**38.2%**	**64.7%**	**45.8%**	**16.7%**
No. of Cottage Grove HHDS who can afford[1]	**10,936**	**7,974**	**4,818**	**9,252**	**6,552**	**2,385**
Pct. of Cottage Grove owner HHDs who can afford[2]	**79.6%**	**59.7%**	**39.3%**	**91.5%**	**83.6%**	**66.4%**
No. of Cottage Grove owner HHDs who can afford[2]	**10,029**	**7,519**	**4,956**	**11,526**	**10,537**	**8,362**
No. of Cottage Grove owner HHDS who cannot afford[2]	**2,570**	**5,080**	**7,642**	**1,073**	**2,061**	**4,237**

Rental (Market Rate)

	Existing Rental			New Rental		
	1BR	2BR	3BR	1BR	2BR	3BR
Monthly Rent	$1,200	$1,450	$1,600	$1,600	$2,000	$2,500
Annual Rent	$14,400	$17,400	$19,200	$19,200	$24,000	$30,000
Housing Costs as % of Income	30%	30%	30%	30%	30%	30%
Minimum Income Required	$48,000	$58,000	$64,000	$64,000	$80,000	$100,000
Pct. of ALL Cottage Grove HHDS who can afford[1]	**87.2%**	**79.0%**	**78.6%**	**78.6%**	**69.7%**	**58.9%**
No. of Cottage Grove HHDS who can afford[1]	**12,475**	**11,297**	**11,236**	**11,236**	**9,961**	**8,421**
Pct. of Cottage Grove renter HHDs who can afford[2]	**72.6%**	**59.5%**	**58.8%**	**76.3%**	**47.1%**	**38.6%**
No. of Cottage Grove renter HHDs who can afford[2]	**1,236**	**1,012**	**1,001**	**1,299**	**801**	**657**
No. of Cottage Grove renter HHDS who cannot afford[2]	**466**	**690**	**701**	**403**	**901**	**1,045**

[1] Based on 2022 household income for ALL households adjusted to 2024 by Maxfield Research.
[2] Based on 2022 ACS household income by tenure adjusted to 2024 by Maxfield Research.

Source: Maxfield Research & Consulting

Introduction

Maxfield Research and Consulting was engaged to quantify the demand potential for housing development in Cottage Grove from 2025 to 2035. Earlier sections of this report examined growth trends and demographic characteristics of the household base, employment trends, housing characteristics, along current and pending housing options in the Cottage Grove PMA.

This section of the report quantifies demand for general occupancy ownership housing and rental housing (market rate and affordable) from 2025 to 2035, as well as senior housing demand in 2024 and 2030.

Demographic Profile and Housing Demand

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

1. *Entry-level householders*
   - Often prefer to rent basic, inexpensive apartments
   - Usually singles or couples in their early 20's without children
   - Will often "double-up" with roommates in apartment setting

2. *First-time homebuyers and move-up renters*
   - Often prefer to purchase modestly priced single-family homes or rent more upscale apartments
   - Usually married or cohabiting couples, in their mid-20's or 30's, some with children, but most are without children

3. *Move-up homebuyers*
   - Typically prefer to purchase newer, larger, and therefore more expensive single-family homes
   - Typically, families with children where householders are in their late 30's to 40's

4. *Empty-nesters (persons whose children have grown and left home) and never-nesters (persons who never have children)*
   - Prefer owning but will consider renting their housing
   - Some will move to alternative lower-maintenance housing products
   - Generally, couples in their 50's or 60's

5. *Younger independent seniors*
   - Prefer owning but will consider renting their housing

- Will often move (at least part of the year) to retirement havens in the Sunbelt and desire to reduce their responsibilities for upkeep and maintenance
- Generally, in their late 60's or 70's

6. *Older seniors*
   - May need to move out of their single-family home due to physical and/or health constraints or a desire to reduce their responsibilities for upkeep and maintenance
   - Generally single females (widows) in their mid-70's or older

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

The graphic on the following page provides greater detail of various housing types supported within each housing life cycle. Information on square footage, average bedrooms/bathrooms, and lot size is provided on the subsequent graphic.

Housing Demand Overview

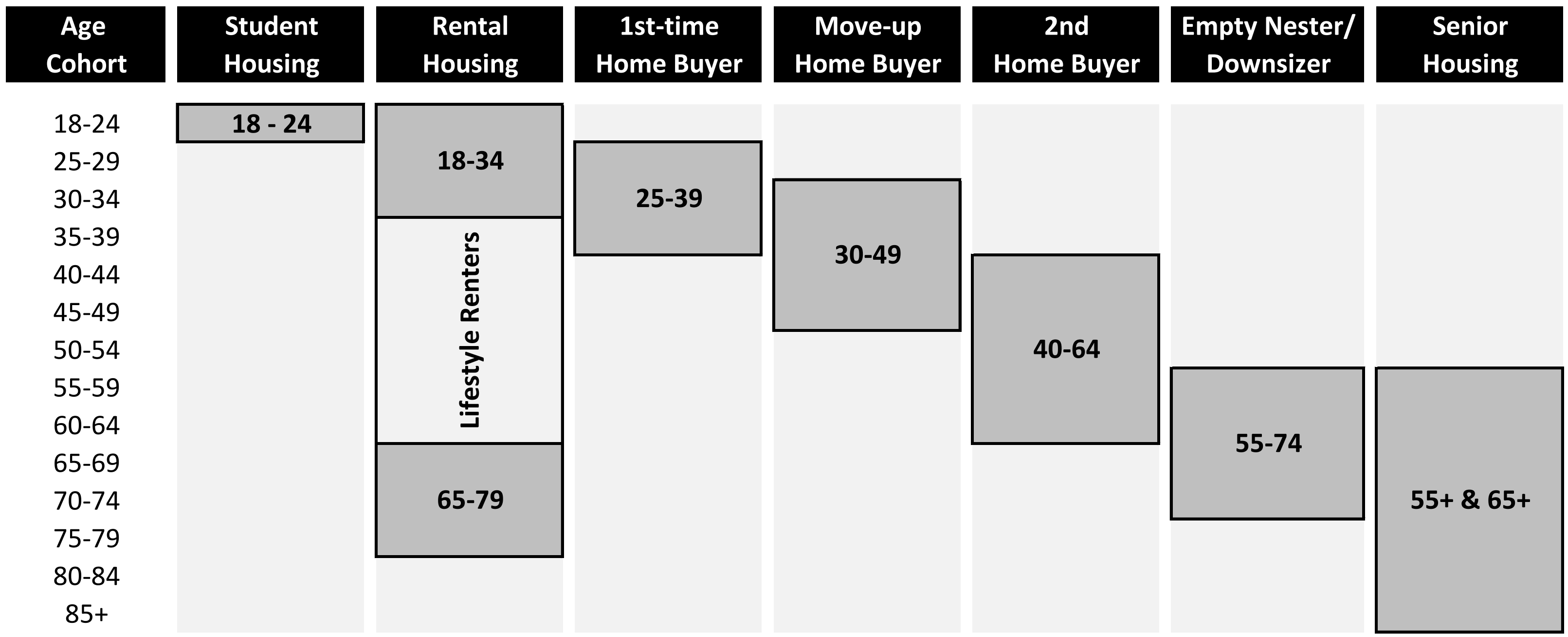
The previous sections of this assessment focused on demographic and economic factors driving demand for housing in Cottage Grove. In this section, we utilize findings from the economic and demographic analysis to calculate demand for new general occupancy housing units in the Cottage Grove.

Housing markets are driven by a range of supply and demand factors that vary by location and submarket. The following bullet points outline several of the key variables driving housing demand.

<u>Demographics</u>

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

DEMOGRAPHICS & HOUSING DEMAND



Source: Maxfield Research & Consulting, LLC

Economy & Job Growth

The economy and housing market are intertwined; the health of the housing market affects the broader economy and vice versa. Housing market growth depends on job growth (or the prospect of); jobs generate income growth which results in the formation of more households. Historically low unemployment rates have driven both existing home purchases and new-home purchases. Lack of job growth leads to slow or diminishing household growth, which in-turn relates to reduced housing demand. Additionally, low-income growth results in fewer move-up buyers which results in diminished housing turnover across all income brackets.

Consumer Choice/Preferences

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

Supply (Existing Housing Stock)

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

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

Housing Finance

Household income is the fundamental measure that dictates what a householder can afford to pay for housing costs. According to the U.S. Department of Housing and Urban Development (HUD), the definition of affordability is for a household to pay no more than 30% of its annual income on housing (including utilities). Families who pay more than 30% of their income for housing (either rent or mortgage) are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation, and medical care.

Due to the rapid increase of mortgage rates this past year to combat inflation (3% to 7%, back down to 6.5%), affordability has been hit hard and fewer buyers can afford to purchase in 2024.

Mobility

Demand is somewhat fluid between Cottage Grove and the surrounding areas and will be impacted by development activity in nearby areas, including other communities outside of the community.

Demand Estimate for For-Sale Housing

Table HD-1 presents our demand calculations for general occupancy for-sale housing in the PMA and Cottage Grove between 2024 and 2030 while Table HD-2 presents demand calculations between 2030 and 2035.

The 75 and older cohort is typically not a target market for new single-family homes as many of these households will remain in their single-family homes or may relocate to owned multifamily or a senior housing option. Households age 65 to 74 are a target market for detached villas which are usually categorized as single-family detached homes. For the purpose of this calculation, we include households under age 75. Using household income by age of householder data, the PMA is expected to add 2,779 households under 75 between 2024 to 2030 and 1,439 households from 2030 to 2035. We estimate, based on land availability, development trends, building permits and consumer preferences, that 70% would choose to own their housing, resulting in an estimated 2,056 for-sale housing units from 2024 to 2030 and 1,007 units from 2030 to 2035. These figures are based on projected household growth in the under age 75 population from 2024 to 2035. These figures are for the Primary Market Area.

Additional demand is also forecast from existing PMA households through turnover. There are an estimated 43,057 owner households in the PMA as of 2024. Based on mobility data from the Census Bureau, an estimated 58.6% of owner households will turn over in the next six years, resulting in 25,231 existing households projected to turn over. Finally, we estimate 15% of the existing owner households would seek new for-sale housing, resulting in demand for 3,785 for-sale units to 2030. Combined, demand from projected household growth and existing owner households equals 5,841 for sale units.

Next, we estimate that 25% of the total demand for new for-sale units in the PMA will come from people currently living outside of the Market Area. Adding demand from outside the area to the existing demand potential, results in a total estimated demand for 7,788 for-sale housing units to 2030.

Based on land availability, building trends, and demographic shifts (increasing older adult population), we estimate that 65% of the for-sale owners will prefer traditional single-family product types while the remaining 35% will prefer a maintenance-free multi-family product (i.e. twin homes, townhomes, or condominiums). This results in 5,452 single-family lots and 2,336 multi-family lots/units by 2030.

Next platted lots that are under construction or approved are subtracted from the total. After subtracting platted lots, there is demand remaining for 4,389 single-family lots and 1,976 multifamily lots/units to 2030 in the PMA. Demand in 2035 is projected for 3,254 single-family lots and 1,803 multifamily lots/units by 2035.

Of the 4,389 single-family lots and 1,976 multifamily lots in the PMA, we estimate that Cottage Grove can capture 30%, resulting in demand for 1,317 single-family and 593 owned multifamily lots. By 2035, demand in Cottage Grove is estimated at 1,139 single-family lots and 631 multifamily lots.

TABLE HD-1
FOR-SALE HOUSING DEMAND
PRIMARY MARKET AREA
2024 to 2030

Demand from Projected Household Growth			
Projected household growth under age 75 in the PMA 2024 to 2030[1]		2,779	
(times) % propensity to own[2]	x	74.0%	
(equals) Projected demand from new HH growth	=	**2,056**	
Demand from Existing Owner Households			
Number of owner households under age 75 in the PMA, 2024[3]		43,057	
(times) Estimated % of owner turnover age 74 and younger, 2024 to 2030)	x	58.6%	
(equals) Total existing households projected to turnover between 2024 and 2030	=	25,231	
(times) Estimated % desiring new owner housing	x	15.0%	
(equals) Demand from existing households		3,785	
(equals) Total demand from HH growth and existing HHs 2024 to 2030	=	**5,841**	
(times) Ownership demand generated from outside the PMA		25.0%	
(equals) Total demand potential for ownership housing, 2024 to 2030		**7,788**	
		Single Family	**Multi-family***
(times) Percent desiring for-sale single-family vs. multifamily[5]	x	70.0%	30.0%
(equals) Total demand potential for new single-family & multifamily for-sale housing	=	5,452	2,336
(minus) Units marketing or approved platted lots (undeveloped and developed lots)	-	1,063	360
(equals) Excess demand for new general occupancy for-sale housing	**=**	**4,389**	**1,976**
(times) Percent of Market Area demand capturable by Cottage Grove	**x**	30.0%	30.0%
(equals) number of units supportable by Cottage Grove		**1,317**	**593**

[1] Estimated household growth of those under 75 based on 2022 American Community Survey, Five Year Estimates with adjustments by Maxfield Research and Consulting
[2] Pct. of owner households under the age of 75 (ACS 2024).
[3] Based on household turnover and mobility data (2022 American Community Survey, Five Year Estimates).
[4] Based on new construction sales data, building permit data, and growing projections by age group.
[5] Multifamily demand includes demand for townhomes, twinhomes, and condominium units.

Source: Maxfield Research and Consulting.

TABLE HD-2 FOR-SALE HOUSING DEMAND PRIMARY MARKET AREA 2030 to 2035			
Demand from Projected Household Growth			
Projected household growth under age 75 in the PMA 2030 to 2035[1]		1,439	
(times) % propensity to own[2]	x	70.0%	
(equals) Projected demand from new HH growth	=	**1,007**	
Demand from Existing Owner Households			
Number of owner households under age 75 in the PMA, 2030[3]		43,085	
(times) Estimated % of owner turnover age 74 and younger, 2030 to 2035)	x	56.8%	
(equals) Total existing households projected to turnover between 2030 and 2035	=	24,472	
(times) Estimated % desiring new owner housing	x	15.0%	
(equals) Demand from existing households		3,671	
(equals) Total demand from HH growth and existing HHs 2030 to 2035	**=**	**4,678**	
(times) Demand from outside the Primary Market Area		25.0%	
(equals) Total demand potential for ownership housing, 2030 to 2035		**6,238**	
		Single Family	**Multi-family***
(times) Percent desiring for-sale single-family vs. multifamily[5]	x	65.0%	35.0%
(equals) Total demand potential for new single-family & multifamily for-sale housing	=	4,054	2,183
(minus) Units marketing or approved platted lots (undeveloped and developed lots)[6]	-	800	380
(equals) Excess demand for new general occupancy for-sale housing	**=**	**3,254**	**1,803**
(times) Percent of Market Area demand capturable by Cottage Grove	**x**	35.0%	35.0%
(equals) number of units supportable by Cottage Grove		**1,139**	**631**

[1] Estimated household growth of those under 75 based on 2022 American Community Survey, Five Year Estimates with adjustments by Maxfield Research and Consulting

[2] Pct. of owner households under the age of 75 with adjustments by Maxfield Research.

[3] Based on household turnover and mobility data (2022 American Community Survey, Five Year Estimates).

[4] Based on new construction sales data, building permit data, and growing projections by age group.

[5] Multifamily demand includes demand for townhomes, twinhomes, and condominium units.

Source: Maxfield Research and Consulting

Demand Estimate for General Occupancy Rental Housing

Table HD-3 presents our calculation of general-occupancy rental housing demand in Cottage Grove between 2025 and 2030 while Table HD-4 presents demand calculations between 2030 and 2035. The analysis identifies potential demand for rental housing that is generated from new households and turnover households. A portion of the demand will be drawn from existing households in Cottage Grove that want to upgrade their housing situations.

Although the 65 and older cohort is not typically a primary target market for new general occupancy rental housing, the rising cost of owned housing and senior options has encouraged more seniors to move into the general occupancy market before considering age-restricted options. As such, we include all age groups in the demand calculation. Based on land availability, development trends, building permits, and consumer preferences, we estimate a 25% propensity to rent resulting in projected demand for 456 rental units between 2024 and 2030.

Demand will also occur from existing renter households through turnover. As of 2024, there are an estimated 11,440 renter households in the Primary Market Area. Based on mobility data from the Census Bureau, an estimated 72.4% of renter households will turn over resulting in existing households projected to turn over. Finally, we estimate 25% of the existing renter households will seek new rental housing, resulting in demand for 2,071 rental units to 2030. Combined demand projected household growth and existing renter households equals 2,526 units.

Next, we estimate that 30% of the total demand for new rental units in Cottage Grove will come from people currently living outside of the Market Area. Adding demand from outside the City to the existing demand potential, results in a total estimated demand for 3,368 rental housing units to 2030.

Based on a review of rental household incomes and sizes and monthly rents at existing projects, we estimate that 15% of the total demand will be for subsidized housing (50% or less AMI), 25% will be for affordable housing (51% to 80% AMI) and 60% will be for market rate housing (80% AMI or above and non-income restricted).

Next, we subtract housing developments under construction or pending, since these projects will satisfy some of the calculated demand for general occupancy rental housing. There are currently 406 market rate units, 319 affordable units and 0 deep subsidy units either under construction or recently approved. These units are subtracted at 95% occupancy.

After subtracting pending units either under construction or recently approved results in demand for 505 subsidized units, 523 affordable units and 1,615 market rate units between 2024 and 2030. We estimate that Cottage Grove can capture 35% of the excess demand resulting in demand supportable of 177 subsidized units, 183 affordable units and 565 market rate units between 2024 and 2030. A similar calculation results in demand for 285 subsidized units, 285 affordable units and 855 market rate units from 2030 to 2035.

TABLE HD-3
RENTAL HOUSING DEMAND
PRIMARY MARKET AREA
2024 to 2030

Demand from Projected Household Growth				
Projected HH growth under age 65 in the Primary Market Area 2024 to 2030[1]			1,822	
(times) Estimated % to be renting their housing[2]	x		25.0%	
(equals) Projected demand from new HH growth	=		**456**	
Demand from Existing Renter Households				
Number of renter households in the PMA, 2024[3]			11,440	
(times) Estimated % of renter turnover between 2024 & 2030[4]	x		72.4%	
(equals) Existing Renter Households Projected to Turnover, 2024 to 2030	=		8,283	
(times) Estimated percent desiring new rental housing[5]	x		25.0%	
(equals) Demand from existing households			2,071	
(equals) Total demand from HH growth and existing HHs 2024 to 2030	**=**		**2,526**	
(times) Demand from outside Worthington Market Area			30.0%	
(equals) Total demand potential for rental housing, 2024 to 2030			**3,368**	
		Subsidized	**Affordable**	**Market Rate**
(times) Percent of rental demand by product type[6]	x	15.0%	25.0%	60.0%
(equals) Total demand potential for general-occupancy rental housing units	=	505	842	2,021
(minus) Units under construction or pending[7]	-	0	319	406
(equals) Excess demand for new general occupancy rental housing	**=**	**505**	**523**	**1,615**
(times) Percent of Market Area demand capturable by Cottage Grove	**x**	35.0%	35.0%	35.0%
(equals) number of units supportable by Cottage Grove		**177**	**183**	**565**

[1] Projected household growth
[2] Renter Households in 2024
[3] Renter households age 64 and younger plus 20% of renter households age 65 and older.
[4] Based on household turnover and mobility data (2018-2022 American Community Survey).
[5] Source - The Upscale Apartment Market: Trends and Prospects. Prepared by Jack Goodman of Hartrey Advisors for the National Multi Housing Council.
[6] Based on a combination of current rental product, income limits, and household incomes of area renters.
[7] Pending competitive units at 95% occupancy.

Source: Maxfield Research and Consulting.

TABLE HD-4
RENTAL HOUSING DEMAND
PRIMARY MARKET AREA
2030 to 2035

Demand from Projected Household Growth				
Projected HH growth under age 65 in the Primary Market Area 2030 to 2035[1]			1,496	
(times) Estimated % to be renting their housing[2]	x		25.0%	
(equals) Projected demand from new HH growth	=		**374**	
Demand from Existing Renter Households				
Number of renter households in the PMA, 2030[3]			13,684	
(times) Estimated % of renter turnover between 2030 & 2035[4]	x		72.4%	
(equals) Existing Renter Households Projected to Turnover, 2030 to 2035	=		9,907	
(times) Estimated percent desiring new rental housing[5]	x		25.0%	
(equals) Demand from existing households			2,477	
(equals) Total demand from HH growth and existing HHs 2030 to 2035	**=**		**2,851**	
(times) Demand from outside Primary Market Area			30.0%	
(equals) Total demand potential for rental housing, 2030 to 2035			**4,073**	
		Subsidized	**Affordable**	**Market Rate**
(times) Percent of rental demand by product type[6]	x	20.0%	20.0%	60.0%
(equals) Total demand potential for general-occupancy rental housing units	=	815	815	2,444
(minus) Units under construction or pending[7]	-	0	0	0
(equals) Excess demand for new general occupancy rental housing	**=**	**815**	**815**	**2,444**
(times) Percent of Market Area demand capturable by Cottage Grove	**x**	35.0%	35.0%	35.0%
(equals) number of units supportable by Cottage Grove		**285**	**285**	**855**

[1] Projected household growth
[2] Renter Households in 2030
[3] Renter households age 64 and younger plus 20% of renter households age 65 and older.
[4] Based on household turnover and mobility data (2018-2022 American Community Survey).
[5] Source - The Upscale Apartment Market: Trends and Prospects. Prepared by Jack Goodman of Hartrey Advisors for the National Multi Housing Council.
[6] Based on a combination of current rental product, income limits, and household incomes of area renters.
[7] Pending competitive units at 95% occupancy.

Source: Maxfield Research and Consulting.

Demand for Active Adult (55+) Housing

Table HD-5 presents our demand calculations for market rate active adult/few services housing in Cottage Grove for 2024 and 2030.

In order to determine demand for active adult housing, the potential market is reduced to those households that are both age and income qualified. The age-qualified market is defined as older adults 55 and older, although most of these properties will primarily attract households age 65 and older.

We calculate that the minimum income needed to afford monthly rents is $40,000 or more plus homeowner households with incomes between $30,000 and $39,999 who would be able to supplement their incomes with the proceeds from a home sale. We estimate the number of age/income-qualified senior households in Cottage Grove in 2023 to be 7,620 households.

Adjusting to include appropriate long-term capture rates for each age cohort (1.5% of households age 55 to 64, 7.5% of households age 65 to 74, and 16.5% of households age 75 and over) results in a market rate demand potential for 1,374 active adult (55+) units in 2024.

Some additional demand will come from outside the PMA. We estimate that 25% of the demand will be generated by seniors currently residing outside the PMA. This demand will consist primarily of parents of adult children living in the PMA, individuals who live just outside Cottage Grove and have an orientation to the area, as well as former residents who desire to return. Demand increases to 1,832 units in 2024 after accounting for outside demand.

Next, demand is apportioned between ownership and rental housing. Based on the age distribution, homeownership rates and current product available in the PMA, we estimate that 45% of the PMA's demand will be for adult ownership housing (825 units) and 55% will be for rental housing (1,008 units).

Next, we subtract existing and pending competitive market rate units (minus a vacancy factor of 5% to allow for sufficient consumer choice and turnover) from the owner and rental demand. Subtracting the existing competitive market rate units results in total demand potential for 754 adult owned units and 1,004 active adult rental units.

Adjusting for inflation, we estimate that households with incomes of $45,000 or more and homeowners with incomes of $40,000 to $44,999 would income qualify for market rate independent senior housing in 2030. Considering the growth in the older adult base and the income distribution of the older adult population in 2030, the methodology estimates demand for 805 adult owned units and 1,067 active adult rental units in the PMA. The demand is cumulative, meaning any additional units developed over the period would reduce the demand in 2030. Cottage Grove is estimated to be able to capture 25% of the demand in the PMA resulting in 188 owned units and 251 rental units in 2024. Demand for 2030 increases to 201 owned units and 267 rental units.

TABLE HD-5 MARKET RATE ACTIVE ADULT HOUSING DEMAND PRIMARY MARKET AREA 2024 & 2030														
	2024							2030						
	Age of Householder							Age of Householder						
		55-64		65-74		75+			55-64		65-74		75+	
# of Households w/ Incomes of >$40,000[1]		9,521		6,881		3,988			9,714		7,565		4,209	
# of Households w/ Incomes of $35,000 to $39,999[1]	+	181		248		312			134		196		310	
(times) Homeownership Rate	x	85.4%		90.4%		74.1%		x	85.4%		90.4%		74.1%	
(equals) Total Potential Market Base	=	9,676		7,105		4,219		=	9,828		7,742		4,439	
(times) Potential Capture Rate	x	1.5%		7.5%		16.5%		x	1.5%		7.5%		16.5%	
(equals) Demand Potential	=	145		533		696		=	147		581		732	
Potential Demand from Primary Market Area			=	**1,374**						=	**1,460**			
(plus) Demand from Outside PMA (25%)			+	458						+	487			
(equals) Total Demand Potential			=	**1,832**						=	**1,947**			
		Owner-Occupied				**Renter-Occupied**			**Owner-Occupied**				**Renter-Occupied**	
(times) % by Product Type	x	45%			x	55%		x	45%			x	55%	
(equals) Demand Potential by Product Type	=	825			=	1,008		=	876			=	1,071	
(minus) Existing and Pending MR Active Adult Units[2]	-	71			-	4		-	71			-	4	
(equals) Excess Demand for MR Active Adult Units	=	**754**			=	**1,004**		=	**805**			=	**1,067**	
(times) Percent that could be captured in Cottage Grove	x			25%							25%			
(equals) Excess market rate AA demand in Cottage Grove	=	**188**				**251**			**201**				**267**	

[1] 2030 calculations define income-qualified households as all households with incomes greater than $45,000 and homeowner households with incomes between $40,000 and $44,999.

[2] Existing and pending are deducted at market equilibrium (95% occupancy).

Source: Maxfield Research and Consulting.

Demand for Subsidized/Affordable Active Adult Housing

Table HD-6 presents our demand calculations for subsidized/affordable active adult (55+ or 62+) housing in Cottage Grove in 2023 and 2030.

In order to arrive at the potential age and income qualified base for low income and affordable housing, we include all older adult (55+) households with incomes less than $40,000. We exclude 55+ homeowner households with incomes between $35,000 and $39,999, as these households are most likely to have additional equity that could be converted to monthly income following the sales of their single-family homes and they would no longer qualify for income-restricted housing. After applying homeownership rates of 85.4% for those 55 to 64, 90.4% for those 65 to 74 and 74.1% for those 75 and older demand totals 4,802 units.

TABLE HD-6
SUBSIDIZED/AFFORDABLE ACTIVE ADULT HOUSING DEMAND
PRIMARY MARKET AREA
2024 & 2030

	2024			2030		
	Age of Householder			Age of Householder		
	55-64	65-74	75+	55-64	65-74	75+
# of Households w/ Incomes of <$40,000	1,297	1,486	2,481	1,028	1,472	2,823
Less Households w/ Incomes of $35,000 to $39,999[1]	- 181	248	312	- 134	196	310
(times) Homeownership Rate	x 85.4%	90.4%	74.1%	x 85.4%	90.4%	74.1%
(equals) Total Potential Market Base	= 1,142	1,262	2,250	= 914	1,295	2,593
(times) Potential Capture Rate	x 5.0%	15.0%	30.0%	x 5.0%	15.0%	30.0%
(equals) Demand Potential	= 57	189	675	= 46	194	778
(equals) Potential Demand from Primary Market Area		**= 921**			**1,018**	
(plus) Demand from Outside PMA (40%)		+ 614			+ 679	
(equals) Total Demand Potential		**= 1,536**			**= 1,696**	
	Subsidized		**Affordable**	**Subsidized**		**Affordable**
(times) % by Product Type	x 35.0%		x 65.0%	x 35.0%		x 65.0%
(equals) Demand Potential by Product Type	= 537		= 998	= 594		= 1,103
(minus) Existing and Pending Aff Active Adult Units[2]	- 128		- 578	- 128		- 578
(equals) Excess Demand for Aff/Sub Units	**= 409**		**= 420**	**= 466**		**= 525**
(times) Percent that could be captured in Cottage Grove	x	25.0%			25.0%	
(equals) Excess sub/aff independent demand in Cottage Grove	**= 102**		**105**	**116**		**131**

[1] 2030 calculations define income-qualified households as all households with incomes less than $47,500. Homeowner households with incomes between $37,500 and $47,499 are excluded from the market potential for financially-assisted housing.
[2] Existing units are deducted at market equilibrium, or 97% occupancy.

Source: Maxfield Research and Consulting.

Capture rates are applied to each age cohort, 5% for those 55 to 64, 15% for those 65 to 74 and 30% for those 75 years and older. Additional demand is added for those coming from outside the Primary Market Area at 40%, increasing demand to 1,536 units.

Next, demand is apportioned between deep subsidy and shallow subsidy affordable housing. We estimate that 65% of the PMA's demand will be for shallow subsidy active adult housing (998 units) and 35% will be for deep subsidy active adult housing (537 units).

Next, we subtract existing and pending competitive units from the overall demand. There are 578 existing/pending shallow subsidy units and 128 existing/pending deep subsidy units in the Market Area - minus a vacancy factor of 3% to allow for sufficient consumer choice and turnover). After subtracting these units, demand remains for 409 deep subsidy and 420 shallow subsidy age-restricted units in 2024. Demand capturable by Cottage Grove is estimated at 25% of the excess demand in the PMA as of 2024, which results in 116 deep-subsidy units and 131 shallow-subsidy units.

Demand for Independent Living Housing

Table HD-7 presents our demand calculations for independent living housing in Cottage Grove in 2024 and 2030.

TABLE HD-7
INDEPENDENT LIVING DEMAND
PRIMARY MARKET AREA
2024 & 2030

		2024 Age of Householder 65-74	2024 Age of Householder 75+		2030 Age of Householder 65-74	2030 Age of Householder 75+
# of Householders w/ Incomes of $40,000		6,881	3,988		7,565	4,209
(plus) HHs w/ Incomes of $35,000 to $39,999		248	312		196	310
(times) Homeownership Rate	x	90.4%	74.1%	x	90.4%	74.1%
(equals) Potential Market	=	224	231	=	177	230
(equals) Total Potential Market Base	=	7,105	4,219	=	7,742	4,439
(times) Potential Capture Rate of Independent Living Demand[1]	x	1.0%	16.5%	x	1.0%	16.5%
(equals) Potential Demand	=	71	+ 696	=	77	+ 732
Total Local Demand Potential	=	767		=	810	
(plus) Demand from Outside the PMA (25%)	+	256		+	270	
(equals) Total Demand Potential	**=**	**1,023**		**=**	**1,080**	
(minus) Existing & Pending Competitive Units[2]	-	447		-	447	
(equals) Total Independent Living Demand Potential		576			633	
(times) Percent of PMA demand capturable in Cottage Grove	x	25.0%		x	25.0%	
(equals) number of units supportable in Cottage Grove	=	**144**		=	**158**	

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

[2] Competitive existing and pending units at 95% occupancy (market equilibrium).

Note: 2030 income-qualified equals HH's with incomes of $45,000 or greater and owner households with incomes of $40,000-$44,999.

Source: Maxfield Research and Consulting

The potential age- and income-qualified base for independent living senior housing includes all senior (65+) households with incomes of $40,000 or more as well as homeowner households with incomes between $35,000 and $39,999 who would qualify with the proceeds from the sales of their homes. The proportion of income-qualified homeowners is based on the estimated 2024 homeownership rates of PMA seniors. The number of age, income and asset-qualified households in the PMA is estimated to be 11,324 households in 2024.

Demand for independent living housing is need-driven, which reduces the qualified market to only the portion of seniors who need some assistance. Adjusting to include appropriate capture rates for each age cohort (1.0% of households age 65 to 74 and 16.5% of households age 75 and older) results in a local demand potential for 767 independent living units in 2024.

We estimate that seniors currently residing outside of the PMA will generate 25% of the demand. Together, the demand from PMA seniors and demand from seniors who are willing to locate to the PMA totals 1,023 independent living units in 2024. Next, we subtract existing/pending independent living units in the PMA leaving demand for 576 units.

Adjusting for inflation, we estimate that households with incomes of $45,000 or more and senior homeowners with incomes between $40,000 and $44,999 would qualify for independent living housing in 2030. Following the same methodology, leaves demand at 633 units in 2030. We estimate that Cottage Grove can capture 25% of the excess demand identified in the PMA. This results in demand for 144 units in 2024 and 158 units in 2030.

Demand for Assisted Living Housing

Table HD-8 presents our demand calculations for assisted living senior housing in Cottage Grove in 2024 and 2030. This analysis focuses on the potential *private pay/market rate* demand for assisted living units.

The availability of more intensive support services such as meals, housekeeping and personal care at assisted living facilities usually attracts older, frailer seniors. According to the 2009 Overview of Assisted Living (which is a collaborative research project by the American Association of Homes and Services for the Aging, the American Seniors Housing Association, National Center for Assisted Living, and National Investment Center for the Seniors Housing and Care Industry), the average age of residents in freestanding assisted living facilities was 87 years in 2018. Therefore, the age-qualified market for assisted living is defined as seniors ages 75 and over, as we estimate that of the half of demand from seniors under age 87, almost all would be over age 75. In 2024, there are an estimated 10,080 seniors ages 75 and over in the Market Area. The number is projected to increase to 12,599 people by 2030.

Demand for assisted living housing is need-driven, which reduces the qualified market to only the portion of seniors who need assistance. According to a study completed by the CDC and National Center for Health Statistics (Health, United States, 2018 Health and Aging Chartbook), 25.5% of 75-to-79-year-olds, 33.6% of 80-to-84-year-olds and 51.6% of 85+ year olds are unable to perform or need help with ADLs. Applying these percentages to the senior population yields a potential assisted living market of an estimated 3,462 seniors in the Market Area in 2024 and 4,386 seniors in 2030.

TABLE HD-8
MARKET RATE ASSISTED LIVING DEMAND
PRIMARY MARKET AREA
2024 & 2030

			2024			2030		
Age group		People	Percent Needing Assistance[1]	Number Needing Assistance[1]		People	Percent Needing Assistance[1]	Number Needing Assistance[1]
75 - 79		4,725	25.5%	**1,207**		5,495	25.5%	**1,403**
80 - 84		2,835	33.6%	**954**		3,813	33.6%	**1,283**
85+		2,520	51.6%	**1,301**		3,291	51.6%	**1,699**
Total		**10,080**		**3,462**		**12,599**		**4,386**
(times) Percent Income-Qualified[2]			x	56.8%			x	57.4%
Total potential market				1,966				2,517
(times) Percent living alone (2010 Census of 75+)			x	45.6%			x	45.6%
(equals) Age/income-qualified singles needing assistance			=	896			=	1,147
(plus) Proportion of demand from couples (12%)[3]			+	118			+	150
(equals) Total age/income-qualified market needing assistance			=	1,013			=	1,297
(times) Potential penetration rate[4]			x	40.0%			x	40.0%
(equals) Potential demand from PMA residents			=	405			=	519
(plus) Proportion from outside the PMA (25%)			+	135			+	173
(equals) Total potential assisted living demand			**=**	**540**			**=**	**692**
(minus) Existing market rate assisted living units[5]			-	381			-	381
(equals) Total excess market rate assisted living demand				159				311
(times) Percent of Market Area demand capturable in Cottage Grove				25.0%				25.0%
(equals) Number of units supportable in Cottage Grove			**=**	**40**			**=**	**78**

[1] The percentage of seniors unable to perform or having difficulting with ADLs, based on the publication Health, United States, 2018 Health and Aging Chartbook, conducted by the Centers for Disease Control and Prevention and the National Center for Health Statistics.

[2] Includes households with incomes of $45,000 or more ($50,000 in 2035) plus 40% of the estimated owner households with incomes below these levels who will spend down assets, including home-equity, in order to live in assisted living housing).

[3] The 2018 Overview of Assisted Living (a collaborative project of AAHSA, ASHA, ALFA, NCAL & NIC) found that 12% of assisted living residents are couples.

[4] We estimate that 60% of the qualified market needing assistance with ADLs could either remain in their homes or reside at less advanced senior housing with the assistance of a family member or home health care, or would need greater care provided in a skilled care facility.

[5] Existing and pending units at 93% occupancy. We exclude 20.0% of units to account for seniors utilizing public subsidy.

Source: Maxfield Research and Consulting.

Due to the supportive nature of assisted living housing, most daily essentials are included in monthly rental fees which allow seniors to spend a higher proportion of their incomes on housing with basic services. Therefore, the second step in determining the potential demand for assisted living housing in the PMA is to identify the income-qualified market based on a senior's ability to pay the monthly rent. We consider seniors in households with incomes of 40,000 or greater to be income-qualified for assisted living senior housing in the PMA. Households with incomes of $45,000 could afford monthly assisted living fees of approximately $2,667 by allocating a high proportion of their income toward the fees (about 80%).

According to the 2009 Overview of Assisted Living, the average arrival income of assisted living residents in 2008 was $27,260, while the average annual assisted living fee was $37,281 ($3,107/month). This data highlights that seniors are spending down assets to live in assisted living and avoid institutional care. Thus, in addition to households with incomes of $45,000 or greater, there is a substantial base of senior households with lower incomes who would income-qualify based on assets – their homes, in particular.

We estimate the income-qualified percentage to be all seniors in households with incomes at or above $45,000 plus 40% of the estimated seniors in owner households with incomes below $45,000 (who will spend down assets, including home-equity, in order to live in assisted living housing). This results in a total potential market of 1,966 seniors from the Market Area in 2024.

Because most assisted living residents are single (88% according to the 2009 Overview of Assisted Living), our demand methodology multiplies the total potential market by the percentage of seniors age 65+ in the PMA living alone, or 45.6%, based on 2022 American Community Survey 5-year estimates data. This results in a total base of 896 age/income-qualified singles in 2024.

The 2009 Overview of Assisted Living found that 12% of residents in assisted living were couples. Including couples results in a total of 1,023 age/income-qualified seniors needing assistance in the Market Area in 2024.

We estimate that 60% of the qualified market needing significant assistance with ADLs could either remain in their homes or less service-intensive senior housing with the assistance of a family member or home health care or would need greater care provided in a skilled care facility. The remaining 40% could be served by assisted living housing. Applying this market penetration rate of 40% results in demand for 405 assisted living units in 2024.

We estimate that a portion of demand for assisted living units in the PMA (25%) will come from outside the area. This secondary demand will include seniors currently living just outside the area, former residents, and parents of adult children who desire supportive housing near their adult children. Applying this figure increases the total potential demand to 540 assisted living units in 2024.

Next, existing/pending assisted living units at a 93% occupancy rate are subtracted from overall demand. An additional 20% of units are subtracted from existing and pending assisted living units to account for units occupied by Elderly Waiver residents. After subtracting 20% for EW units and the 93% occupancy rate, a total of 381 units are deducted as competitive giving a total excess demand of 159 assisted living units in 2024 and increasing to 311 units in 2030.

Most assisted living developments require residents to have lived in their facility for a certain amount of time before they can use a waiver, and most limit the number of waivers accepted within the community to no more than 15% to 20%. Some small facilities may accept higher amounts of residents on waivers and some new facilities will not accept waivers from first-time residents.

We estimate that Cottage Grove can capture 25% of the excess demand in the PMA for assisted living resulting in 40 units in 2024, increasing to 78 units by 2030.

Demand for Memory Care Housing

Table HD-9 presents our demand calculations for market rate memory care senior housing in Cottage Grove in 2024 and 2030.

Demand is calculated by starting with the estimated Market Area senior (age 65+) population in 2024 and multiplying by the incidence rate of Alzheimer's/dementia among this population's age cohorts. According to the Alzheimer's Association (Alzheimer's Disease Facts and Figures, 2021), 5.0% of seniors ages 65 to 74 years, 13.1% of seniors ages 75 to 84, and 33.0% of seniors ages 85+ are afflicted with Alzheimer's Disease. This yields a potential market of 2,598 seniors in the Primary Market Area in 2024.

According to data from the National Institute of Aging, about 20% of all individuals with memory care impairments comprise the market for memory care housing units. This figure considers that seniors in the early stages of dementia will be able to live independently with the care of a spouse or other family member, while those in the later stages of dementia will require intensive medical care that would only be available in skilled care facilities. Applying this figure to the estimated population with memory impairments yields a potential market of 520 seniors in the PMA.

Because of the staff-intensive nature of dementia care, typical monthly fees for this type of housing start at about $4,000 or more. A portion of the seniors in the Market Area will have high incomes that they can use to cover the costs of private pay memory care housing ($60,000+), but many other seniors (or family member of seniors) will be willing to spend down assets and/or would receive financial assistance to afford memory care housing. Based on our review of senior household incomes in the Market Area, homeownership rates, and home sale data, we estimate that 60.1% of all seniors in the Market Area have incomes and/or assets to sufficiently cover the costs for memory care housing in 2024. This figure accounts for married couple households where one spouse may have memory care needs and allows for a sufficient income for the other spouse to live independently. Multiplying the potential market by 60.1% results in a total of 312 income-qualified seniors with Alzheimer's or dementia in the Market Area in 2024. By 2030, the proportion of income-qualified seniors is project to increase to 67.8%.

We estimate that 25% of the overall demand for memory care housing would come from outside of Cottage Grove. As a result, demand increases by 104 units in 2024 to 416 units.

We reduce the demand potential by accounting for the existing/pending memory care product in the PMA. There are 372 units; however, we reduce the competitive units to include memory care units at a 7% vacancy rate and a portion of units occupied by residents utilizing Elderly Waiver. Subtracting these competitive units results in demand for 139 units as of 2024. Potential demand for market rate memory care units in the PMA is expected to increase to 287 units by 2030.

We estimate that Cottage Grove can capture 25% of the excess demand for memory care in the PMA, resulting in demand for 35 units in 2024, increasing to 72 units by 2030.

TABLE HD-9
MEMORY CARE DEMAND
PRIMARY MARKET AREA
2024 & 2030

		2024		2030
65 to 74 Population		14,203		16,272
(times) Dementia Incidence Rate[1]	x	5.0%	x	5.0%
(equals) Estimated Senior Pop. with Dementia	=	710	=	814
75 to 84 Population		7,404		9,308
(times) Dementia Incidence Rate[1]	x	13.1%	x	13.1%
(equals) Estimated Senior Pop. with Dementia	=	970	=	1,219
85+ Population		2,774		3,291
(times) Dementia Incidence Rate[1]	x	33.1%	x	33.1%
(equals) Estimated Senior Pop. with Dementia	=	918	=	1,089
(equals) Total Population with Dementia		**2,598**		**3,122**
(times) Percent Needing Specialized Memory Care Assistance	x	20.0%		20.0%
(equals) Total Need for Dementia Care	=	520	=	624
(times) Percent Income/Asset-Qualified[2]	x	60.1%	x	67.8%
(equals) Total Income-Qualified Market Base in the PMA	=	312	=	423
(plus) Demand from Outside the Study Area (25%)	+	104	+	141
Total Demand for Memory Care Units		**416**		**564**
(minus) Existing and Pending Memory Care Units[3]	-	277	-	277
(equals) Excess Demand Potential	=	139	=	287
(times) Percent of Market Area demand capturable in Cottage Grove	x	25.0%	x	25.0%
(equals) Number of Units Supportable in Cottage Grove	**=**	**35**	**=**	**72**

¹ Alzheimer's Association: Alzheimer's Disease Facts & Figures (2021)
² Includes seniors with incomes at $60,000 or above ($65,000 in 2030) plus 25% of homeowners with incomes below this threshold (who will spend down assets, including home-equity, in order to live in memory care housing.
³ Existing and pending units at 93% occupancy. We exclude 20% of units to account for seniors utilizing public subsidy.

Source: Maxfield Research and Consulting

Introduction/Overall Housing Recommendations

This section summarizes demand calculated for specific housing products in Cottage Grove and recommends development concepts to meet the housing needs forecast for the City. All recommendations are based on findings of the *Comprehensive Housing Market Analysis*. Please note: Demand subtracts housing projects under construction and projects with approvals (see Table P-1). The following table and charts illustrate calculated demand by product type.

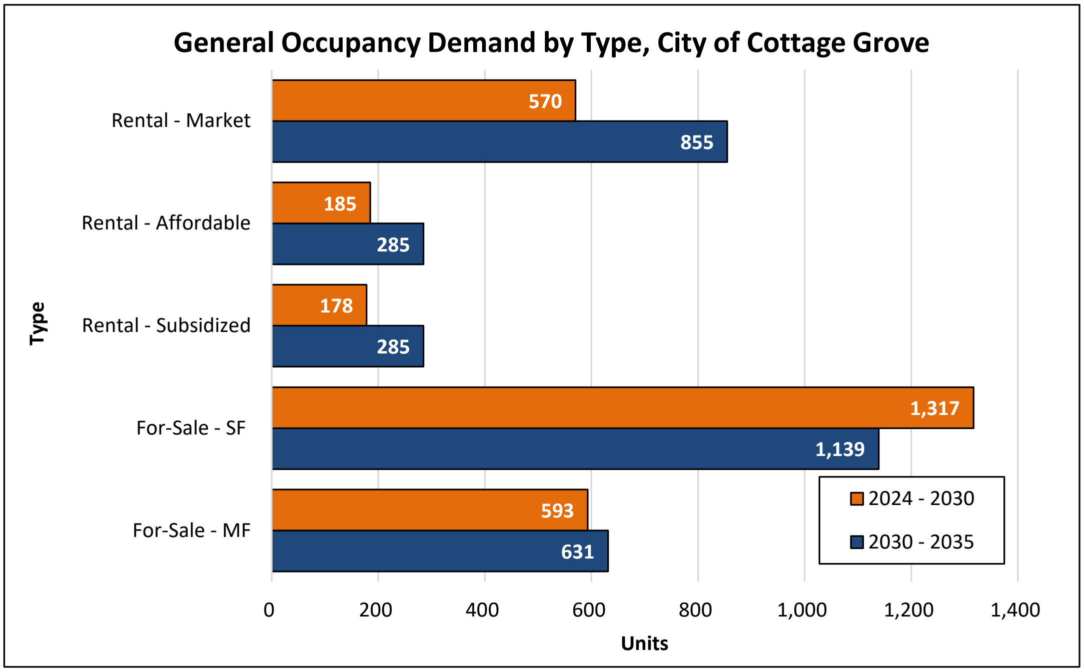
TABLE CR-1
HOUSING DEMAND SUMMARY
CITY OF COTTAGE GROVE
2024 - 2035

General Occupancy Housing Demand	2024-2030	2030-2035
For-Sale Units (After vacant lot supply absorbed)	**1,910**	**1,770**
Detached Single-Family*	1,317	1,139
Other Owned General Occupancy Units**	593	631
General Occupancy Rental Units	**933**	**1,425**
Market Rate	570	855
Shallow-Subsidy^	185	285
Deep-Subsidy^	178	285
Total General Occupancy Housing Units	**2,843**	**3,195**

Senior Demand	2024	2030	2035
Market Rate Active Adult	**439**	**468**	**599**
Owner-Occupied	188	201	260
Renter-Occupied	251	267	339
Affordable Active Adult	**207**	**247**	**378**
Deep-Subsidy^	102	116	162
Shallow-Subsidy^	105	131	216
Service-Enhanced Senior Housing	**219**	**308**	**462**
Independent Living w/ Services	144	158	243
Assisted Living	40	78	84
Memory Care	35	72	135
Total Senior Housing Units	**865**	**1,023**	**1,439**

* After single family lots have been absorbed.
** Attached single-family (i.e. townhomes, twin homes), condominiums, etc.
^Shallow-subsidy = affordable to households at 50% to 60% AMI
^Deep-subsidy = affordable to households at 50% AMI or less
Source: Maxfield Research and Consulting

Based on the finding of our analysis and demand calculations, Table CR-2 provides a summary of the recommended development concepts by product type for the Cottage Grove. These proposed concepts are intended to function as a development guide to meet the housing needs of existing and future households most effectively in the City. Table CR-2 identifies short-term targeted development, which may not match demand due to other market factors such as pent-up demand, development costs, labor market dynamics (senior housing), etc.



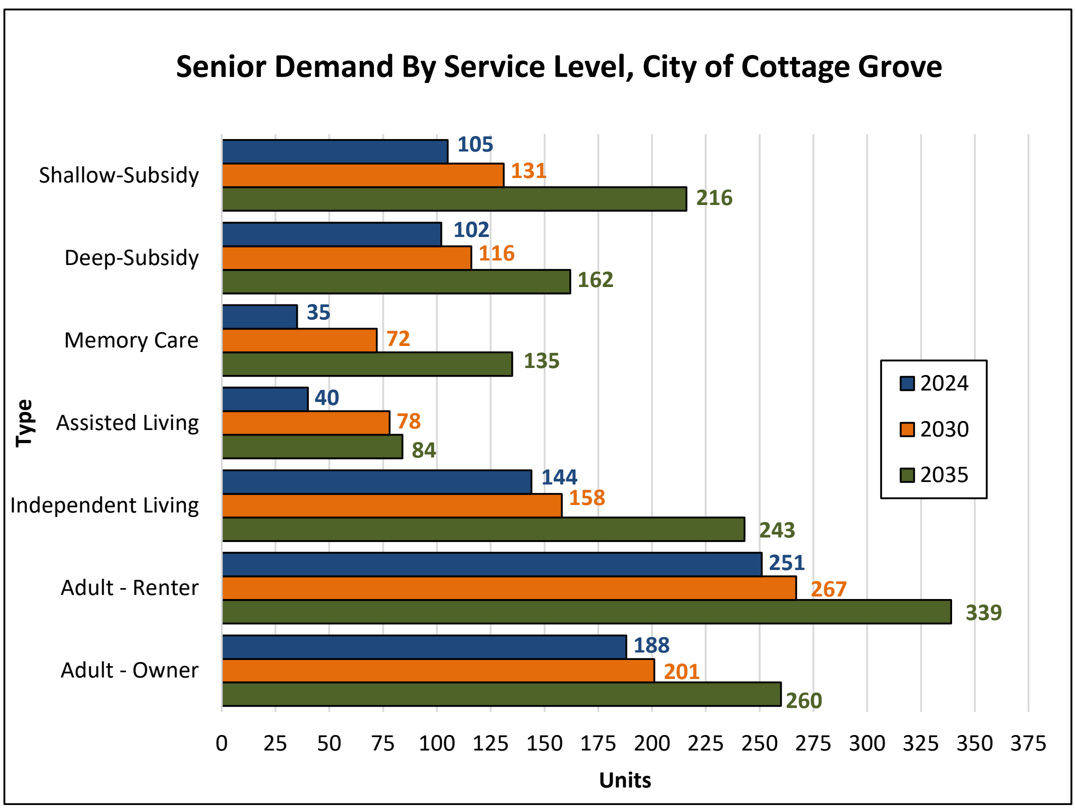


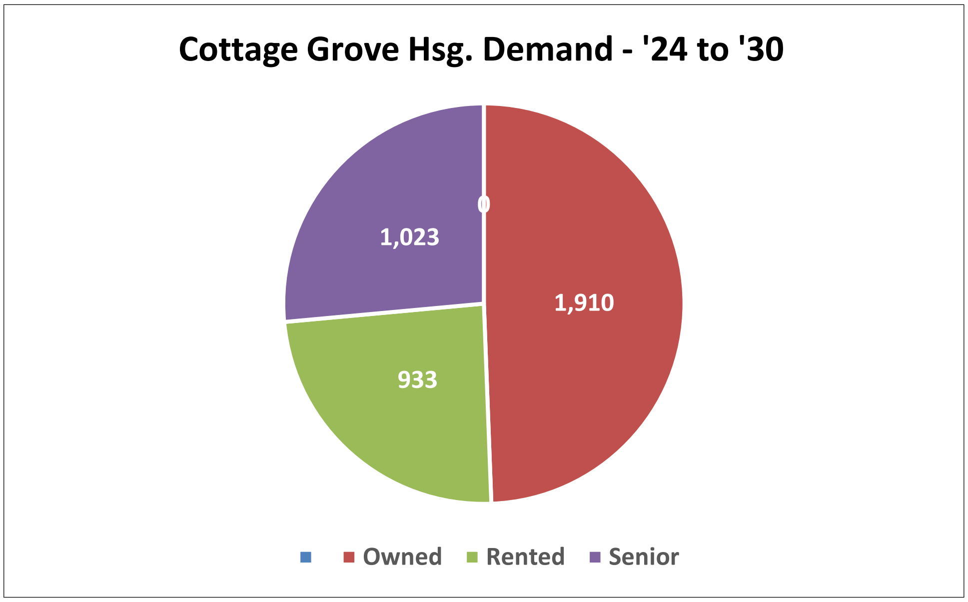
TABLE CR-2
RECOMMENDED HOUSING DEVELOPMENT
COTTAGE GROVE
2024 TO 2030

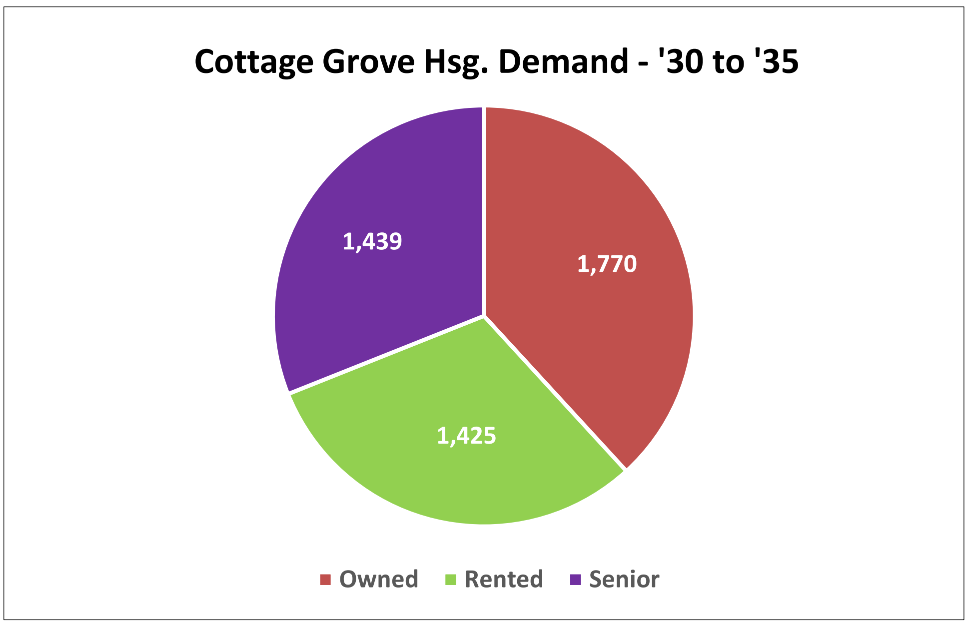
	Purchase Price/ Monthly Rent Range[1]	No. of Units	Development Timing
Owned Homes			
Single Family [2]			
Entry-level	$300,000 - $350,000	300 - 400	2025+
Move-up	$450,000 - $699,999	400 - 500	2025+
Executive	$700,000+	100 - 150	2025+
Total		**800 - 1,050**	
Townhomes/Twinhomes/Villas [2]			
Attached Townhomes-Entry-level	$250,000 - $325,000	200 - 200	2025+
Attached Townhomes-Move-Up	$400,000 - $500,000	100 - 200	2025+
Twinhomes / Detached Townhomes/Villas	$500,000+	100 - 200	2025+
Total		**400 - 600**	
Total MF Style For-Sale		**400 - 600**	
Total Owned		**1,200 - 1,650**	
General Occupancy Rental Housing			
Market Rate Rental Housing			
Apartment-style (moderate)	$1,050/Eff - $2,300/3BR	300 - 350	2025+
Apartment-style (luxury)	$1,500/1BR - $2,600/3BR	300 - 400	2026+
Rental Townhomes	$2,500/2BR - $2,800/3BR	60 - 80	2025+
Total		**660 - 830**	
Affordable Rental Housing			
Apartment-style	Moderate Income[3]	120 - 130	2025+
Townhomes	Moderate Income[3]	50 - 60	2025+
Subsidized	30% of Income[4]	50 - 65	2025+
Total		**220 - 255**	
Total Renter-Occupied		**880 - 1,085**	
Senior Housing (i.e. Age Restricted)			
Active Adult Ownership / Co-op[4]	$200,000+	80 - 120	2025+
Active Adult Market Rate Rental[5]	$1,600/1BR - $2,300/2BR	80 - 100	2025+
Active Adult Affordable Rental[5]	Moderate Income[3]	125 - 150	2027+
Independent Living	$2,400+ per month	100 - 125	2025+
Assisted Living	$3,000/EFF - $5,000/2BR	40 - 45	2027+
Memory Care	$5,000/EFF - $6,000/2BR	30 - 35	2027+
Subsidized Senior	30% of Income[4]	70 - 90	2025+
Total		**525 - 665**	
Total - All Units		**2,605 - 3,400**	

[1] Pricing in 2024 dollars. Pricing can be adjusted to account for inflation.
[2] Replacement need, infill, and redevelopment. Development of single-family homes and townhomes/twinhomes will hinge on land availability.
[3] Affordablity subject to income guidelines per Minnesota Housing Finance Agency (MHFA). See Table HA-1 for Metro Area (Twin Cities) Income limits.
[4] Subsized housing will be difficult to develop financially
[5] Alternative development concept is to combine active adult affordable and market rate active adult into mixed-income senior community

Note - Recommended development does not coincide with total demand. Cottage Grove may not be able to accommodate all recommended housing types based on land availability and development constraints.

Source: Maxfield Research and Consulting


Cottage Grove Hsg. Demand - '24 to '30
0
1,023
1,910
933
Owned
Rented
Senior


Cottage Grove Hsg. Demand - '30 to '35
1,439
1,770
1,425
Owned
Rented
Senior

Recommended Housing Product Types

For-Sale Housing

Single-Family Housing

Table HD-1 identified demand for 1,317 single-family homes in Cottage Grove to 2030. Another 1,139 single-family units are supportable from 2030 to 2035.

Most of the housing stock in Cottage Grove is newer and housing units built in the 2000s and 2010s are primarily at a price range targeted to move-up and executive buyers. Entry-level homes, which are currently classified as homes priced under $350,000 are primarily satisfied by existing single-family homes as residents of these homes move into newer housing, such as move-up single-family homes, rental housing and senior housing. A move-up buyer or step-up buyer is typically one who is selling one house and purchasing another one, usually a larger and more expensive home. Usually, the move is desired because of a lifestyle change, such as a new job or a growing family. Based on our interviews with real estate professionals, new construction move-up homes are generally priced at $430,000 or higher. Existing move-up homes are priced at $385,000 or higher. The challenge in today's market is that many existing owners in affordable or even more recently built move-up homes are not relocating and are staying put because of higher mortgage interest rates. This has severely curtailed the availability of existing homes in the market that could be occupied by entry-level buyers. As such, serving this market segment has become one of the most challenging objectives in the Twin Cities and across the nation.

The new construction market in Cottage Grove has been active as an average of 266 new single-family homes and 78 new owned multifamily homes have been constructed annually. Demand in Table HD-1 is modestly higher than historical construction trends, signaling continued pent-up demand for new owned homes.

Much of the new single-family construction in Cottage Grove and the surrounding cities has targeted move-up and executive buyers (pricing $430,000+). High land and infrastructure costs as well as increasing construction, material and labor costs have resulted in escalating home prices. Despite this, our research and housing experience identifies demand for a variety of price points of new single-family homes.

There is significant demand for new single-family homes priced under $400,000. This would however, require additional efforts to bring units at this price point to the market including smaller lot sizes, alternative construction formats, creative design/layouts and lower infrastructure costs.

In the short-term, new construction starts will be dampened given persistent higher mortgage rates and continued high costs for land and infrastructure. The upcoming change in Federal government administration and potential changes to Federal policies may result in persistent higher mortgage interest rates for longer than previously anticipated. Therefore, new construction may be constrained to a greater degree until interest rates decrease further.

For-Sale Multifamily Housing

A growing number of households desire and/or are considering owned multifamily products such as townhouses, twinhomes and detached villas. Typically, the target market for for-sale multifamily housing is empty-nesters and retirees seeking to downsize from their single-family homes, although a growing number of singles and couples without children are also looking for this product as a way to enter the for-sale market. In some housing markets, younger households also find purchasing multifamily units to be generally more affordable than purchasing new single-family homes.

Our analysis of the Cottage Grove for-sale housing stock identified townhomes, twinhomes and some detached villas (although this is a new product in the community). There are older units as well as new construction. Demand remains strong for all lower-maintenance products. Given the aging of the population and the growth rate in the 65+ population, Cottage Grove would benefit from continuing to increase this component of the housing stock. Based on the changing demographics and the need for alternative housing types, demand was calculated for 970 new multifamily for-sale units in Cottage Grove to 2030. Like single-family, it will be difficult to achieve this level of development given land acquisition costs and the lack of new condominium construction in the marketplace.

These attached units could be developed as twinhomes, detached townhomes or villas, cottages, townhomes/row homes, condominiums, or any combination. Because the primary target market for many low maintenance housing products is empty-nesters and young seniors, most townhomes should be one-level or at least have an owner's suite on the main level if a unit is two-stories. The following provides additional detail into attached and detached low maintenance concepts.

- *Twinhomes*– By definition, a twinhome is basically two units with a shared wall with each owner owning half of the lot the home is on. Some one-level living units are designed in three-, four-, or even six-unit buildings in a variety of configurations. The swell of support for twinhome and one-level living units is generated by the aging baby boomer generation, which is increasing the numbers of older adults and seniors who desire low-maintenance housing alternatives to their single-family homes but are not ready to move to service-enhanced rental housing (i.e. downsizing or right sizing).

Traditionally most twinhome developments have been designed with the garage being the prominent feature of the home; however, today's newer twinhomes have much more architectural detail. Many higher end twin home developments feature designs where one garage faces the street and the other to the side yard. This design helps reduce the prominence of the garage domination with two separate entrances. Housing products designed to meet the needs of these aging Cottage Grove residents, many of whom desire to stay in their current community if housing is available to meet their needs, will be needed into the near future.

Twinhomes are also a preferred for-sale product by builders as units can be developed as demand warrants. Because twinhomes bring higher density and economies of scale to the construction process, the price point can be lower than stand-alone single-family housing. We recommend a broad range of pricing for twinhomes; pricing however, should start at around $480,000 per side.

Many older adults and seniors will move to this housing product with substantial equity in their existing single-family home and will be willing to purchase a maintenance-free home that is priced similar to their existing single-family home. The twinhomes should be association-maintained with 40'- to 50'-wide lots on average. Given lot acreage needed, this product will be challenging to develop in Cottage Grove.

- *Detached Townhomes/Villas* – An alternative to the twinhome is the one-level villa product and/or rambler. This product also appeals mainly to baby boomers and empty nesters seeking a product similar to a single-family living on a smaller scale while receiving the benefits of maintenance-free living. Many of these units are designed with a walk-out or lookout lower level if the topography warrants. We recommend lot widths ranging from 45 to 55 feet with main level living areas between 1,600 and 1,800 square feet. The main level living area usually features a master bedroom, great room, dining room, kitchen, and laundry room while offering a "flex room" that could be another bedroom, office, media room, or exercise room. However, owners should also be able to purchase the home with the option to finish the lower level (i.e. additional bedrooms, game room, storage, den/study, etc.) and some owners may want a slab-on-grade product for affordability reasons. Finally, builders could also provide the option to build a two-story detached product that could be mixed with the villa product.

  Pricing for a detached townhome/villa will vary based on a slab-on-grade home versus a home with a basement. Base pricing should start at $550,000 and will fluctuate based on custom finishes, upgrades, etc.

- *Side-by-Side and Back-to-Back Townhomes* – This housing product is designed with three or four or more separate living units in one building and can be built in a variety of configurations. With the relative affordability of these units and multi-level living, side-by-side and back-to-back townhomes have the greatest appeal among entry-level households without children, young families, and singles and/or roommates across the age span. However, two-story townhomes would also be attractive to middle-market, move-up, and empty-nester buyers. Many of these buyers want to downsize from a single-family home into maintenance-free housing, many of which will have equity from the sale of their single-family home.

  New attached housing products have taken off since the pandemic as builders try to alleviate high prices through increased density. Side-by-side concepts targeting entry-level buyers should have base prices around $375,000 and range to about $450,000.

- *Cottage-style Quad Homes* – Prior to 2010, several companies in the Twin Cities were developing attached single-level homes that had at least two attached walls. The units include a single- or double-car attached garage. This product was very popular and some of the developments were age-restricted (55+), while others were not. Pricing was moderate, higher than attached townhomes, but less than a twinhome. In many situations, these units sold more rapidly than the traditional attached townhomes or rowhomes. This style of development is found both in for-sale and rental formats and both remain very popular, with resales and in the turnover of rental units. Cottages of Cottage Grove is an example of a rental format. While that product is affordable, the for-sale developments of this type were market rate. We suggest that pricing be similar to attached townhome product as listed in the previous paragraph. Unit sizes were somewhat smaller than the attached townhome product beginning at about 1,300 square feet and extending to 1,500 square feet although sizes can be adjusted accordingly with the targeted pricing.

  Demand is strong for multifamily for-sale in Cottage Grove for 593 units between 2024 and 2030 and another 631 units from 2030 to 2035. We recommend development with pricing ranging from $350,000 to $450,000 or slightly higher if unit sizes exceed 1,500 square feet. This product is intended to focus on the middle market.

General Occupancy Multifamily Rental Housing

Table R-2 identifies an overall vacancy rate of 2.7% among stabilized market rate rental units and 0.3% among affordable rental units. These vacancy rates are well below the equilibrium rate for rental housing (5% vacancy) indicting continued pent-up demand. Maxfield Research found demand for 925 units of rental housing to 2030 (565 market rate, 183 affordable and 177 subsidized units). From 2030 to 2035, demand is identified for 1,425 units.

- *Market Rate Rental* – Cottage Grove has lagged Woodbury in the development of new rental housing and developers have continued to target Woodbury for large scale market rate and affordable rental properties. Woodbury's market area includes demand from east St. Paul, Lake Elmo, Oakdale and the southern portion of Maplewood in addition to competing with Cottage Grove. Cottage Grove has less competition in the surrounding communities, except for Woodbury. Despite the addition of new supply, the overall vacancy rate including properties in lease-up is only 5.7%, just slightly above the equilibrium rate. There are additional units in the pipeline, with 443 market rate units approved in Cottage Grove. These were accounted for in the demand calculation.

  Given the elevated construction in the short-term, vacancy rates are expected to increase somewhat as new supply is delivered. New developments will likely offer concessions to new tenants to accelerate the lease-up period as units open. Despite demand, the high costs of developing multifamily are likely to result in some local assistance to be able to bring new supply to the market.

  Demand is expected to remain strong through this decade and the next and new product is still absorbing well, despite a modest slackening in the market. Would-be buyers wanted to move into the for-sale market have had to remain in the rental arena for longer periods, supporting rental demand. With new units coming into the market in the short-term, we recommend holding on placing more units into the market until mid-decade (2027 and later). We anticipate that Cottage Grove will continue to increase in popularity for new market rate rental units.

- *Market Rate General Occupancy Rental Townhomes*– In addition to traditional multifamily structures, demand exists for larger townhome units for families – including those new to Cottage Grove who want to rent until they find a home for purchase. A portion of the overall market rate demand may be developed as a traditional townhome and/or townhome-style development (this is already occurring in Woodbury). Estimated rent levels for this type of product should range from $2,600 for two-bedroom units to $3,200 for three-bedroom units. Units should feature contemporary amenities (i.e. in-unit washer/dryer, high ceilings, etc.) and an attached two car garage. Because of high land acquisition costs, these would be denser rowhome style apartments and more vertically integrated.

- *Affordable and Subsidized Rental Housing*– Subsidized housing receives financial assistance (i.e. operating subsidies, tax credits, rent payments, bond funding, etc.) from governmental agencies to make the rent affordable to low-to-moderate income households. Demand is identified at 177 subsidized units from 2024 to 2030 and 183 affordable units over the same period. This product almost always requires some type of additional private or public assistance to make units financially feasible. There is moderate demand for subsidized and affordable rental housing. Therefore, formats could range from townhome-style to apartment-style units.

Senior Housing

As illustrated in Table CR-1, demand exists for all types of senior housing product types in Cottage Grove to 2030. Over the course of this decade, there is demand for 1,023 new age-restricted and senior units by 2030. Additional senior housing is recommended to provide housing opportunity to aging residents in their stages of later life. The development of additional active adult and service-enriched senior housing serves a two-fold purpose: older adult and senior residents can relocate to new age-restricted housing in Cottage Grove and existing homes and rental units previously occupied by seniors become available to other new households. Therefore, development of additional senior housing does not mean the housing needs of younger households are neglected; it simply means that a greater percentage of housing need is satisfied by housing unit turnover. The types of housing products needed to accommodate the aging population base are discussed in the following section.

- *Active Adult Senior Cooperative* – There is one senior age-restricted for-sale development in the Primary Market Area – *Applewood Point of Woodbury* (73) and no units available for sale. Maxfield Research projects demand for 188 active adult ownership units as of 2024, increasing to 2030. Construction of a new stand-alone cooperative facility would satisfy most adult ownership demand this decade.

  Maxfield Research recommends a cooperative development with a mix of one-bedroom plus den, two- and three-bedroom units with share costs beginning at starting around $200,000. The cooperative model, in particular, appeals to a larger base of potential residents in that it has characteristics of both rental and ownership housing. Cooperative developments allow prospective residents an ownership option and homestead tax benefits without a substantial upfront investment as would be true in a condominium development or life care option. Maxfield Research has found the cooperative model to be very well-accepted in rural communities across the Midwest.

- *Active Adult Rental* - There is one active adult rental community in Cottage Grove, Cottages of Cottage Grove, a mixed income property with only four market rate units and 55 affordable units. We estimate demand for market rate active adult rental units in Cottage Grove at 251 as of 2024, increasing to 267 by 2030. Many seniors who would consider an active adult product are presently residing in their single-family homes or in general occupancy rental properties. Development of this product could be in separate stand-alone facilities or in a mixed-income facility.

  Although we find strong demand for this product type; since this product is not need-driven and development costs are expected to be high in the short-term; this product may be best if developed after inflationary pressures subside and mortgage interest rates decrease further. We recommend a product with base rents from primarily from $1,600 to $2,500.

Because of the hot real estate market since the pandemic, seniors who would sell their homes today will receive top dollar and can capitalize on the strong housing market and reallocate funds to maintenance-free housing products.

- *Affordable and Subsidized Rental* – Demand for affordable senior housing in Cottage Grove by 2030 is estimated at 131 units while demand for subsidized housing is 116 units. Affordable senior housing products can also be incorporated into a mixed income building, which may increase the affordable units' feasibility. Most current programs are funded through the LIHTC program or through special bond funding. Financing subsidized senior housing is difficult as federal funds have been shrinking. A new subsidized development would likely rely on numerous funding sources; from low-income tax credits (LIHTC), state bond funding, tax-exempt bonds, Section 202 program, etc. among others.

- *Independent Living* – There are six existing independent living properties in the PMA with 471 units. Maxfield Research found demand for 158 units by 2030, as seniors age and need more services. In the short-term, there are very few vacancies in this product type. New units could be introduced to the market as early as 2025, although planning is such that the earliest there could be new supply in this segment is likely late 2026.

- *Assisted Living and Memory Care Senior Housing* – Based on demand calculations, demand is estimated for 78 assisted living and 72 memory care units in Cottage Grove by 2030. The COVID pandemic severely impacted service-based senior housing and assisted living occupancies are still recovering from the downturn in 2020. As such, we recommend waiting on new serviced-based senior housing until 2026 or later. Senior housing vacancies across the Twin Cities are still elevated and likely need at least another one to-two years to reach stabilization.

Challenges and Opportunities

The following were identified as the greatest challenges and opportunities for developing the recommended housing types (in no particular order – sorted alphabetically).

- **Accessory Dwelling Units ("ADU"):** Accessory dwelling units ("ADUs") go by several different names such as: In-law suites, garage apartments, backyard cottages, granny flats, guest houses, etc. An ADU is simply a small, stand-alone residential dwelling unit located on the same property as a detached single-family home. However, in some cases an ADU could include an addition on an existing home, apartment over a garage, or be locating within an attic or basement within the home. Legally, however, an ADU is still a part of the original parcels PID number and title is with the property owner. The most common reason for building an ADU is generating rental income for the homeowner or housing a family member (often for free).

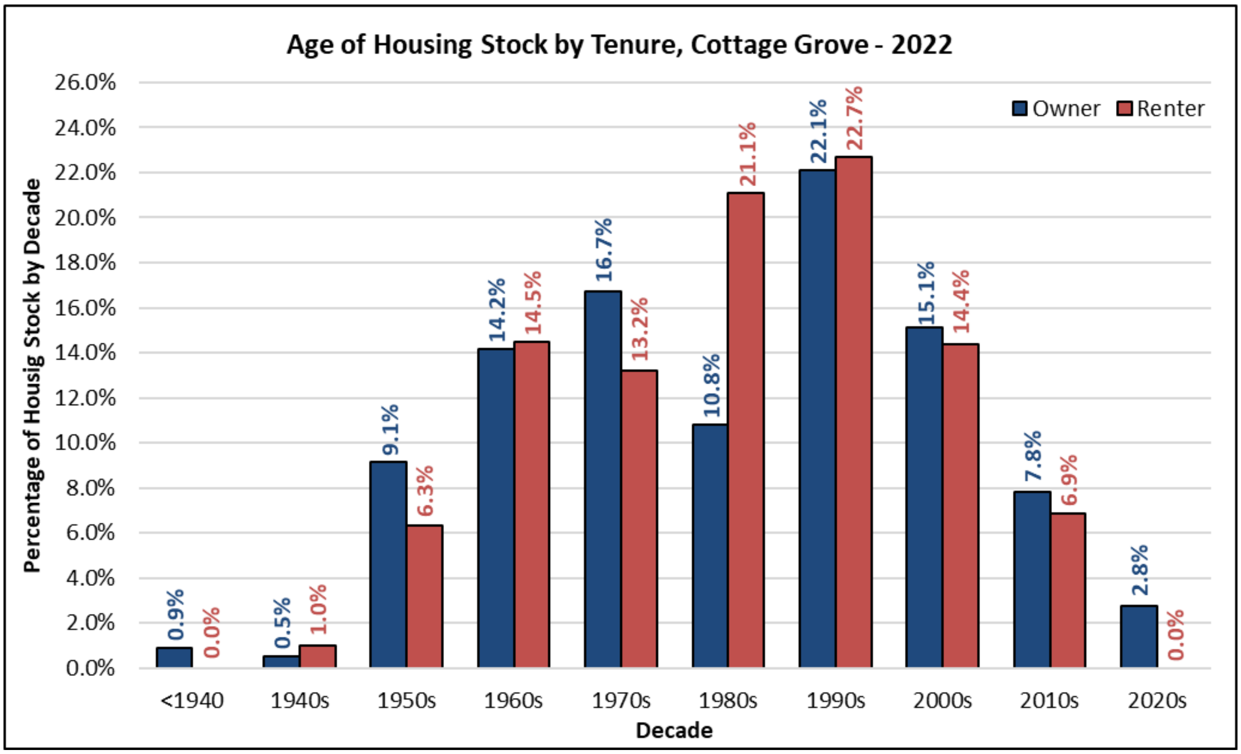
  Because of increased density on the property and smaller sized units, ADUs have the potential to increase housing affordability and create a wider range of housing options. Many communities that permit ADUs in their zoning code limit the number of accessory structures to just one; however, some cities have recently revised their zoning code to allow up to two accessory structures. Some communities monitor ADU construction by limiting new construction to only owner-occupied housing units (main structure is owned), minimum lot size, setbacks, and number of occupants or bedrooms in the accessory structure.

  Maxfield Research recommends that local planning departments review their existing zoning code and if not already permitted, revise zoning codes to ensure ADUs can be a permitted use. Demand for ADUs has increased significantly since the COVID-19 pandemic as homeowners sought to move family members together in a multi-generational environment. Also, many homeowners will design the ADU as a multifunctional space as a home office and living space away from the main home. Finally, ADUs offer another solution for meeting rental housing demand and/or short-term housing needs.

- **Affordable Housing/Naturally Occurring Affordable Housing**. Table HA-1 identified Twin Cities Median Incomes ("AMI") and the fair market rents by bedroom type (i.e. $1,327/one-bedroom unit). The average market rate rent for a one-bedroom unit in the PMA is $1,418/month and the average rent per square foot for a one-bedroom unit is $2.01. The influx of new market rate rentals in the Primary Market Area has driven up the average cost of a one-bedroom unit that is higher than fair market rents. At 60% AMI, the maximum gross rent for a one-bedroom is $1,398. According to the market rate rental inventory for Cottage Grove for larger properties, 3% of the market rate units and 100% of the affordable/subsidized units in Cottage Grove are affordable at the 60% AMI level.

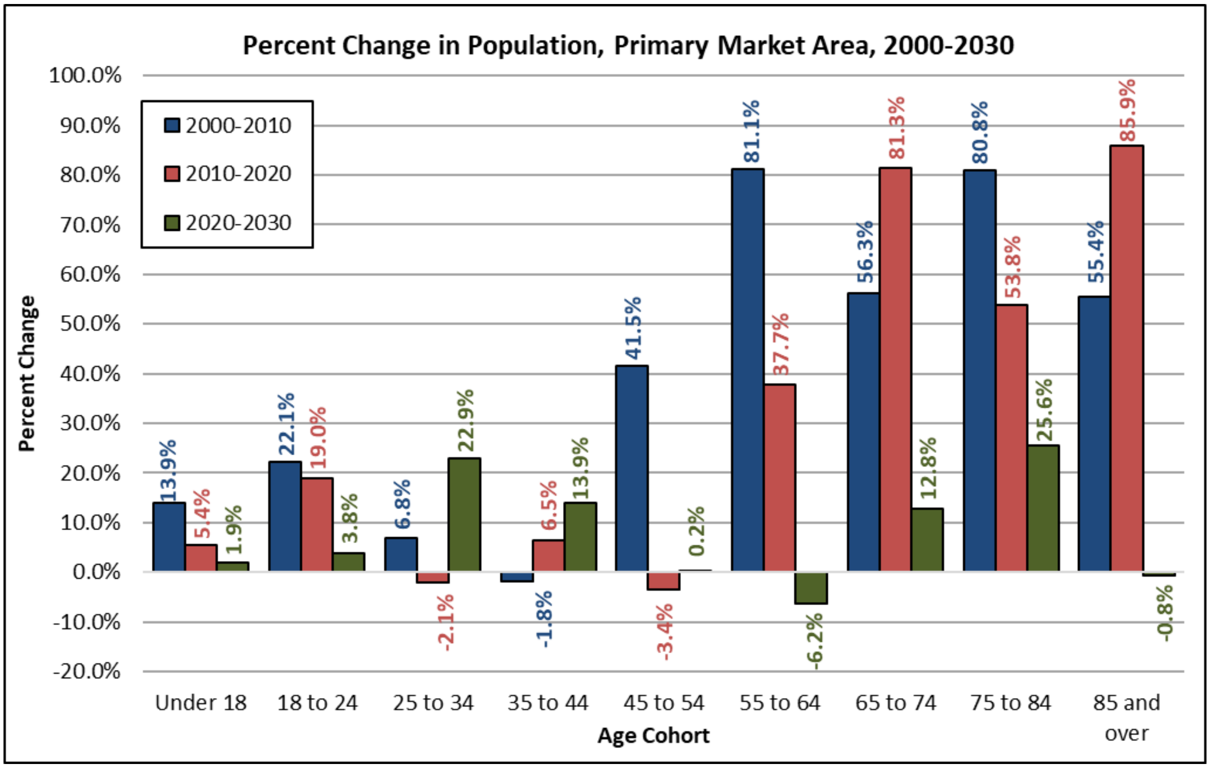
Because of the higher proportion of new rental product and higher rent structures at new market rental buildings in Cottage Grove and the PMA, the minimum income needed to afford new rental units is significantly higher than older existing rentals in Cottage Grove. New rental housing development targets "lifestyle renters" or those with higher incomes who have enough money to buy a house but choose to rent for the convenience and lifestyle. Many of these renters may be cost burdened, but they choose so for the location or amenities and the option to live adjacent to transit and lose car ownership expenses.

- **Age of Existing Housing Stock.** As illustrated in *the Housing Characteristics* Section of the report (Table HC-3), most single-family homes in Cottage Grove were built after 1990. Much of the single-family housing stock in Cottage Grove is comprised of split-level homes, characteristics of the 1980s and 1990s on larger lots. Although there is a rental housing boom underway over the past decade, there is limited new rental housing in Cottage Grove.

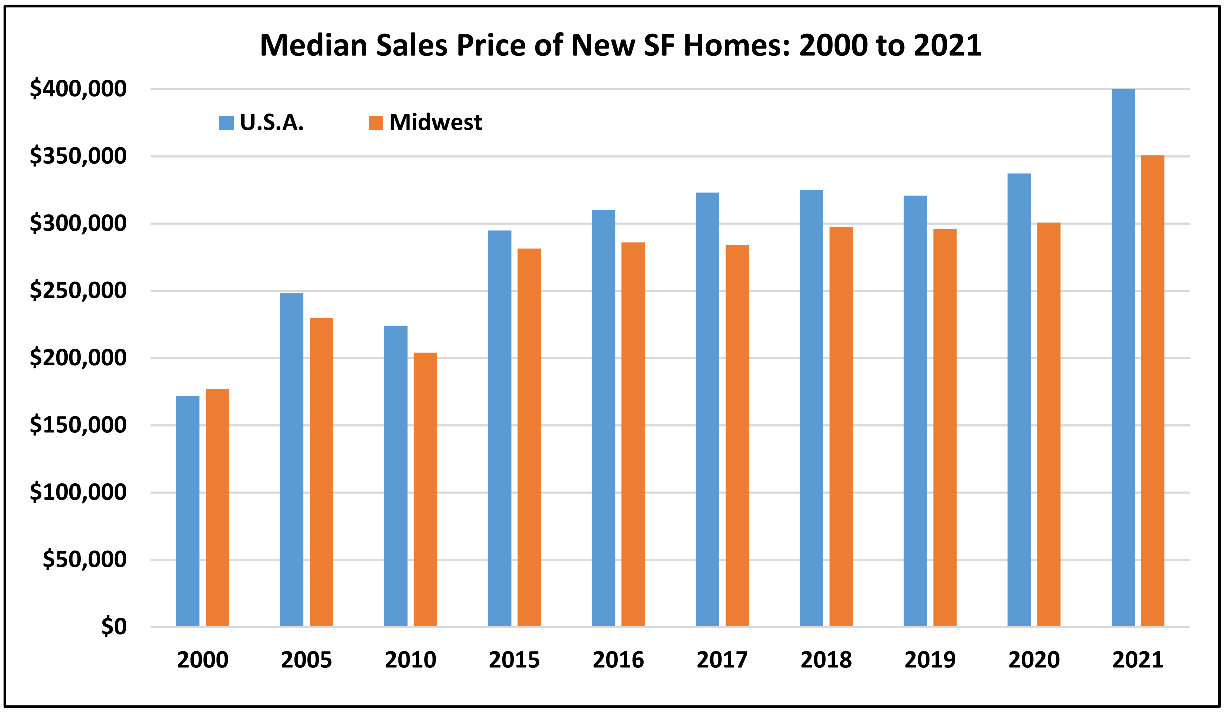


Given Cottage Grove's location and age of housing stock, demand for new construction housing across the board will continue to increase. Today's home buyers, especially those buyers with children, are demanding larger home sizes and modern amenities.

- **Aging Population**. As illustrated in Table D-2, there is growth in the senior population, especially among ages 75 to 84 (82% growth between 2010 and 2020). Table D-7 shows high homeownership rates among seniors 65+. Cottage Grove seniors hownership rates are higher than Washington County and the Twin Cities Metro Area. High homeownership rates among seniors indicate there could be lack of senior housing options, or simply that many seniors prefer to live in their home and age in place. Because of the rising population of older adults, demand for alternative maintenance-free housing products should be rising. In addition, demand for home health care services and home remodeling programs to assist seniors with retrofitting their existing homes should also increase.



- **Construction & Development Costs.** The cost to build and develop new single-family housing has increased significantly over the past decade and since the Great Recession in all markets across the U.S., as seen in the chart below. New construction pricing peaked between 2005 and 2007 before falling during the Recession. Pricing in nearly every market across the United States decreased between 2008 and 2011 before rebounding beginning in 2012. Since the Great Recession, however, it has become increasingly difficult for builders to construct entry-level new homes due to a number of constraints – rising land costs, rising material and labor costs, lack of construction labor and increasing regulation and entitlement fees. As a result, affordable new construction homes have become rare as builders are unable to pencil-out modestly priced new construction. New construction pricing is at an all-time high coming out of the pandemic due to strong demand and supply and labor constraints for builders that are driving up housing costs. As interest rates continue to decline, a certain level of affordability will increase, but the challenge will continue to be supplying sufficient housing for the entry-level buyer.



Despite the pandemic over the past three years, the local real estate market has performed above expectations and strong demand remains for housing. Demand for housing in Cottage Grove remains strong and supply remains very low. The pandemic has shifted buyer preferences to a degree as buyers overall have a greater desire for outdoor features, green space, more square footage, flexible spaces for home offices, and healthy living conditions. Buyers are also trading location for more home and are more likely now to be able to reside further from their place of employment.

On the rental side, social distancing initially had an impact on common corridor apartment buildings as all communal areas were shut down and tenants could not utilize amenities. Since the pandemic, the demand for smaller unit sizes has waned as renters desire larger spaces as they work from home, utilize for fitness, etc. With telecommuting and work from home being the norm tenants are seeking a separation of work and live spaces as well as access to balconies and patios to provide fresh air and extra space. These trends and preferences have continued, albeit lessened as the pandemic has waned.

- **Housing Programs.** Cottage Grove offers some programs through 3rd party referrals such as the Washington County CDA and MN Housing to promote and preserve the existing housing stock. Cottage Grove offers fewer programs than many other communities of similar size. Improving referrals to available programs that residents can access can improve the existing housing stock, increase the value of homes and assist existing owners to be able to remain in their homes longer or be able to relocate to other housing. Housing improvement programs offered through Washington County include Rehab Loan Program, Emergency Loan Program, Weatherization, Home Improvement Program, Fix Up Loan. Many of these programs are targeted to low and moderate households and have income restrictions. Other direct assistance programs include first-time homebuyer assistance, renter assistance, emergency housing assistance and affordable housing. Many of these programs have wait lists. Washington County also works with Housing Link in the Twin Cities Metro Area to assist renter households with finding affordable housing. Cottage Grove can assist residents with information and referrals to third-party providers for better access and information related to housing improvement and other direct housing resources.

- **Job Growth/Employment.** The Covid-19 pandemic created a number of new challenges for businesses, workers, and government. As depicted earlier, the unemployment rate in Cottage Grove has historically been under 4.0% before shortly rising to 5.7% during the peak shutdowns in spring 2020. These unprecedented challenges had an economic ripple effect across the country as thousands of Americans found themselves out of work with increases in unemployment. However, Cottage Grove employers weathered the pandemic much better than most of the country as the unemployment rate has stayed low and the area brought back lost jobs from the initial shutdowns earlier in 2020.

  The Cottage Grove unemployment rate declined to a low of 2.2% in 2022 and although the labor force expanded, employment did not expand at the same or higher rate resulting in an increase in the unemployment rate. Although a low unemployment rate is generally considered positive news, an extremely low unemployment rate can be challenging for employers looking to add additional staff. Although additional job creation supports the need for housing, a lack of housing and especially, affordable housing, places pressure on attracting and retaining workers.

- **Lifestyle Renters.** Historically, householders rented because they could not afford to buy or did not have the credit to qualify for a mortgage. Today that is no longer the case, and many householders are renting by choice. High-income renters (those earning $55,000 or more annually) represent the fastest growing market segment of the rental market today; having grown 48% over the past decade. Demand is being driven by the Millennials, would-be buyers on the side-line, and empty nesters. As a result, rental housing is one of the preferred real estate asset classes today across country. Lifestyle renters are attracted to developments offering excellent finishing quality, extensive common area facilities, and typically focus on an environment providing a more social experience. Most of the new market rate rental construction in the PMA targets the lifestyle renter.

- **Modular Housing.** Modular housing, often referred to as manufactured or pre-fabricated housing, is the construction of housing units in a controlled factory-like setting or on a manufacturers site or lumber yard. Modular housing is gaining steam from developers and investors to combat high construction costs, labor shortages and speed-up the construction timeline. The biggest advantage modular housing provides is shaving months of holding costs off the consumer's bottom line. Originally modular housing was mostly single-family oriented; however, developers are now constructing entire apartment buildings, hotels, senior living, man camps and college dorms. Historically the biggest challenge of modular housing is transportation, shipping costs and "perception." Modular housing has significantly increased in quality and in architectural design. Many buildings and units are constructed on concrete foundations and/or include basements. The industry continues to battle a stigma of older mobile homes and the appraisal community continually mis-appraises modular homes due to biases or lack of education on the product. Locally, there is a new manufacturer in Owatonna and future modular plants are in the works along the Interstate 94 corridor and potentially in North Minneapolis. Maxfield Research believes there is considerable opportunity in the modular construction sector that can be utilized in Cottage Grove, providing a win-win scenario by providing housing production and passing cost savings along to consumers.

  If not already, we recommend Cottage Grove revise zoning codes to allow for this type of housing if it is not permitted. Design standards however should be enforced to ensure compatibility with existing neighborhoods.

- **Single-Family Rental Demand.** Table HC-4 showed that 26% of the rental housing inventory in Cottage Grove in 2022 was single-family detached units. Another 7.4% of units were within an attached structure such a townhome or twinhome. Nationwide, it is estimate that 25 million of the 43 million rental households in the United States (58%) reside in single-family rentals, townhomes, duplexes, triplexes and quads. Single-family units, townhomes and condos make-up about 34% of all rental units in the country, 27% in Minnesota, and 21% in the Twin Cities Metro Area. Compared to the Twin Cities and Minnesota averages, Cottage Grove has a higher proportion of single-family and townhome rentals than the Twin Cities Metro and Minnesota.

A recent study by Freddie Mac identified the market share of single-family rentals ("SFR") by ownership type across the country. The study found that 88% of SFR are owned by investors with between 1 and 10 homes. Institutional investors make-up only 1% of the market share today; even though they are they have the financial backing and are able to acquire larger portfolios.

Demand is strong for SFR by providing renter lifestyle choice and the ability to reside in a detached unit without having to obtain the funds for a down payment on a mortgage. Especially today with mortgage rates that have doubled in the past year there is even stronger demand for single-family rentals. Many SF renters may consider purchasing; however, the rising costs of real estate and the down payment requirements hinder some renters from making the leap to homeownership. The COVID-19 pandemic increased demand for SFR as renters desire more square footage, green space/yards, separate entrances, and more privacy than traditional multifamily structures.

Single-family rental communities have been one of the hottest real estate products to come out of the pandemic over the past few years. Although the Twin Cities is behind the rest of the country, there are several developments that have recently been completed, including two in Woodbury. We recommend considering purpose-built single-family or a townhome rental community in Cottage Grove.

APPENDIX

Definitions

Absorption Period – The period of time necessary for newly constructed or renovated properties to achieve the stabilized level of occupancy. The absorption period begins when the first certificate of occupancy is issued and ends when the last unit to reach the stabilized level of occupancy has signed a lease.

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

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

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

Affordable housing – Housing that is income-restricted to households earning at or below 80% AMI, though individual properties can have income-restrictions set at 40%, 50%, 60% or 80% AMI. Rent is not based on income but instead is a contract amount that is affordable to households within the specific income restriction segment. It is essentially housing affordable to low or very low-income tenants.

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

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

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

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

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

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

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

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

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

Cost-Burdened – The proportion of income as defined by HUD that is considered as appropriate for a household to spend on housing costs. The HUD proportion is 30% of a household's adjusted gross income. Households spending more than 30% of their adjusted gross income on housing costs are considered "cost-burdened." Households spending 50% or more of their adjusted gross income are considered as "severely cost-burdened."

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

Density – Number of units in a given area. Density is typically measured in dwelling units (DU) per acre – the larger the number of units permitted per acre the higher the density; the fewer units permitted results in lower density. Density is often presented in a gross and net format:

- Gross Density – The number of dwelling units per acre based on the gross site acreage.
  Gross Density = Total residential units/total development area
- Net Density - The number of dwelling units per acre located on the site, but excludes public rights-of-way (ROW) such as streets, alleys, easements, open spaces, etc.
  Net Density = Total residential units/total residential land area (excluding ROWs)

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

Effective Rents – Contract rent less applicable concessions.

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

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

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

Minneapolis-St Paul-Bloomington, MN-WI HUD FMR Area – 2024

	Fair Market Rent				
	EFF	1BR	2BR	3BR	4BR
Fair Market Rent	$722	$811	$1,065	$1,300	$1,418

Floor Area Ratio (FAR) Ratio of the floor area of a building to area of the lot on which the building is located.

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

Gross Rent – The monthly housing cost to a tenant which equals the Contract Rent provided for in the lease, plus the estimated cost of all utilities paid by tenants. Maximum Gross Rents for Minneapolis-St Paul-Bloomington, MN-WI HUD FMR Area -2024 are as follows:

Gross Rent
Minneapolis-St Paul-Bloomington, MN-WI HUD FMR Area – 2024

	Maximum Gross Rent				
	EFF	1BR	2BR	3BR	4BR
30% of median	$423	$484	$544	$605	$654
50% of median	$706	$807	$907	$1,008	$1,090
60% of median	$847	$969	$1,089	$1,210	$1,308
80% of median	$1,130	$1,292	$1,452	$1,614	$1,744
100% of median	$1,412	$1,615	$1,815	$2,017	$2,180
120% of median	$1,695	$1,938	$2,178	$2,421	$2,616

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

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

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

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

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

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

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

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

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

Income Limits
Minneapolis-St Paul-Bloomington, MN-WI HUD FMR Area – 2024

	Income Limits by Household Size							
	1 pph	2 pph	3 pph	4 pph	5 pph	6 pph	7 pph	8 pph
30% of median	$26,100	$29,820	$33,540	$37,260	$40,260	$43,230	$46,230	$49,200
50% of median	$43,500	$49,700	$55,900	$62,100	$67,100	$72,050	$77,050	$82,000
60% of median	$52,200	$59,640	$67,080	$74,520	$80,520	$86,460	$92,460	$98,400
80% of median	$69,600	$79,520	$89,440	$99,360	$107,360	$115,280	$123,280	$131,200
100% of median	$87,000	$99,400	$111,800	$124,200	$134,200	$144,100	$154,100	$164,000
120% of median	$104,400	$119,280	$134,160	$149,040	$161,040	$172,920	$184,920	$196,800

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

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

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

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

Market equilibrium – The rate of vacancy that promotes a balanced rental market and provides enough supply for sufficient consumer choice and to accommodate regular turnover. The rental market equilibrium rates are considered to be 2% for deeply subsidized rental, 5% for affordable (50% to 80% AMI) and 5% for market rate.

Market equilibrium (senior) – The rate of vacancy which promotes a balanced rental market and provide enough supply for sufficient consumer choice and to accommodate regular turnover, which rates are 3% for deep-subsidy, 5% for shallow-subsidy, market rate and independent living and 7% for assisted living and memory care).

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

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

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

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

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

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

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

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

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

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

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

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

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

Population – All people living in a geographic area.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Jan 2025

Federal Reserve Bank of Minneapolis

Summary of Economic Activity

Ninth District economic activity increased slightly since the previous report. Employment grew slightly and wage growth was moderate, while labor demand was positive but slowing. Overall prices increased slightly. Growth was noted in consumer spending, construction, and residential real estate. Energy activity was flat, while manufacturing decreased. Agricultural conditions remained weak. Activity among minority- and women-owned business enterprises was lower on balance.

Labor Markets

Employment grew slightly since the last report. Surveys and individual contacts suggested that labor demand remained positive but also continued to slow, especially for certain sectors. Hiring in health care, construction, and finance remained healthy. However, staffing contacts mostly reported that clients were not hiring, particularly in manufacturing. “Orders are down, there’s no way to sugarcoat it,” said a contact in Michigan’s Upper Peninsula (U.P.). Employers widely reported that labor availability continued to improve and felt “more normal,” according to one source. Some staffing contacts reported that there were more candidates than jobs, a flip-flop of earlier labor conditions. Others noted improvements in job candidates’ reliability. A Minnesota mall contact reported that holiday labor needs “seem to be less of a challenge this year than the past few years. I can't think of one retail tenant that is or was concerned with staffing.”

Wage growth was moderate. Monthly survey respondents reported wage growth roughly on par with recent months, but slightly lower than the first half of the year. Wage growth was stronger among construction and finance contacts, but lower for job orders at staffing firms due to sagging demand. A South Dakota retail contact reported that the rate of wage increase “has slowed and has been relatively flat for several months now,” but it was still comparatively high and cutting into profitability.

Prices

Overall prices increased slightly since the previous report. Preliminary results from a District business conditions survey indicated a modest uptick on balance in prices charged to customers in

December from the month prior, though two-thirds of firms reported no change. In contrast, about 40 percent of firms reported an increase in nonlabor input prices for the month. The wholesale prices component of a regional manufacturing index ticked up slightly in December to a moderate overall level. Respondents to a construction survey continued to report that inflation was a problem, but they also indicated that prices were nonetheless moderating at the wholesale and retail level compared with last year. An alcoholic beverage retailer said that suppliers were clearing inventories by offering deep end-of-year discounts, which they passed along to customers. Retail fuel prices were roughly flat since the last report in most of the District except for Montana, where they fell moderately. Prices received by farmers increased in November from a year earlier for sugar beets, chickens, eggs, milk, hogs, and cattle; prices decreased from a year earlier for corn, soybeans, wheat, barley, potatoes, canola, lentils, hay, and turkeys.

Worker Experience

Workforce development contacts across the District reported a slight softening in job openings but noted that demand remained robust for some health care and construction jobs. Contacts highlighted ongoing challenges matching available talent to those high-demand occupations. Midcareer job seekers looking for management opportunities struggled, because those jobs were scarce. A union contact said that hiring commercial drivers, mechanics, and law enforcement professionals in some areas of the U.P. was a "perpetual struggle." They added that public employees kept "moving backwards," facing stagnant wages and a higher cost of living.

Consumer Spending

Consumer spending grew modestly. Retail contacts were generally upbeat about holiday sales. Stores reported strong crowds, with some seeing sales surpass pre-pandemic levels for the first time. One Minnesota mall contact expected sales increases from three percent to five percent over last year. Another Minnesota contact said that "traffic is up and a lot of people [are] carrying bags." Some restaurants in Minneapolis-St. Paul reported slow holiday event bookings and lower overall sales. Sentiment among retailers in South Dakota was also somewhat softer, and a source there noted a spate of recent restaurant and brewery closings. Some contacts noted healthy consumer spending, but also expressed caution regarding rising consumer debt, particularly among middle- and low-income households. Hotel occupancy softened across the District, though Wisconsin operators saw decent gains. Vehicle sales were flat overall, with higher sales of new vehicles but lower sales among used vehicles.

Construction and Real Estate

Construction grew slightly overall since the last report. Industry data suggested that project activity increased somewhat, and contacts overall reported slightly higher activity in December compared with a month earlier. Recent permitting activity in the District's larger markets was mostly lower for commercial projects, and flat-but-mixed overall for single- and multifamily activity. Recent surveys showed a notable uptick in the sector's near-term outlook, but some contacts noted that optimism has not yet translated to increased activity. A Wisconsin architecture and design firm contact said that "there is so much uncertainty . . . that I have heard would-be developers say they will have to wait before moving forward."

Commercial real estate fell slightly. Office space was still widely lower across most District markets. Industrial space continued to soften somewhat, with increased subleasing in some markets, but conditions were still considered healthy. Multifamily vacancy rates ticked higher. Retail continued to perform well in many markets, buoyed by strong holiday foot traffic and tight vacancy rates. Residential real estate was widely higher. A large majority of markets saw growth in recent home sales year over year, including strong, double-digit increases in Montana markets.

Manufacturing

Activity in manufacturing decreased moderately in the District since the previous report. Preliminary results from an annual survey of manufacturers indicated a contraction in 2024 from the previous year. Manufacturers responding to a monthly business survey reported orders decreased in December from the previous month, and more than 20 percent reported large reductions. A metal fabricator reported that incoming order volumes were "falling dramatically compared to the past six months, which were themselves down significantly from last year." In contrast, another index of regional manufacturing conditions found activity increased in Minnesota and North Dakota in December relative to the previous month, while activity in South Dakota decreased.

Agriculture Energy and Natural Resources

District agricultural conditions remained weak. An overwhelming majority of contacts reported that farm incomes fell in the fourth quarter from a year earlier due to low crop prices. Livestock producers continued to outperform crop producers. District oil and gas exploration activity was steady since the previous report.

Minority- and Women-Owned Business Enterprises

Activity among minority- and women-owned business enterprises was lower on balance over the month. Some categorized the slowdown as "normal seasonal changes." About one in five contacts experienced slightly higher labor costs, while one in three paid more for other inputs in the last four weeks. Staffing levels were slightly lower on balance, and labor demand was mostly unchanged.

For more information about District economic conditions visit: https://www.minneapolisfed.org/region-and-community.

Feb. 2025

Federal Reserve Bank of Minneapolis

Summary of Economic Activity

Economic activity in the Ninth District was steady since the previous report. Employment grew slightly, but hiring and labor demand softened. Price increases and wage growth were moderate. Consumer spending was flat with slight improvements in travel and tourism. Residential construction grew modestly, and nonresidential construction slowed. Commercial real estate was mostly flat, but sales of residential units grew moderately. Manufacturing experienced modest improvements and agricultural conditions were unchanged.

Labor Markets

Employment grew slightly since the last report. Labor demand was positive, but the rate of growth continued to decline somewhat. Surveys showed more employers were not hiring; those looking for workers were most often hiring to fill recent turnover. However, only a very small fraction of firms were cutting workers. Some employers were also cutting total staff hours in the face of slower business, rather than eliminating positions. For those hiring, labor availability continued to improve. A North Dakota manufacturing provider said it was seeing "a marked increase in qualified applicants for our open positions." But a number of contacts complained of skill gaps. A Minneapolis construction firm reported that it "can get unskilled labor with relative ease, but they are unreliable. . . . Skilled labor is hard to find and keep."

Wage growth was moderate overall but continued to soften somewhat. A number of contacts reported that wage increases were being held back by other cost increases. After a big wage increase last year, a Wisconsin transportation firm said it "will have to keep the status quo for now" due to cost increases elsewhere. A Minnesota construction firm said the costs for steel and insurance were keeping a lid on wage increases. "Employees expect better pay. I'm not saying they don't deserve it. Just that we can't afford [it]."

Prices

Prices increased moderately, which was a faster pace of growth than the previous report. In a January survey of District firms, 30 percent said they increased prices charged to customers from a month earlier, compared with 60 percent who reported no change. A larger share reported increases in input prices. Businesses continued to report significant pressures in insurance costs. Several food production and food service contacts reported passing on increased ingredient costs to customers. The wholesale prices component of a regional manufacturing index increased in January to its highest level in more than 18 months. Retail fuel prices increased modestly since the last report in most of the District except for Montana, where they increased faster.

Worker Experience

Workforce development professionals in Minnesota reported that it was taking longer for job seekers to find a job compared with a year ago. Information technology specialists and workers with administrative backgrounds were waiting an average of three months to get hired, while certified nursing assistants and other health care support workers waited less than a month. A health care contact said that there were "roughly the same number of openings and amount of churn in the market" than in recent years. Searches for nonprofit C-suite positions that used to get around thirty applications "recently ballooned into the hundreds," according to a District recruiter. "Most are extremely qualified with decades of experience in government or non-profit."

Consumer Spending

Consumer spending fell modestly. A majority of survey respondents in accommodation, food services, recreation, and retail reported that recent revenue declined early in the year compared with last year. They also did not expect improvements in the near future. However, the winter tourism sector recovered somewhat from last year's warmer-weather debacle. Some areas saw improved snowfall, and persistently cold weather allowed ski resorts to manufacture necessary snow. A motel owner in Michigan's Upper Peninsula noted that better snow levels this year "made for a significant increase in business." January hotel occupancy rates declined slightly; however, revenue per average room was modestly higher. Vehicle sales were flat overall at one large dealer in the western portion of the District, with new-vehicle sales falling slightly for the first time since September.

Construction and Real Estate

Construction fell modestly since the last report. A larger share of survey respondents reported slower activity year over year than those who reported an increase. Industry data also suggested that construction starts in early 2025 were slower than last year. A Minnesota glass manufacturer reported that construction activity and related orders had been soft, resulting in some layoffs until an expected increase in spring work. A Minneapolis–St. Paul construction firm said it was "not seeing bid invites at the rate I have seen in previous years." The head of a trade group in the District said, "We're seeing a nervousness around tariffs and [its] impact on the industry." There were some positive indicators; data center development remained active and residential permitting in larger markets was moderately stronger than last year.

Commercial real estate was flat overall. Office vacancy rates remained very high in the central business districts of Minneapolis and St. Paul. Industrial vacancy rates have ticked slightly higher but remained comparatively healthy. Retail vacancy stayed tight amid a dearth of new construction. Residential real estate was higher; January home sales rose in two-thirds of regional markets year over year.

Manufacturing

Manufacturing activity in the District increased modestly since the previous report. Nearly half of manufacturers responding to a monthly business conditions survey reported an increase in orders in January from a month earlier. An index of regional manufacturing conditions found activity increased in Minnesota and North Dakota in January relative to the previous month, while activity in South Dakota was roughly unchanged. However, metal fabrication contacts reported continued below-average demand and difficulty with metals prices. Some contacts expressed concern about the potential effects of new tariffs.

Agriculture Energy and Natural Resources

District agricultural conditions were steady at weak levels. Some contacts expressed concern about the possibility of widespread drought conditions persisting into the growing season. A contact reported that turkey producers in the region were "in a good place" with respect to the impact of H5N1 avian influenza due to investments in bio security. District oil and gas exploration activity was roughly steady since the previous report. Preliminary estimates suggested that production at District iron ore mines declined slightly.

Minority- and Women-Owned Business Enterprises

Activity among minority- and women-owned business enterprises (MWBE) improved but remained lower on balance, with more contacts reporting lower sales compared with those reporting higher sales. More than half of contacts said they had made capital expenditures. Profits margins contracted for the majority of businesses. Job openings trended downward from low levels among this subset of businesses, but headcount remained steady. Prices for nonlabor inputs were lower on balance, while changes in average compensation were higher for the majority.

For more information about District economic conditions visit: https://www.minneapolisfed.org/region-and-community.

TO: Economic Development Authority

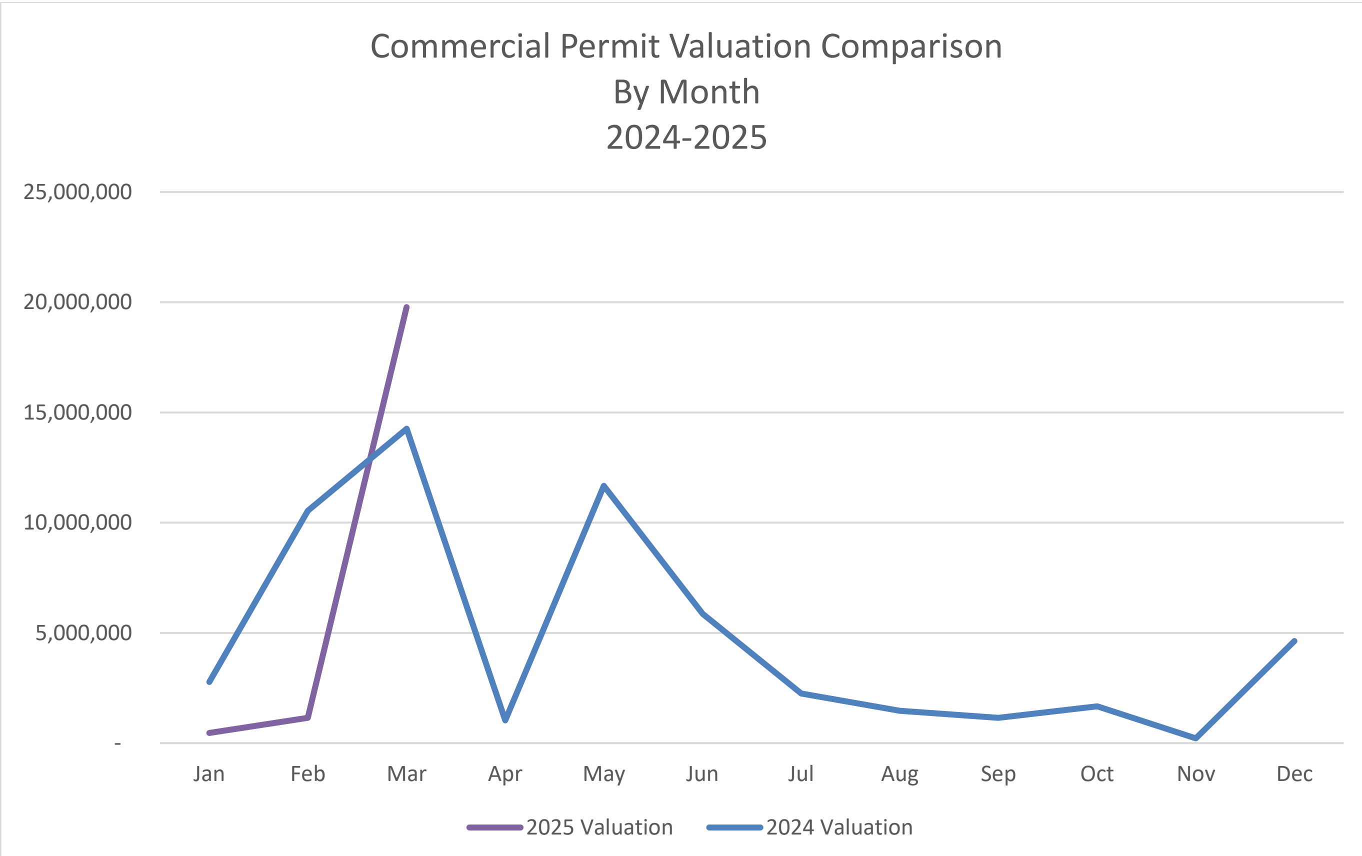
FROM: Emily Schmitz, Community Development Director

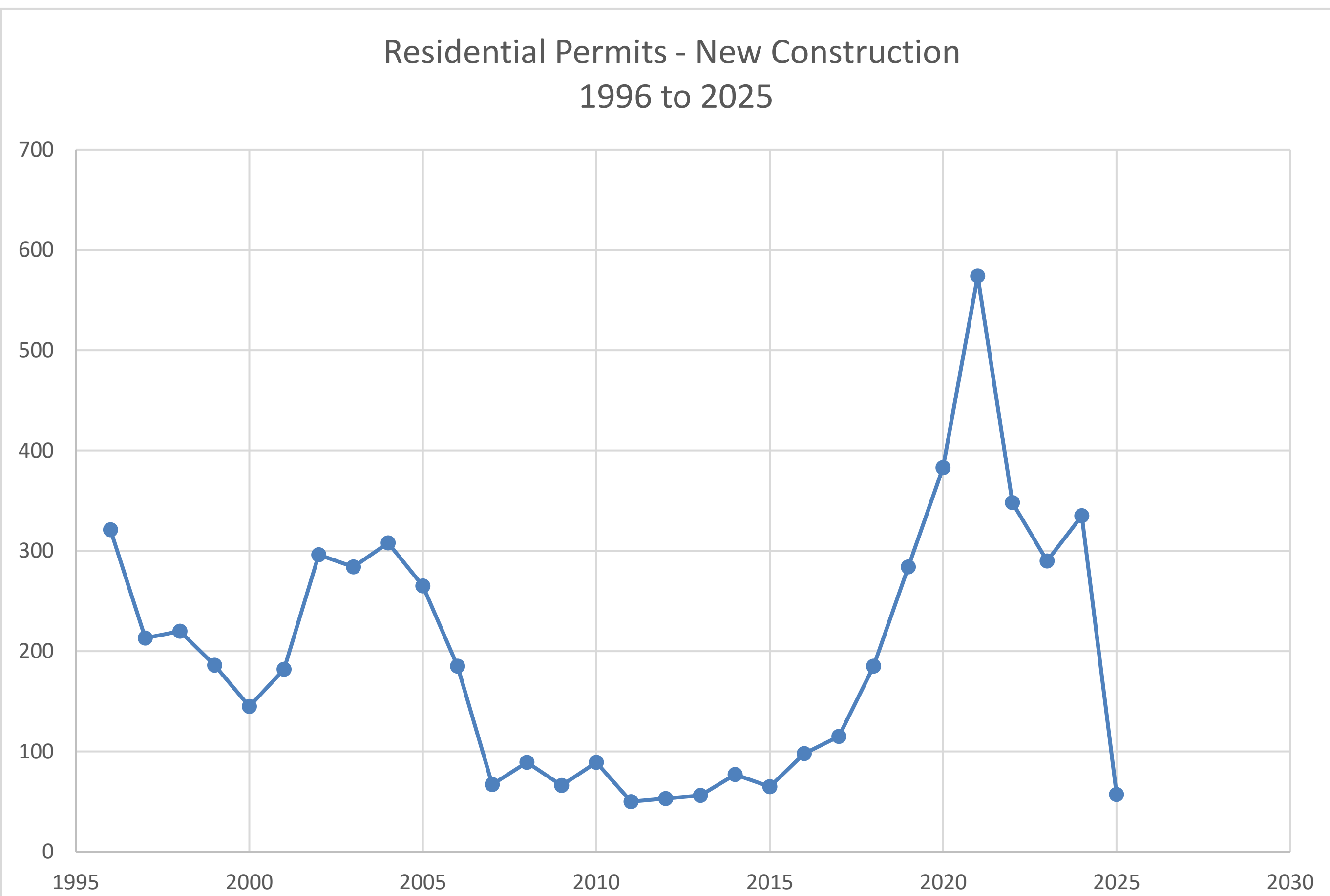
DATE: April 2, 2025

RE: Development Update

Building Permits

Building Permit Statistics:
Between March 1 and March 31, 2025, there were 320 building permits issued with a total valuation of $29,439,283, including 20 single-family homes valued at $7,147,284, and 4 townhomes valued at 954,361.


Commercial Permit Valuation Comparison
By Month
2024-2025
25,000,000
20,000,000
15,000,000
10,000,000
5,000,000
-
Jan
Feb
Mar
Apr
May
Jun
Jul
Aug
Sep
Oct
Nov
Dec
2025 Valuation
2024 Valuation


Residential Permits - New Construction
1996 to 2025
700
600
500
400
300
200
100
0
1995
2000
2005
2010
2015
2020
2025
2030

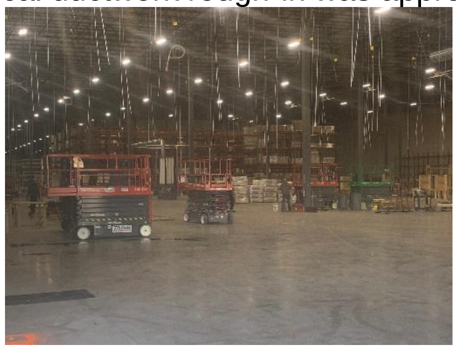
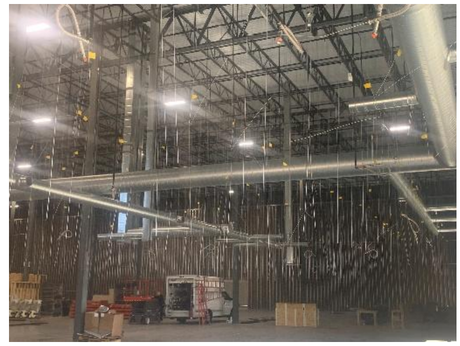
Current Project Updates

<u>Building Construction Projects</u>

<u>Gerber Collision (7300 West Point Douglas Road):</u> The roofing material and exterior walls are all installed. Excavation has started for the interior slab.

<u>Vangz Kitchen (8711 East Point Douglas Road, #103):</u> The interior improvements are complete, and the final building inspection has been approved, pending final electrical and final fire sprinkler inspections. Washington County Health Department approved their final inspection. Their grand opening is scheduled for April 12.

Lumberman's (7701 100th Street): Framing for the tenant improvements of Lumbermen's new location continues. The mechanical ductwork rough-in was approved.

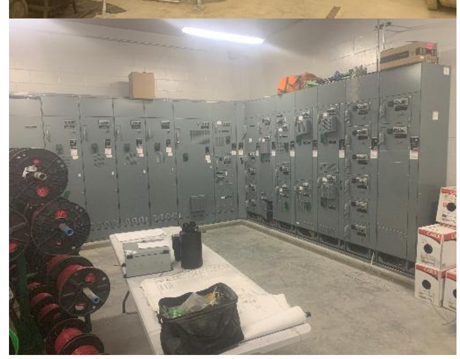




Taco Bell (8623 East Point Douglas Road): Minor interior renovations and the installation of the new exterior signs are complete.

Low Zone Water Treatment Plant (10901 Ideal Avenue): Interior painting of multiple rooms on the main level is ongoing. Installation and painting of the process piping continues as well as of the plumbing piping. HVAC ductwork installation is almost complete. The installation of the exterior brick and the platforms between the horizontal pre-treat tanks has been completed.





Ellwyn Apartments/Roers Company (6850 East Point Douglas Road): The plan review is underway for a new apartment building.

Park High School (8040 80th Street): The plan review is underway for the addition to the high school building.

Buffalo Wild Wings GO (7145 East Point Douglas Road, #160) The plan review is underway for a tenant improvement project.

Planning Division

March 24, 2025, Planning Commission Meeting

Leafline – CUP2025-009: Leafline Labs has applied for a Conditional Use Permit to allow the property at 8235 97th Street South to grow, manufacture, and process adult use cannabis as a Medical Cannabis Combination Business. The Planning Commission reviewed this application at their March 24 meeting. One resident spoke during the public hearing. The Commission had questions regarding odor concerns from the expansion of the use and about their future operations. On a unanimous vote (7-to-0), the Planning Commission recommended approval of the conditional use permit. The City Council will take final action on this application at their April 16 meeting.

Zoning Code Updates – TA2025-010: The City of Cottage Grove has applied for a zoning text amendment to amend sections of City Code Title 11, Zoning Regulations, and Title 12, Sign Regulations. Changes to Title 12 are for informational purposes only and do not require Planning Commission action. One resident spoke during the public hearing. The Commission discussed boulevard trees, the EAW, EIS, and AUAR processes, and required parking spaces for gas stations. The Planning Commission unanimously (7-to-0 vote) recommended approval of the ordinance amendments. This will be on the April 16 City Council agenda for final approval.

April 28, 2024, Planning Commission Meeting

The following applications were received for the April 28, 2025, Planning Commission Meeting:

- Site Plan Review and Variance – School District Transition Building, 7000 Jamaica Avenue
- Zoning Amendment and Preliminary Plat – Summer Woods (65th Street Property Assemblage)

TO: President Bailey and Members of the Economic Development Authority
Jennifer Levitt, City Administrator and EDA Executive Director

FROM: Gretchen Larson, Economic Development Director

DATE: April 3, 2025

RE: Property Purchase and Hotel RFP Updates

Background

In December of 2022, the EDA received a report from HVS, a hospitality firm specializing in hotel feasibility studies. The report found that the city could support a 90-unit, branded hotel with the ideal location being on 80th Street, though several other sites were also recommended, including Jamacia Ave and the 73-acre property that is adjacent to Walmart, The Shoppes at Cottage View.

In November 2024, the EDA approved engaging BRKW Real Estate Valuation Services to conduct an appraisal of 9430 E. Point Douglas. The appraisal was completed in February and discussed in a closed session with the city council on March 5. The City Administrator, City Attorney and staff were present in the closed session to present the appraisal and hear council's direction regarding a possible offer on the property. As a result of the discussions, the City Administrator and staff met with the owner and her son on March 14 to discuss an offer on the property. As of this report no decision has been transmitted to the city from the owner other than they are still considering the offer and their options.

Hotel Updates

The team at Chandlerthinks was hired to create an CVB Strategic Plan. As a part of that process staff conducted a survey of our larger businesses to gauge how many out of town vendors, contractors, suppliers and corporate team members came to their facilities. We also wanted to know how many of their visitors had the need to stay overnight and where they typically stayed. The team at Chandlerthinks evaluated the results of the survey and shared their findings on the potential loss of revenue in their report at the CVB meeting on January 9. The report indicated that most overnight visitors to the larger businesses stayed in branded hotels in Woodbury. They also determined that the city could potentially receive approximately $80,000 in annual revenue if we had another hotel in the city.

At the joint EDA and CVB meeting on February 11, the board members present received the final report from Chandlerthinks which included a recommendation that the EDA pursue a possible hotel development at the Ross property if a purchase could be made that was agreeable to both parties. As we wait for a response from the property owner we continue to work on the Hotel RFP. We applied to the Washington County to use EPA funds to conduct an environmental site assessment (ESA) at the property and our request was approved. The ESA once completed, will allow us to apply to DEED or Met Council for potential demolition of the house and remediation of the out buildings, well and septic. This is the same process we are currently using for the Majestic Ballroom site small area plan and pre-demolition assessment.

We also met recently with the team at HVS about conducting a Hotel Leakage Study to determine the potential loss of revenue as a result of not having another hotel is the city which would be included in the RFP. They have submitted a proposal and once we hear back from the property owner, we'll proceed with the study.

Recommendation

Receive report.

Cottage Grove
Where Pride and Prosperity Meet

TO: President Bailey and Members of the Economic Development Authority
Jennifer Levitt, City Administrator and EDA Executive Director

FROM: Gretchen Larson, Economic Development Director

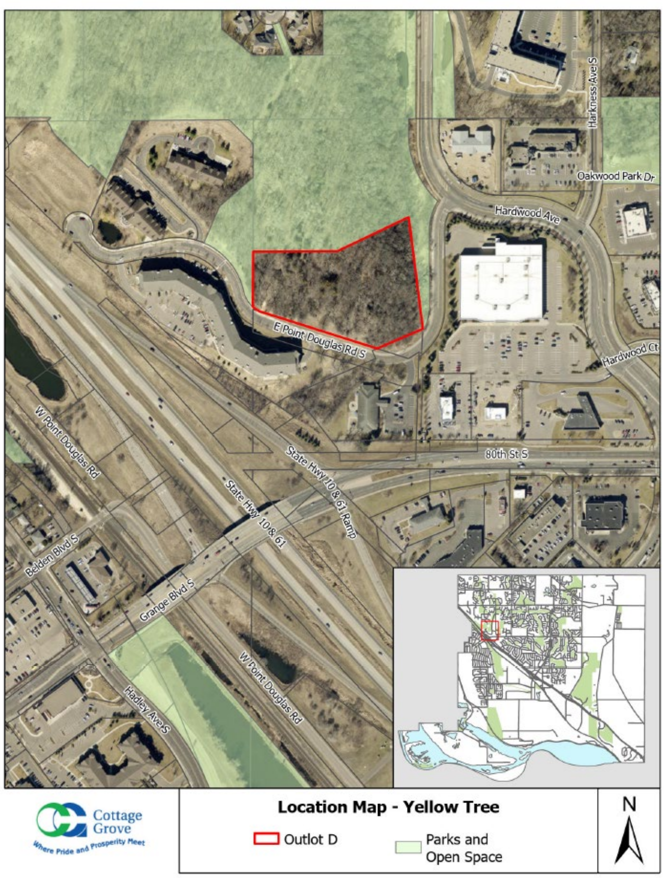
DATE: April 1, 2025

RE: Yellow Tree Proposed Multifamily Project and Abatement Subsidy in Support of Housing Updates

---

Background

In August 2024, the development group at Yellow Tree presented a 164-unit multi-family building to the city's planning department proposed on Outlot D, Everwood along East Point Douglas Road. The subject site consists of one vacant parcel, Outlot D of the Everwood plat which was approved in 2007. The subject site is zoned MU, Mixed Use, and guided as Mixed Use on the Land Use Plan. The site has had previous development proposals over the years, however, given the challenges to the site, none of them have come to fruition.



The project is proposed to be entirely market rate. The 2024 Maxfield Research and Consulting Housing Study indicates that many households rent by choice. Currently, Cottage Grove has an overall rental vacancy rate of approximately 2.7%. A 5% vacancy rate is commonly seen as the “equilibrium rate” for rental turnover. There is a demand for rental housing of all types and demand is expected to remain strong until 2030. Maxfield Consulting recommended holding off on placing more units into the market until 2026 or later, given the projects that had already been permitted. The Yellow Tree project would meet this recommended timeline if approved. One of the permitted projects also considered by Maxfield was the Norhart project with 160 market-rate units. That project has since been withdrawn and will not be constructed therefore; future projects will be needed to fill that gap. One such project that could help fill the gap created by Norhart pulling their project, is a project proposed by Real Estate Equities (REE) who plan to build 164 affordable workforce housing units in the same area where Norhart had proposed to build. REE has requested a city council workshop for April 16 to present their project and a request for TIF or other incentives for their project.

As a part of the Yellow Tree project the city also received a public financial assistance request from the developer and a council workshop was held on March 19 to consider the project and the request for financial assistant. A review by our financial consultants at Ehlers determined that the project did not qualify for Tax Increment Financing (TIF) because it was a market rate project on vacant land. Since TIF was not an option, Yellow Tree requested assistance in the form of an Abatement of the City’s portion of taxes.

Construction was anticipated to cost approximately $40.8 million or $255,000 per unit. The Developer cited a financial gap in their financial projections for the project and requested that the City abate 15 years of their portion of taxes with a present value of $1.18 million. However, based upon on a review of the current budget, proforma, and abatement projections, the team at Ehlers stated that the proposed development would require 10 years of Abatement with a principal or present value of the Abatement would be no more than $848,800. A lookback provision was also recommended to ensure the public assistance was set at an appropriate level and to be adjusted if the lookback determines that more assistance was provided than necessary. A lookback on the total development costs (TDC) should be included for the Project. This cost-based lookback would include a dollar-for-dollar reduction in Abatement assistance principal if the actual TDC is below the cost presented by the Developer.

Upon conclusion of the discussions at the March 19th council workshop, the members of the city council indicated that they were generally in favor of the project. They also discussed that they were open to a possible tax abatement for 10 years with a principal or present value of no more than $848,800 should the project move forward.

Staff notes that since the city council is the taxation authority for the city, no action is required of the EDA regarding the Abatement assistance request from the developer.

Recommendation

Receive information.

TO: President Bailey and Members of the Economic Development Authority
Jennifer Levitt, City Administrator and EDA Executive Director

FROM: Gretchen Larson, Economic Development Director
Brenda Malinowski, Finance Director

DATE: March 31, 2025

RE: Dominion Certification of Compliance

Background

In March 2016 the Economic Development Authority (EDA) approved a modification to Development District No. 1 to approve a tax increment financing plan (TIF Plan) for Tax Increment Financing District 1-17 (Dominium), a housing district. The developer, Cottage Grove Leased Housing Associates I, LLLP, was proposing to build a multi-family, senior affordable housing project with 184 units.

As a part of the TIF agreement, the owners of the Dominion are required to file an annual report no later than February 21. The report must certify that are in compliance with the TIF Plan and development agreement, which required that 80% of the units be affordable senior housing units and 20% would be affordable, but not necessarily restricted to seniors.

Discussion

On February 21 the city received a Certification of Compliance from Dominium, along with a Tax Credit Project Report, Unit Status. The unit status is a comprehensive report of all of their rental units, tenant information related to gross annual income, and percentage of rents charged as compared to the area median income (AMI) limits for each unit.

Staff has reviewed the information submitted and finds that Dominium is in compliance with the TIF requirements in the development agreement. The Certification of Compliance report is attached, however, the Tax Credit Project Report, Unit Status, contains confidential information on the tenants and is therefore, on file with the city but not attached to this report.

Recommendation

Receive staff report as presented.

Attachment

Dominium Certification of Compliance Annual Report

OWNER'S CERTIFICATION OF CONTINUING PROGRAM COMPLIANCE

To: *Washington County CDA*

Project Name: Legends of Cottage Grove **State Project ID Number:** D7984
Project Address: 6999 East Point Douglas Road South **Cottage Grove 55016-3065**
General Partner: Cottage Grove Leased Housing Associates I, LLC
General Partner Email: psween.inspections@dominiuminc.com
Tax ID # of Ownership Entity: 47-5467395
Certification Dates: From: January 1, 2024 To: December 31, 2024

○ No buildings have been Placed in Service
○ At least one building has been Placed in Service but owner elects to begin credit period in the following year.
If either of the above applies, please check the appropriate box, and proceed to page 3 to sign and date this form.

Resyndication Properties Only:
○ No buildings have been placed in service under the most recent allocation.
○ At least one building has been placed in service under the most recent allocation, but the owner elects to begin credit period in the following year.
If either of the above applies, please check the appropriate box, and complete the certification for the original allocation.

The undersigned Paul Sween for Cottage Grove Leased Housing Associates I, on behalf of Cottage Grove Leased Housing Associates I, LLLP (the "Owner"), hereby certifies that:

1. The project meets the minimum requirements of: (check one)
   - ○ 20-50 test under Section 42(g)(1)(A) of the Code
   - ○ 40-60 test under Section 42(g)(1)(B) of the Code
   - ● The Average Income test under Section 42(g)(1)(C)
   - ○ 15-40 test for "deep rent-skewed" projects under Section 42(g)(4) and 142 (d)(4)(B) of the Code

2. There has been **no change in the applicable fraction** (as defined in Section 42(c)(1)(B) of the Code) for any building in the project:
   ● **True** ○ **False** If "False," attach documentation of the applicable fraction to be reported to the IRS for each building in the project for the certification year.

3. At initial occupancy, the owner has received a Tenant Income Certification from each low-income resident and documentation to support that certification, and if applicable, at annual recertification, the owner has received a Tenant Income Certification and documentation to support that certification.
   ● **True** ○ **False** If "False," attach an explanation and the supporting documentation.

4. The owner has received an annual Student Self Certification for each low-income household.
   ● **True** ○ **False** If "False," attach an explanation and the supporting documentation.

5 Each qualified low-income unit is rent-restricted under Section 42(g)(2) of the Code.
   ● **True** ○ **False** If "False," attach an explanation and the supporting documentation.

6. All low-income units in the project are for use by the general public and are used on a non-transient basis, except as otherwise permitted by Section 42 of the Code.
   ● **True** ○ **False** If "False," attach an explanation and the supporting documentation.

7. The property is in compliance with all Fair Housing Act regulations and there have been no violations of the Fair Housing regulations, including accessibility guidelines, filed against the project within the reporting period.
   ● **True** ○ **False** If "False," attach an explanation and the supporting documentation.

This certification and any attachments are made under penalty of perjury. Failure to complete this form in its entirety will result in noncompliance with program regulations. In addition, any individual other than an owner or general partner of the project is not permitted to sign this form, unless permitted by the credit allocator.

8. Each building in the project is suitable for occupancy taking into account local health, safety, building codes, and Uniform Physical Condition Standards (UPCS) as defined by HUD, and the state or local government unit responsible for building code inspections did not issue a report of a violation for any building or low-income unit in the project.
   ◉ **True** ○ **False** If "False," attach an explanation and the supporting documentation, including a copy of the violation report and any documentation of correction.

9. There have there been no changes in the eligible basis under Section 42(d) for any building in the project.
   ◉ **True** ○ **False** If "False," attach an explanation and the supporting documentation.

10. All resident facilities included in the eligible basis of any building in the project are provided on a comparable basis without a separate fee to all residents in the building.
    ◉ **True** ○ **False** If "False," attach an explanation and the supporting documentation.

11. If a low-income unit in the project has been vacant during the year, reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units were or will be rented to tenants not having a qualifying income.
    ◉ **True** ○ **False** If "False," attach an explanation and the supporting documentation.

12. If the income of a low-income household increased above the limit allowed in Section 42(g)(2)(D), all next available units of comparable or smaller size in that building were rented to an income qualified household.
    ◉ **True** ○ **False** If "False," attach an explanation and the supporting documentation.

13. An extended low-income housing commitment as described in section 42(h)(6) is in effect, including the requirement under Section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher of eligibility under Section 8 of the United States Housing Act of 1937, and all warranties, covenants, and representations contained in the Regulatory Agreement (Extended Use Agreement) and the Reservation Contract remain in force.
    ◉ **True** ○ **False** If "False," attach an explanation and the supporting documentation.

14. If the owner received a Credit allocation from the portion of the state ceiling set-aside for a project involving "qualified non-profit organizations" under Section 42(h)(5) of the code, the non-profit entity materially participated in the operation of the development within the meaning of Section 469(h).
    ○ **True** ○ **False** ◉ **N/A** If "False," attach an explanation and the supporting documentation.

15. There has been no change in the ownership or management of the property since the completion of the last Certification of Continuing Program Compliance.
    ◉ **True** ○ **False** If "False," attach an explanation and the supporting documentation.

16. The property is in compliance with the Violence Against Women Act requirements and all related implementing regulations providing protections for residents and applicants who are victims of domestic violence, dating violence, sexual assault, and/or stalking.
    ◉ **True** ○ **False** If "False," attach an explanation and the supporting documentation.

17. Pursuant to IRS Revenue Ruling 2004-82, the owner has not evicted any resident, or refused to renew any lease, except for good cause.
    ◉ **True** ○ **False** If "False," attach an explanation and the supporting documentation.

18. The owner continues to comply with all terms it agreed to in its application for Credit authority, including all federal and state-level program requirements and any commitments for which it received points or other preferential treatment in its application.
    ◉ **True** ○ **False** If "False," attach an explanation and the supporting documentation.

This certification and any attachments are made under penalty of perjury. Failure to complete this form in its entirety will result in noncompliance with program regulations. In addition, any individual other than an owner or general partner of the project is not permitted to sign this form, unless permitted by the credit allocator.

19. The property has not suffered a casualty loss resulting in the current displacement of residents.

◉ **True** ○ **False** If "False," attach an explanation and the supporting documentation outlining the circumstances and date of the casualty loss and date on which the tenant(s) were able to return to their unit(s).

20. The owner has not refused to lease a unit to an applicant based solely on their status as a holder of a Section 8 voucher.

◉ **True** ○ **False** If "False," attach an explanation and the supporting documentation.

I, Paul Sween

(Print Name of Owner/Authorized Signer)

the undersigned Owner, being duly sworn, hereby represent and certify under penalty of perjury that the project is otherwise in compliance with the U.S. Tax Code, any Treasury/IRS Regulations, the applicable state Qualified Allocation Plan, and all other applicable laws, rules, and regulations. The information contained in this statement and answers to the above questions, including any attachments hereto, are true, correct and complete to the best of my knowledge. I further certify that I have the requisite authority to execute this Owner's Annual Certification.

(If there has been a change in signing authority, please attach a copy of the corporate resolutions or minutes from the partnership meeting, showing the undersigned has the authority to execute these documents for the ownership entity.)

Cottage Grove Leased Housing Associates I, LLLP

Name: Jen Brewerton on behalf of Paul Sween

Signature: DocuSigned by: Jen Brewerton 43D6CA0D3D25489...

Date: 2/17/2025

This certification and any attachments are made under penalty of perjury. Failure to complete this form in its entirety will result in noncompliance with program regulations. In addition, any individual other than an owner or general partner of the project is not permitted to sign this form, unless permitted by the credit allocator.

PLEASE EXPLAIN ANY ITEMS THAT WERE ANSWERED "False" ON QUESTIONS 1-20.

Question #	Explanation

CHANGES IN OWNERSHIP OR MANAGEMENT

(to be completed **ONLY if "False"** marked for question 15 above)

TRANSFER OF OWNERSHIP

Date of Change:	
Taxpayer ID Number:	
Legal Owner Entity Name:	
General Partnership:	
Status of Partnership (LLC, etc):	

CHANGE IN OWNER CONTACT

Date of Change:	
Owner Contact - First Name:	
Owner Contact - Last Name:	
Owner Contact Phone:	
Owner Contact Fax:	
Owner Contact Email:	

CHANGE IN MANAGEMENT CONTACT

Date of Change:	
Management Co. Name:	
Management Address:	
Management City:	
Management State:	
Management Zip:	
Management Contact - First Name:	
Management Contact - Last Name:	
Management Contact Phone:	
Management Contact Fax:	
Management Contact Email:	