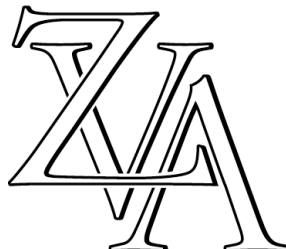

AN ANALYSIS
of
RESIDENTIAL MARKET POTENTIAL

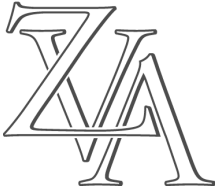
For
The Greater Downtown Study Area
Primary and Second/Weekend/Vacation Housing Units

City of Duluth, St. Louis County, Minnesota

September, 2023

Conducted by
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Residential Market Analysis Across the Urban-to-Rural Transect

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Residential Market Analysis Across the Urban-to-Rural Transect

AN ANALYSIS OF
RESIDENTIAL MARKET POTENTIAL

PRIMARY AND SECOND/WEEKEND/VACATION UNITS

The Greater Downtown Study Area
The City of Duluth, St. Louis County, Minnesota

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INTRODUCTION

The City of Duluth, Minnesota, is located at the westernmost point of Lake Superior, with a portion of its topography enabling lake views. Duluth's population is estimated at 86,057 in 2023 by Claritas, Inc. and has remained stable since the 1990 Census, following a steady decline from its peak decades of approximately 100,000 residents in the 1920s, 1930s, and 1940s. Over 40 percent of Duluth's housing stock dates from the pre-war era, and in the Downtown, a notable portion of that older stock consists of small-scale multi-family dwellings that are falling into disrepair.

In their REPORT AND RECOMMENDATIONS dated November, 2022, the Downtown Task Force, appointed by Mayor Emily Larson in April, 2022, recommended that the City of Duluth commission a new housing study to determine downtown housing market potential from households of all incomes after the disruption of the COVID-19 pandemic. This study is the result of that recommendation, and follows a 2019 Maxfield Research & Consulting city-wide Update of Affordable and Workforce Housing Needs; the original Maxfield study was published in 2014.

The analysis to determine the market potential for new rental and for-sale housing units that could be created through new construction or adaptive re-use of existing buildings within the Greater Downtown Study Area in the City of Duluth included: delineation of the draw areas; determination of the depth of the potential market for new and existing housing units in the city and in the Study Area; determination of the target households who make up the Study Area's annual potential market;

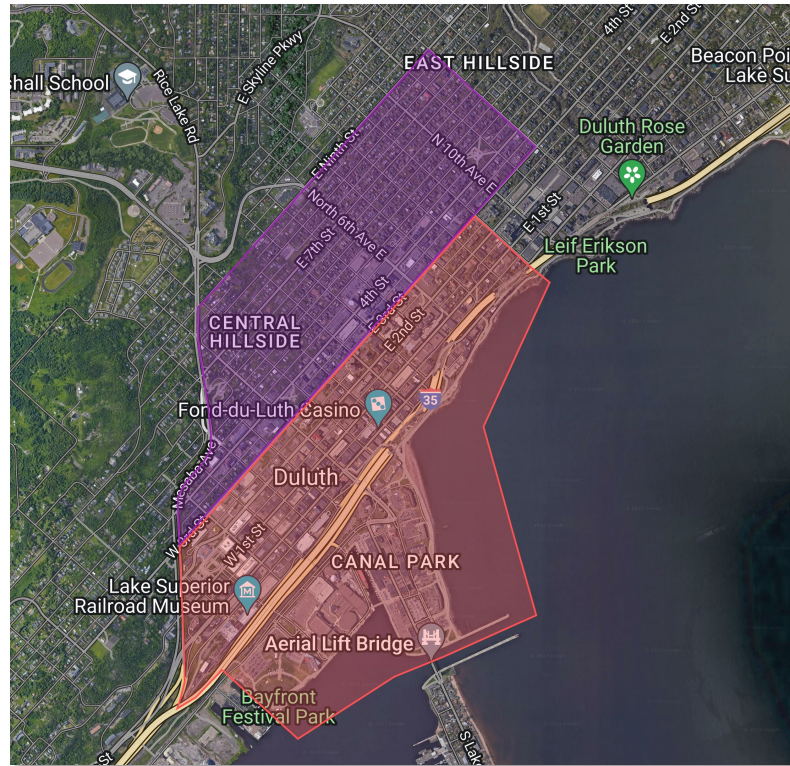
Primary and Second/Weekend/Vacation Units
The Greater Downtown Study Area
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and the target residential mix of rental and for-sale housing types corresponding to the housing preferences of those target households; and the optimum market position, derived from the financial capabilities of the target households, for both newly-created rental and for-sale primary housing units and new for-sale second/weekend/vacation units in the Study Area.

The extent and characteristics of the potential market for newly-created and existing housing units in Duluth and in the Study Area were identified using Zimmerman/Volk Associates' proprietary target market methodology and extensive experience with urban development and redevelopment. The target market methodology is particularly effective in defining housing potential because it encompasses not only basic demographic characteristics, such as income qualification and age, but also less-frequently analyzed attributes such as mobility rates, lifestage, lifestyle patterns, and neighborhood preferences.

Zimmerman/Volk Associates was tasked with examining the potential market for new housing in the two areas that make up the Greater Downtown Study Area: the Downtown Core Study Area and the Hillside Study Area. The Downtown Core is bounded by Mesaba Avenue to the west, 3rd Street to the north, 9th Avenue to the east, and Lake Superior to the south. The portion of the Hillside neighborhood included in the Greater Downtown Study Area is bounded by 3rd Street to the south, Mesaba Avenue to the west, 9th Street in the north, and 12th Avenue East to the east. (*See Study Area map on the following page.*)

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GREATER DOWNTOWN STUDY AREA MAP

In brief, this study determined:

- Where the potential renters and buyers of newly-created and existing primary and second/vacation/weekend housing units in the City of Duluth and the Greater Downtown Study Area are likely to move from (the draw areas);
- What their current housing alternatives are (rental and for-sale residential development in the Duluth market area);
- How many households have the potential to move within and to Duluth and to the Study Areas each year if appropriate housing units, both new construction and adaptive-reuse of existing buildings, were to be made available (depth and breadth of the market);
- Who the households are that represent the potential market for new primary and second/vacation/weekend housing units in the Study Area (the target markets);
- What their housing preferences are in aggregate (rental or ownership, multi-family or single-family);

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- What their range of affordability is by housing type (income qualifications)
- What the market-entry rents and prices are that correspond to the financial capabilities of the target households (optimum market position); and
- How quickly the new units will lease or sell (absorption forecasts).

Based on this analysis, Zimmerman/Volk Associates has determined that the Greater Downtown Study Area could support between 1,840 and 2,405 new subsidized, affordable/workforce, and market-rate rental and for-sale primary housing units over the next five years. Just over two-thirds of these would be rental units and nearly a third would be for-sale units. Over the next five years, between 1,030 and 1,345 units could be supported in the Downtown Core, and between 810 and 1,060 units could be supported in the Hillside Study Area. Between 870 and 1,145 primary housing units could be rented or sold at market rates in the Greater Downtown Study Area over five years.

DEMOGRAPHICS OF THE GREATER DOWNTOWN STUDY AREA

Based on past demographic trends, Claritas, Inc., a national provider of Census-based demographic data, estimates that the Greater Downtown Study Area's 2023 population of 7,874 persons represents a small loss of just 0.4 percent from the 2020 Census count of 7,909 people. Most of that loss occurred in the Hillside Study Area, which fell from 5,047 persons in 2020 to an estimated 5,015 persons in 2023. The Core Downtown population fell only slightly, from 2,862 persons in 2020 to an estimated 2,859 persons in 2023.

As of 2023, there were an estimated 4,175 households living in the Greater Downtown Study Area, a number that increased only slightly from 4,172 households at the time of the 2020 Census. The Core Downtown gained an estimated eight households between 2020 and 2023 (from 1,846 in 2020 to 1,854 in 2023), compared to the Hillside Study Area, where there are an estimated five fewer households in 2023 than in 2020 (from 2,326 in 2020 to 2,321 in 2023).

The number of persons per household has a direct impact on the type of housing needed, with smaller households requiring fewer bedrooms and less square footage than larger households.

Primary and Second/Weekend/Vacation Units
The Greater Downtown Study Area
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- An estimated 83.6 percent of all households in the Greater Downtown Study Area in 2023 contain just one or two persons (over 96 percent in the Core and 73.4 percent in Hillside, compared to 70.2 percent city-wide).
- 5.7 percent contain three persons in the Greater Downtown (2.4 percent in the Downtown Core Study Area and 8.3 percent in the Hillside Study Area, less than the 11.9 percent in the city).
- The remaining 10.7 percent in the Greater Downtown contain four or more persons, with just 1.2 percent in the core and 18.3 percent in Hillside (compared to 17.9 percent in the city).

The composition of those households can also influence housing decisions, affecting the type of housing required. Households with children typically prefer single-family detached units located in a good school district; older and younger households without children represent the bulk of the potential market for urban neighborhoods and they are more likely to select smaller units, often in multi-family buildings.

- In 2023, 3.6 percent of the Greater Downtown's households could be characterized as traditional families, *e.g.*, married couples with children under age 18. That percentage was just 0.7 percent in the Core Downtown and 5.9 percent in Hillside (significantly below the 25.3 percent in Duluth).
- Non-traditional families with children, *e.g.*, single persons or unmarried couples with children under 18 represent 10.3 percent of all households living in Greater Downtown, with four percent located in the Downtown Core and 15.3 percent in Hillside (all lower than the city's 17.7 percent).
- The remaining 86.1 percent of Greater Downtown households do not have children under 18 and include non-traditional family households without children as well as childless married couples; 95.3 percent of Core Downtown households do not have children and 78.8 percent in the Hillside Neighborhood (considerably higher than the city's 56.9 percent).

Primary and Second/Weekend/Vacation Units
The Greater Downtown Study Area
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The Greater Downtown Study Area is much less affluent than the City of Duluth. Median household income is estimated at \$28,300, and the Downtown Core and Hillside are respectively estimated at \$19,000 and \$38,800, substantially below the the city's median of \$61,600. An estimated 45.7 percent of the households living in Greater Downtown have annual incomes of \$25,000 or less (62.7 percent in the Downtown Core and 32.1 percent in Hillside, and just 11 percent in Duluth). An estimated 20.6 percent have incomes above \$75,000 a year in Greater Downtown (with just 12.6 percent in the Downtown Core and 26.9 percent in Hillside, compared to over 41 percent in the city).

Both the City of Duluth and the Greater Downtown Study Area population is majority White.

- Approximately 71 percent of Greater Downtown's residents are White (as are the Core Downtown and Hillside Study Areas), compared to 83.4 percent city-wide.
- An estimated 8.2 percent are African American in the Greater Downtown, with 9.6 percent in the Core Downtown and 7.4 percent in the Hillside Neighborhood, all considerably higher than the city's 3.7 percent.
- The Asian population is 1.7 percent currently in Greater Downtown (1.6 percent in the Core and 1.8 percent in Hillside), similar to the 1.5 percent in the city.
- The remaining 12.3 percent are American Indian, Native Hawaiian/Pacific Islander or Other Race/Two or More Races in Greater Downtown (with 10.9 percent in the Core and 13 percent in Hillside), higher than the city's 11.4 percent.

An estimated four percent of the Greater Downtown's population is Hispanic/Latino by ethnicity, (4.4 percent of the Core and 3.7 percent of Hillside), slightly higher than the City of Duluth's 2.8 percent.

An estimated 1.7 percent of the Greater Downtown's dwelling units have been built since 2014, with just one percent in Hillside and 2.5 percent in the Downtown Core, slightly less than the City of Duluth's 2.5 percent. The Greater Downtown's housing stock is currently estimated at 4,696 dwelling units, with 2,072 units located in the Core and 2,624 units in Hillside. Greater Downtown's housing units represent approximately 12 percent of the city total.

Primary and Second/Weekend/Vacation Units
The Greater Downtown Study Area
The City of Duluth, St. Louis County, Minnesota
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- Approximately 21 percent of Greater Downtown's housing stock are single-family detached houses (with very few, just two percent, located in the core, and 35.6 percent in the Hillside Neighborhood (all substantially below Duluth's 59.4 percent).
- In Greater Downtown, just under four percent are single-family attached houses—townhouses or rowhouses—six percent in the Core and 2.3 percent in Hillside (compared to 2.9 percent city-wide).
- An estimated 11.3 percent are in two-unit buildings in Greater Downtown, (just 4.1 percent in the Core Downtown, much less than the 17 percent in the Hillside Neighborhood (7.8 percent in the city).
- 26.4 percent of the housing units in Greater Downtown are located in buildings of three to 19 units (23.6 percent in the Downtown Core, 28.7 percent in the Hillside Neighborhood, much higher shares than the 11.7 percent in Duluth).
- 36.7 percent of the housing units in Greater Downtown are located in buildings of 20 or more units, with the Downtown Core accounting for 64.3 percent, much higher than Hillside's 25 percent and the city's 15.4 percent.

Based on Census and Claritas estimates, in 2023, 11.1 percent of the Greater Downtown Study Area's 4,696 housing units are vacant (10.5 percent in the Downtown Core and 11.5 percent of the Hillside Study Area). Vacant units encompass year-round units that have been rented or sold but the new residents have not yet moved in, units owned for seasonal, recreational, or occasional use only, and "other vacant," which includes vacant units held for legal issues, or are under foreclosure, are held for personal/family reasons, are used for storage, are under repair, or are specific-use housing which may be vacant at the time of the survey, e.g., military housing, employee/corporate housing, student housing, and guest houses. They are seldom units that are actually available to be leased or sold.

Of the estimated 4,175 *occupied* units in Greater Downtown, 82 percent are rented, and 18 percent are owner-occupied. The tenure ratio for the Downtown Core's occupied units is 91.6 percent rented 8.4 percent owned, and for the Hillside Study Area, 74.4 percent are rented and 25.6 percent owned. The City of Duluth has an ownership rate of 59.3 percent.

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The median value of owner-occupied dwelling units in the Greater Downtown Study Area is currently estimated at \$143,600, while the median value in the Downtown Core is \$439,900 due to the high value of waterfront units. The media value of owner-occupied units in Hillside is \$131,500, and the median housing value in Duluth is \$207,600.

The Downtown Core has a higher share of vehicle-free households than either Hillside or the city as a whole.

- Just under 42 percent of the Greater Downtown do not own a vehicle (59.3 percent of the Downtown's households and 28 percent in the Hillside Neighborhood, considerably higher than the 12 percent in Duluth).
- 29.7 percent in the Greater Downtown own only one vehicle (with 28.2 percent in the Downtown Core and just under 31 percent in the Hillside Neighborhood, all below the 35.3 percent in Duluth as a whole).
- 28.4 percent of Greater Downtown households own two or more vehicles, a much higher share than the 12.5 percent in the Downtown Core and a lower share than the 41 percent in the Hillside and 52.6 percent city-wide.

Driving alone to work is the most significant means of commutation for workers aged 16 and older living in the city as a whole and in the Hillside Study Area, but is less important in the Downtown Core.

- Approximately two-thirds of the households living in the Greater Downtown Study Area drive alone to work (57 percent in the Downtown Core and 69.3 percent in the Hillside Neighborhood--both lower than the 76.5 percent in Duluth).
- 6.7 percent car-pool in Greater Downtown (higher than the Core's 5.7 percent and slightly lower than Hillside's seven percent and the city's 8.7 percent).
- 11.6 percent take public transportation to work in Greater Downtown (with 19.6 percent in the Downtown Core, considerably higher than the nine percent in the Hillside Neighborhood and the 3.8 percent city-wide).

Primary and Second/Weekend/Vacation Units
The Greater Downtown Study Area
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- 11 percent walk to work in Greater Downtown (16.5 percent in the Downtown Core, much higher than the 9.2 percent in the Hillside Neighborhood and 4.6 percent in the city).
- The remaining 4.4 percent of Greater Downtown's residents either work at home, bike to work, or have other means of getting to work (greater than the 1.2 percent in the Core, and less than the 5.4 percent in the Hillside Neighborhood and 6.5 percent in Duluth).

In April of 2023, the Census Bureau issued a report showing the national impact of the pandemic on the number of people who worked at home. Between 2019 and 2021, both the number and percentage of home-based workers more than tripled, from approximately nine million workers (5.7 percent of the workforce) in 2019 to approximately 28 million workers (17.9 percent of the workforce) in 2021. Data was not available for cities in metropolitan areas with less than a million residents.

An estimated 26 percent of Greater Downtown's residents aged 25 or older have a Bachelor's Degree, compared to 20.4 percent in the Core, 30.5 percent in Hillside, and 47.7 percent city-wide.

In 2023, approximately 45.5 percent of Greater Downtown's employment was concentrated in white-collar jobs, 18 percent in blue-collar occupations, and 36.5 percent in service/farm employment. In the Core Downtown, 55.4 percent is white-collar work, 12.8 percent is blue-collar, and 31.8 percent is service/farm employment. In the Hillside Neighborhood, 42.3 percent are white-collar jobs, 19.7 percent blue-collar jobs, and 38 percent service/farm jobs. (City-wide, white-collar jobs comprise 58.7 percent of all employment, blue-collar 17.1 percent, and service/farm occupations 24.2 percent.)

In 2023, the number of employed civilians 16 years of age and older by worker class in the Greater Downtown Study Area stands at 3,885 persons, with nearly 72 percent of them working for for-profit private employers. Government work (federal, state, and local) in Greater Downtown represents an estimated 10.5 percent of all civilian employees.

In the Downtown Core Study Area, an estimated 947 persons over 16 years of age are employed civilians, and 70.7 percent of them work for for-profit private employers; 12.2 percent work in

Primary and Second/Weekend/Vacation Units
The Greater Downtown Study Area
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government. The number of employed civilians 16 years of age and older by worker class in the Hillside Study Area is 2,938 persons, with over 72 percent of them employed by for-profit private employers. Government work in Hillside comprises 11 percent of all civilian employees.

Food preparation/serving jobs are how the largest number by far—649—of civilian workers in the Greater Downtown Study Area are employed, followed by office/administrative support (338 jobs) and building grounds maintenance (304). Both the Core and Hillsdale show the same trend, although Hillside also has significant numbers of workers employed in healthcare support, sales and related jobs, and transportation/moving work.

DATA SOURCES: Table 1: Claritas, Inc.; U.S. Census Bureau;
Zimmerman/Volk Associates, Inc.

Primary and Second/Weekend/Vacation Units
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AVERAGE ANNUAL MARKET POTENTIAL FOR PRIMARY HOUSING UNITS IN THE CITY OF DULUTH__

An analysis of migration, mobility and geo-demographic characteristics of households currently living within defined draw areas is integral to the determination of the depth and breadth of the potential market for newly-created and existing primary housing units within the City of Duluth.

An understanding of these mobility trends, as well as the socio-economic and lifestyle characteristics of households currently living within defined draw areas, is the first step in the analysis. The draw areas are derived primarily through household migration analysis (using the latest taxpayer data provided by the Internal Revenue Service). To refine the draw area for the city, the IRS migration data have been supplemented by population migration and mobility data from the American Community Survey.

Where are the potential renters and buyers of new and existing primary housing units in the City of Duluth likely to move from?

As noted above, taxpayer migration data obtained from the Internal Revenue Service provide the framework for the delineation of the draw areas—the principal counties of origin for households that are likely to move to St. Louis County and the City of Duluth. These data are maintained at the county and “county equivalent” level by the Internal Revenue Service and provide a clear representation of mobility patterns. The IRS migration data have been supplemented by migration and mobility data for both the City of Duluth and St. Louis County from the most recent American Community Survey.

Based on the IRS migration data, then, and supplemented by American Community Survey migration and mobility data, the draw areas for primary housing in the City of Duluth have been determined as follows:

- The local draw area, covering households moving within the City of Duluth.
- The St. Louis County draw area, covering households with the potential to move from the balance of St. Louis County to the city.

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- The regional draw area, covering households with the potential to move to the city from the surrounding counties of Carlton and Itasca, Minnesota, and Douglas, Wisconsin.
- The Twin Cities draw area, covering households with the potential to move to Duluth from the counties of Hennepin and Ramsey, Minnesota.
- The national draw area, covering households with the potential to move to the City of Duluth from all other U.S. cities and counties.

The distribution of the draw areas as a percentage of the annual potential market for newly-created and existing primary housing units in the City of Duluth is shown on the following table:

Annual Average Market Potential by Draw Area
Primary Housing
City of Duluth, St. Louis County, Minnesota

City of Duluth:	56.8%
St. Louis County:	9.1%
Regional Draw Area	5.3%
Twin Cities Draw Area:	6.0%
Balance of the U.S.:	<u>22.9%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

The target market methodology accounts for household mobility within the City of Duluth, as well as mobility patterns for households currently living in all other counties. The methodology has determined that an annual average of 8,050 households of all incomes represent the potential market for newly-created and existing primary housing units within the city each year over the next five years(see also Table 2 following the text).

Primary and Second/Weekend/Vacation Units
The Greater Downtown Study Area
The City of Duluth, St. Louis County, Minnesota
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AVERAGE ANNUAL MARKET POTENTIAL FOR PRIMARY HOUSING UNITS IN THE GREATER DOWNTOWN STUDY AREA

Where are the potential renters and buyers of newly-created and existing primary housing units in the Greater Downtown Study Area likely to move from?

The target market methodology identifies those households with a preference for living in downtowns and walkable neighborhoods. After eliminating those segments of the potential city-wide market that have preferences for new or existing housing in suburban or low-density areas, the distribution of draw area market potential for newly-created and existing primary housing units within the Greater Downtown Study Area each year over the next five years is summarized as follows:

Annual Average Market Potential by Draw Area
Primary Housing
GREATER DOWNTOWN STUDY AREA
City of Duluth, St. Louis County, Minnesota

City of Duluth:	55.9%
St. Louis County:	1.6%
Regional Draw Area	2.5%
Metropolitan Draw Area:	12.9%
Balance of the U.S.:	<u>27.1%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

Based on the target market analysis, then, an annual average of 2,175 younger singles and couples, empty nesters and retirees, and compact families of all incomes represent the annual potential market for newly-created and existing primary housing units of every kind within the Greater Downtown Study Area each year over the next five years (*see again Table 2 following the text*).

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DULUTH INCOME LIMITS

The income limits in Duluth by household size and percent of median family income, based on the Duluth, MN-WI HUD median family income (AMI), which, as determined by the U.S. Department of Housing and Urban Development (HUD) in 2022 is \$89,000 for a family of four, are shown on the following table:

Fiscal Year 2022 Income Limits
City of Duluth, St. Louis County, Minnesota

NUMBER OF PERSONS IN HOUSEHOLD	EXTREMELY LOW 30% OF MEDIAN	VERY LOW 50% OF MEDIAN	LOW 80% OF MEDIAN
One	\$17,950	\$29,900	\$47,800
Two	\$20,500	\$34,150	\$54,600
Three	\$23,050	\$38,400	\$61,450
Four	\$27,750	\$42,650	\$68,250
Five	\$32,470	\$46,100	\$73,750
Six	\$37,190	\$49,500	\$79,200
Seven	\$41,910	\$52,900	\$84,650
Eight	\$46,630	\$56,300	\$90,100

NOTE: At the time of this analysis, the most recent FY data released by HUD was 2022 and has since been updated to 2023. Year-over-year changes to the HUD income limits do not materially affect the core findings of this analysis.

SOURCE: U.S. Department of Housing and Urban Development, 2022.

This study is examining the incomes and financial capabilities of the potential housing market based on income distributions at less than 30 percent AMI, between 30 and 60 percent AMI, between 60 and 80 percent AMI, between 80 and 115 percent AMI, and above 115 percent AMI. The incomes of households at 60 and 115 percent of the median are shown on the following table:

Additional Income Limits
City of Duluth, St. Louis County, Minnesota

NUMBER OF PERSONS IN HOUSEHOLD	60% OF MEDIAN	115% OF MEDIAN
One	\$35,850	\$71,650
Two	\$41,000	\$81,900
Three	\$46,100	\$92,150
Four	\$51,200	\$102,350
Five	\$55,300	\$110,550
Six	\$59,400	\$118,750
Seven	\$63,500	\$126,950
Eight	\$67,600	\$135,150

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

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THE MARKET CONTEXT

What are their current housing alternatives?

Summary information for selected rental properties located in the Downtown Duluth market area is provided on Table 3 following the text. A summary of selected for-sale multi-family and single-family attached properties on the market is provided on Table 4 following the text.

Redfin’s Walk Score has been included with each property listing. Although Walk Score measures only distance, and metrics such as intersection density and block lengths to grade the walkability of a specific address or neighborhood, it has grown in importance as a value criterion. Walk Scores above 90 indicate a “Walker’s Paradise,” where daily errands do not require a car. Walk Scores between 70 and 90 are considered to be very walkable, where most errands can be accomplished on foot, and Walk Scores between 50 and 69 are regarded as somewhat walkable, where some errands can be accomplished on foot. Walk Scores below 50 indicate that most or almost all errands require an automobile.

The impact on housing values of walkability as calculated by Walk Score only begins to be measurable when Walk Scores reach 70 or above. All but two of the 10 rental or condominium properties in Downtown Duluth included in the survey have Walk Scores of 72 or higher.

—MULTI-FAMILY RENTAL PROPERTIES—

Base rent, unit sizes and rents per square foot for the 23 rental properties included in the survey, covering just under 2,030 apartments, are summarized on the following pages.

—*Studio Units (11 properties)*—

- Rents for studio apartments start at \$895 per month at Leijona on West 2nd Street in Downtown Duluth; the highest studio rent of \$1,400 per month is being achieved at Kenwood Village on Kenwood Avenue, in Kenwood.
- Studio units range in size from 320 square feet at the Board of Trade Lofts on West 1st Street in Downtown to 688 square feet at Lincoln Park Flats on West Superior Street in the West End.

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- Studio rents per square foot fall between \$1.48 at the Lofts on the Canal, to \$3.63 at Lincoln Park Flats.

—*One-Bedroom Units (19 properties)*—

- Rents for one-bedroom apartments start at \$1,050 per month at Onyx of Superior on Weeks Avenue in the North End of the City of Superior; the highest one-bedroom rent of \$2,500 per month is being achieved at Lincoln Park Flats.
- One-bedroom units range in size from 413 square feet at the Board of Trade Lofts to 1,660 square feet at The Harbours on West Michigan Street in Downtown.
- One-bedroom rents per square foot fall between \$1.37 at Grand Avenue Estates on Zimmerly Avenue in Morgan Park, to \$3.62 at Lincoln Park Flats.

—*Two-Bedroom Units (20 properties)*—

- Rents for two-bedroom apartments start at \$1,375 per month for a two-bedroom, two-bath apartment at Grand Avenue Estates, up to \$4,075 per month at ENDI on London Road in Congdon.
- Two-bedrooms range in size from 709 square feet for two bedrooms and one bath at Leijona, to 1,770 square feet for a two-bedroom, two-bath unit at The Harbours.
- Rents per square foot for two-bedrooms fall between \$1.30 at Grand Avenue Estates and \$2.58 at ENDI.

—*Three-Bedroom Units (Seven properties)*—

- Rents for three-bedroom apartments start at \$1,790 per month for a three-bedroom, two-bath apartment at Grand Avenue Estates, up to \$3,385 per month for a three-bedroom, two-bath unit at Aery in the City of Hermantown.
- Three-bedrooms range in size from 1,250 square feet at 320 North in the North End of Superior, to 1,899 square feet for three bedrooms and two baths at Central Flats in the North End of the City of Superior.
- Rents per square foot for three-bedrooms range between \$1.38 at Grand Avenue Estates and \$2.45 at BlueStone Flats on Summit Street in Chester Park.

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Four-bedroom are available at the BlueStone Lofts student apartments on Summit Street. Rents start at \$3,268 per month for units ranging in size from 1,430 to 1,500 square feet with three or four baths, with rents per square foot falling between \$2.18 and \$2.29.

All of the rental properties included in the survey were either in initial lease-up or at or above 95 percent functional full occupancy, except for the Lofts on Canal.

Most of the properties provide community amenities, typically clubhouses and fitness centers, and occasionally, pools and media centers.

—MULTI-FAMILY AND SINGLE-FAMILY ATTACHED FOR-SALE PROPERTIES—

In recent years, few new condominium buildings have been constructed, and only a few scattered units were listed for sale, or recently sold in the city at the time of the survey in May, 2023.

The only newly-constructed property was the London East townhouse development on London Road in Congdon Park, which had seven units of 3,540 square feet of living area each divided into three to five bedrooms and two-and-a-half or three-and-a-half baths, listed for \$526,100 to \$699,800 (\$149 to \$198 per square foot).

The least expensive resale listing was a two-bedroom, two-bath condominium at River Place Condominiums, built in 2001 on Hudson Boulevard which contained 1,602 square feet and was listed for \$384,480 (\$240 per square foot). The most expensive listing was a 2,045-square-foot, four-bedroom, three-bath condominium at Beacon Point built in 2007 on Water Street in Congdon listed at \$979,900 (\$479 per square foot).

The least expensive recent sale was a 1,327-square-foot, two-bedroom, two-bath flat on East 4th Street Downtown which sold for \$235,000 (\$177 per square foot). The most expensive sale was a two-bedroom, two-bath townhouse at South Pier Shore on the Lake built in 2007 on South Lake Avenue in Park Point which contained 2,640 square feet and sold for \$1,050,000 (\$398 per square foot).

There were no current listings in either Downtown or Hillside. In Downtown, in addition to the \$235,000 East 4th Street condominium, there have been four recent sales, all condominiums with

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closing prices between \$330,000 for a 903-square-foot one-bedroom, to \$639,000 for 3,100-square-foot two-bedroom. Sales prices per square foot ranged between \$206 and \$396. There has been just one recent sale in East Hillside, a two-bedroom, two-bath townhouse at Superior Vista on Mesaba Avenue built in 2006 which contained 1,327 square feet which sold for \$300,000 (\$226 per square foot), nearly \$50,000 below the asking price.

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AVERAGE ANNUAL MARKET POTENTIAL FOR PRIMARY HOUSING UNITS IN THE DOWNTOWN CORE STUDY AREA

Zimmerman/Volk Associates has filtered the target households for the Downtown Core Study Area to include only those with preferences for the highest-density housing units usually found in a vibrant downtown. Typical household sizes in most downtowns range between one and two persons, whereas larger households, most often families with three to five persons per household, are mostly located in lower-density neighborhoods with higher percentages of single-family detached housing.

Given the composition of households currently living in the Downtown Core, where over 96 percent contain just one or two persons, as well as of the existing housing stock, where over 64 percent of all units are in buildings that contain 20 or more units (*see DEMOGRAPHICS OF THE GREATER DOWNTOWN STUDY AREA*), this study is therefore targeting households that would prefer higher-density multi-family rental and for-sale apartments (condominiums) as well as rowhouses or townhouses (single-family attached units) in the Downtown Core. Households with preferences for single-family detached houses have been excluded from the Downtown Core analysis. As determined by the target market methodology, then, an annual average of 1,352 households of the 2,175 target households of all incomes for the Greater Downtown Study Area—excluding those with preferences for single-family detached housing types—comprise the average annual potential market for the Downtown Core Study Area.

(It should be noted that there is an overlap in neighborhood preference in that a number of households that represent the average annual potential market for the Greater Downtown Study Area would be as likely to move to the Hillside Study Area as they would to the Downtown Core Study Area, as long as appropriate housing options, both new construction and adaptive re-use of existing buildings, are available.)

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What are their housing preferences in aggregate for the Downtown Core Study Area?

The housing preferences of the target 1,352 draw area households of all incomes that represent the average annual market potential for the Downtown Core Study Area are derived from their tenure (rental/ownership) propensities and are summarized on the following table (*see again* Table 2):

Average Annual Market Potential
By Tenure/Housing Type Propensities
Primary Housing
DOWNTOWN CORE STUDY AREA
City of Duluth, St. Louis County, Minnesota

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent (lofts/apartments, leaseholder)	1,043	77.1%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	150	11.1%
Single-family attached for-sale (townhouses/live-work, fee-simple/ condominium ownership)	<u>159</u>	<u>11.8%</u>
Total	1,352	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

As noted above, a large majority (over 77 percent) of the 1,352 target households comprise the market for rental dwelling units. An increasing percentage are renters by choice; many, however, would prefer to own but cannot afford the type of housing they want in neighborhoods where they would consider living. Younger people in particular are challenged by the burden of significant education debt as well as lack of an adequate down payment.

The remaining 22.9 percent of the market would choose some form of ownership housing (significantly higher than the current estimated homeownership rate in the Downtown Core of approximately 8.4 percent). An estimated 48.5 percent of the higher-density ownership market would prefer for-sale multi-family (condominium/co-operative units), and the remaining 51.5 percent would likely prefer for-sale single-family attached (rowhouse/townhouse units).

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What is their range of affordability by housing type?

The combined tenure and housing type preferences and financial capabilities of the target households for the Downtown Core Study Area are shown on the following table (*see again* Table 2):

Tenure/Housing Type Propensities by Income
Annual Average Market Potential for New and Existing Primary Housing Units
DOWNTOWN CORE STUDY AREA
City of Duluth, St. Louis County, Minnesota

HOUSING TYPE HOUSEHOLDS	
	NUMBER	PERCENT
Multi-family for-rent (lofts/apartments, leaseholder)	<u>1,043</u>	<u>77.1%</u>
< 30% AMI	210	15.5%
30% to 60% AMI	204	15.1%
60% to 80% AMI	118	8.7%
80% to 115% AMI	176	13.0%
> 115% AMI	335	24.8%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	<u>150</u>	<u>11.1%</u>
< 30% AMI	27	2.0%
30% to 60% AMI	27	2.0%
60% to 80% AMI	18	1.3%
80% to 115% AMI	26	1.9%
> 115% AMI	52	3.9%
Single-family attached for-sale (townhouses, townhouses, fee-simple ownership)	<u>159</u>	<u>11.8%</u>
< 30% AMI	27	2.0%
30% to 60% AMI	30	2.2%
60% to 80% AMI	17	1.3%
80% to 115% AMI	26	1.9%
> 115% AMI	59	4.4%
Total	1,352	100.0%

Summarizing the income ranges of the 1,352 households that represent the annual potential market for newly-created and existing housing units in the Downtown Core Study Area, 19.5 percent (264 households) have incomes at 30 percent or less than the AMI; 19.3 percent (261 households) have incomes between 30 and 60 percent AMI; 11.3 percent (153 households) have incomes between 60 and 80 percent AMI; 16.9 percent (228 households) have incomes between 80 and 115 percent AMI; and 33 percent (446 households) have incomes at or above 115 percent AMI.

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TARGET MARKET ANALYSIS: DOWNTOWN CORE STUDY AREA

The evolution of market preferences has continued to shift away from single-use subdivisions and toward more walkable, mixed-use neighborhoods as the pandemic eases, particularly in downtowns, where multi-family is the principal housing type, and in-town neighborhoods, where there is also a larger share of higher-density housing types. The preference for walkable neighborhoods evidenced by both younger and older one- and two-person households continues as a primary force in urban development and redevelopment across the country, despite some skepticism about the strength of the multi-family market as viable housing during a pandemic as well as the increased number of households working at home rather than the office.

Who are the households that represent the potential market for newly-created housing units in the Downtown Core Study Area?

As determined by the target market analysis, then, the general market segments, by lifestage and income bracket, that represent the potential market for newly-created and existing housing units in the Downtown Core Study Area are as follows (*see also Table 5 following the text*):

Annual Market Potential by Lifestage and Income
DOWNTOWN CORE STUDY AREA
PRIMARY HOUSING
City of Duluth, St. Louis County, Minnesota

HOUSEHOLD TYPE	PERCENT OF TOTAL	BELOW 30% AMI	30% TO 60% AMI	60% TO 80% AMI	80% TO 115% AMI	ABOVE 115% AMI
Empty-Nesters & Retirees	21.5%	19.3%	19.5%	20.3%	19.7%	25.3%
Traditional & Non-Traditional Families	8.4%	9.1%	9.6%	9.1%	10.1%	6.1%
Younger Singles & Couples	<u>70.1%</u>	<u>71.6%</u>	<u>70.9%</u>	<u>70.6%</u>	<u>70.2%</u>	<u>68.6%</u>
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100%

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

YOUNGER SINGLES AND COUPLES

At just over 70 percent of all households, younger singles and couples of all incomes comprise the largest share of the market for all housing types in the Downtown Core, illustrating the dominance of the Millennial and Zoomer generations in urban markets. These one- and two-person households are predominantly trailing-edge Millennials and leading-edge Zoomers (also known as Generation Z) and include young professionals, knowledge workers, office, retail, and restaurant staff, and other young education- and hospital-related employees, significant numbers of students, as well as those who struggle to find full-time employment.

An estimated 39.5 percent of the younger singles and couples that comprise the target markets for the Downtown Core Study Area have incomes that fall below 60 percent of AMI (at or below \$35,850 for a single-person household and at or below \$41,000 for a two-person household).

An estimated 11.4 percent of the households in this market segment have incomes that fall within the 60-to-80 percent income band (approximately \$35,850 to \$47,800 for a single-person household and \$41,000 to \$54,600 for a two-person household).

Just under 17 percent of the younger singles and couples have incomes that are between 80 and 115 percent of the AMI (from \$47,800 at 80 percent AMI to \$71,650 at 115 percent AMI for a single-person household, and from \$54,600 at 80 percent AMI to \$81,900 at 115 percent AMI for a two-person household).

The remaining 32.3 percent of the younger singles and couples have incomes that are above 115 percent of the AMI (from \$71,650 and up for a single-person household, and from \$81,900 and up for a two-person household).

An estimated 54.5 percent of the younger singles and couples that represent the market for newly-created primary housing units in the Downtown Core Study Area would be moving from elsewhere in the city; 1.4 percent would be moving from the regional draw area; approximately 16.6 percent would be moving from the Twin Cities draw area; and 27.5 percent would be moving from another county in the United States.

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EMPTY NESTERS AND RETIREES

At 21.5 percent of the annual potential market for newly-created primary housing units in the Downtown Core Study Area, older households (empty nesters and retirees) represent the second largest share of the market. A significant number of these target households have grown children who have recently moved out of the family home; another large percentage are retired. Some are retired with incomes from social security alone, others who also have pensions, savings and investments, and the remainder who are still working, predominantly Baby Boomers and the oldest Gen Xers.

In this general market segment, an estimated 35 percent have incomes at or below 60 percent of AMI. (This is a range of at or below \$35,850 for a single-person household and at or below \$41,000 for a two-person household.)

An estimated 10.7 percent of the older target households have incomes between 60 and 80 percent of the area median. (Approximately \$35,850 to \$47,800 for a single-person household and \$41,000 to \$54,600 for a two-person household.)

Older households with incomes between 80 and 115 percent of AMI comprise 15.5 percent of the target empty nester and retiree market segment (from \$47,800 at 80 percent AMI to \$71,650 at 115 percent AMI for a single-person household, and from \$54,600 at 80 percent AMI to \$81,900 at 115 percent AMI for a two-person household).

The remaining 38.8 percent of older households have incomes above 115 percent of AMI (from \$71,650 and up for a single-person household, and from \$81,900 and up for a two-person household).

Just over 55 percent of the empty nesters and retirees would be moving from elsewhere within the City of Duluth; just over two percent would be moving from elsewhere in St. Louis County; 5.2 percent from one of the regional draw area counties; 12.5 percent would be moving from the metropolitan draw area; and the remaining quarter would be moving from elsewhere in the U.S.

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TRADITIONAL AND NON-TRADITIONAL FAMILIES

Family-oriented households, including the youngest Gen Xers and the leading-edge Millennials who are now pairing up and having children, represent just 8.4 percent of the market for newly-created primary dwelling units in the Downtown Core Study Area. A portion of the family-oriented households are non-traditional families, notably single parents with one to three children. Non-traditional families, which, starting in the 1990s, have become an increasingly larger proportion of all U.S. households, encompass a wide range of family households, from a single mother or father with one or more children, an adult taking care of younger siblings, to a grandparent responsible for grandchildren. Non-traditional families generally require different unit configurations than traditional families. The “traditional family household” of a married couple with children, which once comprised the majority of American households, has now fallen to 22 percent nationally (and just 0.7 percent in the Core Downtown).

Just over 43 percent of the family households that comprise the annual potential market for the Study Area have incomes below 60 percent of AMI and are typically spending more than 40 percent of their incomes on housing costs. (General income ranges at 60 percent AMI are at or below \$46,100 for a three-person household and at or below \$55,300 for a five-person household.)

Another 12.4 percent of the family-oriented households have incomes that fall within the 60-to-80 percent income band. (At 60 to 80 percent AMI, incomes for three-person households range between \$46,100 and \$61,450, and incomes for five-person households range between \$55,300 and \$73,750.)

Another 20.4 percent of the family-oriented households have incomes that fall within the 80-to-115 percent income band. (At 80 to 115 percent AMI, incomes for three-person households range between \$61,450 and \$92,150, and incomes for five-person households range between \$73,750 and \$110,550.)

The remaining 23.9 percent of the traditional and non-traditional families have incomes above 115 percent of the AMI. At or above 115 percent AMI, incomes for three-person households range from \$92,150 or more, and incomes for five-person households range from \$110,550 and up.)

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An estimated 40.6 percent of the family households are already living in the City of Duluth; just over three percent are likely to arrive from one of the counties in the regional draw area; 9.4 percent would be moving from the Twin Cities draw area; and just under 47 percent would be moving from elsewhere in the U.S.

APPENDIX FIVE, TARGET MARKET DESCRIPTIONS, contains detailed descriptions of each of these target market groups and is provided in a separate document. The METHODOLOGY, APPENDICES ONE THROUGH FOUR, TARGET MARKET TABLES document describes how the target market groups for primary housing in the Greater Downtown Study Area have been determined.

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FINANCIAL CAPABILITIES: DOWNTOWN CORE STUDY AREA

What are the rents and prices that correspond to target household financial capabilities?

The analysis is focusing on those renter households with incomes at or above 60 percent AMI and those owner households with incomes at or above 80 AMI percent who represent the market for newly-created affordable/workforce and market-rate housing units in the Downtown Core Study Area. The combined higher-density housing preferences by tenure and by income of the 792 target households with incomes at or above 60 percent AMI (renters) and at or above 80 percent AMI (owners) are shown on the following table (*reference again* Table 2):

Tenure/Housing Type Propensities by Income
Annual Average Market Potential for New and Existing Primary Housing Units
DOWNTOWN CORE STUDY AREA
City of Duluth, St. Louis County, Minnesota

HOUSING TYPE HOUSEHOLDS	
	NUMBER	PERCENT
Multi-family for-rent (lofts/apartments, leaseholder)	<u>629</u>	<u>79.4%</u>
60% to 80% AMI	118	14.9%
80% to 115% AMI	176	22.2%
> 115% AMI	335	42.3%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	<u>78</u>	<u>9.8%</u>
80% to 115% AMI	26	3.2%
> 115% AMI	52	6.6%
Single-family attached for-sale (townhouses, rowhouses, fee-simple ownership)	<u>85</u>	<u>10.7%</u>
80% to 115% AMI	26	3.2%
> 115% AMI	59	7.5%
Total	792	100.0%

NOTE: For fiscal year 2022, the Duluth, MN-WI HUD Median Family Income for a family of four is \$89,000.

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

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—Multi-Family Distribution by Rent Range—

The number of households able to afford the specified rent ranges detailed on the following table was determined by calculating a monthly rental payment excluding utilities and ranging between 25 and 30 percent of annual gross income. (Although it is quite possible that many households will pay up to 40 percent of their annual gross incomes in rent, HUD recommends that a tenant pay no more than 30 percent of gross income for rent *including* utilities.)

As noted above, an annual average of 629 households per year with incomes above 60 percent of the area median income represent the target markets for newly-created rental housing units within the Downtown Core Study Area, yielding the rent distribution shown on the following table (*see also* Table 6 *following the text*):

New Multi-Family For-Rent
Distribution by Rent Range
PRIMARY HOUSING
HOUSEHOLDS WITH ANNUAL INCOMES ABOVE 60% AMI
DOWNTOWN CORE STUDY AREA
City of Duluth, St. Louis County, Minnesota

MONTHLY RENT RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$750–\$1,000	76	12.1%
\$1,000–\$1,250	88	14.0%
\$1,250–\$1,500	81	12.9%
\$1,500–\$1,750	68	10.8%
\$1,750–\$2,000	76	12.1%
\$2,000–\$2,250	71	11.3%
\$2,250–\$2,500	69	11.0%
\$2,500–\$2,750	55	8.7%
\$2,750 and up	<u>45</u>	<u>7.1%</u>
Total:	629	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

- By far, the largest group of target renters are younger singles and couples, at 72.7 percent of the market for newly-created rental units within the Downtown Core Study Area. An estimated 24.1 percent have careers that provide them with the financial capacity to afford rents at or above \$2,250 per month. Just under 32 percent of the younger singles and couples represent the market for units with rents between \$1,500 and \$2,250 per month, and a plurality,

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44 percent of the younger cohort, would only be able to support rents between \$750 and \$1,500 per month.

- Empty nesters and retirees represent 20.3 percent of the market for newly-created rental units within the Downtown Core Study Area. Over 34 percent of the target empty nester and retiree market have the incomes that enable them to support rents above \$2,250 per month. Another 36.7 percent represent the market for new units with rents between \$1,500 and \$2,250 per month. The remaining 28.9 percent can afford rents between \$750 and \$1,500 per month.
- Traditional and non-traditional families make up the remaining seven percent of the market for newly-created rental units within the Downtown Core. Just over 34 percent of the family market have the financial capabilities to pay rents at or above \$2,250 per month; half can support rents between \$1,500 and \$2,250 per month; and the remaining 16 percent can only afford rents between \$750 and \$1,500 per month.

—Multi-Family Distribution by Price Range—

An annual average of 78 households with incomes above 80 percent of the area median income represent the target markets for newly-created for-sale multi-family housing units (condominiums) within the Downtown Core Study Area (*as shown on Table 7 following the text*). Supportable price points have been determined by assuming a down payment of 10 percent, a mortgage interest rate of 6.5 percent and a monthly mortgage payment, including taxes and insurance, that does not exceed 25 to 30 percent of gross income for each of the 78 households that represent the annual potential for-sale multi-family market, yielding the distribution shown on the table following this page.

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New Multi-Family For-Sale
Distribution by Price Range
PRIMARY HOUSING
HOUSEHOLDS WITH ANNUAL INCOMES ABOVE 80% AMI
DOWNTOWN CORE STUDY AREA
City of Duluth, St. Louis County, Minnesota

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$150,000–\$200,000	12	15.4%
\$200,000–\$250,000	22	28.2%
\$250,000–\$300,000	20	25.6%
\$300,000–\$350,000	14	17.9%
\$350,000–\$400,000	6	7.7%
\$400,000 and up	<u>4</u>	<u>5.2%</u>
Total:	78	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

- Younger singles and couples comprise 62.8 percent of the market for newly-created for-sale multi-family units (condominiums) within the Downtown Core Study Area. Just over six percent of the younger singles and couples have the income and assets to purchase new condominiums with base prices between \$350,000 and \$400,000. The majority, over 53 percent would be in the market for new units priced between \$250,000 and \$350,000, and 40.8 percent can only afford new condominiums with base prices between \$150,000 and \$250,000.
- Empty nesters and retirees represent 29.5 percent of the market for newly-created condominiums within the Downtown Core. Almost 22 percent of the empty nesters and retirees could afford new units priced over \$350,000. An estimated 30.4 percent would be in the market for new condominiums with base prices between \$250,000 and \$350,000 and the remaining 47.8 percent could afford new condominiums priced between \$150,000 and \$250,000.
- Traditional and non-traditional families are the smallest market segment at just 7.7 percent of the market for newly-created condominiums in the Downtown Core Study Area. One-third have the income and assets to purchase new condominiums priced over \$350,000, 16.7 percent would be in the market for new condominiums with base prices between \$250,000 and \$350,000, and half could only afford new condominiums priced between \$150,000 and \$250,000.

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—Single-Family Attached Distribution by Price Range—

An annual average of 85 households with incomes above 80 percent of the area median income represent the target markets for newly-constructed for-sale single-family attached housing units (rowhouses/townhouses) within the Downtown Core Study Area (*as shown on Table 8 following the text*). Again, supportable price points have been determined by assuming a down payment of 10 percent, a mortgage rate of 6.5 percent, and a monthly mortgage payment, including taxes and insurance, that does not exceed 25 to 30 percent of gross income for each of the 85 households that represent the annual potential market for-sale single-family attached units, yielding the distribution shown on the following table:

New Single-Family Attached For-Sale
Distribution by Price Range
PRIMARY HOUSING
HOUSEHOLDS WITH ANNUAL INCOMES ABOVE 80% AMI
DOWNTOWN CORE STUDY AREA
City of Duluth, St. Louis County, Minnesota

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$200,000–\$250,000	31	36.4%
\$250,000–\$300,000	23	27.1%
\$300,000–\$350,000	17	20.0%
\$350,000–\$400,000	8	9.4%
\$400,000–\$450,000	2	2.4%
\$450,000 and up	<u>4</u>	<u>4.7%</u>
Total:	85	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

- Younger singles and couples are again the largest market, making up 55.3 percent of the market for new for-sale single-family attached units (rowhouses/townhouses) within the Downtown Core Study Area. Just under 13 percent of the younger singles and couples have the income and assets to purchase new rowhouses/townhouses with base prices between \$350,000 and \$400,000. Another 25.5 percent would be in the market for new units priced between \$275,000 and \$350,000, and the clear majority, 61.7 percent, can afford new rowhouses/townhouses with base prices between \$200,000 and \$275,000.
- Empty nesters and retirees represent approximately a third of the market for new rowhouses/townhouses within the Downtown Core. An estimated 10.7 percent of the empty

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nesters and retirees could afford new units priced over \$450,000. Over seven percent would be in the market for new rowhouses/townhouses with base prices between \$350,000 and \$450,000, just under 43 percent could pay between \$275,000 and \$350,000, and the remaining 39.3 percent could afford new single-family attached units priced between \$200,000 and \$275,000.

- Traditional and non-traditional families are again the smallest market segment at 11.8 percent of the market for new single-family attached units in the Downtown Core Study Area. Ten percent have the income and assets to purchase new rowhouses/townhouses priced over \$450,000, 20 percent would be in the market for new rowhouses/townhouses with base prices between \$350,000 and \$450,000, and 30 percent could pay between \$275,000 and \$350,000. The remaining 40 percent can afford new rowhouses/townhouses with base prices between \$200,000 and \$275,000.

—OPTIMUM MARKET POSITION: DOWNTOWN CORE STUDY AREA—

The port city of Duluth is the seat of St. Louis County, Minnesota, located on the westernmost edge of Lake Superior and on the border of the State of Wisconsin and the City of Superior. The Downtown Core of Duluth is bounded by Mesaba Avenue (Highway 194) to the west, 3rd Street to the north, 9th Avenue to the east, and Lake Superior to the south. Interstate 35, which links Duluth to the Twin Cities region, runs between the Downtown and the lake.

Downtown is home to City Hall, the St. Louis County offices and courthouse, the U.S. Post Office, and the main branch of the Duluth Public Library, as well as numerous restaurants, bars and cafes, and local retail establishments, ranging from the Duluth Coffee Company to the nationally-advertised Duluth Trading Company.

The eastern side of Downtown is dominated by the campus of Essentia Health-St. Mary's Medical Center and the Miller-Dwan Medical Center, and the western side contains most of the buildings designated by the National Park Service as the Duluth Commercial Historic District. The Canal Park area of Downtown caters to tourism, and is the location of the Lake Superior Maritime Visitor Center,

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hotels, restaurants and bars. The Duluth Entertainment Convention Center, Marcus Theatres, and the Great Lakes Aquarium are situated across Interstate 35 from the historic Downtown core.

Like most downtowns in cities of all sizes across the country, Downtown Duluth has experienced post-pandemic office vacancies, a surge in homelessness and petty crime, as well as rapid increases in the cost of housing. Housing affordability is exacerbated by Duluth's residential vacancy rate of approximately two percent. These problems are not insurmountable, and the City and County have taken some steps to address these issues. Significant increases in Downtown housing can help in many ways: by converting vacant offices to housing, thereby reducing the office vacancy rate which would support the feasibility of targeted new office development; by providing increases in the residential population who represent "eyes on the street;" and by supplying significant support for downtown retail, entertainment, and eating and drinking establishments.

The optimum market position for new primary housing units created through new construction and adaptive re-use of existing buildings in the Downtown Core Study Area has therefore been developed based on a variety of factors, including but not limited to:

- The tenure and housing preferences, financial capabilities, and lifestyles of the target households;
- The assets and amenities located in the Downtown; and
- Current market area residential market dynamics.

Based on these factors, the optimum market position for new primary affordable/workforce and market-rate rental and for-sale multi-family and for-sale single-family attached housing units within the Downtown Core Study Area is summarized on the table following this page. (*See also Table 9 following the text for greater detail.*)

Primary and Second/Weekend/Vacation Units
 The Greater Downtown Study Area
 The City of Duluth, St. Louis County, Minnesota
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Optimum Market Position
 DOWNTOWN CORE STUDY AREA
 PRIMARY HOUSING
 City of Duluth, St. Louis County, Minnesota

PERCENT MIX	UNIT CONFIGURATION	BASE RENT/PRICE	UNIT SIZE	BASE RENT/PRICE PER SQ. FT.
MULTI-FAMILY FOR-RENT				
. Households with incomes between 60% and 80% AMI				
30%	Studio/1ba	\$750 to \$850	350 to 450 sf	\$1.89 to \$2.14
30%	1br/1ba	\$950 to \$1,050	600 to 700 sf	\$1.50 to \$1.58
20%	2br/1ba	\$1,150 to \$1,250	750 to 850 sf	\$1.47 to \$1.53
20%	2br/2ba	\$1,300 to \$1,400	950 to 1,100 sf	\$1.27 to \$1.37
. Households with incomes above 80% AMI				
25%	Studio/1ba	\$1,200 to \$1,450	400 to 500 sf	\$2.90 to \$3.00
35%	1br/1ba	\$1,650 to \$1,950	650 to 750 sf	\$2.46 to \$2.54
35%	2br/2ba	\$2,400 to \$2,600	1,000 to 1,150 sf	\$2.26 to \$2.40
5%	3br/2ba	\$2,900 to \$3,200	1,300 to 1,450 sf	\$2.21 to \$2.23
MULTI-FAMILY FOR-SALE				
. Households with incomes between 80% and 115% AMI				
60%	1br/1ba	\$175,000 to \$195,000	700 to 750 sf	\$250 to \$260
40%	2br/1ba	\$200,000 to \$225,000	850 to 900 sf	\$235 to \$250
. Households with incomes above 115% AMI				
30%	1br/1ba	\$250,000 to \$275,000	800 to 850 sf	\$313 to \$324
50%	2br/2ba	\$345,000 to \$385,000	1,100 to 1,250 sf	\$308 to \$314
20%	3br/2ba	\$400,000 to \$425,000	1,350 to 1,550 sf	\$274 to \$296

continued on the following page

Primary and Second/Weekend/Vacation Units
 The Greater Downtown Study Area
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PERCENT MIX	UNIT CONFIGURATION	BASE RENT/PRICE	UNIT SIZE	BASE RENT/PRICE PER SQ. FT.
SINGLE-FAMILY ATTACHED FOR-SALE				
. . . . Households with incomes between 80% and 115% AMI				
60%	2br/1.5ba	\$215,000 to \$235,000	950 to 1,100 sf	\$214 to \$226
40%	3br/1.5ba	\$245,000 to \$250,000	1,250 to 1,350 sf	\$185 to \$196
. . . . Households with incomes above 115% AMI				
35%	2br/2.5ba	\$350,000 to \$375,000	1,300 to 1,400 sf	\$268 to \$269
40%	3br/2.5ba	\$395,000 to \$415,000	1,500 to 1,600 sf	\$259 to \$263
25%	3br/2.5ba/den	\$450,000 to \$495,000	1,850 to 2,000 sf	\$243 to \$248

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

Based on the mix of unit types, sizes, and rents/prices outlined in the optimum market position, the weighted average rents and prices for each of the housing types are shown on the following table:

Weighted Average Base Rents/Prices and Size Ranges
 DOWNTOWN CORE STUDY AREA
 City of Duluth, St. Louis County, Minnesota

HOUSING TYPE	WEIGHTED AVERAGE BASE RENTS/PRICES	WEIGHTED AVERAGE UNIT SIZE	WEIGHTED AVERAGE BASE RENTS/PRICES PER SQ. FT.
MULTI-FAMILY FOR-RENT			
60% to 80% AMI	\$1,050	680 sf	\$1.54 psf
Above 80% AMI	\$1,984	800 sf	\$2.48 psf
MULTI-FAMILY FOR-SALE			
80% to 115% AMI	\$196,000	785 sf	\$250 psf
Above 115% AMI	\$343,750	1,125 sf	\$306 psf
SINGLE-FAMILY ATTACHED FOR-SALE			
80% to 115% AMI	\$234,000	1,135 sf	\$206 psf
Above 115% AMI	\$406,650	1,573 sf	\$259 psf

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

The proposed rents and prices are in year 2023 dollars and are exclusive of location or floor premiums and consumer-added options or upgrades. Location will have a significant impact on values, ranging

Primary and Second/Weekend/Vacation Units
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from as much as a 10 percent premium on new properties located in the most walkable and amenity-laden areas to a reduction of up to five percent on new properties located in less walkable parts of the Downtown.

MARKET CAPTURE: DOWNTOWN CORE STUDY AREA

How fast will the units lease or sell?

Based on 35 years’ experience using the target market methodology in 47 states, Zimmerman/Volk Associates has developed and refined a capture rate methodology scaled to study area size and context. Zimmerman/Volk Associates has determined that, for a study area the size of the Downtown Core, a capture rate of between 15 and 20 percent of the annual average number of potential renters and condominium and townhouse buyers is supportable each year over the next five years, assuming the production of appropriately-positioned new housing, including both adaptive re-use of existing buildings as well as new construction.

Based on these capture rates, annual average absorption of new affordable/workforce and market-rate units in the Downtown Core Study Area is forecast as follows (*see again* Table 9 *following the text*):

Annual Forecast Absorption
DOWNTOWN CORE STUDY AREA
City of Duluth, St. Louis County, Minnesota

HOUSING TYPE	NUMBER OF HOUSEHOLDS	CAPTURE RATE	NUMBER OF NEW UNITS
MULTI-FAMILY FOR-RENT	<u>1,043</u>	15%-20%	<u>158 - 209</u>
< 30% AMI	210		32 - 42
30% to 60% AMI	204		31 - 41
60% to 80% AMI	118		18 - 24
Above 80% AMI	511		77 - 102
MULTI-FAMILY FOR-SALE	<u>150</u>	15%-20%	<u>23 - 29</u>
< 30% AMI	27		4 - 5
30% to 60% AMI	27		4 - 5
60% to 80% AMI	18		3 - 4
80% to 115% AMI	26		4 - 5
Above 115% AMI	52		8 - 10

continued on the following page

Primary and Second/Weekend/Vacation Units
The Greater Downtown Study Area
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HOUSING TYPE	NUMBER OF HOUSEHOLDS	CAPTURE RATE	NUMBER OF NEW UNITS
SINGLE-FAMILY ATTACHED FOR-SALE	<u>159</u>	15%-20%	<u>25 - 31</u>
< 30% AMI	27		4 - 5
30% to 60% AMI	30		5 - 6
60% to 80% AMI	17		3 - 3
80% to 115% AMI	26		4 - 5
Above 115% AMI	59		9 - 12
Total	1,352		206 - 274

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

If new development could achieve these capture rates, between 206 and 269 new units per year could be leased or sold in the Study Area over a five-year timeframe, or a five-year total of 1,030 to 1,345 new subsidized, affordable/workforce, and market-rate rental and for-sale housing units.

New or adaptive re-use housing units, configured according to target market preferences, can not only attract new households to the Downtown Core Study Area and to the City of Duluth, but can also provide appropriate alternatives to households that, due to a change in household composition or economic status, might otherwise have moved out of the city.

The capture rates of the annual potential market used here fall within the target market methodology’s parameters of feasibility.

NOTE: Target market capture rates are a unique and highly-refined measure of feasibility.

Target market capture rates are *not* equivalent to—and should not be confused with—penetration rates or traffic conversion rates.

The **target market capture rate** is derived by dividing the *annual* forecast absorption—in aggregate and by housing type—by the number of households that have the potential to purchase or rent new housing within a specified area *in a given year*.

The **penetration rate** is derived by dividing the *total* number of dwelling units planned for a property by the *total* number of draw area households, sometimes qualified by income.

Primary and Second/Weekend/Vacation Units
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The **traffic conversion rate** is derived by dividing the *total* number of buyers or renters by the *total* number of prospects that have visited a site.

Because the prospective market for a location is more precisely defined, target market capture rates are higher than the more grossly-derived penetration rates. However, the resulting higher capture rates are well within the range of prudent feasibility.

Primary and Second/Weekend/Vacation Units
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AVERAGE ANNUAL MARKET POTENTIAL FOR PRIMARY HOUSING UNITS IN THE HILLSIDE STUDY AREA

Zimmerman/Volk Associates has filtered the target households for the Hillside Study Area to include the full range of housing units, from rental apartments to owner-occupied single-family houses. Typical household size in the Hillside Study Area includes a majority of one and two persons (73.4 percent of all households), as well as a higher percentage of households with four or more persons (18.3 percent) than the Downtown Core or the city as a whole (*see* DEMOGRAPHICS OF THE GREATER DOWNTOWN STUDY AREA).

As a result, single-family detached houses in the Hillside Study Area comprise an estimated 35.6 percent of all units and buildings that contain 20 or more units represent less than a quarter of all units. This section of the study therefore targets households that would prefer single-family houses as well as higher-density multi-family rental and for-sale apartments (condominiums) and rowhouses or townhouses (single-family attached units).

As determined by the target market methodology, then, an annual average of 1,205 households of the 2,175 target households of all incomes for the Greater Downtown Study Area comprise the average annual potential market for the Hillside Study Area.

(As noted in AVERAGE ANNUAL MARKET POTENTIAL FOR PRIMARY HOUSING UNITS IN THE DOWNTOWN CORE, there is an overlap in neighborhood preference with a number of households that represent the average annual potential market for the Hillside Study Area would be as likely to move to the Downtown Core Study Area as they would to the Hillside Study Area, as long as appropriate housing options are available.)

Primary and Second/Weekend/Vacation Units
The Greater Downtown Study Area
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What are their housing preferences in aggregate for the Hillside Study Area?

The housing preferences of the target 1,205 draw area households of all incomes that represent the average annual market potential for the Hillside Study Area are derived from their tenure (rental/ownership) propensities and are summarized on the following table (*see again* Table 2):

Average Annual Market Potential
By Tenure/Housing Type Propensities
Primary Housing
HILLSIDE STUDY AREA
City of Duluth, St. Louis County, Minnesota

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent (lofts/apartments, leaseholder)	606	50.3%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	97	8.0%
Single-family attached for-sale (townhouses/live-work, fee-simple/ condominium ownership)	119	9.9%
Single-family detached for-sale (houses, fee-simple ownership)	<u>383</u>	<u>31.8%</u>
Total	1,205	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

A slight majority (50.3 percent) of the 1,205 target households would prefer rental dwelling units. Approximately eight percent would choose for-sale multi-family (condominium/co-operative units), nearly 10 percent would prefer for-sale single-family attached (duplex/townhouse units), and 31.8 percent of the annual potential market would prefer single-family detached units. As noted above, single-family detached houses are currently estimated to comprise 35.6 percent of the existing housing stock in the Study Area.

Primary and Second/Weekend/Vacation Units
 The Greater Downtown Study Area
 The City of Duluth, St. Louis County, Minnesota
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What is their range of affordability by housing type?

The combined tenure and housing type preferences and financial capabilities of the target households for the Hillside Study Area are shown on the following table (*see again* Table 2):

Tenure/Housing Type Propensities by Income
 Annual Average Market Potential for New and Existing Primary Housing Units
 HILLSIDE STUDY AREA
 City of Duluth, St. Louis County, Minnesota

HOUSING TYPE HOUSEHOLDS	
	NUMBER	PERCENT
Multi-family for-rent (lofts/apartments, leaseholder)	<u>606</u>	<u>50.3%</u>
< 30% AMI	110	9.1%
30% to 60% AMI	113	9.4%
60% to 80% AMI	68	5.6%
80% to 115% AMI	109	5.2%
> 115% AMI	206	9.0%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	<u>97</u>	<u>8.0%</u>
< 30% AMI	11	0.9%
30% to 60% AMI	15	1.2%
60% to 80% AMI	7	0.6%
80% to 115% AMI	17	1.4%
> 115% AMI	47	3.9%
Single-family attached for-sale (townhouses, townhouses, fee-simple ownership)	<u>119</u>	<u>9.9%</u>
< 30% AMI	16	1.3%
30% to 60% AMI	19	1.6%
60% to 80% AMI	13	1.1%
80% to 115% AMI	21	1.7%
> 115% AMI	50	4.2%
Single-family detached for-sale (houses, fee-simple ownership)	<u>383</u>	<u>31.8%</u>
< 30% AMI	43	3.6%
30% to 60% AMI	54	4.5%
60% to 80% AMI	37	3.1%
80% to 115% AMI	66	5.4%
> 115% AMI	183	15.2%
Total	1,205	100.0%

NOTE: For fiscal year 2022, the Duluth, MN-WI HUD Median Family Income for a family of four is \$89,000.

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

Primary and Second/Weekend/Vacation Units
The Greater Downtown Study Area
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Summarizing the income ranges of the 1,205 households that represent the annual potential market for newly-created and existing housing units in the Hillside Study Area, 13.3 percent (180 households) have incomes at 30 percent or less than the AMI; 14.9 percent (201 households) have incomes between 30 and 60 percent AMI; 9.2 percent (125 households) have incomes between 60 and 80 percent AMI; 15.8 percent (213 households) have incomes between 80 and 115 percent AMI; and 35.9 percent (486 households) have incomes at or above 115 percent AMI.

TARGET MARKET ANALYSIS: HILLSIDE STUDY AREA

Who are the households that represent the potential market for newly-created units in the Hillside Study Area?

The general market segments, by lifestage and income bracket, that represent the potential market for newly-created and existing housing units in the Hillside Study Area are as follows (*see also* Table 10 *following the text*):

Annual Market Potential by Lifestage and Income
HILLSIDE STUDY AREA
PRIMARY HOUSING
City of Duluth, St. Louis County, Minnesota

HOUSEHOLD TYPE	PERCENT OF TOTAL	BELOW 30% AMI	30% TO 60% AMI	60% TO 80% AMI	80% TO 115% AMI	ABOVE 115% AMI
Empty-Nesters & Retirees	28.6%	19.4%	22.9%	20.8%	27.2%	37.0%
Traditional & Non-Traditional Families	22.0%	20.0%	20.4%	22.4%	24.4%	22.2%
Younger Singles & Couples	<u>49.4%</u>	<u>60.6%</u>	<u>56.7%</u>	<u>56.8%</u>	<u>48.4%</u>	<u>40.8%</u>
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100%

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

YOUNGER SINGLES AND COUPLES

Slightly less than half—49.4 percent—of the market for newly-created and existing housing units in the Hillside Study Area includes younger singles and couples of all incomes. These one- and two-person households also include young professionals, office and retail workers, knowledge workers, as well as students and other young college- and hospital-related employees.

Primary and Second/Weekend/Vacation Units
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An estimated 37.5 percent of the younger singles and couples that comprise the target markets for the Hillside Study Area have incomes that fall below 60 percent of AMI (at or below \$35,850 for a single-person household and at or below \$41,000 for a two-person household).

Nearly 12 percent of the households in this market segment have incomes that fall within the 60-to-80 percent income band (approximately \$35,850 to \$47,800 for a single-person household and \$41,000 to \$54,600 for a two-person household).

An estimated 17.3 percent of the households in this market segment have incomes that fall within the 80-to-115 percent income band (from \$47,800 at 80 percent AMI to \$71,650 at 115 percent AMI for a single-person household, and from \$54,600 at 80 percent AMI to \$81,900 at 115 percent AMI for a two-person household).

The remaining third of the younger singles and couples have incomes that are above 115 percent of the AMI (from \$71,650 and up for a single-person household, and from \$81,900 and up for a two-person household).

Approximately 53.8 percent of the younger singles and couples that represent the market for new housing units in the Hillside Study Area would be moving from elsewhere in the city; 1.7 percent would be moving from the elsewhere in St. Louis County; 3.4 percent would be moving from the regional draw area; 11.8 percent would be moving from the Twin Cities draw area; and approximately 29.4 percent would be moving from another county in the United States.

EMPTY NESTERS AND RETIREES

At 28.6 percent of the annual potential market for newly-created housing units in the Hillside Study Area, older households (empty nesters and retirees) are the second largest market in the Hillside Study Area. Again, these households are a mix of retirees and still employed.

Just over 23 percent of the older singles and couples have incomes at or below 60 percent of AMI (\$35,850 for a single-person household and \$41,000 for a two-person household).

Primary and Second/Weekend/Vacation Units
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Older households with incomes between 60 and 80 percent of AMI comprise 7.5 percent of the target empty nester and retiree market segment (with annual incomes ranging between \$35,850 and \$47,800 for a single-person household and between \$41,000 and \$54,600 for a two-person household).

Approximately 16.8 percent of the older target households have incomes between 80 and 115 percent of the area median (from \$47,800 at 80 percent AMI to \$71,650 at 115 percent AMI for a single-person household, and from \$54,600 at 80 percent AMI to \$81,900 at 115 percent AMI for a two-person household).

Older households with incomes at or above 115 percent of AMI comprise 52.2 percent of the target empty nester and retiree market segment (from \$71,650 and up for a single-person household, and from \$81,900 and up for a two-person household).

Approximately 59.4 percent of the empty nesters and retirees would be moving from elsewhere within the City of Duluth; 5.8 percent would be moving from elsewhere in St. Louis County; 1.4 percent from one of the regional draw area counties; 8.7 percent would be moving from the Twin Cities draw area; and the remaining 24.6 percent would be moving from elsewhere in the U.S.

TRADITIONAL AND NON-TRADITIONAL FAMILIES

In contrast to the Downtown Core Study Area, where families makeup just over eight percent of that market, in the Hillside Study Area, family-oriented households represent 22 percent of the market for newly-created dwelling units. Like the Downtown family market, they are a mix of traditional and non-traditional family households.

Over 29 percent of the family households that comprise the annual potential market for the Study Area have incomes below 60 percent of AMI. (General income ranges at 60 percent AMI are at or below \$46,100 for a three-person household and at or below \$55,300 for a five-person household.)

Approximately 10.6 percent of the family-oriented households have incomes that fall within the 60-to-80 percent income band. (At 60 to 80 percent AMI, incomes for three-person households range

Primary and Second/Weekend/Vacation Units
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between \$46,100 and \$61,450, and incomes for five-person households range between \$55,300 and \$73,750.)

Approximately 19.6 percent of the family-oriented households have incomes that fall within the 80-to-115 percent income band. (At 80 to 115 percent AMI, incomes for three-person households range between \$61,450 and \$92,150, and incomes for five-person households range between \$73,750 and \$110,550.)

The remaining 40.8 percent of the traditional and non-traditional families have incomes above 115 percent of AMI. (At or above 115 percent AMI, incomes for three-person households range from \$92,150 or more, and incomes for five-person households range from \$110,550 and up.)

Just over 49 percent of the family households are already living in the City of Duluth; just under two percent would be moving from St. Louis County; 3.8 percent are likely to arrive from one of the counties in the regional draw area; 5.7 percent would be moving from the Twin Cities draw area; and the remaining 39.6 percent would be moving from elsewhere in the U.S.

Again, please refer to APPENDIX FIVE, TARGET MARKET DESCRIPTIONS for detailed descriptions of each of these target market groups, and to METHODOLOGY, APPENDICES ONE THROUGH FOUR, TARGET MARKET TABLES which describes how the target market groups for primary housing in the Greater Downtown Study Area have been determined.

FINANCIAL CAPABILITIES: HILLSIDE STUDY AREA

What are the rents and prices that correspond to target household financial capabilities?

The rents and price points for the newly-created primary affordable/workforce and market-rate rental housing units that could be developed in the Hillside Study Area have been derived from the financial capabilities of those target households with annual incomes between at or above 60 percent AMI. For affordable/workforce and market-rate for-sale housing units, the target households have annual incomes at or above 80 percent AMI. The combined preferences by tenure and by income of the 767 target households with incomes at or above 60 percent AMI (80 percent AMI for the for-sale housing types) are shown on the table following this page (*reference again* Table 2).

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The Greater Downtown Study Area
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Tenure/Housing Type Propensities by Income
Annual Average Market Potential for New and Existing Primary Housing Units
HILLSIDE STUDY AREA
City of Duluth, St. Louis County, Minnesota

HOUSING TYPE HOUSEHOLDS	
	NUMBER	PERCENT
Multi-family for-rent (lofts/apartments, leaseholder)	<u>383</u>	<u>49.9%</u>
60% to 80% AMI	68	8.9%
80% to 115% AMI	109	14.2%
> 115% AMI	206	26.8%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	<u>64</u>	<u>8.3%</u>
80% to 115% AMI	17	2.2%
> 115% AMI	47	6.1%
Single-family attached for-sale (townhouses, rowhouses, fee-simple ownership)	<u>71</u>	<u>9.3%</u>
80% to 115% AMI	21	2.7%
> 115% AMI	50	6.6%
Single-family detached for-sale (houses, fee-simple ownership)	<u>249</u>	<u>32.5%</u>
80% to 115% AMI	66	8.6%
> 115% AMI	183	23.9%
Total	767	100.0%

NOTE: For fiscal year 2022, the Duluth, MN-WI HUD Median Family Income for a family of four is \$89,000.

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

—Multi-Family Distribution by Rent Range—

The number of households able to afford the specified rent ranges detailed on the following table was determined by calculating a monthly rental payment excluding utilities and ranging between 25 and 30 percent of annual gross income. (Although it is quite possible that many households will pay up to 40 percent of their annual gross incomes in rent, HUD recommends that a tenant pay no more than 30 percent of gross income for rent *including* utilities.)

As noted above, an annual average of 383 households per year with incomes above 60 percent of the area median income represent the target markets for newly-constructed or adaptive re-use rental

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housing units within the Hillside Study Area, yielding the rent distribution shown on the following table (*see also* Table 11 *following the text*):

New Multi-Family For-Rent
Distribution by Rent Range
PRIMARY HOUSING
HOUSEHOLDS WITH ANNUAL INCOMES ABOVE 60% AMI
HILLSIDE STUDY AREA
City of Duluth, St. Louis County, Minnesota

MONTHLY RENT RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$750–\$1,000	36	9.4%
\$1,000–\$1,250	49	12.8%
\$1,250–\$1,500	60	15.7%
\$1,500–\$1,750	54	14.1%
\$1,750–\$2,000	50	13.1%
\$2,000–\$2,250	42	11.0%
\$2,250–\$2,500	40	10.4%
\$2,500–\$2,750	25	6.5%
\$2,750 and up	<u>27</u>	<u>7.0%</u>
Total:	383	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

- As in the Downtown Core, the largest group of target renters are younger singles and couples, at just over 62.7 percent of the market for newly-created rental units within the Hillside Study Area. Fifteen percent have careers that provide them with the financial capacity to afford rents at or above \$2,250 per month. Just under 40 percent of the younger singles and couples represent the market for units with rents between \$1,500 and \$2,250 per month, and a plurality, 45.4 percent of the younger cohort, would only be able to support rents between \$750 and \$1,500 per month.
- Empty nesters and retirees are the second largest cohort, representing 19.6 percent of the market for newly-created rental units within the Hillside Study Area. Nearly 39 percent of the target empty nester and retiree market have the incomes that enable them to support rents above \$2,250 per month. Just under 35 percent represent the market for new units with rents between \$1,500 and \$2,250 per month. The remaining 26.7 percent can support rents between \$750 and \$1,500 per month.

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- Traditional and non-traditional families make up the remaining 17.8 percent of the market for newly-created rental units within the Hillside Neighborhood. Just under 40 percent of the family market have the financial capabilities to pay rents at or above \$2,250 per month; nearly 37 percent can support rents between \$1,500 and \$2,250 per month; and the remaining 23.5 percent can only afford rents between \$750 and \$1,500 per month.

—Multi-Family Distribution by Price Range—

An annual average of 64 households with incomes above 80 percent of the area median income represent the target markets for newly-constructed for-sale multi-family housing units (condominiums) within the Hillside Study Area (*as shown on Table 12 following the text*). Supportable price points have been determined by assuming a down payment of 10 percent, mortgage interest of 6.5 percent, and a monthly mortgage payment, including taxes and insurance, that does not exceed 25 to 30 percent of gross income for each of the 64 annual households that represent the annual potential market for new for-sale multi-family units, yielding the distribution shown on the following table:

New Multi-Family For-Sale
Distribution by Price Range
PRIMARY HOUSING
HOUSEHOLDS WITH ANNUAL INCOMES ABOVE 80% AMI
HILLSIDE STUDY AREA
City of Duluth, St. Louis County, Minnesota

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$150,000–\$200,000	13	20.3%
\$200,000–\$250,000	13	20.3%
\$250,000–\$300,000	9	14.1%
\$300,000–\$350,000	12	18.7%
\$350,000–\$400,000	8	12.5%
\$400,000 and up	<u>9</u>	<u>14.1%</u>
Total:	64	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

- At 48.4 percent, younger singles and couples are the largest market for new for-sale multi-family units (condominiums) within the Hillside Study Area. Just under 13 percent of the younger singles and couples have the income and assets to purchase new condominiums with base prices over \$350,000. Another 25.8 percent would be in the market for new units priced

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between \$250,000 and \$350,000, and the majority, 61.3 percent, can afford new condominiums with base prices between \$150,000 and \$250,000.

- Empty nesters and retirees represent just over 28 percent of the market for new condominiums within the Hillside. A third of the empty nesters and retirees could afford new units priced over \$350,000. Just under 39 percent would be in the market for new condominiums with base prices between \$250,000 and \$350,000 and the remaining 27.8 percent could afford new condominiums priced between \$150,000 and \$250,000.
- Traditional and non-traditional families are the smallest market segment at 23.4 percent of the market for new condominiums in the Hillside Study Area. Nearly 47 percent have the income and assets to purchase new condominiums priced over \$350,000, and forty percent would be in the market for new condominiums with base prices between \$250,000 and \$350,000. The remaining 13.3 percent would only be able to support condominium base prices between \$150,000 and \$200,000.

—*Single-Family Attached Distribution by Price Range*—

An annual average of 71 households with incomes above 80 percent of the area median income represent the target markets for newly-constructed for-sale single-family attached primary housing units (rowhouses/townhouses) within the Hillside Study Area (*as shown on Table 13 following the text*). Again, supportable price points have been determined by assuming a down payment of 10 percent, a mortgage rate of 6.5 percent, and a monthly mortgage payment, including taxes and insurance, that does not exceed 25 to 30 percent of gross income for each of the 71 annual households that represent the annual potential for-sale multi-family market, yielding the distribution shown on the table following this page.

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New Single-Family Attached For-Sale
Distribution by Price Range
PRIMARY HOUSING
HOUSEHOLDS WITH ANNUAL INCOMES ABOVE 80% AMI
HILLSIDE STUDY AREA
City of Duluth, St. Louis County, Minnesota

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$175,000–\$225,000	13	18.3%
\$225,000–\$275,000	14	19.7%
\$275,000–\$325,000	15	21.1%
\$325,000–\$375,000	13	18.3%
\$375,000–\$425,000	5	7.1%
\$425,000 and up	<u>11</u>	<u>15.5%</u>
Total:	71	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

- Younger singles and couples are again the largest market, making up just under 41 percent of the market for new for-sale single-family attached units (rowhouses/townhouses) within the Hillside Study Area. Just over 3.4 percent of the younger singles and couples have the income and assets to purchase new rowhouses/townhouses with base prices over \$375,000. Another 41.4 percent would be in the market for new units priced between \$275,000 and \$375,000, and the majority, 55.2 percent, can afford new rowhouses/townhouses with base prices between \$175,000 and \$275,000.
- Traditional and non-traditional families are the next largest market segment at 31 percent of the market for new single-family attached units in Hillside. Just under 41 percent of the families have the income and assets to purchase new rowhouses/townhouses priced over \$375,000, and 45.5 percent would be in the market for new rowhouses/townhouses with base prices between \$275,000 and \$375,000. The remaining 13.6 percent can afford new rowhouses/townhouses with base prices between \$200,000 and \$275,000.
- Empty nesters and retirees represent 28.2 percent of the market for new rowhouses/townhouses within the Study Area. Thirty percent of the empty nesters and retirees could afford new units priced over \$375,000. Another 30 percent would be in the market for new rowhouses/townhouses with base prices between \$275,000 and \$375,000 and

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the remaining 40 percent could afford new single-family attached units priced between \$175,000 and \$275,000.

—Single-Family Detached Distribution by Price Range—

An annual average of 249 households with incomes above 80 percent of the area median income represent the target markets for newly-constructed for-sale single-family detached primary housing units (houses) within the Hillside Study Area (*as shown on Table 14 following the text*). Again, supportable price points have been determined by assuming a down payment of 10 percent, a mortgage rate of 6.5 percent, and a monthly mortgage payment, including taxes and insurance, that does not exceed 25 to 30 percent of gross income for each of the 249 annual households that represent the annual potential for-sale single-family detached market, yielding the distribution shown on the following table:

New Single-Family Detached For-Sale
Distribution by Price Range
PRIMARY HOUSING
HOUSEHOLDS WITH ANNUAL INCOMES ABOVE 80% AMI
HILLSIDE STUDY AREA
City of Duluth, St. Louis County, Minnesota

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$200,000–\$250,000	38	15.3%
\$250,000–\$300,000	41	16.5%
\$300,000–\$350,000	42	16.8%
\$350,000–\$400,000	40	16.1%
\$400,000–\$450,000	43	17.3%
\$450,000–\$500,000	15	6.0%
\$500,000 and up	<u>30</u>	<u>12.0%</u>
Total:	249	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

- Empty nesters and retirees represent over 54 percent of the market for new detached houses in the Hillside Study Area. Seventeen percent of the most affluent empty nesters and retirees are able to purchase new detached houses priced over \$500,000. An estimated 27.4 would be in the market for new houses with base prices between \$400,000 and \$500,000, just under 32 percent could purchase new houses priced between \$300,000 and \$400,000 and the remaining 23.7 percent could afford new single-family houses priced between \$200,000 and \$300,000.

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- Traditional and non-traditional families are the second largest market segment at 26.5 percent of the market for new single-family detached units in the Hillside Study Area. An estimated 10.6 percent have the income and assets to purchase new houses priced over \$500,000, another 32 percent would be in the market for new houses with base prices between \$400,000 and \$500,000, and 38 percent would be able to purchase new houses priced between \$300,000 and \$400,000. The remaining 19.7 percent can afford new houses with base prices between \$200,000 and \$300,000.
- Younger singles and couples are the smallest market, comprising just over 19 percent of the market for new for-sale single-family detached houses within the Hillside Study Area. Just over 29 percent of the younger singles and couples have the income and assets to purchase new houses with base prices between \$300,000 and \$400,000, and the clear majority, 71 percent, can afford new rowhouses/townhouses with base prices between \$200,000 and \$300,000.

—OPTIMUM MARKET POSITION: HILLSIDE STUDY AREA—

For purposes of this analysis, the Hillside Study Area includes the area bounded by 3rd Street to the south, Mesaba Avenue to the west, 9th Street in the north, and 12th Avenue East to the east. The Study Area is predominantly residential, with narrow tree-lined streets, several parks and two community gardens. The housing stock is varied, and the topography is quite steep, providing lake views. A Whole Foods Co-Op grocery store is located on East 4th Street between 6th and 7th Avenues, and the Duluth Farmers Market is just outside the Study Area on East 3rd Street between 12th and 13th Avenues.

The optimum market position for new primary housing units in the Hillside Study Area has been developed based on a variety of factors, including but not limited to:

- The tenure and housing preferences, financial capabilities, and lifestages of the target households;
- The assets and amenities located in the Hillside Study Area; and
- Current market area residential market dynamics.

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Based on these factors, the optimum market position for new primary affordable/workforce and market-rate rental and for-sale multi-family and for-sale single-family attached and detached housing units within the Hillside Study Area is summarized on the following table. (See also Table 15 following the text for greater detail.)

Optimum Market Position
 HILLSIDE STUDY AREA
 PRIMARY HOUSING
 City of Duluth, St. Louis County, Minnesota

PERCENT MIX	UNIT CONFIGURATION	BASE RENT/PRICE	UNIT SIZE	BASE RENT/PRICE PER SQ. FT.
MULTI-FAMILY FOR-RENT				
. Households with incomes between 60% and 80% AMI				
25%	Studio/1ba	\$775 to \$875	550 to 550 sf	\$1.59 to \$1.72
30%	1br/1ba	\$1,000 to \$1,100	650 to 750 sf	\$1.47 to \$1.54
25%	2br/1ba	\$1,200 to \$1,300	850 to 950 sf	\$1.37 to \$1.41
20%	3br/1ba	\$1,500 to \$1,550	1,200 to 1,300 sf	\$1.19 to \$1.25
. Households with incomes above 80% AMI				
30%	Studio/1ba	\$1,300 to \$1,500	500 to 600 sf	\$2.50 to \$2.60
30%	1br/1ba	\$1,750 to \$2,000	750 to 900 sf	\$2.22 to \$2.33
25%	2br/2ba	\$2,200 to \$2,400	1,100 to 1,250 sf	\$1.92 to \$2.00
15%	3br/2ba	\$2,500 to \$2,800	1,350 to 1,550 sf	\$1.81 to \$1.85
MULTI-FAMILY FOR-SALE				
. Households with incomes between 80% and 115% AMI				
35%	1br/1ba	\$185,000 to \$200,000	750 to 800 sf	\$247 to \$250
40%	2br/1ba	\$215,000 to \$230,000	900 to 1,000 sf	\$230 to \$239
25%	3br/1ba	\$240,000 to \$250,000	1,300 to 1,400 sf	\$179 to \$185

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PERCENT MIX	UNIT CONFIGURATION	BASE RENT/PRICE	UNIT SIZE	BASE RENT/PRICE PER SQ. FT.
. Households with incomes above 115% AMI				
35%	1br/1ba	\$265,000 to \$285,000	850 to 950 sf	\$300 to \$312
40%	2br/2ba	\$300,000 to \$335,000	1,000 to 1,150 sf	\$291 to \$300
25%	3br/2ba	\$375,000 to \$395,000	1,400 to 1,600 sf	\$247 to \$268
SINGLE-FAMILY ATTACHED FOR-SALE				
. Households with incomes between 80% and 115% AMI				
50%	2br/1.5ba	\$225,000 to \$245,000	1,000 to 1,150 sf	\$213 to \$225
50%	3br/1.5ba	\$255,000 to \$265,000	1,350 to 1,450 sf	\$183 to \$189
. Households with incomes above 115% AMI				
40%	2br/2.5ba	\$365,000 to \$385,000	1,300 to 1,400 sf	\$278 to \$281
30%	3br/2.5ba	\$400,000 to \$425,000	1,550 to 1,650 sf	\$258 to \$259
30%	3br/2.5ba/den	\$445,000 to \$465,000	1,750 to 1,850 sf	\$251 to \$254
SINGLE-FAMILY DETACHED FOR-SALE				
. Households with incomes between 80% and 115% AMI				
40%	2br/1.5ba	\$235,000 to \$260,000	1,100 to 1,300 sf	\$200 to \$214
60%	3br/2ba	\$270,000 to \$285,000	1,400 to 1,500 sf	\$190 to \$193
. Households with incomes above 115% AMI				
15%	2br/2ba	\$325,000 to \$345,000	1,100 to 1,200 sf	\$288 to \$295
35%	3br/2ba	\$355,000 to \$370,000	1,350 to 1,450 sf	\$255 to \$263
30%	3br/2.5ba	\$390,000 to \$415,000	1,500 to 1,700 sf	\$244 to \$260
20%	3br/2.5ba/den	\$475,000 to \$500,000	1,850 to 2,100 sf	\$238 to \$257

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

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Based on the mix of unit types, sizes, and rents/prices outlined in the optimum market position, the weighted average rents and prices for each of the housing types are shown on the following table.

Weighted Average Base Rents/Prices and Size Ranges
HILLSIDE STUDY AREA
City of Duluth, St. Louis County, Minnesota

HOUSING TYPE	WEIGHTED AVERAGE BASE RENTS/PRICES	WEIGHTED AVERAGE UNIT SIZE	WEIGHTED AVERAGE BASE RENTS/PRICES PER SQ. FT.
MULTI-FAMILY FOR-RENT			
60% to 80% AMI	\$1,138	809 sf	\$1.41 psf
Above 80% AMI	\$1,953	922 sf	\$2.12 psf
MULTI-FAMILY FOR-SALE			
80% to 115% AMI	\$217,500	988 sf	\$220 psf
Above 115% AMI	\$319,300	1,119 sf	\$285 psf
SINGLE-FAMILY ATTACHED FOR-SALE			
80% to 115% AMI	\$247,500	1,238 sf	\$200 psf
Above 115% AMI	\$410,250	1,560 sf	\$263 psf
SINGLE-FAMILY DETACHED FOR-SALE			
80% to 115% AMI	\$265,500	1,350 sf	\$197 psf
Above 115% AMI	\$395,200	1,537 sf	\$257 psf

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

The proposed rents and prices are in year 2023 dollars and are exclusive of location or floor premiums and consumer-added options or upgrades. As in the Downtown, location will have a significant impact on values with as much as a 10 percent premium on new properties with the best views of Lake Superior.

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MARKET CAPTURE: HILLSIDE STUDY AREA

How fast will the units lease or sell?

Based on 35 years’ experience using the target market methodology in 47 states, Zimmerman/Volk Associates has developed and refined a capture rate methodology scaled to study area size and context. Zimmerman/Volk Associates has determined that, for a study area the size of the Hillside Study Area, a capture rate of between 15 and 20 percent of the annual average number of potential renters and condominium and townhouse buyers is supportable each year over the next five years, assuming the production of appropriately-positioned new housing, including adaptive re-use of existing buildings as well as new construction. For new single-family detached houses, a capture rate of between 10 and 12.5 percent of the annual potential single-family homebuyers is supportable.

Based on these capture rates, annual average absorption of new affordable/workforce and market-rate units in the Hillside Study Area is forecast as follows (*see again* Table 15 *following the text*):

Annual Forecast Absorption
HILLSIDE STUDY AREA
City of Duluth, St. Louis County, Minnesota

HOUSING TYPE	NUMBER OF HOUSEHOLDS	CAPTURE RATE	NUMBER OF NEW UNITS
MULTI-FAMILY FOR-RENT	<u>606</u>	15%-20%	<u>91 - 122</u>
< 30% AMI	110		17 - 22
30% to 60% AMI	113		17 - 23
60% to 80% AMI	68		10 - 14
Above 80% AMI	315		47 - 63
MULTI-FAMILY FOR-SALE	<u>97</u>	15%-20%	<u>15 - 18</u>
< 30% AMI	11		2 - 2
30% to 60% AMI	15		2 - 3
60% to 80% AMI	7		1 - 1
80% to 115% AMI	17		3 - 3
Above 115% AMI	47		7 - 9
SINGLE-FAMILY ATTACHED FOR-SALE	<u>119</u>	15%-20%	<u>18 - 24</u>
< 30% AMI	16		2 - 3
30% to 60% AMI	19		3 - 4
60% to 80% AMI	13		2 - 3
80% to 115% AMI	21		3 - 4
Above 115% AMI	50		8 - 10

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Primary and Second/Weekend/Vacation Units
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HOUSING TYPE	NUMBER OF HOUSEHOLDS	CAPTURE RATE	NUMBER OF NEW UNITS
SINGLE-FAMILY DETACHED FOR-SALE	<u>383</u>	10%-12.5%	<u>38 - 48</u>
< 30% AMI	43		4 - 5
30% to 60% AMI	54		5 - 7
60% to 80% AMI	37		4 - 5
80% to 115% AMI	66		7 - 8
Above 115% AMI	183		18 - 23
Total	1,205		162 - 212

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

If new development could achieve these capture rates, between 162 and 212 new units per year could be leased or sold in the Study Area over a five-year timeframe, or a five-year total of 810 to 1,060 new rental and for-sale affordable/workforce and market-rate housing units.

As in the Downtown, new housing units, configured according to target market preferences, can not only attract new households to the Hillside Study Area and to the City of Duluth, but can also provide appropriate alternatives to households that, due to a change in household composition or economic status, might otherwise have moved out of the city.

The capture rates of the annual potential market used here fall within the target market methodology’s parameters of feasibility.

NOTE: As noted above in the Downtown Core Study Area, target market capture rates are a unique and highly-refined measure of feasibility. Target market capture rates are *not* equivalent to—and should not be confused with—penetration rates or traffic conversion rates.

The **target market capture rate** is derived by dividing the *annual* forecast absorption—in aggregate and by housing type—by the number of households that have the potential to purchase or rent new housing within a specified area *in a given year*.

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The **penetration rate** is derived by dividing the *total* number of dwelling units planned for a property by the *total* number of draw area households, sometimes qualified by income.

The **traffic conversion rate** is derived by dividing the *total* number of buyers or renters by the *total* number of prospects that have visited a site.

Because the prospective market for a location is more precisely defined, target market capture rates are higher than the more grossly-derived penetration rates. However, the resulting higher capture rates are well within the range of prudent feasibility.

AVERAGE ANNUAL SECOND/VACATION/WEEKEND HOUSING MARKET POTENTIAL FOR THE CITY OF DULUTH

The depth and breadth of the potential market for new for-sale housing units purchased for second/vacation/weekend use within the Greater Downtown Study Area were also determined through analysis of the housing preferences, home values, and financial capabilities of the draw area households, as well as their propensity to own a second/vacation/weekend unit.

Analysis of drive times from the city, St. Louis County parcel data, and historical sales data obtained from the St. Louis County Assessor from 2018 through 2022 shows that the principal draw areas for second/vacation/weekend housing units are as follows: (*See again* METHODOLOGY, TARGET MARKET TABLES, APPENDIX FOUR, *provided separately*.)

- Hennepin County;
- Ramsey County;
- Washington County;
- Dakota County; and
- Other counties in the United States.

The distribution of the draw areas as a percentage of the annual potential market for second/weekend/vacation housing units in the City of Duluth is shown on the table following this page.

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Annual Average Market Potential by Draw Area
Second/Weekend/Vacation Housing
City of Duluth, St. Louis County, Minnesota

Hennepin County:	21.0%
Ramsey County:	5.8%
Washington County:	5.8%
Dakota County:	5.1%
Other counties in the U.S.:	<u>62.3%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

Based on the historical sales data, target market preferences, and other market dynamics Zimmerman/Volk Associates has determined that an annual average of 138 households represent the potential market for new and existing second/weekend/vacation housing units within the city each year over the next five years.

AVERAGE ANNUAL SECOND/VACATION/WEEKEND HOUSING MARKET POTENTIAL FOR THE GREATER DOWNTOWN STUDY AREA

An annual average of up to 110 households have the potential to purchase a unit for use as a second/vacation/weekend unit in the Greater Downtown Study Area each year over the next five years. The distribution of the draw areas as a percentage of the average annual potential market for new second/vacation/weekend housing in the Greater Downtown Study Area is shown on the following table:

Average Annual Second/Vacation/Weekend Housing
Market Potential by Draw Area
THE GREATER DOWNTOWN STUDY AREA
City of Duluth, St. Louis County, Minnesota

Hennepin County:	22.1%
Ramsey County:	8.1%
Washington County:	5.8%
Dakota County:	7.0%
Other Counties:	<u>57.0%</u>
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2023

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The ownership housing propensities of the potential market are outlined on the following table: (*See also Table 16 following the text.*)

Average Annual Second/Vacation/Weekend Housing
Market Potential by Housing Type
THE GREATER DOWNTOWN STUDY AREA
City of Duluth, St. Louis County, Minnesota

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family	28	25.5%
Single-family attached	14	12.7%
Single-family detached	<u>68</u>	<u>61.8%</u>
Total	110	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

TARGET MARKETS FOR SECOND/VACATION/WEEKEND UNITS IN THE GREATER DOWNTOWN STUDY AREA

The general market segments, by lifestage and housing type, that represent the potential market for second/weekend/vacation housing units in the Greater Downtown Study Area are as follows (*see also Table 17 following the text*):

Target Markets by Lifestage and Housing Type
Second/Vacation/Weekend Units
THE GREATER DOWNTOWN STUDY AREA
City of Duluth, St. Louis County, Minnesota

HOUSEHOLD TYPE	PERCENT OF TOTAL	MULTI-FAMILY FOR-SALE	... SINGLE-FAMILY ...	
			ATTACHED	DETACHED
Empty Nesters & Retirees	58%	47%	57%	63%
Traditional & Non-Traditional Families	31%	21%	36%	34%
Younger Singles & Couples	<u>11%</u>	<u>32%</u>	<u>7%</u>	<u>3%</u>
Total	100%	100%	100%	100%

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

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EMPTY NESTERS AND RETIREES

Empty nesters and retirees in 10 target market groups are likely to account for a 58 percent majority of the 110 households that make up the second/vacation/weekend housing market. These older households account for a majority of the potential market for new rowhouses/townhouses and single-family detached houses, and a plurality of the potential market for new condominiums.

The target group with the largest share of the older market—*Suburban Establishment*—has median incomes ranging from \$110,600 to \$123,000 and median home values ranging from \$369,200 to \$413,200 in the four main draw area counties of Hennepin, Ramsey, Washington, and Dakota. The two next largest target groups of empty nesters and retirees are *Affluent Empty Nesters* with median incomes ranging from \$134,400 to \$154,500 and median home values ranging from \$512,900 to \$623,500 and *Small-Town Patriarchs*, with median incomes between \$127,600 and \$146,900 and median home values between \$486,200 and \$590,300 in the four main draw area counties. The most affluent target group is the *One Percenters*, with median incomes ranging from \$168,900 to \$193,500 and median home values ranging from \$669,300 to \$778,600.

Twenty percent of the older households are likely to have primary residences in Hennepin County, 9.4 percent live in Ramsey County and another 9.4 percent live in Washington County, while less than one percent are likely to have primary residences in Dakota County. The remaining 53 percent would be from elsewhere in Minnesota, the Upper Midwest, and the rest of the nation.

TRADITIONAL AND NON-TRADITIONAL FAMILIES

At 31 percent of the annual potential market for second/weekend/vacation units in the Greater Downtown Study Area, family households (traditional and non-traditional families) in eight target groups represent the second largest share of the market. The largest family target group—*Button-Down Families*—has median incomes ranging between \$115,000 and \$130,500 and median home values between \$375,600 and \$431,100 in the four main draw area counties. The next largest target family group—*Ex-Urban Elite*—has median incomes ranging from \$133,600 to \$152,400 and median home values ranging from \$422,200 to \$476,400. Next is *Corporate Establishment*, the most affluent family

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target group, with median incomes ranging from \$174,200 to \$194,900 and median home values ranging from \$610,500 to \$703,100 in the four main draw area counties.

An estimated 21 percent of the family households are likely to have primary residences in Hennepin County, while three counties—Ramsey, Washington, and Dakota—each account for approximately 8.8 percent. The remaining 53 percent would be from elsewhere in Minnesota, the Upper Midwest, and the rest of the nation.

YOUNGER SINGLES AND COUPLES

Younger singles and couples in five target groups represent just 11 percent of the potential market for second/weekend/vacation units in the Greater Downtown Study Area. The two largest target market groups—*New Power Couples* and *Cosmopolitan Elite*—have primary residences in Hennepin and Ramsey Counties, and median incomes ranging from \$89,000 to \$100,800 and median home values ranging from \$498,600 to \$527,600.

A third of the younger households are likely to have primary residences in Hennepin County while 16.7 percent would be from Ramsey County. The remaining 50 percent would be from elsewhere in Minnesota, the Upper Midwest, and the rest of the nation.

(Reference APPENDIX FIVE, TARGET MARKET DESCRIPTIONS, for detail on each target group.)

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FINANCIAL CAPABILITIES OF TARGET HOUSEHOLDS FOR SECOND/VACATION/WEEKEND UNITS IN THE GREATER DOWNTOWN STUDY AREA

As noted above under AVERAGE ANNUAL SECOND/VACATION/WEEKEND HOUSING MARKET POTENTIAL FOR THE GREATER DOWNTOWN STUDY AREA, of the 110 target households, 28 households (25.5 percent) are potential purchasers of condominiums, 14 households (12.7 percent) are potential purchasers of rowhouses or townhouses, and 68 households (61.8 percent) are potential purchasers of infill detached houses.

—Multi-Family For-Sale Distribution by Price Range—

An annual average of 28 households represent the target markets for newly-constructed condominiums purchased as second/vacation/weekend housing units within the Greater Downtown Study Area (*as shown on Table 18*), yielding the distribution shown on the following table:

New Multi-Family (Condominium)
Second/Vacation/Weekend Units
Distribution by Price Range
THE GREATER DOWNTOWN STUDY AREA
City of Duluth, St. Louis County, Minnesota

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$300,000–\$350,000	2	7.1%
\$350,000–\$400,000	3	10.7%
\$400,000–\$450,000	6	21.5%
\$450,000–\$500,000	6	21.5%
\$500,000–\$550,000	3	10.7%
\$550,000–\$600,000	2	7.1%
\$600,000–\$650,000	2	7.1%
\$650,000 and up	4	14.3%
Total:	28	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

- Empty nesters and retirees are the largest market for new for-sale multi-family units (condominiums) for use as second/vacation/weekend units in the Greater Downtown Study Area, at 46.4 percent. Over 23 percent of the empty nesters and retirees would be in the market for new condominiums with prices between \$300,000 and \$450,000, and the majority, 53.8 percent, could afford new condominiums priced between \$450,000 and \$600,000. The

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remaining 23.1 percent have the income and assets to purchase new condominiums priced over \$600,000.

- Younger singles and couples are the next largest group at 32.2 percent of the annual potential market for second/vacation/weekend condominiums in the Study Area. Just over 22 percent have the income and assets to buy new condominiums priced between \$450,000 and \$600,000, and the clear majority, 77.8 percent, can only purchase new units with base prices between \$300,000 and \$450,000.
- Traditional and non-traditional families are the smallest market segment at 21.4 percent of the condominium second/vacation/weekend market in the Greater Downtown Study Area. An estimated 16.7 percent could afford new units priced between \$300,000 and \$450,000; another third could purchase condominiums priced between \$450,000 and \$600,000. Half of the families are wealthy enough to purchase new condominiums for use as second/vacation/weekend units with prices over \$600,000.

—Single-Family Attached For-Sale Distribution by Price Range—

An annual average of 14 households represent the market for single-family attached second/vacation/weekend housing units in the Greater Downtown Study Area (as shown on Table 19), distributed as follows:

New Single-Family Attached
Second/Vacation/Weekend Units
Distribution by Price Range
THE GREATER DOWNTOWN STUDY AREA
City of Duluth, St. Louis County, Minnesota

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$350,000–\$400,000	2	14.3%
\$400,000–\$450,000	1	7.1%
\$450,000–\$500,000	2	14.3%
\$500,000–\$550,000	3	21.4%
\$550,000–\$600,000	2	14.3%
\$600,000–\$650,000	2	14.3%
\$650,000 and up	<u>2</u>	<u>14.3%</u>
Total:	14	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

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- Empty nesters and retirees represent a 57.2 percent majority of the market for new single-family attached second/vacation/weekend units in the Greater Downtown Study Area. An estimated 25 percent could afford new units priced between \$350,000 and \$450,000, and the remaining 75 percent are equally divided between those that have the financial capabilities to purchase new townhouses priced between \$450,000 and \$550,000 and those wealthy enough to purchase attached units with prices over \$550,000.
- Traditional and non-traditional families are the next largest market segment for new for-sale second/vacation/weekend single-family attached housing units in the Study Area at 35.7 percent. Forty percent would be in the market for new single-family attached units with prices from \$450,000 to \$550,000 and 60 percent have the income and assets to purchase these units with base prices over \$550,000.
- Younger singles and couples comprise the remaining 7.1 percent of the market for new second/vacation/weekend attached single-family units in the Study Area and can only afford units priced between \$350,000 and \$450,000.

—Single-Family Detached For-Sale Distribution by Price Range—

An annual average of 68 households represent the target markets for newly-constructed single-family detached second/vacation/weekend units in the Greater Downtown Study Area (as shown on Table 20), yielding the distribution shown on the following table:

New Single-Family Detached
Second/Vacation/Weekend Units
Distribution by Price Range
THE GREATER DOWNTOWN STUDY AREA
City of Duluth, St. Louis County, Minnesota

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$350,000–\$450,000	6	8.8%
\$450,000–\$550,000	12	17.7%
\$550,000–\$650,000	8	11.8%
\$650,000–\$750,000	10	14.7%
\$750,000–\$850,000	16	23.5%
\$850,000 and up	<u>16</u>	<u>23.5%</u>
Total:	68	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

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- The largest group of target buyers of new second/vacation/weekend detached houses in the Greater Downtown Study Area are again empty nesters and retirees who represent a 63.2 percent majority of the market. An estimated 25.6 percent would be in the market for new single-family detached houses with prices between \$350,000 and \$550,000. A 41.9 percent plurality could afford detached houses priced between \$550,000 and \$800,000. The remaining 32.6 percent have the income and assets to purchase detached houses priced from \$800,000 to over \$1 million.
- Traditional and non-traditional families are the next largest market segment at 33.8 percent of the single-family detached second/vacation/weekend market in the Study Area. Just under 22 percent could afford new houses priced between \$350,000 and \$550,000; another 47.8 percent could purchase houses priced between \$550,000 and \$800,000. The remaining 30.4 percent are wealthy enough to purchase houses with base prices over \$800,000.
- Younger singles and couples comprise less than three percent of the market for new detached single-family second/vacation/weekend houses in the Study Area. All of them would be in the market for houses priced between \$350,000 and \$550,000.

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—OPTIMUM MARKET POSITION: SECOND/VACATION/WEEKEND UNITS
 IN THE GREATER DOWNTOWN STUDY AREA—

The optimum market position for second/vacation/weekend housing in the Greater Downtown Study Area has been established based on the new unit purchase propensities and financial capabilities of the target households and is summarized on the following table: (*See also Table 21 for detail.*)

Optimum Market Position
 Second/Vacation/Weekend Units
 THE GREATER DOWNTOWN STUDY AREA
City of Duluth, St. Louis County, Minnesota

HOUSING TYPE	BASE PRICE RANGE	UNIT SIZE RANGE	BASE PRICE PER SQ. FT.
MULTI-FAMILY FOR-SALE—CONDOMINIUMS			
2br/2ba	\$425,000 to \$475,000	1,250 to 1,400	\$339 to \$340
2br/2.5ba	\$495,000 to \$545,000	1,500 to 1,700	\$321 to \$330
3br/2.5ba	\$600,000 to \$650,000	1,850 to 2,100	\$310 to \$324
SINGLE-FAMILY ATTACHED FOR-SALE—TOWNHOUSES			
2br/2.5ba	\$450,000 to \$500,000	1,350 to 1,550	\$323 to \$333
3br/3.5ba	\$550,000 to \$595,000	1,800 to 2,000	\$298 to \$306
4br/3.5ba	\$625,000 to \$675,000	2,300 to 2,500	\$270 to \$272
SINGLE-FAMILY DETACHED FOR-SALE—HOUSES			
3br/3.5ba	\$535,000 to \$585,000	2,000 to 2,200	\$266 to \$268
4br/3.5ba	\$665,000 to \$725,000	2,500 to 2,750	\$264 to \$266
4br/4.5ba	\$785,000 to \$825,000	3,000 to 3,200	\$258 to \$262

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

The proposed prices are in year 2023 dollars, are exclusive of lot and floor premiums, options, and upgrades, and are predicated on views of Lake Superior.

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Based on unit types and sizes outlined in the optimum market position above, the weighted averages for unit sizes and base prices are summarized on the following table.

Weighted Average Sizes and Prices
 Optimum Market Position
 Second/Vacation/Weekend Units
 THE GREATER DOWNTOWN STUDY AREA
City of Duluth, St. Louis County, Minnesota

HOUSING TYPE	WEIGHTED AVERAGE BASE PRICE	WEIGHTED AVERAGE UNIT SIZE	WEIGHTED AVERAGE BASE PRICE PER SQ. FT.
Multi-Family For-Sale	\$521,250	1,596	\$327
Single-Family Attached For-Sale	\$567,000	1,911	\$297
Single-Family Detached For-Sale	\$685,800	2,606	\$263

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

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MARKET CAPTURE: SECOND/VACATION/WEEKEND UNITS—THE GREATER DOWNTOWN STUDY AREA

How fast will the units sell?

Based on 35 years’ experience using the target market methodology in 47 states, Zimmerman/Volk Associates has developed and refined a capture rate methodology scaled to study area size and context. Zimmerman/Volk Associates has determined that, for a study area the size of the Greater Downtown Study Area, a capture rate of between 20 and 25 percent of the annual average number of potential condominium and townhouse buyers is supportable each year over the next five years, assuming the production of appropriately-positioned new housing. For new single-family detached houses, a capture rate of between 10 and 12.5 percent of the annual potential single-family second/vacation/weekend unit buyers is supportable.

Based on the above capture rates, annual average absorption of new second/weekend/vacation units in the Greater Downtown Study Area is forecast as follows (*see again Table 21 following the text*):

	Annual Forecast Absorption		
	Second/Weekend/Vacation Units		
	GREATER DOWNTOWN STUDY AREA		
	<i>City of Duluth, St. Louis County, Minnesota</i>		
MULTI-FAMILY FOR-SALE	28	20%-25%	6-7
SINGLE-FAMILY ATTACHED FOR-SALE	14	20%-25%	3-4
SINGLE-FAMILY DETACHED FOR-SALE	<u>68</u>	10%-12.5%	<u>7-9</u>
TOTAL:	110		16-20

SOURCE: Zimmerman/Volk Associates, Inc., 2023.

If new development could achieve the capture rates above, between 16 and 20 new units per year could be sold as second/vacation/weekend units in the Study Area over a five-year timeframe, or a five-year total of 80 to 100 new for-sale second/vacation/weekend housing units.

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CONCLUSIONS AND RECOMMENDATIONS

Although annual incomes have risen for many households in the city over the past five years, the higher down payments currently required by lenders will preclude many younger households from becoming first-time buyers. Because of these financing constraints, older households and established families will likely comprise a greater percentage of the market over the next two or three years or until mortgage qualification eases.

For the most part (and depending on location), the rents and prices outlined in this study cannot be achieved by the development of one or two infill units, but require that projects be of sufficient size (at least 50 units) to support a high-impact marketing campaign and achieve some measure of cost efficiency through economy of scale. Location will also have a significant impact on rents and prices; projects with views of Lake Superior and situated within a short walking distance of high-value amenities, such as restaurants, theaters, shops, or employment will likely command rents and prices at the upper end of values. Conversely, projects in less desirable locations will be limited to rents and prices at the lower end of values.

In addition to adaptive re-use of existing vacant or under-utilized buildings, the residential conversion of Class B and C office buildings can have a salutary effect on the Downtown Core Study Area. These buildings are likely to yield a greater number of dwelling units than two- and three-story conversions, increasing the downtown population at a more rapid pace. In addition, the conversion of high-vacancy Class B and C buildings to residential takes them out of the commercial market, resulting in a decline in office vacancy rates, sometimes to the extent that demand for new office construction is induced.

This analysis examines market potential over the near term. Because of the dramatic changes in the composition of American households that has occurred since the 1990s, and the likelihood that significant changes will continue, both the depth and breadth of the potential market for downtown living is likely to continue to grow. The experience of other American cities has been that, once the downtown residential alternative has been securely established, the percentage of households that will consider downtown housing usually increases.

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Impediments to downtown residential development and redevelopment that typically discourage private sector developers—both for-profit and not-for-profit—include regulatory obstacles (inappropriate zoning and code requirements and/or an inflexible, or slow-moving bureaucratic culture), high asking prices for existing, underutilized buildings and vacant land, and high development costs relative to the initial value of completed units. The cost problem may actually be more acute in adaptive re-use, since the existing structure often complicates the design effort while costing nearly as much as or, under some circumstances, more than new construction.

Strategies for downtown housing should be supported by targeted policies and programs that are coordinated for effective and efficient implementation. Policies and programs that have been effective across the country, and “best practices” resources are outlined here.

1. POLICIES AND PROGRAMS TO ADDRESS REGULATORY OBSTACLES

—Special Code for Adaptive Re-Use—

New Jersey was the first state to adopt a separate construction code for existing buildings. One important element of the code is that it is responsive to scale, easing compliance for small projects; code requirements increase with the scope of the rehabilitation project. This is of primary importance, since most neighborhoods will derive maximum benefits from residential and, indeed, non-residential initiatives that occur on a variety of scales. In cities across the country, it has become clear that neighborhoods with significant historic rehabilitation efforts have fared best in the maintenance and building of housing value. These historic rehabilitations have ranged in scale from the professional renovation and rehabilitation of large, multi-unit buildings to sweat-equity efforts of individual owner occupants.

Since the New Jersey code’s adoption in 1998, the amount of rehabilitation in the state’s largest cities has increased by 60 percent. Duluth could adopt a similar code, following the example of Wilmington, Delaware, which was the first of many cities to adopt a code modeled on the New Jersey statute. [New Jersey Department of Community Affairs, Division of Codes and Standards: Rehab Subcode of the Uniform Construction Code (NJAC 5:23-6).]

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—*Adaptive Re-Use Handbook*—

A handbook for developers and building professionals could be produced that summarizes the code and, if applicable, typical trade-offs and variances allowed. Qualification for regulatory relief should be presented clearly and unambiguously to assist in the evaluation of building suitability. The handbook could be used in the redevelopment of other city neighborhoods, not just the Downtown.

—*Adaptive Re-Use “Ombudsman”*—

Even with an appropriate and clearly-presented code for existing structures, given the wide variety of conditions represented by existing buildings, it should be anticipated that an equally wide variety of solutions to code compliance of adaptive re-use will be required. The coordination of the regulatory process can be overwhelming. The City can smooth the process by appointing a single code officer—an adaptive re-use “ombudsman”—to provide technical assistance to owners and developers. The ombudsman’s oversight of all adaptive re-use would also assure an informed and even-handed treatment of all cases. Again, depending on the volume of development, the ombudsman could also oversee development and redevelopment in other city neighborhoods.

—*Pre-Development Meetings*—

A number of cities have instituted the practice of pre-development meetings, which are held prior to submission of plans and in which the development team meets with relevant City departments, *i.e.*, zoning, permitting, engineering, inspections, etc., in an effort to streamline the pre-construction process. When well-managed, these meetings can be very effective, with all disciplines cooperating for the benefit of the common development objective. However, when managed poorly, these meetings can actually become counter-productive if any given discipline is allowed to establish an unyielding position.

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2. POLICIES AND PROGRAMS TO ADDRESS HIGH DEVELOPMENT COSTS

—Gap Financing Pool—

Gap funding should be available to both adaptive re-use and to new construction. The gap fund—often supported by local corporations, institutions, and foundations—should be very flexible in order to respond to the special needs of each property. Gap funding is typically structured as low-interest debt in a second or third position, but can incorporate interest accrual or other features designed to address the short-term financing impediments to residential developments that are essentially sound when viewed over the long term.

The Greater Downtown Partnership of Detroit assembled a \$23 million fund to provide gap financing; the fund was used to assist in the renovation and conversion of a number of downtown buildings from commercial to residential use.

Smaller cities have been successful with smaller funds: Louisville, Kentucky matched the \$3 million dollars contributed by six downtown banks, the sum of which, when augmented by \$1 million from the state and local businesses, created a \$7 million gap financing pool. The Lowell Plan, a private non-profit organization in Lowell, Massachusetts built a \$20 million pool, targeted specifically to assist residential and mixed-use developers, following the commercial funding pool created during the 1990s that was successful in stimulating retail development in the downtown.

—Property Tax Exemption and Abatement—

The City of Norfolk, Virginia enacted a 14-year tax abatement program, applicable to residential, commercial, and industrial properties throughout the city. The program provided 100 percent abatement of taxes on improvements to existing structures for the first 10 years, with a sliding scale of 20 percent per year of assessed value through year 14. For residential renovations of buildings of four or fewer units, the building must be at least 15 years old, and improvements must increase the assessed value by at least 20 percent. For residential renovations of buildings of five or more units, the building must be at least 50 years old, and improvements must increase the assessed value by at least 40 percent.

3. BEST PRACTICES

—Reduced Parking Requirements—

Although lack of parking is a recurring complaint in many cities, detailed analysis of parking capacity typically reveals under-utilization of existing parking. A number of cities have recently begun to eliminate parking requirements. For example, Portland, Oregon now exempts downtown residential development from required off-street parking; Olympia, Washington and Lafayette, Louisiana have no minimum parking requirements in their downtowns.

Resident parking on designated streets should be expanded to accommodate the number of dwelling units created through adaptive re-use of existing structures or in other circumstances where no on-site parking spaces can be created; permits should be issued at the cost of administering the program, including the added cost of enforcement.

Shared parking should be encouraged in the core Downtown. The overall number of required parking spaces could be significantly reduced if businesses and residential development shared parking facilities, freeing more land for economic development.

—“Live Near Your Work”—

In order to increase homeownership opportunities, many cities have, in collaboration with local employers, universities, and medical institutions, created employer-assisted housing benefit plans for employees. Through these initiatives, employers provide eligible employees with a forgivable loan of a set amount—typically between \$2,000 and \$15,000, depending on local housing costs—as well as housing information and education, and innovative financing options. These initiatives are designed to promote urban revitalization by targeting dwelling units in the downtowns and surrounding neighborhoods. This program has been highly successful in Baltimore, where more than 90 employers participated, and hundreds of families have benefited since the program’s inception in 1997.

In Seattle, the City and Washington State created the House Key Plus Seattle program, which offered first-time buyers loans at below-market interest rates. Since its start in 2004, the program has provided

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homebuyers, with incomes no more than 80 percent of the area median income, an average assistance of more than \$40,700.

And in Lancaster, Pennsylvania, Franklin & Marshall College offered three employer-assisted housing benefit plans for employees through its City Life neighborhood housing program: Mortgage Guarantee, Settlement Assistance and Curb Appeal. These range from the college acting as a mortgage insurer, to deferred payment loans for down payments, closing costs, and interior and exterior home improvements; these programs apply to buildings located within a defined area adjacent to the campus.

—*Young Professionals Organization*—

Young people are not only a significant market for downtown housing, they represent the future of a city. Too many cities have been losing their young people because of the scarcity of employment geared to “knowledge workers,” the small number of attractive and stylish eating and drinking establishments and shopping options, and the lack of housing types appropriate for young people. In many cities, service and social organizations of young professionals—such as Young Leaders of Northeast Indiana in Fort Wayne, Indiana, and Young Professionals Association of Louisville—have demonstrated a commitment to downtown revitalization and through their activities have raised the downtown’s profile among their membership.



Key Demographic Data
Greater Downtown, Downtown Core, and Hillside Study Areas, and City of Duluth, Minnesota
2023 Estimates

	Greater Downtown	Downtown Core	Hillside	City of Duluth
Population	7,874	2,859	5,015	86,057
Households	4,175	1,854	2,321	36,918
Housing Units	4,696	2,072	2,624	39,748
1&2 pp HHst	83.6%	96.4%	73.4%	70.2%
3 pp HHs	5.7%	2.4%	8.3%	11.9%
4+ pp HHs	10.7%	1.2%	18.3%	17.9%
Married couples w/ children	3.6%	0.7%	5.9%	25.3%
Other HHs w/ children	10.3%	4.0%	15.3%	17.7%
HHs without children	86.1%	95.3%	78.8%	56.9%
Median HH income	\$28,300	\$19,000	\$38,800	\$61,600
HHs below \$25,000	45.7%	62.7%	32.1%	11.0%
HHs above \$75,000	20.6%	12.6%	26.9%	41.1%
White	70.9%	71.0%	70.9%	83.4%
African American	8.2%	9.6%	7.4%	3.7%
Asian	1.7%	1.6%	1.8%	1.5%
American Indian/Alaskan Native	6.9%	6.9%	6.9%	2.3%
Two Or More Races/Other	12.3%	10.9%	13.0%	9.1%
Hispanic/Latino	4.0%	4.4%	3.7%	2.8%
Single-family attached units	3.9%	6.0%	2.3%	2.9%
Single-family detached units	20.8%	2.0%	35.6%	59.4%
Units in 2-unit bldgs.	11.3%	4.1%	17.0%	7.8%
Units in 3- to 19-unit bldgs.	26.4%	23.6%	28.7%	11.7%
Units in 20+-unit bldgs.	36.7%	64.3%	24.9%	15.4%
Mobile home or trailer	0.9%	0.0%	1.5%	2.7%
Vacant units	11.1%	10.5%	11.5%	7.1%
Renter-occupied units	82.0%	91.6%	74.4%	40.7%
Owner-occupied units	18.0%	8.4%	25.6%	59.3%
Units new since 2014	1.7%	2.5%	1.0%	2.5%
Median housing value	\$143,600	\$439,900	\$131,500	\$207,600
No vehicle ownership	41.9%	59.3%	28.1%	12.1%
Own 1 vehicle	29.7%	28.2%	30.9%	35.3%
Own 2 or more vehicles	28.4%	12.5%	41.0%	52.6%
Drive alone to work	66.3%	57.0%	69.3%	76.5%
Car-pool	6.7%	5.7%	7.1%	8.7%
Take public transportation to work	11.6%	19.6%	9.0%	3.8%
Walk to work	11.0%	16.5%	9.2%	4.6%
Other	4.4%	1.2%	5.4%	6.5%
Persons Over 25 With College Degree	26.0%	20.4%	30.5%	47.7%
White-collar employment	45.5%	55.4%	42.3%	58.7%
Blue-collar employment	18.0%	12.8%	19.7%	17.1%
Service/farm employment	36.5%	31.8%	38.0%	24.2%

SOURCES: U.S. Bureau of Census; Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Employment Information
Greater Downtown, Downtown Core, and Hillside Neighborhood Study Areas;
City of Duluth, Minnesota
2023 Estimates

	<u>Greater Downtown</u>	<u>Downtown Core</u>	<u>Hillside</u>	<u>City of Duluth</u>
Population 16+	6,732	2,665	4,067	72,052
By Employment Status	6,732	2,665	4,067	72,052
In Armed Forces	2	0	2	191
Employed Civilians	4,108	1,065	3,043	45,784
Unemployed Civilians	180	84	96	1,727
Not in Labor Force	2,442	1,516	926	24,350
Employed Civilian By Worker Class	3,885	947	2,938	45,241
For-Profit Private	2,796	670	2,126	28,706
Non-Profit Private	558	169	389	6,880
Local Government	207	22	185	3,155
State Government	176	55	121	2,634
Federal Government	23	5	18	920
Self-Employed	124	25	99	2,849
Unpaid Family	1	1	0	97
Employed Civilian By Occupation	3,886	947	2,939	45,241
Architect/Engineer	15	3	12	915
Arts/Entertainment/Sports	91	50	41	1,111
Building Grounds Maintenance	304	63	241	2,107
Business/Financial	161	35	126	2,504
Community/Social Services	150	69	81	1,631
Computer/Mathematical	68	3	65	917
Construction/Extraction	83	3	80	1,803
Education/Training/Library	146	46	100	3,083
Farming/Fishing/Forestry	12	7	5	227
Food Preparation/Serving	649	146	503	3,989
Health Practitioner/Technician	230	61	169	3,921
Healthcare Support	274	50	224	2,535
Maintenance/Repair	99	38	61	1,107
Legal	3	2	1	318
Life/Physical/Social Sciences	50	24	26	690
Management	248	98	150	3,592
Office/Administrative Support	338	89	249	4,465
Production	236	20	216	1,987
Protective Services	37	2	35	580
Sales/Related	270	45	225	3,413
Personal Care/Services	141	33	108	1,510
Transportation/Moving	281	60	221	2,836

SOURCES: U.S. Bureau of Census; Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Table 2

Annual Market Potential For New And Existing Primary Housing Units
 Distribution Of Annual Average Number Of Draw Area Households With The Potential
 To Move Within/To The Greater Downtown Study Area Each Year Over The Next Five Years
 Based On Housing Preferences And Income Levels
The Greater Downtown Study Area
 City of Duluth, St. Louis County, Minnesota

*City of Duluth; Balance of St. Louis County; Carlton County, Minnesota, Douglas County, Wisconsin, and
 Itasca County, Minnesota; Hennepin and Ramsey Counties, Minnesota; Balance of U.S.
 Draw Areas*

Annual Number Of Households
 With The Potential To Rent/Purchase Within The City of Duluth: 8,050

Annual Number Of Target Market Households
 With Potential To Rent/Purchase Within The Greater Downtown Study Area: 2,175

Downtown Core Study Area Annual Market Potential

(Excluding Single-Family Detached)

	<i>Below 30% AMI</i>	<i>30% to 60% AMI</i>	<i>60% to 80% AMI</i>	<i>80% to 115% AMI</i>	<i>Above 115% AMI</i>	<i>Subtotal</i>
<i>Multi-Family For-Rent:</i>	210	204	118	176	335	1,043
<i>Multi-Family For-Sale:</i>	27	27	18	26	52	150
<i>Single-Family Attached For-Sale:</i>	27	30	17	26	59	159
<i>Total:</i>	264	261	153	228	446	1,352
<i>Percent:</i>	19.5%	19.3%	11.3%	16.9%	33.0%	100.0%

Hillside Study Area Annual Market Potential

	<i>Below 30% AMI</i>	<i>30% to 60% AMI</i>	<i>60% to 80% AMI</i>	<i>80% to 115% AMI</i>	<i>Above 115% AMI</i>	<i>Subtotal</i>
<i>Multi-Family For-Rent:</i>	110	113	68	109	206	606
<i>Multi-Family For-Sale:</i>	11	15	7	17	47	97
<i>Single-Family Attached For-Sale:</i>	16	19	13	21	50	119
<i>Single-Family Detached For-Sale:</i>	43	54	37	66	183	383
<i>Total:</i>	180	201	125	213	486	1,205
<i>Percent:</i>	14.9%	16.7%	10.4%	17.7%	40.3%	100.0%

Note: For fiscal year 2022, Duluth, MN-WI Median Family Income for a family of four is \$89,000.

SOURCE: Claritas, Inc.;
 Zimmerman/Volk Associates, Inc.

**Summary Of Selected Rental Properties
Developed Between 2005 and 2023**

Duluth Market Area, St. Louis County, Minnesota

May, 2023

<u>Property (Date Opened)</u> <u>Address/Walk Score</u>	<u>Number</u> <u>of Units</u>	<u>Unit</u> <u>Type</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
<i>... City of Duluth ...</i>						
<i>... Downtown Duluth ...</i>						
Leijona (1924; 2023) 521 West 2nd Street East West Property Mgmt 72 Walk Score	33	... Apartments ... Studio/1ba	\$895 to \$1,190	389 to 476	\$2.30 to \$2.50	In lease-up. <i>Laundry facilities, and lounge.</i>
		1br/1ba	\$1,120 to \$1,915	529 to 832	\$2.12 to \$2.30	
		2br/1ba	\$1,630 to \$1,895	709 to 742	\$2.30 to \$2.55	
Lofts on Canal (1886; 2016) 20 Sutphin Street Sherman Associates, Inc. 65 Walk Score	29	... Apartments... Studio/1ba	\$1,002	615 to 678	\$1.48 to \$1.63	93% occupancy <i>Fitness center, laundry facilities, community room, concierge.</i>
		1br/1ba	\$1,532 to \$1,597	518 to 834	\$1.91 to \$2.96	
		2br/2ba	\$1,766 to \$2,401	1,026 to 1,079	\$1.64 to \$1.72	
Board of Trade Lofts (1895; 2020) 301 West 1st Street East West Property Mgmt 84 Walk Score	84	... Apartments... Studio/1ba	\$1,045 to \$1,125	320 to 449	\$2.51 to \$3.27	96% occupancy <i>Community room, fitness center, pet spa, and wifi included.</i>
		1br/1ba	\$1,095 to \$1,195	413 to 533	\$2.24 to \$2.65	
		2br/1ba	\$1,395 to \$1,595	824 to 942	\$1.69 to \$1.69	<i>Some income-restricted units.</i>
Cove Apartments (1922; 2020) 1 East 1st Street Roers Companies 90 Walk Score	86	... Apartments... Studio/1ba	\$1,040 to \$1,090	373 to 466	\$2.79 to \$2.92	100% occupancy <i>Clubroom, fitness center, Skybridge lounge, fireside lounge, and pet spa.</i>
		1br/1ba	\$1,125 to \$1,734	466 to 739	\$2.35 to \$2.41	
		2br/1ba	\$1,600 to \$1,680	879 to 879	\$1.82 to \$1.91	
Bridgeman Russell (1905; 2006) 10 West 1st Street ShipRock Management 88 Walk Score	31	... Apartments... 1br/1ba	\$1,300	850	\$1.53	97% occupancy <i>Fitness room, laundry facilities, and controlled access.</i>
The Harbours (1994) 300 West Michigan Street Encompass Real Estate Services 76 Walk Score	38	... Apartments... Studio/1ba	n/a	475	n/a	100% occupancy <i>Pool, clubhouse, and controlled access.</i>
		1br/1ba	n/a	850 to 1,660	n/a	
		2br/2ba	\$1,890	1,281 to 1,770	\$1.48	

**Summary Of Selected Rental Properties
Developed Between 2005 and 2023**

Duluth Market Area, St. Louis County, Minnesota

May, 2023

<u>Property (Date Opened)</u> <u>Address/Walk Score</u>	<u>Number</u> <u>of Units</u>	<u>Unit</u> <u>Type</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
<i>. . . Hillside . . .</i>						
City View Flats (2019) 333 N. 1st Avenue MBJ Development 82 Walk Score	106	<i>... Apartments ...</i> Studio/1ba 1br/1ba 2br/2ba	\$1,100 \$1,200 \$1,285 \$1,600 \$1,700 \$1,890	to 484 to 589 to 995 1,052	to \$2.27 to \$2.48 to \$2.11 to \$2.18 to \$1.80 \$1.71	99% occupancy Fitness center, clubhouse, business center, EV charging station, pet washing area.
<i>. . . Fond du Lac/Gary-New Duluth . . .</i>						
Grand Avenue Estates (2017) 9215 Zimmerly Avenue Prairie Lakes Mgmt, LLC 5 Walk Score	67	<i>... Apartments ...</i> 1br/1ba 2br/2ba 3br/2ba	\$1,095 \$1,185 \$1,375 \$1,460 \$1,790	to 800 to 814 to 1,054 1,300	to \$1.37 to \$1.46 to \$1.30 to \$1.39 \$1.38	97% occupancy Fitness rooms, laundry facilities, playground, controlled access, gameroom, trails, multiuse room, grill, picnic area, conference room.
Off-campus housing.		<i>... Patio Homes with attached garage ...</i> 2br/2ba 3br/2ba	\$2,125 \$2,345	1,320 1,430	\$1.61 \$1.64	
Morgan Park Estates (2021) 8925 Hilton Street Pre/3 20 Walk Score	96	<i>... Apartments ...</i> 2br/2ba	\$1,575 \$1,645	to 1,144 1,075	to \$1.38 to \$1.53	99% occupancy Private entrances, and pet friendly.
<i>. . . West End . . .</i>						
Lincoln Park Flats (2022) 2102 West Superior Street P&R Properties 90 Walk Score	74	<i>... Apartments...</i> Studio/1ba 1br/1ba	\$1,130 \$2,500 \$1,455 \$2,500	to 499 688 to 654 691	to \$2.26 to \$3.63 to \$2.22 to \$3.62	97% occupancy Community room, fitness center, grilling patio, and secured entry.

Summary Of Selected Rental Properties Developed Between 2005 and 2023

Duluth Market Area, St. Louis County, Minnesota

May, 2023

<u>Property (Date Opened)</u> <u>Address/Walk Score</u>	<u>Number</u> <u>of Units</u>	<u>Unit</u> <u>Type</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
<i>. . . Duluth Heights . . .</i>						
Capstone Apartments (2018) 4710 Matterhorn Circle D.W. Jones Management, Inc. 49 Walk Score	81	... Apartments... Studio/1ba 1br/1ba 2br/1ba 2br/2ba 3br/2ba	\$1,195 to \$1,345 \$1,475 to \$1,625 \$1,805 to \$1,905 \$2,065 to \$2,310 \$2,300 to \$2,450	526 732 to 883 1,000 to 1,109 1,040 to 1,229 1,325 to 1,376	\$2.27 to \$2.56 \$2.02 to \$2.22 \$1.81 to \$1.91 \$1.99 to \$2.22 \$1.74 to \$1.85	95% occupancy Fitness center, controlled access, large patio areas, gas grills,, fire pits, community space and lounge in both buildings, coffee bars in both buildings, and two-level lobby.
The District Flats (2018) 1306 Maple Grove Road Encompass R. E. Services 47 Walk Score	72	... Apartments... 1br/1ba 2br/2ba	n/a \$1,950 to \$2,075	691 to 772 1,086 1,086	n/a \$1.80 to \$1.91	99% occupancy Pool, sauna, fitness center, business center, community room, and fiber optics internet.
Grindstone (2023) 4050 Haines Road Grindstone Properties, LLC 30 Walk Score	33	... Apartments... 1br/1ba 2br/2ba	\$1,575 to \$1,695 \$2,075 to \$2,195	634 to 933 to 976	\$2.48 to \$2.67 \$2.22 to \$2.25	In lease-up Multi-use room, pond.
<i>. . . Kenwood . . .</i>						
Kenwood Village (2017) 1515 Kenwood Avenue ShipRock Management 49 Walk Score	83	... Apartments ... Studio/1ba 1br/1ba 2br/2ba 3br/2ba	\$1,400 \$1,700 \$1,925 to \$2,350 \$2,275 to \$2,720	540 716 1,001 1,288	\$2.59 \$2.37 \$1.92 to \$2.35 \$1.77 to \$2.11	100% occupancy Car wash, fitness center, media room, and recreation room.
<i>. . . Hunters Park . . .</i>						
Vue at BlueStone (2020) 120 Summit Street Summit Real Estate Mgmt 58 Walk Score	193	... Apartments ... 1br/1ba 2br/2ba	\$1,670 to \$1,710 \$3,081 to \$3,137	654 1,240	\$2.55 to \$2.61 \$2.48 to \$2.53	100% occupancy Pool, hot tub, fitness center, patio terrace, firepits, steam shower, great room, business center, coworking space, coffee bar, and pet spa.

**Summary Of Selected Rental Properties
Developed Between 2005 and 2023**

Duluth Market Area, St. Louis County, Minnesota

May, 2023

<u>Property (Date Opened)</u> <u>Address/Walk Score</u>	<u>Number</u> <u>of Units</u>	<u>Unit</u> <u>Type</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
. . . Hunters Park {continued}. . .						
BlueStone Lofts (2013) 101 Summit Street Summit Real Estate Mgmt 76 Walk Score	99	... Student Apartments ... 2br/2ba 4br/3ba 4br/4ba	\$1,810 \$1,914 \$3,268 \$3,268	to 983 1,101 1,430 1,500	to \$1.74 to \$1.84 \$2.29 \$2.18	100% occupancy Pool, hot tub, fitness centers, game room, rooftop patio with grill, yoga studio, tanning beds, tech bar with computers, coffee bar, sauna, and conference room.
BlueStone Flats (2015) 133 Summit Street Summit Real Estate Mgmt 72 Walk Score	142	... Apartments ... 2br/2ba 3br/2ba	\$2,155 \$2,766 \$3,270	to 971 1,153 1,333	to \$2.22 to \$2.40 to \$2.45	100% occupancy Pool, hot tub, fitness areas, controlled building access, conference room, great room, coffee bar, patio terrace, pet spa, grilling stations, and sauna.
. . . Congdon . . .						
ENDI (2017) 2120 London Road ShipRock Management 44 Walk Score	142	... Apartments ... 1br/1ba 2br/2ba	\$1,570 \$1,765 \$2,565 \$4,075	to 594 703 1,051 1,579	to \$2.51 to \$2.64 to \$2.44 to \$2.58	99% occupancy Fitness center, art gallery, clubroom with chef's kitchen, bocce ball, fenced dog run, lobby with fireplace & coffee bar, grilling areas, pet spa, conference room, book nook, and carwash bay.
. . . City of Superior . . .						
. . . East End . . .						
Acadia (2023) 2601 Bardon Avenue P&R Properties 32 Walk Score	120	... Apartments ... Studio/1ba 1br/1ba 2br/2ba 2br/2ba/den	\$1,195 \$1,210 \$1,565 \$2,150 \$2,405 \$2,725 \$2,770	to 419 427 587 1,181 1,459 1,603 1,650	to \$2.83 to \$2.85 to \$1.82 to \$2.67 to \$1.65 to \$1.68 to \$1.70	In-lease up. Clubhouse, gameroom, fitness center, spa, to secured entry, courtyard, lounge, pet spa, fire pit, grill and outdoor seating area, coffee bar, lobby with fireplace.

**Summary Of Selected Rental Properties
Developed Between 2005 and 2023**

Duluth Market Area, St. Louis County, Minnesota

May, 2023

<u>Property (Date Opened)</u> <u>Address/Walk Score</u>	<u>Number</u> <u>of Units</u>	<u>Unit</u> <u>Type</u>	<u>Reported</u> <u>Base Rent</u>	<u>Reported</u> <u>Unit Size</u>	<u>Rent per</u> <u>Sq. Ft.</u>	<u>Additional Information</u>
			. . . North End . . .			
Onyx of Superior (2018) 1301 Weeks Avenue P&R Properties 74 Walk Score	54	. . . Apartments . . . 1br/1ba 2br/2ba	\$1,050 \$1,555	602 972	\$1.74 \$1.60	100% occupancy Fitness center, community room, and secured entry.
Central Flats (2021) 1001 Belknap Street P&R Properties 77 Walk Score	130	. . . Apartments . . . Studio/1ba 1br/1ba 2br/1.5ba 3br/2ba	\$1,015 to \$1,165 \$1,135 to \$1,280 \$1,850 \$2,980	429 to 519 639 1,139 1,899	\$2.24 to \$2.37 \$1.78 to \$2.00 \$1.62 \$1.57	99% occupancy Community room, club room, library & tech room, outdoor gaming area, grilling stations, coffee bar pet spa.
			. . . Central Park . . .			
320 North (2019) 320 F Street P&R Properties 34 Walk Score	89	. . . Apartments . . . 3br/2ba	\$2,000 to \$2,050	1,250	\$1.60 to \$1.64	100% occupancy Fitness center, spa, community room, and secured entry.
			. . . City of Hermantown . . .			
Aery (2021) 4498 Ugstad Road P&R Properties 21 Walk Score	147	. . . Apartments . . . 1br/1ba 2br/2ba 2br/2ba/den 3br/2ba	\$1,725 \$2,135 to \$2,325 \$2,885 to \$2,995 \$2,965 to \$3,385	829 1,111 to 1,133 1,561 1,541	\$2.08 \$1.92 to \$2.05 \$1.85 to \$1.92 to \$1.92 to \$2.20	99% occupancy Community rooms, fitness center, spa, business center, clubhouse, trails, laundry facilities, grill, pet spa, and secured entry.

**Summary of Selected Multi-Family
And Single-Family Attached Listings and Recent Sales**

Duluth Market Area, St. Louis County, Minnesota

May, 2023

<u>Property (Year Built)</u> <u>Address/Walk Score</u>	<u>Building</u> <u>Type</u>	<u>Unit</u> <u>Type</u>	<u>Asking Price</u>	<u>Unit Size</u>	<u>Asking Price</u> <u>Per Sq. Ft.</u>
. . . Listings. . .					
. . . Fond du Lac/Gary. . .					
River Place Condominiums (2001)	CO				
9900 Hudson Boulevard		2br/2ba	\$384,480	1,602	\$240
1 Walk Score					
. . . Central Hillside . . .					
Unit One	CO				
221 W. 5th St.		2br/2ba	\$447,000	1,225	\$365
44 Walk Score					
. . . Congdon Park. . .					
London East (2022)	20 TH				
London Road		5br/3.5ba	\$526,100	3,540	\$149
Ted Stocke, Developer		5br/3.5ba	\$563,900	3,540	\$159
15 Walk Score		3br/2.5ba	\$596,676	3,840	\$155
		3br/3.5ba	\$599,500	3,540	\$169
		3br/3.5ba	\$603,300	3,540	\$170
		3br/3.5ba	\$635,150	3,540	\$179
		4br/3.5ba	\$699,800	3,540	\$198
. . . Congdon . . .					
Beacon Pointe (2007)	CO				
2126 Water Street		2br/2ba	\$629,900	1,274	\$494
29 Walk Score		4br/3ba	\$979,900	2,045	\$479
. . . Recent Sales. . .					
. . . East Hillside. . .					
Superior Vista (2006)	TH				
1126 Mesaba Avenue	Unit 3	2br/2ba	\$300,000	1,327	\$226
23 Walk Score					

**Summary of Selected Multi-Family
And Single-Family Attached Listings and Recent Sales**
Duluth Market Area, St. Louis County, Minnesota
May, 2023

<u>Property (Year Built)</u> <u>Address/Walk Score</u>		<u>Building Type</u>	<u>Unit Type</u>	<u>Asking Price</u>	<u>Unit Size</u>	<u>Asking Price Per Sq. Ft.</u>
<i>. . . Downtown . . .</i>						
5 East 4th Street 85 Walk Score	Apt. B	CO	2br/2ba	\$235,000	1,327	\$177
Wieland Building (2009)						
26 East Superior Street 88 Walk Score	Suite 507	CO	1br/1ba 2br/1ba	\$330,000 \$550,000	903 1,388	\$365 \$396
Canal Park (2001)						
325 S. Lake Avenue 61 Walk Score	Suite 1308	CO	2br/2ba	\$340,000	1,143	\$297
311 E. Superior Street 88 Walk Score	Unit 705	CO	2br/1ba	\$639,000	3,100	\$206
<i>. . . Park Point . . .</i>						
South Pier Shores on the Lake (2007)						
912 South Lake Avenue 43 Walk Score	Unit 2	TH	2br/2ba	\$1,050,000	2,640	\$398
<i>. . . Congdon . . .</i>						
Beacon Pointe (2007)						
2126 Water Street 29 Walk Score		CO	2br/2ba 2br/2ba 2br/2ba 2br/2ba	\$465,000 \$630,000 \$640,000 \$675,000	1,225 1,464 1,585 1,298	\$380 \$430 \$404 \$520

Table 5

Annual Market Potential By Lifestage And Income Range

Derived From Purchase And Rental Propensities Of Draw Area Households With The Potential To Move Within/To The Downtown Core Study Area Each Year Over The Next Five Years
Based On Housing Preferences And Income Levels

The Downtown Core Study Area

City of Duluth, St.Louis County, Minnesota

	Total	<i>Below 30% AMI</i>	<i>30% to 60% AMI</i>	<i>60% to 80% AMI</i>	<i>80% to 115% AMI</i>	<i>Above 115% AMI</i>
Number of Households:	1,352	264	261	153	228	446
Empty Nesters & Retirees	21.5%	19.3%	19.5%	20.3%	19.7%	25.3%
Traditional & Non-Traditional Families	8.4%	9.1%	9.6%	9.1%	10.1%	6.1%
Younger Singles & Couples	70.1%	71.6%	70.9%	70.6%	70.2%	68.6%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: For fiscal year 2022, Duluth, MN-WI Median Family Income for a family of four is \$89,000.

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Target Groups For New Multi-Family For Rent
The Downtown Core Study Area

City of Duluth, St. Louis County, Minnesota

. *Number of Households*

Empty Nesters & Retirees**	<i>60% to</i>	<i>80% to</i>	<i>Above</i>	<i>Total</i>	<i>Percent of Total</i>
	<u><i>80% AMI†</i></u>	<u><i>115% AMI†</i></u>	<u><i>115% AMI†</i></u>		
The One Percenters	0	0	2	2	0.3%
Affluent Empty Nesters	0	0	2	2	0.3%
Urban Establishment	1	1	7	9	1.4%
New Empty Nesters	0	0	3	3	0.5%
Second City Establishment	0	1	2	3	0.5%
Multi-Ethnic Empty Nesters	0	1	2	3	0.5%
Mainstream Empty Nesters	2	5	12	19	3.0%
Middle-American Retirees	2	3	7	12	1.9%
Cosmopolitan Couples	2	4	10	16	2.5%
Blue-Collar Retirees	4	5	9	18	2.9%
Middle-Class Move-Downs	1	1	3	5	0.8%
Second City Seniors	9	11	16	36	5.7%
Subtotal:	21	32	75	128	20.3%
Traditional & Non-Traditional Families††					
Unibox Transferees	0	1	3	4	0.6%
Multi-Ethnic Families	0	1	2	3	0.5%
Uptown Families	2	4	5	11	1.7%
Single-Parent Families	2	3	3	8	1.3%
In-Town Families	1	1	0	2	0.3%
New American Strivers	5	6	5	16	2.5%
Subtotal:	10	16	18	44	7.0%

† For fiscal year 2022, Duluth, MN-WI Median Family Income for a family of four is \$89,000.

** Predominantly one- and two-person households.

†† Predominantly three -to five-person households.

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Target Groups For New Multi-Family For Rent
The Downtown Core Study Area

City of Duluth, St. Louis County, Minnesota

. *Number of Households*

Younger Singles & Couples**	<i>60% to 80% AMI†</i>	<i>80% to 115% AMI†</i>	<i>Above 115% AMI†</i>	<i>Total</i>	<i>Percent of Total</i>
New Power Couples	0	1	4	5	0.8%
New Bohemians	5	10	45	60	9.5%
Cosmopolitan Elite	0	1	3	4	0.6%
The VIPs	3	7	21	31	4.9%
Fast-Track Professionals	4	9	25	38	6.0%
Suburban Achievers	1	1	3	5	0.8%
Suburban Strivers	16	24	38	78	12.4%
Small-City Singles	3	4	7	14	2.2%
Twentysomethings	22	29	43	94	14.9%
Downtown Couples	3	4	5	12	1.9%
Second-City Strivers	12	16	20	48	7.6%
Downtown Proud	7	10	15	32	5.1%
Multi-Ethnic Singles	11	12	13	36	5.7%
Subtotal:	87	128	242	457	72.7%
Total Households:	118	176	335	629	100.0%
Percent of Total:	18.8%	28.0%	53.3%	100.0%	

† For fiscal year 2022, Duluth, MN-WI Median Family Income for a family of four is \$89,000.

** Predominantly one- and two-person households.

SOURCE: Claritas, Inc.;
 Zimmerman/Volk Associates, Inc.

Target Groups For New Multi-Family For Sale
The Downtown Core Study Area

City of Duluth, St. Louis County, Minnesota

. Number of Households

Empty Nesters & Retirees**	<u>80% to 115% AMI†</u>	<u>Above 115% AMI†</u>	<u>Total</u>	<u>Percent of Total</u>
Urban Establishment	0	3	3	3.8%
New Empty Nesters	0	1	1	1.3%
Second City Establishment	0	1	1	1.3%
Multi-Ethnic Empty Nesters	0	1	1	1.3%
Mainstream Empty Nesters	1	3	4	5.1%
Middle-American Retirees	1	2	3	3.8%
Cosmopolitan Couples	0	2	2	2.6%
Blue-Collar Retirees	1	2	3	3.8%
Middle-Class Move-Downs	1	0	1	1.3%
Second City Seniors	2	2	4	5.1%
Subtotal:	6	17	23	29.5%
Traditional & Non-Traditional Families††				
Unibox Transferees	0	2	2	2.6%
Uptown Families	1	0	1	1.3%
Single-Parent Families	1	0	1	1.3%
In-Town Families	0	1	1	1.3%
New American Strivers	1	0	1	1.3%
Subtotal:	3	3	6	7.7%

† For fiscal year 2022, Duluth, MN-WI Median Family Income for a family of four is \$89,000.

** Predominantly one- and two-person households.

†† Predominantly three -to five-person households.

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Target Groups For New Multi-Family For Sale
The Downtown Core Study Area

City of Duluth, St. Louis County, Minnesota

. *Number of Households*

Younger Singles & Couples**	<i>80% to 115% AMI†</i>	<i>Above 115% AMI†</i>	<i>Total</i>	<i>Percent of Total</i>
New Power Couples	0	2	2	2.6%
New Bohemians	2	7	9	11.5%
Cosmopolitan Elite	0	1	1	1.3%
The VIPs	2	4	6	7.7%
Fast-Track Professionals	1	3	4	5.1%
Suburban Achievers	0	2	2	2.6%
Suburban Strivers	4	7	11	14.1%
Small-City Singles	1	0	1	1.3%
Twentysomethings	2	3	5	6.4%
Downtown Couples	1	0	1	1.3%
Second-City Strivers	2	1	3	3.8%
Downtown Proud	1	1	2	2.6%
Multi-Ethnic Singles	1	1	2	2.6%
Subtotal:	17	32	49	62.8%
Total Households:	26	52	78	100.0%
Percent of Total:	33.3%	66.7%	100.0%	

† For fiscal year 2022, Duluth, MN-WI Median Family Income for a family of four is \$89,000.

** Predominantly one- and two-person households.

SOURCE: Claritas, Inc.;
 Zimmerman/Volk Associates, Inc.

Target Groups For New Single-Family Attached For Sale
The Downtown Core Study Area
City of Duluth, St. Louis County, Minnesota

. Number of Households

Empty Nesters & Retirees**	<u>80% to 115% AMI†</u>	<u>Above 115% AMI†</u>	<u>Total</u>	<u>Percent of Total</u>
The One Percenters	0	1	1	1.2%
Affluent Empty Nesters	0	1	1	1.2%
Urban Establishment	0	1	1	1.2%
New Empty Nesters	0	1	1	1.2%
Second City Establishment	0	2	2	2.4%
Multi-Ethnic Empty Nesters	0	2	2	2.4%
Cosmopolitan Couples	0	1	1	1.2%
Mainstream Empty Nesters	2	5	7	8.2%
Middle-American Retirees	1	3	4	4.7%
Blue-Collar Retirees	2	3	5	5.9%
Middle-Class Move-Downs	1	0	1	1.2%
Second City Seniors	<u>1</u>	<u>1</u>	<u>2</u>	<u>2.4%</u>
Subtotal:	7	21	28	32.9%
Traditional & Non-Traditional Families††				
Unibox Transferees	1	2	3	3.5%
Multi-Ethnic Families	0	1	1	1.2%
Uptown Families	1	1	2	2.4%
Single-Parent Families	1	0	1	1.2%
In-Town Families	0	1	1	1.2%
New American Strivers	<u>1</u>	<u>1</u>	<u>2</u>	<u>2.4%</u>
Subtotal:	4	6	10	11.8%

† For fiscal year 2022, Duluth, MN-WI Median Family Income for a family of four is \$89,000.

** Predominantly one- and two-person households.

†† Predominantly three -to five-person households.

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Target Groups For New Single-Family Attached For Sale
The Downtown Core Study Area
City of Duluth, St. Louis County, Minnesota

. Number of Households

Younger Singles & Couples**	<u>80% to 115% AMI†</u>	<u>Above 115% AMI†</u>	<u>Total</u>	<u>Percent of Total</u>
New Power Couples	0	2	2	2.4%
New Bohemians	1	3	4	4.7%
Cosmopolitan Elite	0	2	2	2.4%
The VIPs	1	4	5	5.9%
Fast-Track Professionals	0	2	2	2.4%
Suburban Achievers	1	1	2	2.4%
Suburban Strivers	6	8	14	16.5%
Small-City Singles	1	2	3	3.5%
Twentysomethings	2	2	4	4.7%
Downtown Couples	1	1	2	2.4%
Second-City Strivers	1	2	3	3.5%
Downtown Proud	0	1	1	1.2%
Multi-Ethnic Singles	1	2	3	3.5%
Subtotal:	15	32	47	55.3%
Total Households:	26	59	85	100.0%
Percent of Total:	30.6%	69.4%	100.0%	

† For fiscal year 2022, Duluth, MN-WI Median Family Income for a family of four is \$89,000.

** Predominantly one- and two-person households.

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Optimum Market Position: Primary Housing Units
The Downtown Core Study Area
City of Duluth, St. Louis County, Minnesota
June, 2023

<u>Targeted Households</u>	<u>Housing Type/ Unit Configuration</u>	<u>Percent Mix</u>	<u>Base Rent/Price Range*</u>	<u>Base Unit Size Range</u>	<u>Base Rent/Price Per Sq. Ft.*</u>	<u>Annual Market Capture</u>
<u>1,043</u>	Multi-Family For Rent					<u>158 to 209</u>
210	Households With Incomes Below 30% AMI					32 42
204	Households With Incomes Between 30% And 60% AMI					31 41
118	Households With Incomes Between 60% And 80% AMI					18 24
	Studio/1ba	30%	\$750 to \$850	350 to 450	\$1.89 to \$2.14	
	1br/1ba	30%	\$950 to \$1,050	600 to 700	\$1.50 to \$1.58	
	2br/1ba	20%	\$1,150 to \$1,250	750 to 850	\$1.47 to \$1.53	
	2br/2ba	20%	\$1,300 to \$1,400	950 to 1,100	\$1.27 to \$1.37	
	Weighted Averages:		\$1,050	680	\$1.54	
511	Households With Incomes At Or Above 80% AMI					77 102
	Studio/1ba	25%	\$1,200 to \$1,450	400 to 500	\$2.90 to \$3.00	
	1br/1ba	35%	\$1,650 to \$1,950	650 to 750	\$2.46 to \$2.54	
	2br/2ba	35%	\$2,400 to \$2,600	1,000 to 1,150	\$2.26 to \$2.40	
	3br/2ba	5%	\$2,900 to \$3,200	1,300 to 1,450	\$2.21 to \$2.23	
	Weighted Averages:		\$1,984	800	\$2.48	

NOTE: For fiscal year 2022, Duluth, MN-WI Metro Median Family Income for a family of four is \$89,000.
Base rents/prices in year 2023 dollars and exclude floor, view premiums, options, or upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

Optimum Market Position: Primary Housing Units
The Downtown Core Study Area
City of Duluth, St. Louis County, Minnesota
June, 2023

<u>Targeted Households</u>	<u>Housing Type/ Unit Configuration</u>	<u>Percent Mix</u>	<u>Base Rent/Price Range*</u>	<u>Base Unit Size Range</u>	<u>Base Rent/Price Per Sq. Ft.*</u>	<u>Annual Market Capture</u>
150	Multi-Family For-Sale					23 to 29
27	Households With Incomes Below 30% AMI					4 5
27	Households With Incomes Between 30% And 60% AMI					4 5
18	Households With Incomes Between 60% And 80% AMI					3 4
26	Households With Incomes Between 80% And 115% AMI					4 5
	1br/1ba	60%	\$175,000 to \$195,000	700 to 750	\$250 to \$260	
	2br/1ba	40%	\$200,000 to \$225,000	850 to 900	\$235 to \$250	
	Weighted Averages:		\$196,000	785	\$250	
52	Households With Incomes Above 115% AMI					8 10
	1br/1ba	30%	\$250,000 to \$275,000	800 to 850	\$313 to \$324	
	2br/2ba	50%	\$345,000 to \$385,000	1,100 to 1,250	\$308 to \$314	
	3br/2ba	20%	\$400,000 to \$425,000	1,350 to 1,550	\$274 to \$296	
	Weighted Averages:		\$343,750	1,125	\$306	

NOTE: For fiscal year 2022, Duluth, MN-WI Metro
 Median Family Income for a family of four is \$89,000.

NOTE: Base rents/prices in year 2023 dollars and exclude floor, view premiums, options, or upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

Optimum Market Position: Primary Housing Units
The Downtown Core Study Area
City of Duluth, St. Louis County, Minnesota
June, 2023

<u>Targeted Households</u>	<u>Housing Type/ Unit Configuration</u>	<u>Percent Mix</u>	<u>Base Rent/Price Range*</u>	<u>Base Unit Size Range</u>	<u>Base Rent/Price Per Sq. Ft.*</u>	<u>Annual Market Capture</u>
159	Single-Family Attached For-Sale					25 to 31
27	Households With Incomes Below 30% AMI					4 to 5
30	Households With Incomes Between 30% and 60% AMI					5 to 6
17	Households With Incomes Between 60% and 80% AMI					3 to 3
26	Households With Incomes Between 80% and 115% AMI					4 to 5
	2br / 1.5ba	60%	\$215,000 to \$235,000	950 to 1,100	\$214 to \$226	
	3br / 1.5ba	40%	\$245,000 to \$250,000	1,250 to 1,350	\$185 to \$196	
	Weighted Averages:		\$234,000	1,135	\$206	
59	Households With Incomes Above 115% AMI					9 to 12
	2br / 2.5ba	35%	\$350,000 to \$375,000	1,300 to 1,400	\$268 to \$269	
	2br / 2.5ba / den	40%	\$395,000 to \$415,000	1,500 to 1,600	\$259 to \$263	
	3br / 2.5ba / den	25%	\$450,000 to \$495,000	1,850 to 2,000	\$243 to \$248	
	Weighted Averages:		\$406,650	1,573	\$259	

NOTE: For fiscal year 2022, Duluth, MN-WI Metro
 Median Family Income for a family of four is \$89,000.

NOTE: Base rents/prices in year 2023 dollars and exclude floor, view premiums, options, or upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

Table 10

Annual Market Potential By Lifestage And Income Range

Derived From Purchase And Rental Propensities Of Draw Area Households With The Potential To Move Within/To The Hillside Study Area Each Year Over The Next Five Years
Based On Housing Preferences And Income Levels

The Hillside Study Area

City of Duluth, St. Louis County, Minnesota

	Total	<i>Below 30% AMI</i>	<i>30% to 60% AMI</i>	<i>60% to 80% AMI</i>	<i>80% to 115% AMI</i>	<i>Above 115% AMI</i>
Number of Households:	1,205	180	201	125	213	486
Empty Nesters & Retirees	28.6%	19.4%	22.9%	20.8%	27.2%	37.0%
Traditional & Non-Traditional Families	22.0%	20.0%	20.4%	22.4%	24.4%	22.2%
Younger Singles & Couples	49.4%	60.6%	56.7%	56.8%	48.4%	40.8%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Note: For fiscal year 2022, Duluth, MN-WI Median Family Income for a family of four is \$89,000.

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Target Groups For New Multi-Family For Rent
The Hillside Study Area

City of Duluth, St. Louis County, Minnesota

. Number of Households

Empty Nesters & Retirees**	<i>60% to 80% AMI†</i>	<i>80% to 115% AMI†</i>	<i>Above 115% AMI†</i>	<i>Total</i>	<i>Percent of Total</i>
The One Percenters	0	0	2	2	0.5%
Old Money	0	0	2	2	0.5%
Affluent Empty Nesters	0	0	1	1	0.3%
Suburban Establishment	0	1	4	5	1.3%
Urban Establishment	0	1	3	4	1.0%
New Empty Nesters	0	1	4	5	1.3%
Pillars of the Community	0	1	4	5	1.3%
Second City Establishment	0	0	1	1	0.3%
Mainstream Empty Nesters	1	3	7	11	2.9%
Middle-American Retirees	1	2	3	6	1.6%
Cosmopolitan Couples	1	1	4	6	1.6%
Blue-Collar Retirees	2	3	6	11	2.9%
Middle-Class Move-Downs	1	1	0	2	0.5%
Hometown Seniors	1	1	0	2	0.5%
Second City Seniors	3	4	5	12	3.1%
Subtotal:	10	19	46	75	19.6%
Traditional & Non-Traditional Families††					
Nouveau Money	0	0	2	2	0.5%
Button-Down Families	0	1	3	4	1.0%
Unibox Transferees	0	1	3	4	1.0%
New Town Families	0	1	2	3	0.8%
Late-Nest Suburbanites	1	2	4	7	1.8%
Full-Nest Suburbanites	0	1	1	2	0.5%
Small-Town Families	2	3	6	11	2.9%
Kids 'r' Us	0	1	2	3	0.8%
Multi-Ethnic Families	0	1	2	3	0.8%
Uptown Families	2	4	5	11	2.9%
In-Town Families	1	1	0	2	0.5%
New American Strivers	5	6	5	16	4.2%
Subtotal:	11	22	35	68	17.8%

† For fiscal year 2022, Duluth, MN-WI Median Family Income for a family of four is \$89,000.

** Predominantly one- and two-person households.

†† Predominantly three -to five-person households.

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Target Groups For New Multi-Family For Rent
The Hillside Study Area

City of Duluth, St. Louis County, Minnesota

. *Number of Households*

Younger Singles & Couples**	<u>60% to 80% AMI†</u>	<u>80% to 115% AMI†</u>	<u>Above 115% AMI†</u>	<u>Total</u>	<u>Percent of Total</u>
New Power Couples	0	1	4	5	1.3%
New Bohemians	1	1	4	6	1.6%
Cosmopolitan Elite	0	1	3	4	1.0%
The VIPs	2	5	16	23	6.0%
Fast-Track Professionals	3	5	16	24	6.3%
Suburban Achievers	1	1	1	3	0.8%
Hometown Sweethearts	2	3	3	8	2.1%
Suburban Strivers	11	16	28	55	14.4%
Small-City Singles	2	3	5	10	2.6%
Twentysomethings	9	13	19	41	10.7%
Downtown Couples	1	1	2	4	1.0%
Second-City Strivers	7	9	12	28	7.3%
Downtown Proud	3	3	5	11	2.9%
Multi-Ethnic Singles	5	6	7	18	4.7%
Subtotal:	47	68	125	240	62.7%
Total Households:	68	109	206	383	100.0%
Percent of Total:	17.8%	28.5%	53.8%	100.0%	

† For fiscal year 2022, Duluth, MN-WI Median Family Income for a family of four is \$89,000.

** Predominantly one- and two-person households.

SOURCE: Claritas, Inc.;
 Zimmerman/Volk Associates, Inc.

Target Groups For New Multi-Family For Sale
The Hillside Study Area

City of Duluth, St. Louis County, Minnesota

. Number of Households

Empty Nesters & Retirees**	<i>80% to 115% AMI†</i>	<i>Above 115% AMI†</i>	<i>Total</i>	<i>Percent of Total</i>
Suburban Establishment	0	1	1	1.6%
Urban Establishment	0	1	1	1.6%
New Empty Nesters	0	1	1	1.6%
Pillars of the Community	0	1	1	1.6%
Mainstream Empty Nesters	1	2	3	4.7%
Middle-American Retirees	1	2	3	4.7%
Cosmopolitan Couples	0	1	1	1.6%
Blue-Collar Retirees	1	1	2	3.1%
Middle-Class Move-Downs	1	1	2	3.1%
Hometown Seniors	0	1	1	1.6%
Second City Seniors	1	1	2	3.1%
Subtotal:	5	13	18	28.1%
Traditional & Non-Traditional Families††				
Nouveau Money	0	1	1	1.6%
Button-Down Families	0	1	1	1.6%
Unibox Transferees	0	2	2	3.1%
New Town Families	0	1	1	1.6%
Late-Nest Suburbanites	1	2	3	4.7%
Full-Nest Suburbanites	0	1	1	1.6%
Small-Town Families	1	1	2	3.1%
Kids 'r' Us	0	1	1	1.6%
Uptown Families	1	0	1	1.6%
In-Town Families	0	1	1	1.6%
New American Strivers	1	0	1	1.6%
Subtotal:	4	11	15	23.4%

† For fiscal year 2022, Duluth, MN-WI Median Family Income for a family of four is \$89,000.

** Predominantly one- and two-person households.

†† Predominantly three -to five-person households.

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Target Groups For New Multi-Family For Sale
The Hillside Study Area

City of Duluth, St. Louis County, Minnesota

. *Number of Households*

Younger Singles & Couples**	<u>80% to 115% AMI†</u>	<u>Above 115% AMI†</u>	<u>Total</u>	<u>Percent of Total</u>
New Power Couples	0	2	2	3.1%
New Bohemians	0	1	1	1.6%
Cosmopolitan Elite	0	1	1	1.6%
The VIPs	1	2	3	4.7%
Fast-Track Professionals	1	2	3	4.7%
Suburban Achievers	0	1	1	1.6%
Hometown Sweethearts	1	1	2	3.1%
Suburban Strivers	3	5	8	12.5%
Small-City Singles	0	2	2	3.1%
Twentysomethings	1	2	3	4.7%
Downtown Couples	0	2	2	3.1%
Second-City Strivers	1	0	1	1.6%
Downtown Proud	0	1	1	1.6%
Multi-Ethnic Singles	0	1	1	1.6%
Subtotal:	8	23	31	48.4%
Total Households:	17	47	64	100.0%
Percent of Total:	26.6%	73.4%	100.0%	

† For fiscal year 2022, Duluth, MN-WI Median Family Income for a family of four is \$89,000.

** Predominantly one- and two-person households.

SOURCE: Claritas, Inc.;
 Zimmerman/Volk Associates, Inc.

Target Groups For New Single-Family Attached For Sale
The Hillside Study Area

City of Duluth, St. Louis County, Minnesota

. *Number of Households*

Empty Nesters & Retirees**	<u>80% to 115% AMI†</u>	<u>Above 115% AMI†</u>	<u>Total</u>	<u>Percent of Total</u>
The One Percenters	0	1	1	1.4%
Suburban Establishment	0	2	2	2.8%
New Empty Nesters	0	1	1	1.4%
Pillars of the Community	1	3	4	5.6%
Mainstream Empty Nesters	1	2	3	4.2%
Middle-American Retirees	1	2	3	4.2%
Blue-Collar Retirees	1	1	2	2.8%
Middle-Class Move-Downs	1	1	2	2.8%
Hometown Seniors	0	1	1	1.4%
Second City Seniors	0	1	1	1.4%
Subtotal:	5	15	20	28.2%
Traditional & Non-Traditional Families††				
Nouveau Money	0	1	1	1.4%
Button-Down Families	0	2	2	2.8%
Unibox Transferees	1	2	3	4.2%
New Town Families	0	2	2	2.8%
Late-Nest Suburbanites	1	2	3	4.2%
Full-Nest Suburbanites	0	2	2	2.8%
Small-Town Families	1	1	2	2.8%
Kids 'r' Us	0	1	1	1.4%
Multi-Ethnic Families	0	1	1	1.4%
Uptown Families	1	1	2	2.8%
In-Town Families	0	1	1	1.4%
New American Strivers	1	1	2	2.8%
Subtotal:	5	17	22	31.0%

† For fiscal year 2022, Duluth, MN-WI Median Family Income for a family of four is \$89,000.

** Predominantly one- and two-person households.

†† Predominantly three -to five-person households.

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Target Groups For New Single-Family Attached For Sale
The Hillside Study Area

City of Duluth, St. Louis County, Minnesota

. *Number of Households*

Younger Singles & Couples**	<i>80% to 115% AMI†</i>	<i>Above 115% AMI†</i>	<i>Total</i>	<i>Percent of Total</i>
New Power Couples	0	2	2	2.8%
New Bohemians	0	1	1	1.4%
Cosmopolitan Elite	0	2	2	2.8%
The VIPs	1	3	4	5.6%
Fast-Track Professionals	0	1	1	1.4%
Suburban Achievers	0	2	2	2.8%
Hometown Sweethearts	1	0	1	1.4%
Suburban Strivers	4	6	10	14.1%
Small-City Singles	1	0	1	1.4%
Twentysomethings	1	0	1	1.4%
Downtown Couples	1	0	1	1.4%
Second-City Strivers	1	0	1	1.4%
Downtown Proud	0	1	1	1.4%
Multi-Ethnic Singles	1	0	1	1.4%
Subtotal:	11	18	29	40.8%
Total Households:	21	50	71	100.0%
Percent of Total:	29.6%	70.4%	100.0%	

† For fiscal year 2022, Duluth, MN-WI Median Family Income for a family of four is \$89,000.

** Predominantly one- and two-person households.

SOURCE: Claritas, Inc.;
 Zimmerman/Volk Associates, Inc.

Target Groups For New Infill Single-Family Detached For Sale
The Hillside Study Area

City of Duluth, St. Louis County, Minnesota

. Number of Households

Empty Nesters & Retirees**	<i>80% to 115% AMI†</i>	<i>Above 115% AMI†</i>	<i>Total</i>	<i>Percent of Total</i>
The One Percenters	1	10	11	4.4%
Old Money	1	7	8	3.2%
Affluent Empty Nesters	0	4	4	1.6%
Suburban Establishment	3	15	18	7.2%
New Empty Nesters	4	17	21	8.4%
Pillars of the Community	5	22	27	10.8%
Second City Establishment	1	3	4	1.6%
Mainstream Empty Nesters	3	7	10	4.0%
Middle-American Retirees	4	9	13	5.2%
Cosmopolitan Couples	0	1	1	0.4%
Blue-Collar Retirees	5	9	14	5.6%
Middle-Class Move-Downs	1	1	2	0.8%
Hometown Seniors	1	0	1	0.4%
Second City Seniors	0	1	1	0.4%
Subtotal:	29	106	135	54.2%
Traditional & Non-Traditional Families††				
Nouveau Money	1	5	6	2.4%
Button-Down Families	2	8	10	4.0%
Unibox Transferees	2	5	7	2.8%
New Town Families	3	7	10	4.0%
Late-Nest Suburbanites	2	4	6	2.4%
Full-Nest Suburbanites	1	2	3	1.2%
Small-Town Families	2	5	7	2.8%
Kids 'r' Us	1	1	2	0.8%
Multi-Ethnic Families	1	2	3	1.2%
Uptown Families	4	6	10	4.0%
In-Town Families	1	0	1	0.4%
New American Strivers	1	0	1	0.4%
Subtotal:	21	45	66	26.5%

† For fiscal year 2022, Duluth, MN-WI Median Family Income for a family of four is \$89,000.

** Predominantly one- and two-person households.

†† Predominantly three -to five-person households.

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Target Groups For New Infill Single-Family Detached For Sale
The Hillside Study Area

City of Duluth, St. Louis County, Minnesota

. Number of Households

Younger Singles & Couples**	<i>80% to 115% AMI†</i>	<i>Above 115% AMI†</i>	<i>Total</i>	<i>Percent of Total</i>
New Power Couples	0	1	1	0.4%
Cosmopolitan Elite	0	3	3	1.2%
The VIPs	1	2	3	1.2%
Fast-Track Professionals	0	1	1	0.4%
Suburban Achievers	1	3	4	1.6%
Hometown Sweethearts	4	6	10	4.0%
Suburban Strivers	5	7	12	4.8%
Small-City Singles	3	5	8	3.2%
Twentysomethings	0	2	2	0.8%
Downtown Couples	0	2	2	0.8%
Second-City Strivers	1	0	1	0.4%
Multi-Ethnic Singles	1	0	1	0.4%
Subtotal:	16	32	48	19.3%
Total Households:	66	183	249	100.0%
Percent of Total:	26.5%	73.5%	100.0%	

† For fiscal year 2022, Duluth, MN-WI Median Family Income for a family of four is \$89,000.

** Predominantly one- and two-person households.

SOURCE: Claritas, Inc.;
 Zimmerman/Volk Associates, Inc.

Optimum Market Position: Primary Housing Units
The Hillside Study Area
City of Duluth, St. Louis County, Minnesota
June, 2023

<u>Targeted Households</u>	<u>Housing Type/ Unit Configuration</u>	<u>Percent Mix</u>	<u>Base Rent/Price Range*</u>	<u>Base Unit Size Range</u>	<u>Base Rent/Price Per Sq. Ft.*</u>	<u>Annual Market Capture</u>
606	Multi-Family For Rent					91 to 122
110	Households With Incomes Below 30% AMI					17
113	Households With Incomes Between 30% and 60% AMI					23
68	Households With Incomes Between 60% and 80% AMI					14
	Studio/1ba	25%	\$775 to \$875	450 to 550	\$1.59 to \$1.72	
	1br/1ba	30%	\$1,000 to \$1,100	650 to 750	\$1.47 to \$1.54	
	2br/1ba	25%	\$1,200 to \$1,300	850 to 950	\$1.37 to \$1.41	
	3br/1ba	20%	\$1,500 to \$1,550	1,200 to 1,300	\$1.19 to \$1.25	
	Weighted Averages:		\$1,138	809	\$1.41	
315	Households With Incomes Above 80% AMI					47
	Studio/1ba	30%	\$1,300 to \$1,500	500 to 600	\$2.50 to \$2.60	
	1br/1ba	30%	\$1,750 to \$2,000	750 to 900	\$2.22 to \$2.33	
	2br/2ba	25%	\$2,200 to \$2,400	1,100 to 1,250	\$1.92 to \$2.00	
	3br/2ba	15%	\$2,500 to \$2,800	1,350 to 1,550	\$1.81 to \$1.85	
	Weighted Averages:		\$1,953	922	\$2.12	

NOTE: For fiscal year 2022, Duluth, MN-WI Metro
 Median Family Income for a family of four is \$89,000.

NOTE: Base rents/prices in year 2023 dollars and exclude floor, view premiums, options, or upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

Optimum Market Position: Primary Housing Units
The Hillside Study Area
City of Duluth, St. Louis County, Minnesota
June, 2023

<u>Targeted Households</u>	<u>Housing Type/ Unit Configuration</u>	<u>Percent Mix</u>	<u>Base Rent/Price Range*</u>	<u>Base Unit Size Range</u>	<u>Base Rent/Price Per Sq. Ft.*</u>	<u>Annual Market Capture</u>
<u>97</u>	Multi-Family For-Sale					<u>15 to 18</u>
11	Households With Incomes Below 30% AMI					2 2
15	Households With Incomes Between 30% and 60% AMI					2 3
7	Households With Incomes Between 60% and 80% AMI					1 1
17	Households With Incomes Between 80% and 115% AMI					3 3
	1br/1ba	35%	\$185,000 to \$200,000	750 to 800	\$247 to \$250	
	2br/1ba	40%	\$215,000 to \$230,000	900 to 1,000	\$230 to \$239	
	3br/1ba	25%	\$240,000 to \$250,000	1,300 to 1,400	\$179 to \$185	
	Weighted Averages:		\$217,500	988	\$220	
47	Households With Incomes Above 115% AMI					7 9
	1br/1ba	35%	\$265,000 to \$285,000	850 to 950	\$300 to \$312	
	2br/2ba	40%	\$300,000 to \$335,000	1,000 to 1,150	\$291 to \$300	
	3br/2ba	25%	\$375,000 to \$395,000	1,400 to 1,600	\$247 to \$268	
	Weighted Averages:		\$319,300	1,119	\$285	

NOTE: For fiscal year 2022, Duluth, MN-WI Metro
 Median Family Income for a family of four is \$89,000.

NOTE: Base rents/prices in year 2023 dollars and exclude floor, view premiums, options, or upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

Optimum Market Position: Primary Housing Units
The Hillside Study Area
City of Duluth, St. Louis County, Minnesota
June, 2023

<u>Targeted Households</u>	<u>Housing Type/ Unit Configuration</u>	<u>Percent Mix</u>	<u>Base Rent/Price Range*</u>	<u>Base Unit Size Range</u>	<u>Base Rent/Price Per Sq. Ft.*</u>	<u>Annual Market Capture</u>
<u>119</u>	Single-Family Attached For-Sale					<u>18 to 24</u>
16	Households With Incomes Below 30% AMI					2 3
19	Households With Incomes Between 30% and 60% AMI					3 4
13	Households With Incomes Between 60% and 80% AMI					2 3
21	Households With Incomes Between 80% and 115% AMI					3 4
	2br/1.5ba	50%	\$225,000 to \$245,000	1,000 to 1,150	\$213 to \$225	
	3br/1.5ba	50%	\$255,000 to \$265,000	1,350 to 1,450	\$183 to \$189	
	Weighted Averages:		\$247,500	1,238	\$200	
50	Households With Incomes Above 115% AMI					8 10
	2br/2.5ba	40%	\$365,000 to \$385,000	1,300 to 1,400	\$275 to \$281	
	3br/2.5ba	30%	\$400,000 to \$425,000	1,550 to 1,650	\$258 to \$259	
	3br/2.5ba/den	30%	\$445,000 to \$465,000	1,750 to 1,850	\$251 to \$254	
	Weighted Averages:		\$410,250	1,560	\$263	

NOTE: For fiscal year 2022, Duluth, MN-WI Metro
 Median Family Income for a family of four is \$89,000.

NOTE: Base rents/prices in year 2023 dollars and exclude floor, view premiums, options, or upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

Optimum Market Position: Primary Housing Units
The Hillside Study Area
City of Duluth, St. Louis County, Minnesota
June, 2023

<u>Targeted Households</u>	<u>Housing Type/ Unit Configuration</u>	<u>Percent Mix</u>	<u>Base Rent/Price Range*</u>	<u>Base Unit Size Range</u>	<u>Base Rent/Price Per Sq. Ft.*</u>	<u>Annual Market Capture</u>
<u>383</u>	Single-Family Detached For-Sale					<u>38 to 48</u>
43	Households With Incomes Below 30% AMI					4 5
54	Households With Incomes Between 30% and 60% AMI					5 7
37	Households With Incomes Between 60% and 80% AMI					4 5
66	Households With Incomes Between 80% and 115% AMI					7 8
	2br / 1.5ba	40%	\$235,000 to \$260,000	1,100 to 1,300	\$200 to \$214	
	3br / 2ba	60%	\$270,000 to \$285,000	1,400 to 1,500	\$190 to \$193	
	Weighted Averages:		\$265,500	1,350	\$197	
183	Households With Incomes Above 115% AMI					18 23
	2br / 2ba	15%	\$325,000 to \$345,000	1,100 to 1,200	\$288 to \$295	
	3br / 2ba	35%	\$355,000 to \$370,000	1,350 to 1,450	\$255 to \$263	
	3br / 2.5ba	30%	\$390,000 to \$415,000	1,500 to 1,700	\$244 to \$260	
	4br / 2.5ba	20%	\$475,000 to \$500,000	1,850 to 2,100	\$238 to \$257	
	Weighted Averages:		\$395,200	1,537	\$257	

NOTE: For fiscal year 2022, Duluth, MN-WI Metro
Median Family Income for a family of four is \$89,000.

NOTE: Base rents/prices in year 2023 dollars and exclude floor, view premiums, options, or upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

Table 16

Annual Market Potential For Second/Vacation/Weekend Housing Units

Annual Average Number Of Draw Area Households With The Potential To Purchase A Second/Vacation/Weekend Unit In The Greater Downtown Study Area Each Year Over The Next Five Years

The Greater Downtown Study Area

City of Duluth, St. Louis County, Minnesota

*Hennepin County, Ramsey County, Washington County,
Dakota County, and Other Counties in the United States
Draw Areas*

Annual Target Market Households With the Potential To Purchase A Second/Vacation/Weekend Unit In The City of Duluth, St. Louis County, Minnesota	138
Annual Target Market Households With the Potential To Purchase A Second/Vacation/Weekend Unit In The Greater Downtown Study Area	110

Second Unit Annual Market Potential

	<i>Multi- .. Family ..</i>	<i>Single- Family</i>		<i>Total</i>
		<i>.. Attached ..</i>	<i>.. Detached ..</i>	
Total Households	28	14	68	110
<i>{Mix Distribution}:</i>	25.5%	12.7%	61.8%	100.0%

NOTE: Reference Appendix four, Tables 1 Through 13

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Table 17

Second Unit Annual Market Potential By Lifestage And Household Type

Annual Average Number Of Draw Area Households With The Potential To Purchase
A Second Unit In The Greater Downtown Study Area Each Year Over The Next Five Years

The Greater Downtown Study Area

City of Duluth, St. Louis County, Minnesota

Number of Households:	Total	Multi- .. Family ..	Single- Family	
			.. Attached Detached ..
	110	28	14	68
Empty Nesters & Retirees	58%	47%	57%	63%
Traditional & Non-Traditional Families	31%	21%	36%	34%
Younger Singles & Couples	11%	32%	7%	3%
	100%	100%	100%	100%

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Table 18

Target Groups For New Multi-Family For-Sale Second/Vacation/Weekend Units
The Greater Downtown Study Area

City of Duluth, St. Louis County, Minnesota

Empty Nesters & Retirees*	<i>Number of Households</i>	<i>Share of Households</i>
Affluent Empty Nesters	2	7.1%
The Social Register	3	10.7%
Suburban Establishment	3	10.7%
Urban Establishment	1	3.6%
New Empty Nesters	1	3.6%
Traditional Couples	1	3.6%
Multi-Ethnic Empty Nesters	2	7.1%
Subtotal:	13	46.4%
Traditional & Non-Traditional Families†		
Ex-Urban Elite	1	3.6%
e-Type Families	2	7.1%
Button-Down Families	1	3.6%
Late-Nest Suburbanites	2	7.1%
Subtotal:	6	21.4%
Younger Singles & Couples*		
New Power Couples	2	7.1%
New Bohemians	2	7.1%
Cosmopolitan Elite	2	7.1%
The VIPs	2	7.1%
Fast-Track Professionals	1	3.6%
Subtotal:	9	32.2%
Total Households:	28	100.0%

* Primarily one- and two-person households

† Primarily three- and four-person households.

SOURCE: Claritas, Inc.;
 Zimmerman/Volk Associates, Inc.

Table 19

Target Groups For New Single-Family Attached For-Sale Second/Vacation/Weekend Units
The Greater Downtown Study Area

City of Duluth, St. Louis County, Minnesota

Empty Nesters & Retirees*	<i>Number of Households</i>	<i>Share of Households</i>
Affluent Empty Nesters	1	7.1%
Small-Town Patriarchs	2	14.4%
The Social Register	1	7.1%
Suburban Establishment	2	14.4%
New Empty Nesters	1	7.1%
Multi-Ethnic Empty Nesters	1	7.1%
Subtotal:	8	57.2%
Traditional & Non-Traditional Families**		
Ex-Urban Elite	1	7.1%
e-Type Families	1	7.1%
Button-Down Families	3	21.5%
Subtotal:	5	35.7%
Younger Singles & Couples*		
Cosmopolitan Elite	1	7.1%
Subtotal:	1	7.1%
Total Households:	14	100.0%

* Primarily one- and two-person households

† Primarily three- and four-person households.

SOURCE: Claritas, Inc.;
 Zimmerman/Volk Associates, Inc.

Table 20

Target Groups For New Single-Family Detached For-Sale Second/Vacation/Weekend Units
The Greater Downtown Study Area

City of Duluth, St. Louis County, Minnesota

Empty Nesters & Retirees*	<i>Number of Households</i>	<i>Share of Households</i>
The One Percenters	7	10.3%
Old Money	4	5.9%
Affluent Empty Nesters	5	7.4%
Small-Town Patriarchs	6	8.8%
The Social Register	3	4.4%
Suburban Establishment	9	13.2%
New Empty Nesters	5	7.4%
Traditional Couples	3	4.4%
Multi-Ethnic Empty Nesters	1	1.5%
Subtotal:	43	63.2%
Traditional & Non-Traditional Families†		
Corporate Establishment	5	7.4%
Ex-Urban Elite	4	5.9%
Nouveau Money	2	2.9%
e-Type Families	1	1.5%
Button-Down Families	6	8.8%
Unibox Transferees	1	1.5%
Full-Nest Exurbanites	2	2.9%
Late-Nest Suburbanites	1	1.5%
Full-Nest Suburbanites	1	1.5%
Subtotal:	23	33.8%
Younger Singles & Couples*		
New Power Couples	1	1.5%
Cosmopolitan Elite	1	1.5%
Subtotal:	2	2.9%
Total Households:	68	100.0%

* Primarily one- and two-person households

† Primarily three- and four-person households.

SOURCE: Claritas, Inc.;
Zimmerman/Volk Associates, Inc.

Table 21

Optimum Market Position: Second/Weekend/Vacation Units
The Greater Downtown Study Area
City of Duluth, St. Louis County, Minnesota
May, 2023

<u>Targeted Households</u>	<u>Housing Type Unit Configuration</u>	<u>Percent Mix</u>	<u>Base Price Range*</u>	<u>Base Unit Size Range</u>	<u>Base Price Per Sq. Ft.*</u>	<u>Annual Market Capture</u>
<u>28</u>	Multi-Family For-Sale					<u>6 to 7</u>
	2br/2ba	35%	\$425,000 to \$475,000	1,250 to 1,400	\$339 to \$340	
	2br/2.5ba	40%	\$495,000 to \$545,000	1,500 to 1,700	\$321 to \$330	
	3br/2.5ba	25%	\$600,000 to \$650,000	1,850 to 2,100	\$310 to \$324	
	Weighted Averages:		\$521,250	1,596	\$327	
<u>14</u>	Single-Family Attached For-Sale					<u>3 to 4</u>
	2br/2.5ba	25%	\$450,000 to \$500,000	1,350 to 1,550	\$323 to \$333	
	3br/3.5ba	50%	\$550,000 to \$595,000	1,800 to 2,000	\$298 to \$306	
	4br/3.5ba	25%	\$625,000 to \$675,000	2,300 to 2,500	\$270 to \$272	
	Weighted Averages:		\$567,000	1,911	\$297	
<u>68</u>	Single-Family Detached For-Sale					<u>7 to 9</u>
	3br/3.5ba	35%	\$535,000 to \$585,000	2,000 to 2,200	\$266 to \$268	
	4br/3.5ba	30%	\$665,000 to \$725,000	2,500 to 2,750	\$264 to \$266	
	4br/4.5ba	35%	\$785,000 to \$825,000	3,000 to 3,200	\$258 to \$262	
	Weighted Averages:		\$685,800	2,606	\$263	

NOTE: Base prices in year 2023 dollars exclude floor premiums, options, or upgrades, and are predicated on views of Lake Superior.

SOURCE: Zimmerman/Volk Associates, Inc.



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Residential Market Analysis Across the Urban-to-Rural Transect

ASSUMPTIONS AND LIMITATIONS—

Every effort has been made to insure the accuracy of the data contained within this analysis. Demographic and economic estimates and projections have been obtained from government agencies at the national, state, and county levels. Market information has been obtained from sources presumed to be reliable, including developers, owners, and/or sales agents. However, this information cannot be warranted by Zimmerman/Volk Associates, Inc. While the proprietary residential target market methodology™ employed in this analysis allows for a margin of error in base data, it is assumed that the market data and government estimates and projections are substantially accurate.

Absorption scenarios are based upon the assumption that a normal economic environment will prevail in a relatively steady state during development of the subject property. Absorption paces are likely to be slower during recessionary periods and faster during periods of recovery and high growth. Absorption scenarios are also predicated on the assumption that the product recommendations will be implemented generally as outlined in this report and that the developer will apply high-caliber design, construction, marketing, and management techniques to the development of the property.

Recommendations are subject to compliance with all applicable regulations. Relevant accounting, tax, and legal matters should be substantiated by appropriate counsel.





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Residential Market Analysis Across the Urban-to-Rural Transect

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