Market Analysis for Redevelopment in Downtown Centerville

Centerville, Minnesota

Prepared for the
City of Centerville
Economic Development Authority

April 3, 2023

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Executive Summary

In 2005 and 2006, the City of Centerville, Minnesota, completed its downtown master planning process. The goal of the plan was to create a vibrant downtown with mixed-use and neighborhood districts, pedestrian oriented transportation, added streetscaping, and a central gathering space. Because of economic uncertainties, the downtown redevelopment plan did not move forward.

Purpose

The purpose of this market analysis is to revisit the subject of downtown redevelopment, in light of the current market and economic realities.

This study is **not** an update of the master plan from 2006. This study is a market analysis that identifies the market potential for redevelopment in Downtown Centerville. This study identifies residential and commercial redevelopment concepts that have the best chance to be successful in the marketplace.

The analysis includes:

- A review of the multifamily market in the area.
- An overview of the retail market in the area.
- Interviews with developers, real estate agents, property managers, and brokers.
- An informal survey to gather community input.
- Demand estimates for multifamily units and retail space in Downtown Centerville.

Here are key findings from the analysis.

Residential Demand Estimates

The figures that follow show summaries of the residential demand calculations in this report. The analysis shows that there is housing demand across almost all housing types. Note that for the most part, the demand forecasts are mutually exclusive, meaning there is little overlap between demand for different product types. Where there is overlap, it is noted.

For-Sale Condominiums and Townhomes

- We find demand for between 45 and 90 condominium and townhome units between 2022 and 2027.
- This demand is driven by younger first-time homebuyers who tend to be more price sensitive and empty-nester, move-up homebuyers looking for association-maintained, single-level housing options.
- We believe that most of this demand would be for multilevel townhomes priced between $350,000 and $450,000, targeted to younger professionals with and without children looking to live in an association-maintained home in a suburban downtown district.
- There is also some demand potential for condominium units in an apartment-style building. This product type would work best positioned to capitalize on access and visibility to Centerville Lake. (This product style would also overlap with some of the age-restricted for-sale product discussed later.)

Rental Housing

- The analysis found demand for between 115 and 140 units of affordable rental housing targeted to households with incomes less than 60% of Area Median Income ($63,360 as set by the US Department of Housing and Urban Development (HUD)).
- We recommend that developers focus on one-, two-, and three-bedroom units in apartment style buildings to meet the affordable rental demand.
- The analysis found demand for between 75 and 100 market-rate rental units.

Condominium and Townhome Demand for Downtown Centerville, 2022-2027

	Estimated Base Price	Estimated Demand (Units)
Market-Rate For-Sale Units		
Households with incomes of $100,000 or higher	$350,000 - $450,000	45 - 90

Source: LOCi Consulting LLC

Rental Housing Demand for Downtown Centerville, 2022-2027

	Estimated Rents	Estimated Demand (Units)
Affordable Rental Housing Units		
Up to 50% AMI	$0 - $1,320	40 - 50
50% to 60% AMI	$1,320 - $1,584	75 - 90
Market-Rate Rental Units	Greater than $1,584	75 - 100

* AMI is Area Median Income. Incomes shown in demand figures.

Source: LOCi Consulting LLC

Senior Housing Demand for Downtown Centerville, 2022-2027

	Estimated Demand (Units)
Market-Rate Active Adult	
For-Sale Senior Housing	40 - 50
Rental Senior Housing	10 - 20
Market-Rate Independent Living/Congregate	25 - 35
Market-Rate Assisted Living	
Assisted Living	0 - 0
Memory Care	10 - 20

Source: LOCi Consulting LLC

- For market-rate rental demand, developers could build rental housing targeted to households with a range of incomes. Developers could do a higher end project targeted to households with higher incomes if the development could be positioned to take advantage of lake access and views.
- Developers may also want to consider townhome rental units to meet some of this need. These structures could have three- and four-bedroom units targeted to households with families. We believe these types of rental housing would be well received by the market. But it may cost more to develop than a single structure with more units.
- If a rental housing project could be developed with direct access to the lake and units with views of the lake, rents for such a project could be in the range of $2,000 to $3,000 per month or $1.90 to $2.25 per square foot.

Senior Housing

- We estimate there is demand for between 85 and 125 market-rate senior housing units, ranging from age-restricted for-sale and rental product with no services to independent living with services and memory care.
- Developers could consider building an age-restricted condominium or cooperative building or age-restricted apartments or rental townhomes.
- No additional demand was found for assisted living units in the PMA or in Downtown Centerville.

Retail Space Demand Estimates

The figure that follows shows a summary of the retail demand calculation found in this report.

- There is demand for between 2,300- and 5,700-square feet of retail in Downtown Centerville between 2022 and 2027.
- We believe that most of this demand would be from food-based, destination retail like sit-down restaurants, breweries, or ice cream shops. Specialty and convenience retailers will be looking for locations with much higher traffic counts.
- Another market may be service-based businesses such as accountants, real estate agents, financial planners, or lawyers who want to operate a more retail-styled office.

Other Findings

LOCi Consulting completed a site analysis to assess the strengths and weaknesses of Downtown Centerville that would impact the potential for redevelopment.

Strengths of Downtown Centerville

- Proximity to Centerville Lake.
- Location close to Rice Creek Chain of Lakes Park Preserve.

Demand for Retail Space Downtown Centerville, 2022-2027

	Estimated Rent per Square Foot per Year	Estimated Demand (Square Footage)
Retail Commercial Space		
Supporting Sales of $300 to $400 per Square Foot	$20 - $30	2,300 - 5,700

Source: LOCi Consulting LLC

- Proximity to new housing developments and household growth.
- Growing employment base nearby.
- Access to Interstate 35E.
- Existing and established transportation corridor.
- Proximity to Centerville Elementary School.
- Existing and established retail businesses.

Weaknesses of Downtown Centerville

- Availability of large developable tracts of land.
- Limited access to and views of Centerville Lake.
- Lower traffic volumes than other retail nodes in the area.
- Competitive secondary location to sites at the Main Street and Interstate 35E interchange.
- Access to Interstate 35W.

Demographics and Economic Analysis

- LOCi Consulting defines the primary market area (PMA) for both housing and retail uses in Downtown Centerville as the communities that are generally within a 10-minute driving distance from Downtown Centerville. The PMA includes the following communities:
  - Centerville
  - Columbus
  - Forest Lake
  - Hugo
  - Lino Lakes
  - North Oaks
  - White Bear Lake
  - White Bear Township

- The PMA population is about 110,000 people and 42,000 households. About 47,000 people live within 10 minutes' driving time of Downtown Centerville.

- Overall, the PMA is projected to see annual population growth of about 0.4% per year. That growth is comparable to the Minneapolis-St. Paul Metro Area as a whole.

- Reflecting current and planned housing developments in Lino Lakes and Hugo, population growth is projected for the areas immediately to the northwest and southeast of Downtown Centerville.

- The median household income for the Downtown Centerville PMA is about $104,000, about 14% higher than the Twin Cities Metro Area. Incomes above the Metro Area average are attractive to retailers, especially those that target discretionary sales.

- The daytime population for the Downtown Centerville PMA is smaller than the resident population, meaning each day more workers commute out of the PMA than commute into it. With about 95,000 people, the daytime population is about 15% lower than the resident population.

Multifamily Housing Market

- For the for-sale real estate market, rising interest rates have slowed sales. But inventory remains low so prices have held steady.

- For rental housing, new product is continuing to come on-line, pushing the vacancy rate higher than 5%. It is expected that new units will continue to be absorbed but rents will not rise as fast as in recent years.

- Senior housing in the PMA is still recovering from the stresses of the COVID19 pandemic. Active adult and independent living appear to have recovered. Assisted living and memory care have been slower to recover, and several new projects have opened in the market, putting further pressure on occupancies.

Retail Real Estate Market

- Strong consumer spending has increased the amount of retail space absorbed by the market. Rents have increased but not enough to incentivize developers to build more space. The limited amount of development that is occurring is happening in the strongest retail nodes with the highest traffic.

- Sources interviewed said that national and regional convenience retailers want to see traffic counts of about 15,000 to 20,000 vehicles per day. Main Street in Downtown Centerville sees about 10,000 vehicles per day.

Informal Community Survey

- An informal community survey conducted in February and March 2023 finds that community members are generally satisfied with housing options provided in the City of Centerville.
- On the other hand, community members are not satisfied with restaurant and retail options in the city. While many different opinions were expressed in the open-ended questions, the general theme is that community members want more options overall.

Recommendations

- **Maximize access and views to Centerville Lake.** The lake is a natural draw for residential development and placemaking in Downtown Centerville. Currently, access is limited to Trailside Park, a 0.5-acre park adjacent to Main Street on the lake. Improved access and sightlines to the lake would create additional housing opportunities and support higher rents. Access to the lake would also create a destination that would drive demand for restaurants similar types of retail.
- **Promote horizontal mixed-use developments over vertical mixed use.** Horizontal mixed-use developments are less complicated than vertical mixed use and may be easier to develop quickly.
- **Prioritize developments on the four blocks around the Main Street and Centerville Road Intersection.** This is the key intersection in Downtown. Establishing a keystone development or plan for one of these blocks would kick start an identity for Downtown Centerville.
- **Consider working with the school district to develop the Centerville Elementary School parking lot.** This vacant piece of land presents an excellent opportunity for development at a key parcel. Explore alternative parking options for the school to the southeast or east of the school building.
- **Prioritize retail development on Main Street versus Centerville Road.** With higher traffic counts, this street presents the best opportunity for retailers.
- **Transition residential densities to put higher density developments closer to the intersection of Main Street and Centerville Road.** With the overall residential nature of Downtown Centerville, encourage townhome developments on the edges of downtown and higher density uses in the center.
- **Partner with a planning firm to update traffic management, streetscape guidelines, and pedestrian plans for development in downtown.** As traffic counts grow on Centerville Road and Main Street with new household growth in the area, planning for improvements at the downtown intersection will become more necessary. Traffic plans like this can have significant impacts on evolving development plans in small areas. We recommend working with a firm to incorporate these plans and discussions for development and to balance the needs of existing and future residents and businesses.
- **Develop marketing plan for Downtown Centerville.** Centerville has many unique features and characteristics but is not well known in the area. The analysis should identify the best themes and attractions for the city to capitalize on:
    - Fete des Lacs
    - Bald Eagle Waterski Club
    - Centerville Lake
    - Rice Creek Chain of Lakes Park Preserve
    - St. Genevieve Church history
    - French settlement history
- **Enhance existing local and regional entrepreneur networks.** Work with local economic development organizations and community colleges to identify potential businesses that could be located in Downtown Centerville. Destination-based businesses should be targeted, as they have greater potential to develop and grow in downtown.
- **Consider creating incubator spaces to support small businesses downtown.** Look into developing temporary spaces for “pop-up” restaurants and other businesses in incubator spaces in Downtown Centerville. Incubator spaces offer small businesses temporary, low-cost space

to develop new business concepts. The space provides new businesses with an opportunity to test and develop their concepts without long-term lease commitments. "Pop-up" shops are temporary retail shops that create opportunities for existing or new restaurants and retailers to offer goods in a new location. Often times the opening and short run of business become more of a marketing event. Sometimes online-only retailers use pop up shops to drive awareness in trade areas with high concentrations of particular customers. Potential funding sources for incubator spaces can include state and federal grants, institutional gifts, or private capital. Examples of retail incubator spaces in Minnesota are:

  - Midtown Global Market in Minneapolis
  - Frogtown Crossroads, Frogtown Square, Frogtown Entrepreneurship Center in St. Paul
  - Brooklyn Park Small Business Center

- **Leverage local economic development tools, state and federal grants and loans, and other resources available for development projects.** Many communities use Tax Increment Financing (TIF) or tax abatements as a tool for the development of new housing and commercial projects. Depending on the details of the proposal, one or both of these tools might be appropriate for redevelopment in downtown. Other development programs offered by the state that the city should explore include:
  - Contamination Cleanup and Investigation Grant Program
  - Demolition Loan Program
  - Redevelopment Grant Program
  - Small Cities Development Program
  - Transportation Economic Development Infrastructure Program (TEDI)
  - Housing grants and loans offered through Minnesota Housing

- **Prioritize local entrepreneurs and pursue retail concepts that would be most likely to have success in Downtown Centerville.** Traffic counts and population density limit the types of retail that would be attracted to locations in Downtown Centerville. Retail operators who would consider locations in Downtown Centerville would be looking for the opportunity to pay lower rents for retail space to get their businesses started. Most of the operators will likely be local entrepreneurs. Retail concepts that would be the most successful in downtown include:
  - Casual restaurants
  - Fast casual restaurants
  - Quick service restaurants
  - Bars
  - Brewery/Tap room
  - Bakery
  - Ice cream shop
  - Candy store
  - Coffee shop
  - Thrifts store
  - Gift shop
  - Antique store
  - Specialty grocery store (organic, ethnic, etc.)
  - Tax preparation
  - Estate planning
  - Legal services

Introduction

The City of Centerville, Minnesota, completed a Downtown Master Plan in 2005 and 2006. The goal of the plan was to create a vibrant downtown with mixed-use and neighborhood districts, pedestrian oriented transportation, added streetscaping, and a central gathering space. Because of economic uncertainties, the downtown redevelopment plan did not move forward.

Purpose

The purpose of this market analysis is to revisit the subject of downtown redevelopment, in light of the current market and economic realities.

This study is **not** an update of the master plan from 2006. This study is a market analysis that identifies the market potential for redevelopment in Downtown Centerville. This study identifies residential and commercial redevelopment concepts that have the best chance to be successful in the marketplace.

This analysis includes:

- An analysis of key demographic and economic trends in the area along with comparisons to the state and country as a whole.
- A review of the multifamily housing market in Centerville and adjacent communities, including an overview of existing supply and housing units that are currently being marketed.
- An analysis of the retail real estate market in Centerville and adjacent communities, including a review of recent retail trends and an overview of retailers, retail nodes, and shopping centers in the area.
- Interviews with real estate agents, housing developers, retail executives, brokers, and others knowledgeable about multifamily and retail real estate in the area.
- An informal survey to gather information from the community.
- Estimates of demand for for-sale condominiums and townhomes, market-rate rental, affordable rental, senior housing units, and retail space.

The Downtown Centerville Master Plan and Other Previous Studies and Reports

In 2005, the City of Centerville hired Damon Farber Associates to lead a community task force to prepare a master plan, design guidelines, and zoning amendments for downtown Centerville. The purpose of the Master Plan & Development Guidelines was to establish an appropriate framework for future redevelopment of downtown as a vibrant mixed-use destination. The study included:

- An overall vision for redevelopment of the area, including the pattern, form and character of new development and open space in the interest of creating a cohesive traditional mixed-use downtown.
- A framework of transportation improvements needed to support the redevelopment of the area and to create appropriate levels of parking as well as vehicular, bicycle and pedestrian access to the downtown.
- A set of design standards to guide the architectural quality of new development within the downtown area.

Coordinated with the plans for the redesign and expansion of County Highway 14 (Main Street), the master plan integrated efforts to calm traffic, provide a safe pedestrian environment and provide guidelines for buildings that respected the pedestrian scale and encouraged walkability.

In addition to the Downtown Master Plan, LOCi Consulting reviewed the following studies to provide context and background to complete this market analysis.

Downtown Centerville Master Plan – January 4, 2006

Source: City of Centerville

- **Centerville 2040 Comprehensive Plan.** The Centerville comprehensive plan outlines overall land use and development for the community from 2020 to 2040. The 2040 plan notes that there are few vacant parcels remaining in the city, and the plan notes that the city will focus more and more on infill and redevelopment rather than development of any vacant parcels to achieve growth goals. Centerville's downtown redevelopment is an important part of that strategy.
- **City of Centerville Strategic Plan, 2022-2023.** The strategic plan outlines three main goals: economic development, organizational resilience, and community building. Within each of these larger goals are priorities and strategies articulated to meet the goals identified.

- **City of Centerville, 2022-2023 Economic Development Strategic Plan.** The strategic plan outlines the goals for the EDA, including guiding redevelopment, spuing new development, increasing business engagement, marketing and promotion of the city, and placemaking. Relevant for this study, the strategic plan states that downtown development planning should focus on waterfront activity.
- **Centerville Retail Market Analysis, 2005.** This study analyzed demand potential for additional commercial space in the City of Centerville based on demographic projections and retail space utilization.

Data Resources and Study Limitations

The data in this market analysis are compiled from a variety of sources, including interviews with property owners, developers, real estate agents, city officials and others, along with secondary demographic, economic, and competitive resources. Sources are identified in the figures.

LOCi Consulting believes that these sources are reliable. However, there is no way to authenticate this data and information. LOCi Consulting does not guarantee the data and assumes no liability for any errors in fact, analysis, or judgement. The data in this analysis includes the most up-to-date information available at the time of this analysis.

The conclusions and recommendations in this market analysis are based on the best judgements and analysis at the time of the study. LOCi Consulting makes no guarantees or assurances that the projections or conclusions will be realized as stated.

1. Site Analysis

This section reviews the regional context, defines the Downtown Centerville area of analysis, and assesses the strengths and weaknesses of Downtown Centerville that impact the potential for redevelopment.

Regional Context

The community of Centerville was officially established on August 11, 1857, when Minnesota was still a territory. At that time, Centerville was known as Centerville Township and included the current cites of Centerville and Lino Lakes. The downtown area of Centerville was originally known as the French Section because it had originally been settled by French Canadians. Residents of the French Section formed the Church of St. Genevieve of Paris in 1853. The church served as the school for the area. In 1956, residents organized the present-day Centennial School District #12, named to reflect the 100-year history of schools serving the area.

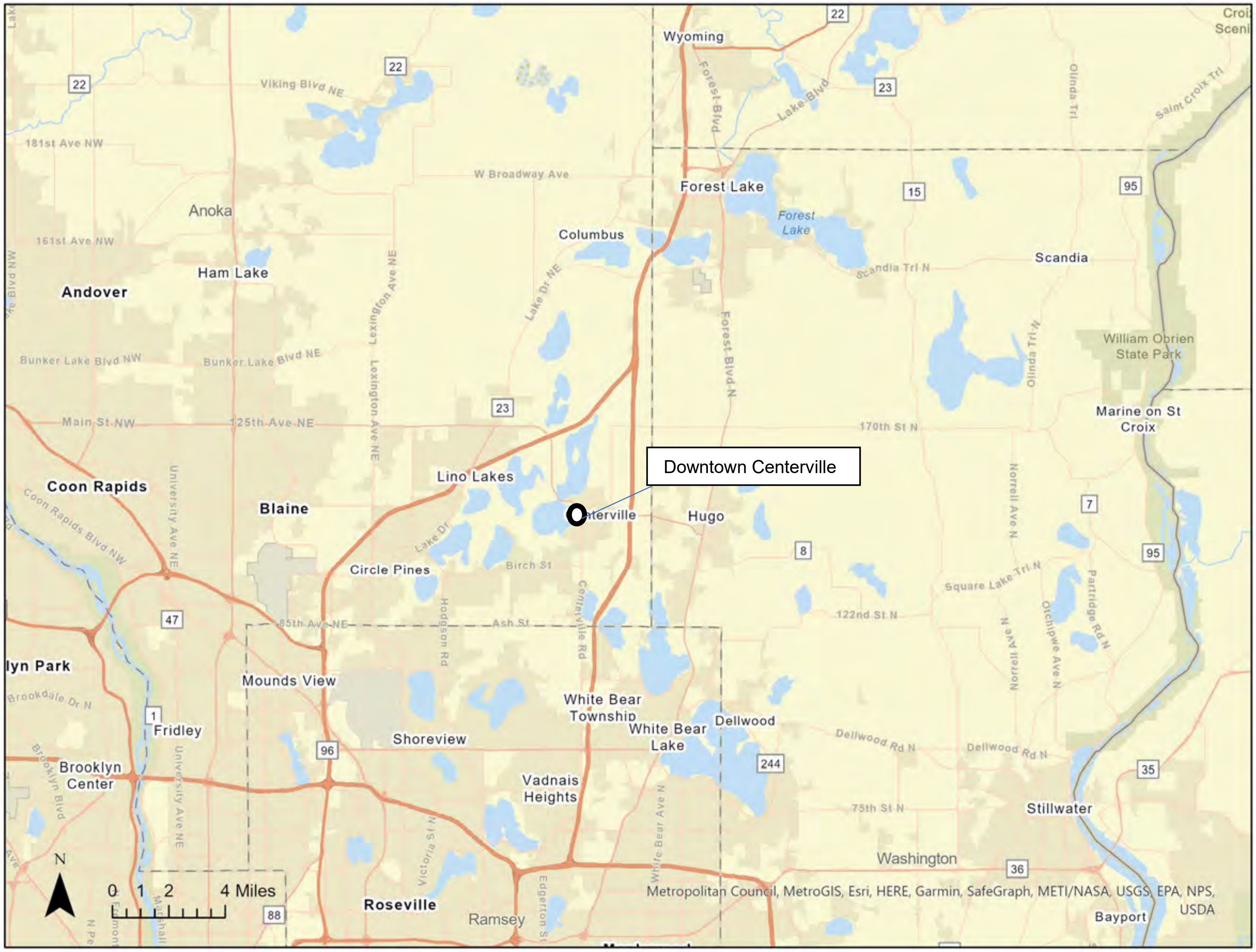
Map 1.1 shows the area around Downtown Centerville. Centerville is located in Anoka County, and the city is completely surrounded by the City of Lino Lakes.

Centerville is located on the east side of the Rice Creek Chain of Lakes and is more oriented toward Interstate 35E. The more developed areas of Lino Lakes are located on the west side of the Rice Creek Chain of Lakes and are more oriented toward Interstate 35W. The two interstates connect just north of Centerville in the City of Columbus and continues on to Duluth as Interstate 35. Downtown Minneapolis is located about 25 miles southwest of Centerville, and Downtown St. Paul is located about 20 miles south of Centerville.

While the majority of Centerville has been developed, the community maintains a more rural, small-town feel. Within the Metro Area, the communities along this section of Interstate 35E have become a housing growth corridor, as new housing developments have been built in Forest Lake, Hugo, and Lino Lakes.

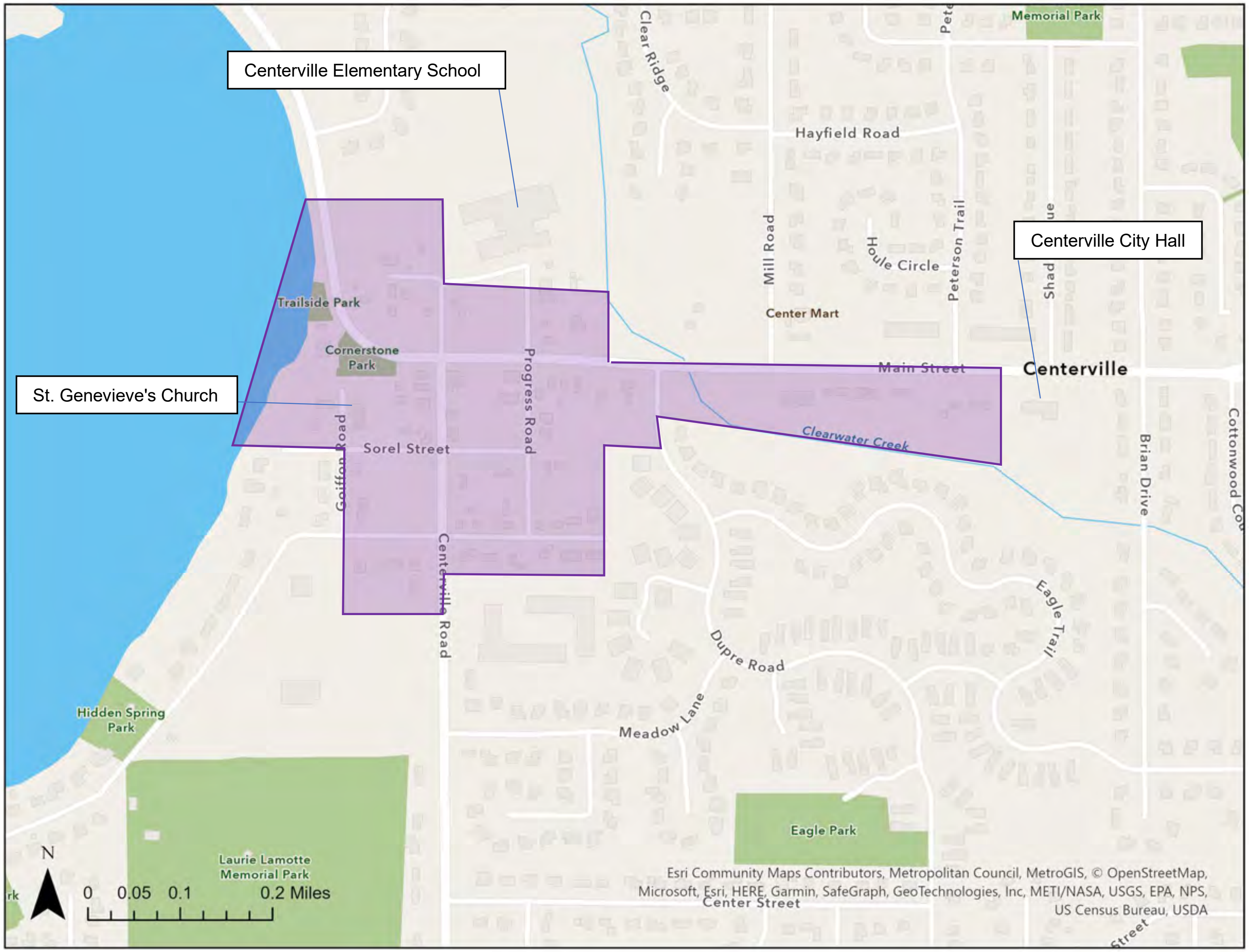
Downtown Centerville, looking south from the intersection of Main Street and Centerville Road

Map 1.1: Downtown Centerville – Centerville, Minnesota



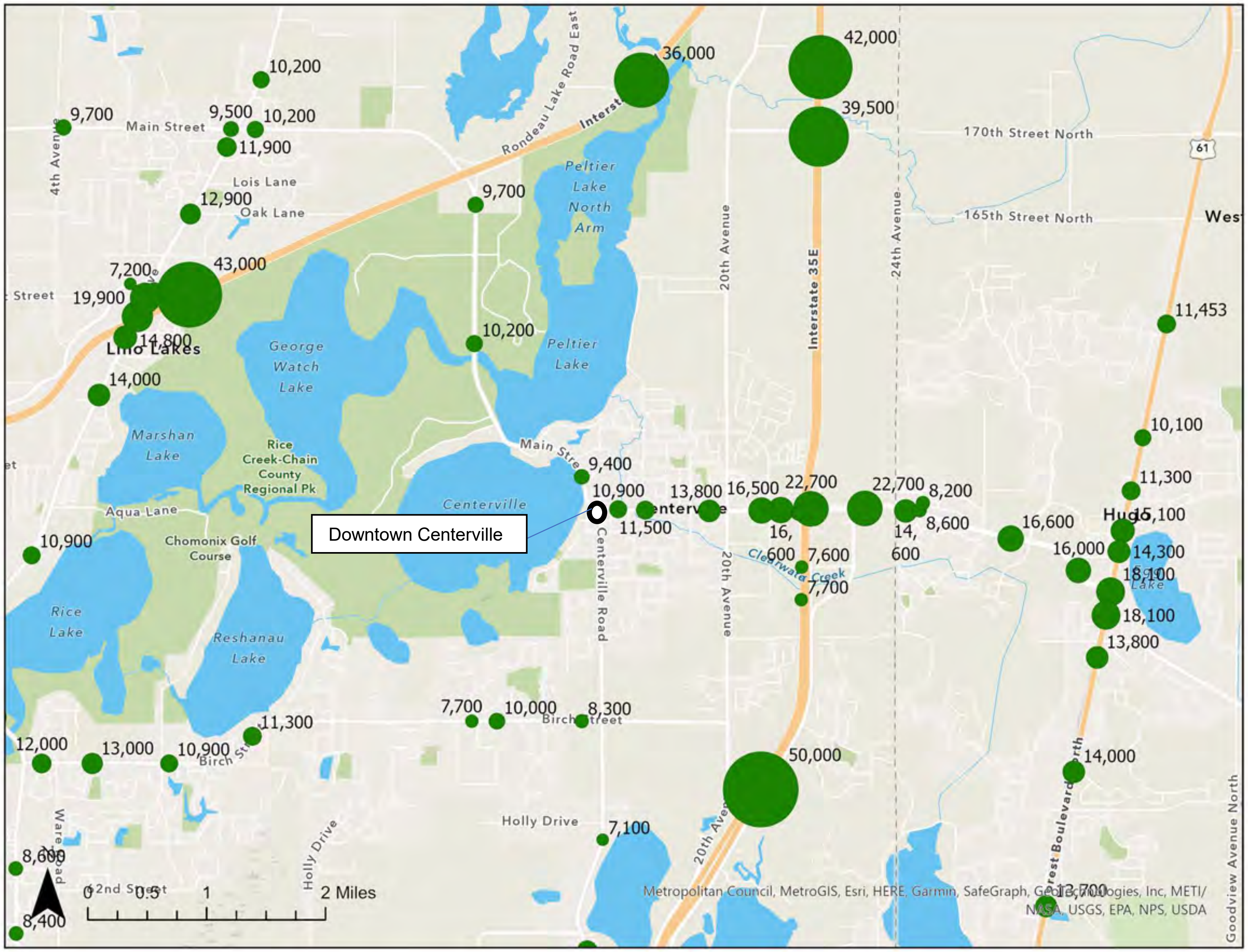
Source: ESRI, LOCi Consulting LLC

Map 1.2: Defined Area for Downtown Centerville



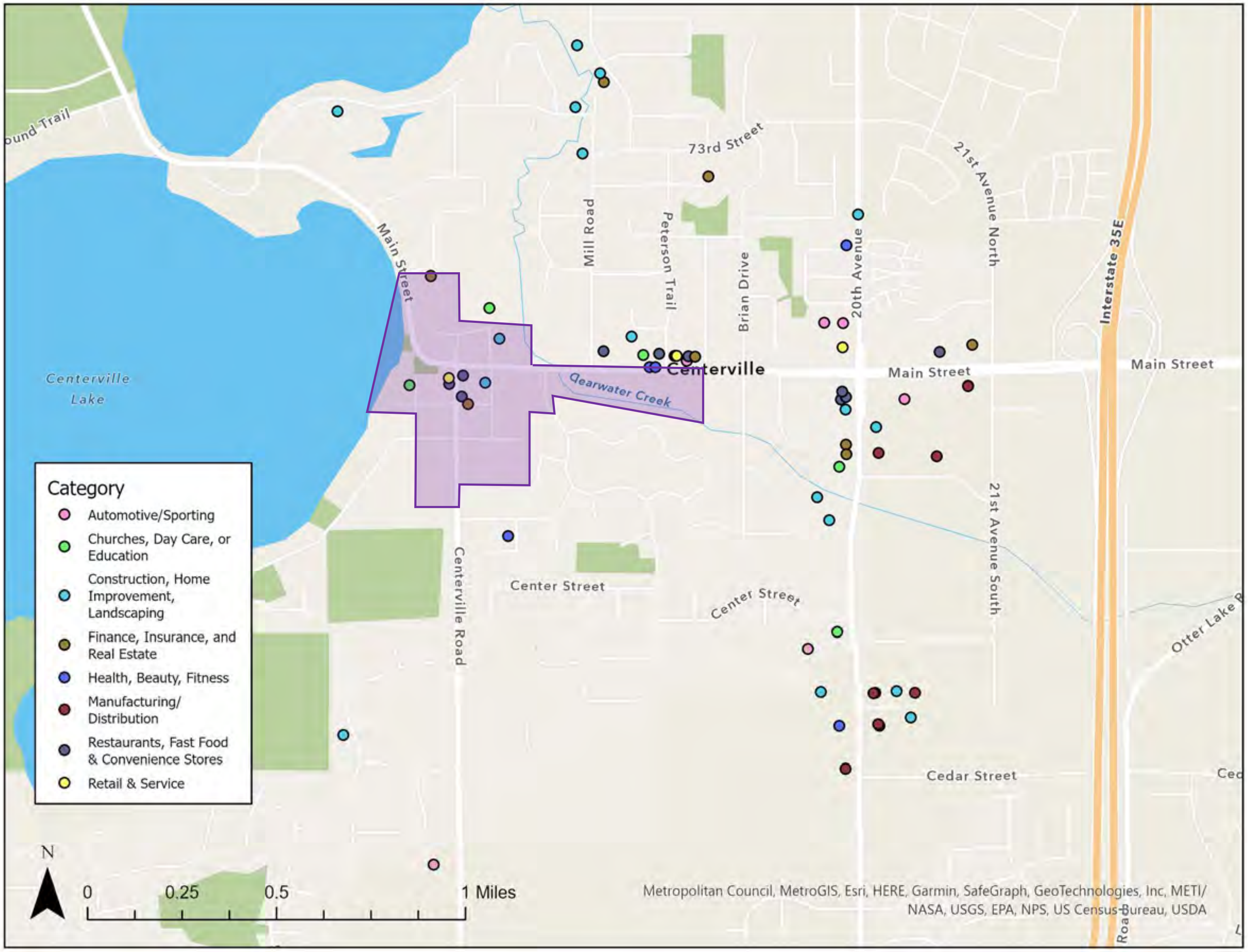
Source: City of Centerville; ESRI, LOCi Consulting LLC

Map 1.3: Traffic Counts in and near Downtown Centerville



Source: ESRI, LOCi Consulting LLC

Map 1.4: Businesses in Centerville



Source: City of Centerville; ESRI, LOCi Consulting LLC

Downtown Centerville, looking northwest from the intersection of Main Street and Centerville Road

Downtown Centerville Defined

For purposes of this analysis, Downtown Centerville is defined using the central business district/mixed-use district from the 2030 and 2040 maps in the city's comprehensive plan. Map 1.2 on Page 14 shows the defined Downtown Centerville area.

Based on the Downtown Centerville Master Plan, the city's comprehensive plan envisions this area as a mixed-use district that would include retail, restaurants, service uses, and multifamily and senior housing. The comprehensive plan recommends the city evaluate the potential use of tax increment financing and other public assistance programs to assist in implementing redevelopment opportunities in this area.

The area for Downtown Centerville is generally about four city blocks by four city blocks and is centered around the intersection of Main Street and Centerville Road. The area currently consists of a handful of commercial buildings, Centerville Elementary School, buildings for St. Genevieve's Church, and older single-family homes. Centerville Lake is located directly west of Downtown Centerville.

Downtown Centerville is located on a slightly higher elevation overlooking Centerville Lake. The 473-acre lake has residential development only on the eastern side. The city's 0.5-acre Trailside Park is the home show site of the Bald Eagle Waterski Club on Tuesdays and Thursdays throughout the summer. Centerville Lake is part of the Rice Creek Chain of Lakes Park Preserve, a 5,500-acre county park with boat docks, campsites, hiking, biking, and canoe trails, a fishing pier, and playgrounds.

Transportation Corridor

Main Street is the primary transportation corridor through the City of Centerville. To the east, Main Street (CSAH 14) connects the city to the interchange at Interstate 35E. After the interchange, Main Street continues as Washington County Road 8/Frenchman Road, intersecting with US Highway 61 in Hugo.

West of the Main Street-Centerville Road intersection, Main Street continues to the northwest

Businesses along the west side of Centerville Road

through the Rice Creek Chain of Lakes Park Preserve, over Interstate 35W, and connects to Lake Drive, a major thoroughfare in Lino Lakes. There is no interchange or access to Interstate 35W on this section of Main Street.

Main Street is a two-lane road through Downtown Centerville and to the northwest of Downtown. East of Downtown beginning at Blair Drive, Main Street has four lanes.

Centerville Road starts in Vadnais Heights about 9 miles south of Downtown Centerville and ends one block north of Downtown. Centerville Road has two lanes through the city.

Map 1.3 (on Page 15) shows traffic counts in and near Downtown Centerville. Traffic counts for the road network through downtown Centerville is:

- Main Street west of Centerville Road: 9,400 vehicles per day
- Main Street east of Centerville Road: 10,700 vehicles per day
- Centerville Road south of Main Street: 4,050 vehicles per day

The map shows that Main Street acts as an east-west connector across the Rice Creek Chain of Lakes, providing access to Interstate 35E for portions of northern and western Lino Lakes. Centerville Road does not have as much traffic. It appears that most traffic moving east-west along Birch Street travels south to access Interstate 35E rather than moving north through Downtown Centerville.

The traffic counts suggest that Main Street should be the primary retail corridor for Downtown Centerville. Businesses located along Main Street will have better access and visibility to more traffic than businesses located on Centerville Road.

The intersection of Main Street and Centerville Road is currently a four-way stop. Because it ends one block from the intersection, very little traffic comes from the north end of the intersection, except for times when there is traffic from the elementary school to the north.

Visibility and Access

Downtown Centerville has good access to points to the east, northwest, and south. The area is well connected to Interstate 35E about one mile to the east. The area has good access to the northern portions of Lino Lakes from Main Street and to

Centerville Lake, looking west from the St. Genevieve Church properties.

North Oaks, White Bear Township, and southern portions of Lino Lakes to the south.

Traffic traveling along Main Street and Centerville Road would have good access and visibility to redevelopment projects in Downtown Centerville.

Adjacent Uses

Residential neighborhoods border Downtown Centerville to the north, east, and south. The west side of Downtown Centerville is bordered by Centerville Lake and the Rice Creek Chain of Lakes Park Preserve.

Although it may be the historical center for businesses in the city, Downtown Centerville is no longer the primary commercial district. Map 1.4 (on Page 15) shows where businesses are located in the City of Centerville. The two primary business districts are just east of Downtown along Main Street and along 20th[t] Avenue parallel to Interstate 35E.

Key Findings: Strengths and Weaknesses of Downtown Centerville

Strengths

- **Proximity to Centerville Lake.** Situated on a hill overlooking the lake, developments located in Downtown Centerville could offer excellent views. Potential residents could also take advantage of summer programming on the lake, such as the Bald Eagle Waterski Club shows.
- **Rice Creek Chain of Lakes Park Preserve.** Even beyond Centerville Lake, the park preserve offers a large natural amenity for potential residents of Downtown Centerville.
- **Proximity to new housing developments.** With new housing in the area comes new consumers. Retailers are attracted to areas that are experiencing household growth.
- **Growing employment base nearby.** Employers have been attracted to land availability along

Interstate 35E and have added commercial space and jobs.

- **Access to Interstate 35E.** Potential residents and new businesses would be attracted to the easy access to Interstate 35E from downtown. The interchange is just over one mile from downtown.
- **Existing transportation corridor.** Main Street already has steady traffic counts as existing residents use the road to pass across the park preserve.
- **Elementary school.** Potential residents with kids in kindergarten through fifth grade would be attracted to having good education options within walking distance.
- **Existing and established retail businesses.** Downtown Centerville already has three restaurants and a gift shop.

Weaknesses

- **Availability of large developable tracts of land.** Developers would be looking for larger pieces of land that can provide enough space for residential and commercial mass to support a redevelopment project. These options are limited in downtown.
- **Access to Centerville Lake.** The lake is close to downtown; however, much of the shoreline is private property with single-family homes.
- **Lower traffic volumes.** While there is traffic along Main Street and Centerville Road, the volumes are not strong enough to support many convenience retailers.
- **Secondary location to sites at the Main Street and Interstate 35E interchange.** Because of the connectivity of this key intersection in the immediate area, Downtown Centerville will be seen by site selectors as a location that is less desirable. There are developable parcels at this main intersection to accommodate the demand.
- **Access to Interstate 35W**. The routes to Interstate 35W are not as convenient as Interstate 35E. Potential residents who work in Downtown Minneapolis or along Interstate 35W may prefer a location more convenient for them.

2. Demographic and Economic Analysis

LOCi Consulting reviewed demographic and economic trends in the market that would be served by multifamily residential and retail uses in Downtown Centerville. This section provides an overview of those trends.

Primary Market Area for Downtown Centerville

LOCi Consulting defines the primary market area (PMA) for both housing and retail uses in Downtown Centerville as the communities that are generally within a 10-minute driving distance from Downtown Centerville.

The PMA includes the following communities:

- Centerville
- Columbus
- Forest Lake
- Hugo
- Lino Lakes
- North Oaks
- White Bear Lake
- White Bear Township

Map 2.1 shows five-, 10-, and 15-minute drive-time rings around Downtown Centerville. Retailers and other commercial real estate users often use these drivetime rings to determine trade areas for site selection decisions. We include demographics for these areas in many of the tables that follow. Map 2.2 shows the PMA, with the individual communities that make up the PMA.

We believe that demand for real estate uses at new developments in Downtown Centerville would primarily come from the defined PMA. It is estimated that demand from outside the area would account for about 25% of total demand.

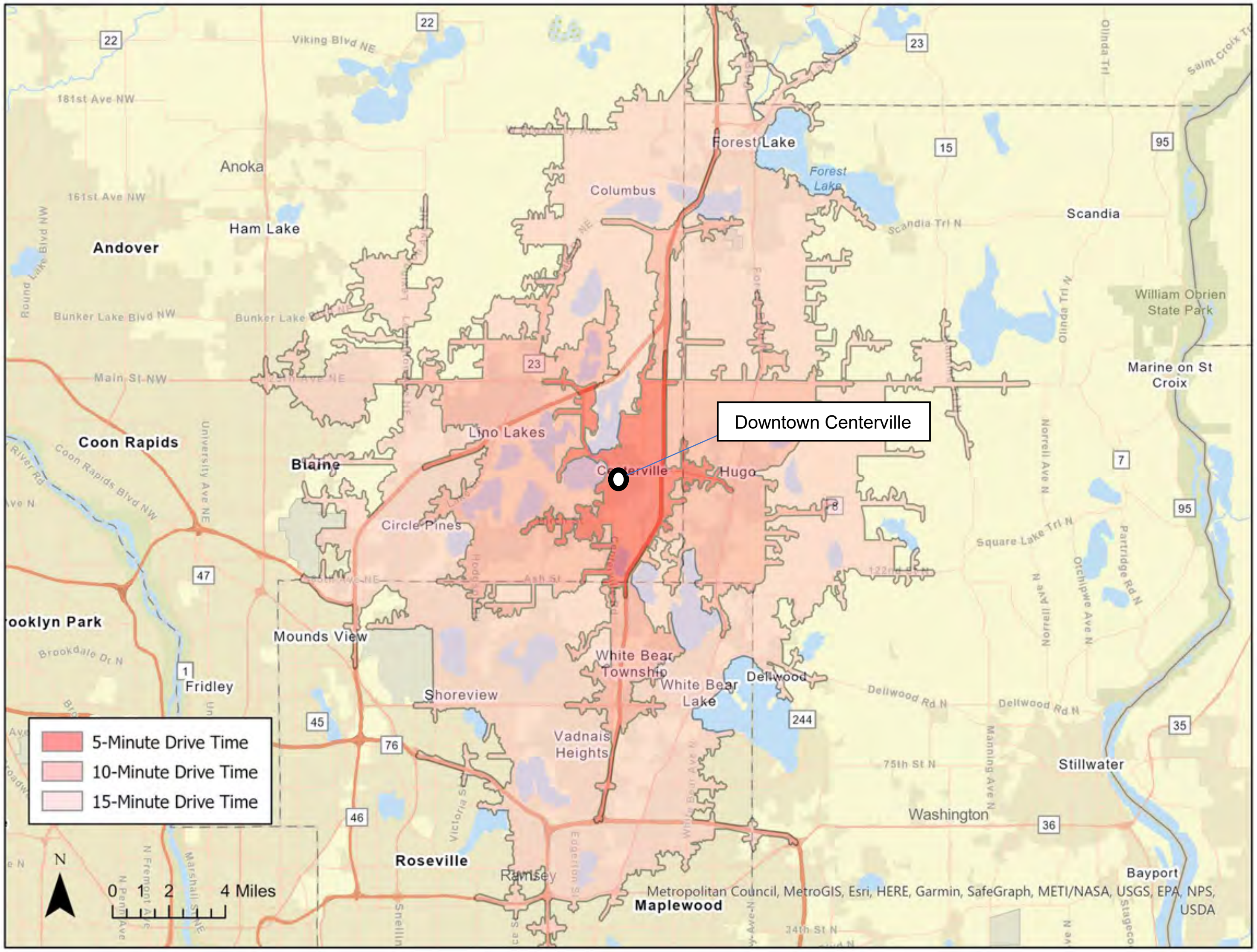
Population and Households

Figures 2.3 and 2.4 show population and household growth for the three drive-time rings, Downtown Centerville PMA, and comparison areas. Figures 2.5 and 2.6 show visualizations for this data with the blue bars showing the totals and the orange triangles showing the growth (right axis).

The data is from ESRI, a nationally recognized data provider used by governments, real estate developers, and retailers for location analytics. Data for 2022 are estimates and data for 2027 are projections.

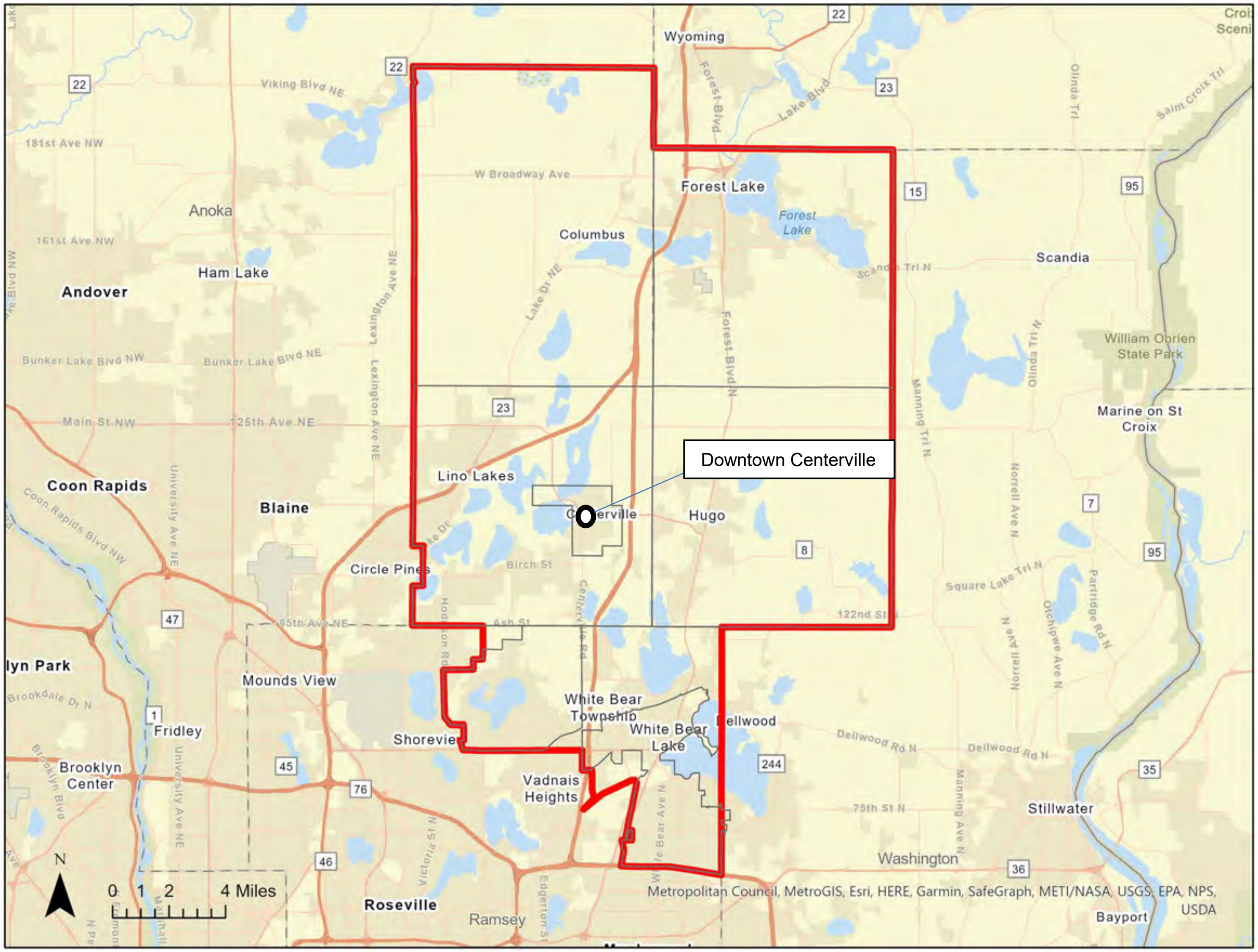
- The PMA population is about 110,000 people and 42,000 households. About 47,000 people live within 10 minutes' driving time of Downtown Centerville.
- Overall, the PMA is projected to see annual population growth of about 0.4% per year. That growth is comparable to the Minneapolis-St. Paul CBSA as a whole.
- Projected population growth in areas closer to downtown is higher. The five-minute drive time area is projected to grow by 1.5% per year, and the 10-minute drive time area is projected to grow by 0.6% per year.
- Map 2.7 shows population density in the PMA in 2022. Each dot represents 25 people.
- Population density is highest in the southern and northern ends of the PMA, in the built-out communities of White Bear Lake, White Bear Township, and Forest Lake.
- Map 2.8 shows projected population growth between 2022 and 2027 for each block group in the Downtown Centerville PMA.
- Reflecting current and planned housing developments in Lino Lakes and Hugo, population growth is projected for the areas immediately to the northwest and southeast of Downtown Centerville.

Map 2.1: Drive Time Rings Around Downtown Centerville



Source: ESRI, LOCi Consulting LLC

Map 2.2: Downtown Centerville Primary Market Area (PMA)



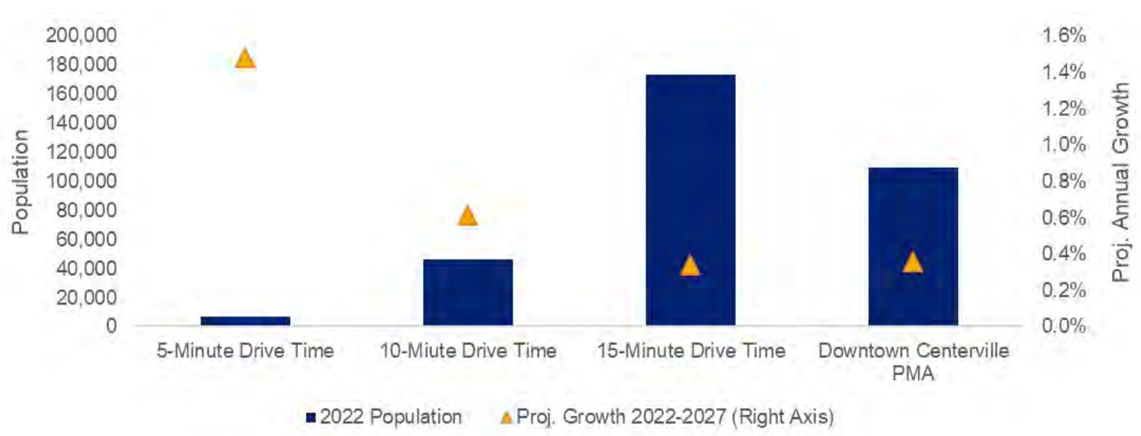
Source: ESRI, LOCi Consulting LLC

2.3 Population and Population Growth

	Census 2010	Census 2020	Estimate 2022	Forecast 2027	Annual Growth Rate 2010-2022	Annual Growth Rate 2022-2027
5-Minute Drive Time	6,041	6,517	7,210	7,760	1.5%	1.5%
10-Miute Drive Time	41,106	44,546	46,520	47,965	1.0%	0.6%
15-Minute Drive Time	148,880	168,179	173,257	176,251	1.3%	0.3%
Centerville	3,792	3,896	3,965	4,116	0.4%	0.8%
Columbus	3,914	4,159	4,230	4,327	0.6%	0.5%
Forest Lake	18,375	20,611	20,971	21,818	1.1%	0.8%
Hugo	13,332	15,766	16,441	17,264	1.8%	1.0%
Lino Lakes	20,216	21,399	22,095	22,723	0.7%	0.6%
North Oaks	4,454	5,272	5,361	5,305	1.6%	-0.2%
White Bear Lake	23,423	24,486	25,347	25,038	0.7%	-0.2%
White Bear Township	10,850	11,049	11,182	10,982	0.3%	-0.4%
Downtown Centerville PMA	98,356	106,638	109,592	111,573	0.9%	0.4%
Anoka County	330,844	363,887	370,087	378,170	0.9%	0.4%
Minneapolis-St. Paul CBSA	3,333,633	3,690,261	3,764,607	3,839,797	1.0%	0.4%
State of Minnesota	5,303,925	5,706,494	5,780,843	5,856,228	0.7%	0.3%
United States	308,745,538	331,449,281	335,707,897	339,902,796	0.7%	0.2%

Source: US Census Bureau; ESRI; LOCi Consulting LLC

2.4 Population and Projected Growth Chart



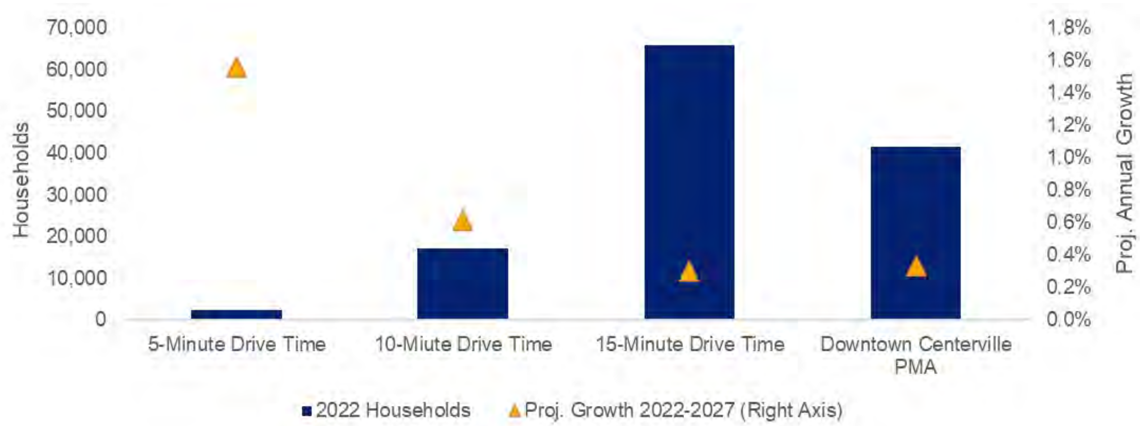
Source: US Census Bureau; ESRI; LOCi Consulting LLC

2.5 Households and Household Growth

	Census 2010	Census 2020	Estimate 2022	Forecast 2027	Annual Growth Rate 2010-2022	Annual Growth Rate 2022-2027
5-Minute Drive Time	2,000	2,247	2,511	2,713	1.9%	1.6%
10-Miute Drive Time	14,418	16,515	17,101	17,635	1.4%	0.6%
15-Minute Drive Time	56,512	64,191	65,866	66,861	1.3%	0.3%
Centerville	1,315	1,411	1,442	1,503	0.8%	0.8%
Columbus	1,416	1,553	1,582	1,617	0.9%	0.4%
Forest Lake	7,014	8,131	8,273	8,634	1.4%	0.9%
Hugo	4,990	5,939	6,194	6,529	1.8%	1.1%
Lino Lakes	6,174	6,957	7,208	7,414	1.3%	0.6%
North Oaks	1,736	1,972	1,987	1,958	1.1%	-0.3%
White Bear Lake	9,748	10,240	10,416	10,251	0.6%	-0.3%
White Bear Township	4,238	4,399	4,433	4,337	0.4%	-0.4%
Downtown Centerville PMA	36,631	40,602	41,535	42,243	1.1%	0.3%
Anoka County	121,227	133,879	136,247	139,355	1.0%	0.5%
Minneapolis-St. Paul CBSA	1,293,601	1,434,315	1,463,670	1,492,694	1.0%	0.4%
State of Minnesota	2,087,227	2,253,990	2,284,103	2,314,482	0.8%	0.3%
United States	116,716,292	126,817,580	128,657,669	130,651,872	0.8%	0.3%

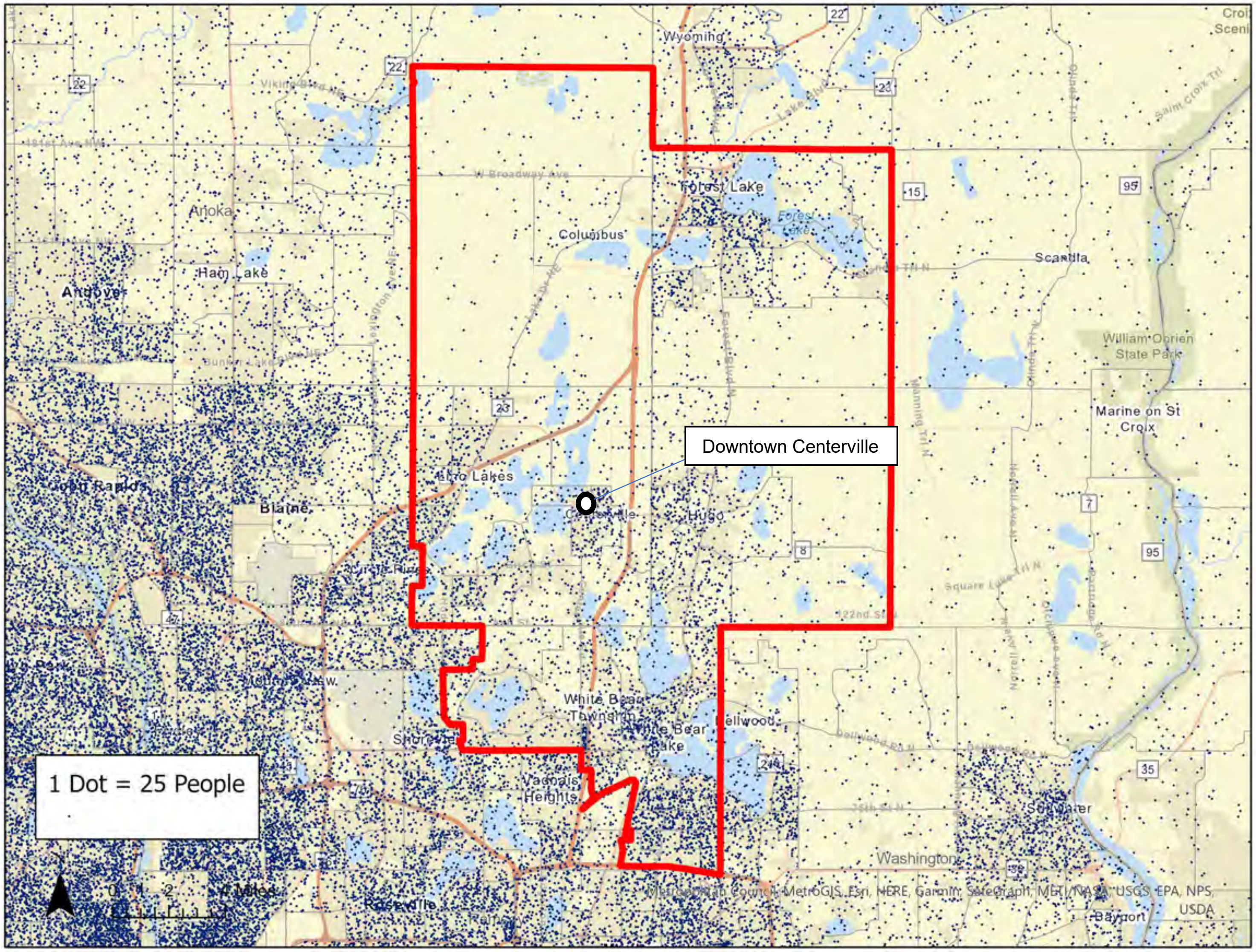
Source: US Census Bureau; ESRI; LOCi Consulting LLC

2.6 Households and Projected Growth Chart



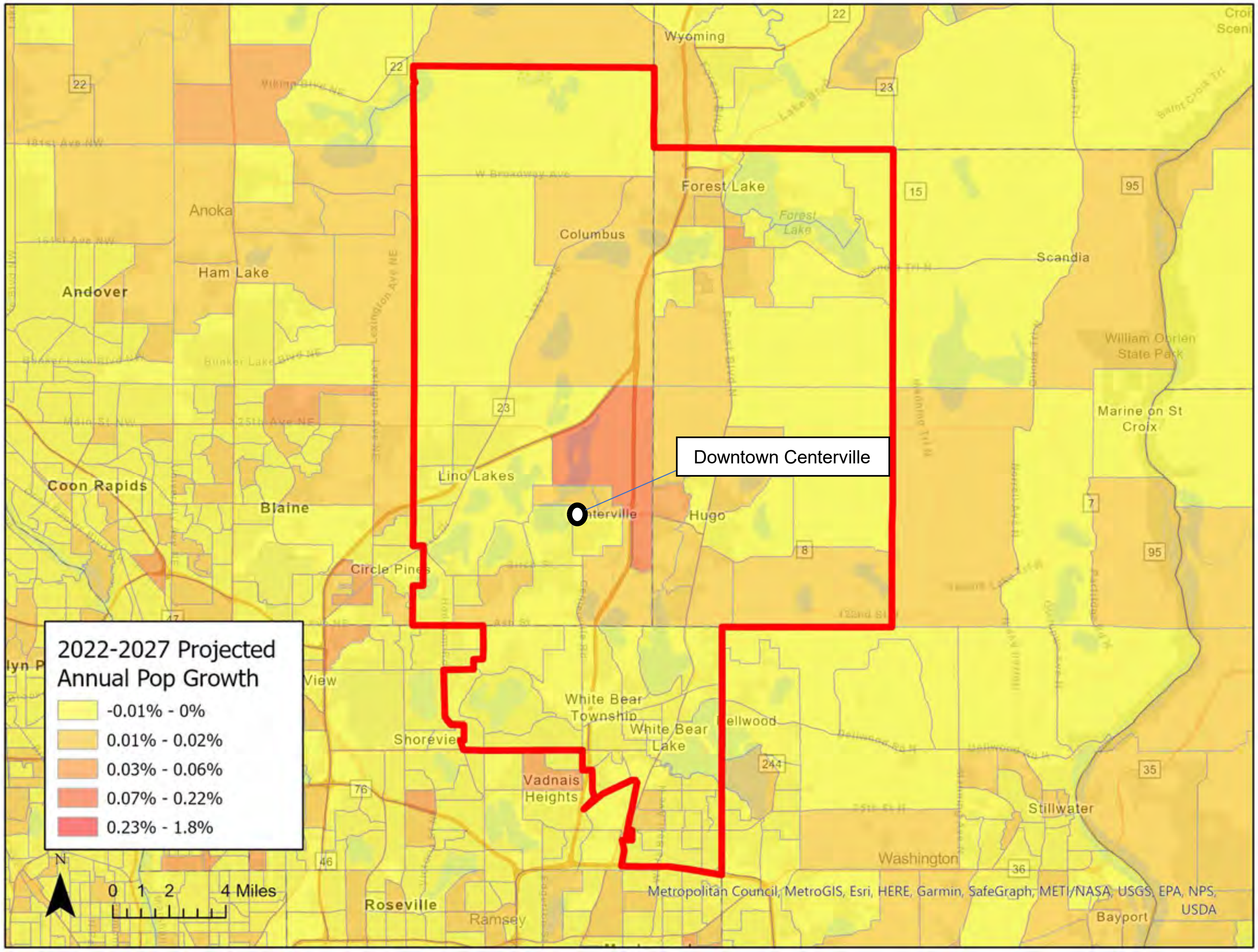
Source: US Census Bureau; ESRI; LOCi Consulting LLC

Map 2.7: Population Density in the Downtown Centerville PMA, 2022



Source: ESRI, LOCi Consulting LLC

Map 2.8: Projected Annual Population Growth in the Downtown Centerville PMA, 2022-2027



Source: ESRI, LOCi Consulting LLC

Median Household Income

Figures 2.9 shows the median household income for the drive-time rings, the Centerville PMA, and comparison areas. Figure 2.10 shows a visualization of this data with the blue bars representing the median incomes and the orange triangles showing the annual projected growth (right axis).

- The median household income for the Downtown Centerville PMA is about $104,000, about 14% higher than the Twin Cities Metro Area.
- Incomes in immediate areas around downtown are higher than the PMA as a whole. Both the City of Centerville itself and the five-minute drive time area have higher median incomes than the PMA.
- Income growth and decline can be caused by new households moving into or out of the PMA, or by changes in incomes that occur as households in an area age. Inflation is also driving increases. In the PMA, median incomes are projected to grow by about 1.9% per year over the period.
- Incomes above the Metro Area average are attractive to retailers, especially those that target discretionary sales.
- Housing developers also consider incomes when analyzing the feasibility of residential development. Using a median household income of $104,000, the median household could afford to spend about $18,000 on housing per year—or about $2,600 per month. (This assumes these households spend 30% of their income on housing.)
- Map 2.11 shows median household incomes by Census Block Group in 2022. The maps shows that generally incomes are high across the PMA, with pockets of particularly higher income households in the eastern and southern portions of Lino Lakes and the City of North Oaks.

Households by Age and Income

Figure 2.12 shows households by age and income for the Downtown Centerville PMA. Figure 2.12 shows median household income by age for the PMA and the Metro Area.

- The majority of household growth is projected to occur in households over age 65 and in higher income groupings. Many of these households are resident households aging into these groups, not new households to the area. Many may be looking for maintenance free housing options that could be provided in Downtown Centerville.
- Little growth is projected for the age 15-to-34-year-old households, across all incomes. These age groups are one of the primary markets for general occupancy rental housing.
- The data from Figure 2.12 is used in the demand projections found in the Appendix of this report.
- Figure 2.13 shows the distribution of income across age groups. Generally, incomes increase as householders age into their 40s and 50s—their peak earning years—and then begin to decline as those householders begin to move out of the labor market.
- Median household incomes in the Downtown Centerville PMA are higher than the Metro Area across all age groups.

Median Home Values

Figures 2.14 shows the median home value for the drive-time rings, the Centerville PMA, and comparison areas.

- The estimated median home value for the Downtown Centerville PMA is about $330,000.
- As shown with the drive-time area home values, median values for homes closer to Downtown Centerville tend to be higher than those further away.

Renter versus Owner Households

Figure 2.15 shows the percentage of households that rent their homes for the drive-time rings, the Centerville PMA, and comparison areas. This data is from the American Community Survey of the US Census.

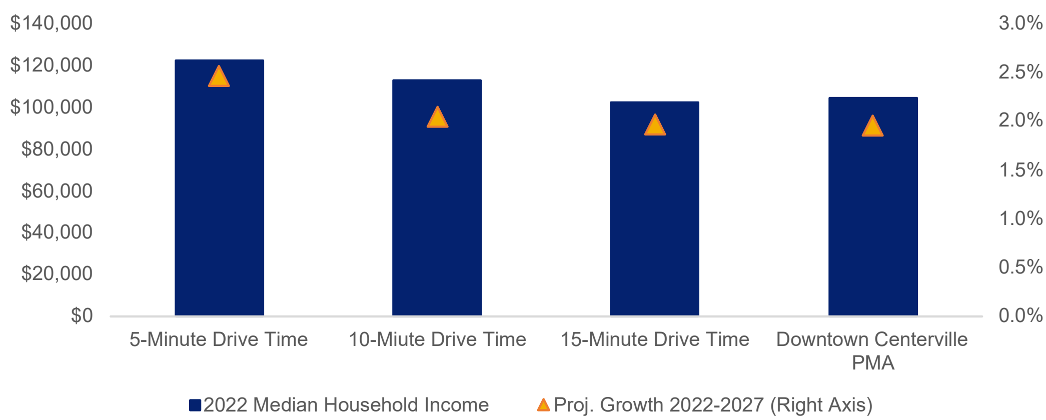
- About one in five (20.2%) households rent in the Downtown Centerville PMA.

2.9 Median Household Income and Income Growth

	Estimate 2022	Forecast 2027	Annual Growth Rate 2022-2027
5-Minute Drive Time	$122,094	$137,884	2.5%
10-Miute Drive Time	$112,780	$124,782	2.0%
15-Minute Drive Time	$102,416	$112,855	2.0%
Centerville	$113,083	$124,081	1.9%
Downtown Centerville PMA	$104,088	$114,630	1.9%
Anoka County	$90,273	$102,505	2.6%
Minneapolis-St. Paul CBSA	$91,714	$105,617	2.9%
State of Minnesota	$81,851	$94,855	3.0%
United States	$72,414	$84,445	3.1%

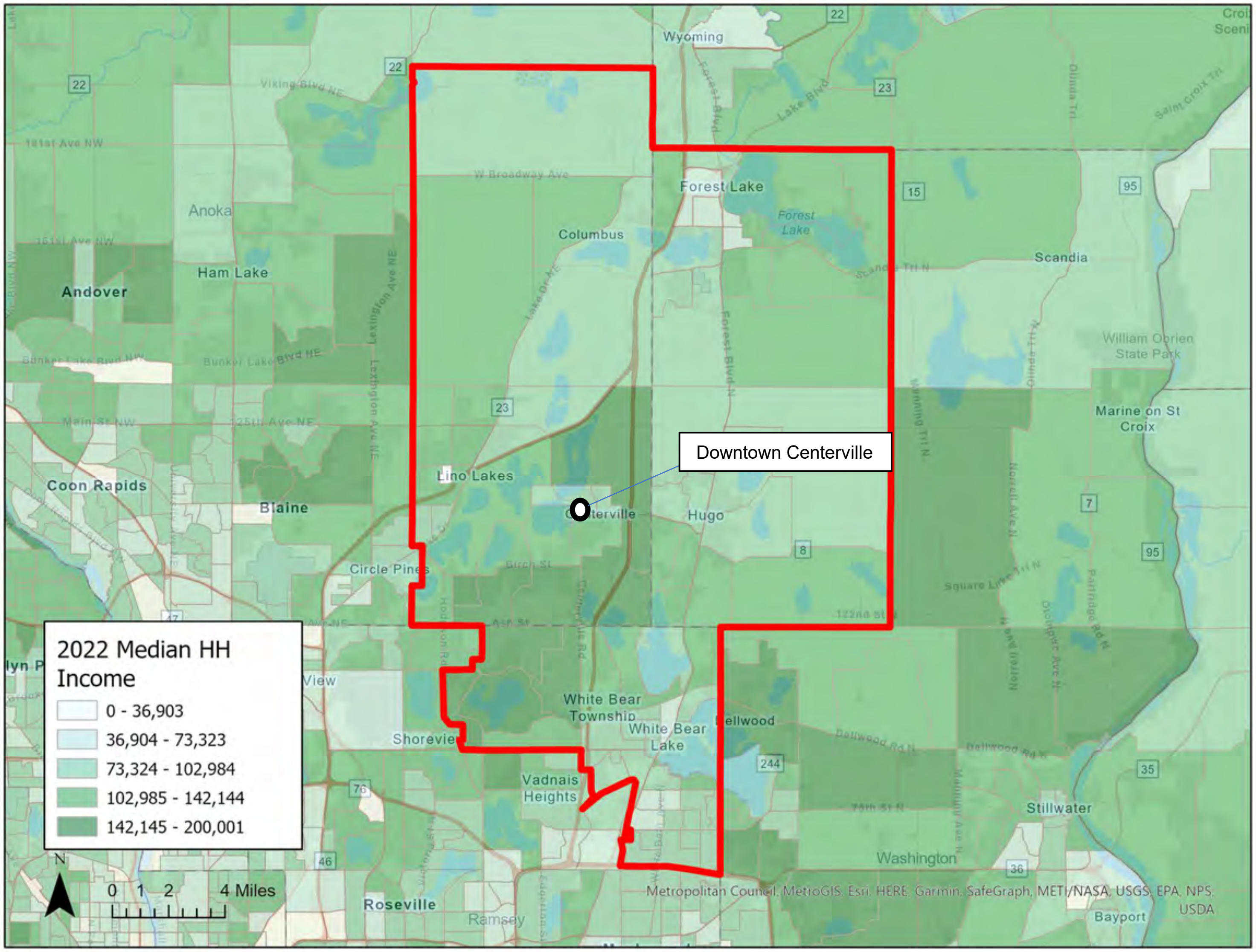
Sources: US Census Bureau; ESRI; LOCi Consulting LLC

2.10 Median Household Income and Income Growth Chart, 2022



Source: US Census Bureau; ESRI; LOCi Consulting LLC

Map 2.11: Median Household Income in the Downtown Centerville PMA, 2022



Source: ESRI, LOCi Consulting LLC

2.12 Households by Age and Income in the Downtown Centerville PMA

2022

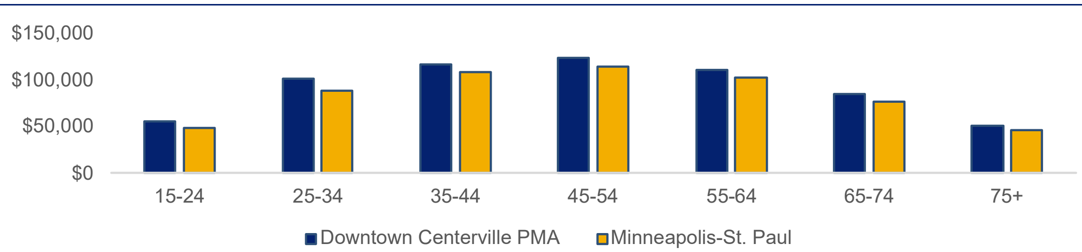
	Age of Householder						
	15-24	25-34	35-44	45-54	55-64	65-74	75+
Less than $15,000	92	164	132	149	281	289	397
$15,000-$24,999	79	145	104	129	231	277	445
$25,000-$34,999	51	153	141	128	216	234	452
$35,000-$49,999	179	469	335	325	471	580	887
$50,000-$74,999	178	802	731	759	1,062	1,330	818
$75,000-$99,999	144	962	1,151	1,004	1,287	1,158	417
$100,000-$149,999	138	1,516	2,626	2,292	2,364	1,387	480
$150,000-$199,999	30	784	1,253	1,542	1,396	625	245
$200,000+	11	524	1,203	1,447	1,339	683	298
Median HH Inc.	$55,099	$101,225	$116,946	$124,388	$111,337	$85,345	$50,781
Minneapolis-St. Paul CBSA	$48,262	$88,250	$108,534	$114,057	$103,235	$76,679	$46,569

2027

	Age of Householder						
	15-24	25-34	35-44	45-54	55-64	65-74	75+
Less than $15,000	84	101	91	92	135	178	381
$15,000-$24,999	58	86	67	74	117	170	371
$25,000-$34,999	47	108	101	65	118	186	397
$35,000-$49,999	158	322	250	221	260	446	813
$50,000-$74,999	161	617	594	540	732	1,220	1,018
$75,000-$99,999	145	887	1,171	927	1,078	1,288	623
$100,000-$149,999	185	1,498	2,768	2,207	2,196	1,797	782
$150,000-$199,999	47	965	1,676	1,794	1,681	1,006	534
$200,000+	9	610	1,545	1,570	1,408	931	530
Median HH Inc.	$63,234	$110,749	$127,471	$137,606	$126,712	$102,091	$66,809
Minneapolis-St. Paul CBSA	$55,046	$103,181	$119,441	$125,121	$116,966	$93,125	$60,901

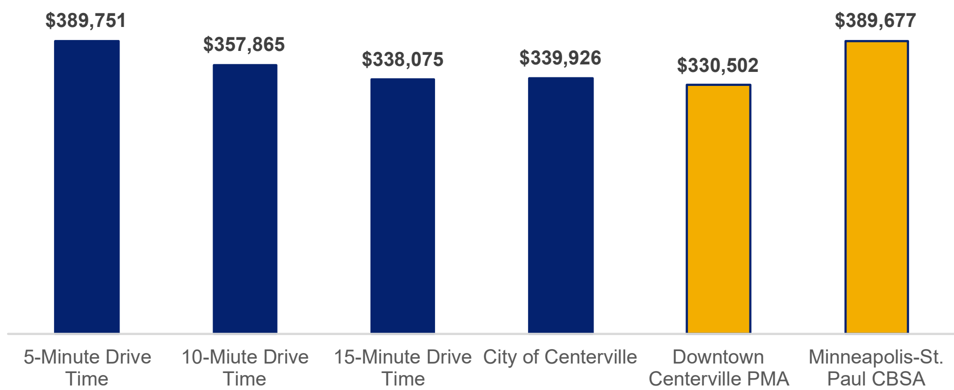
Source: ESRI; LOCi Consulting LLC

2.13 Median Income by Age of Householder, 2022



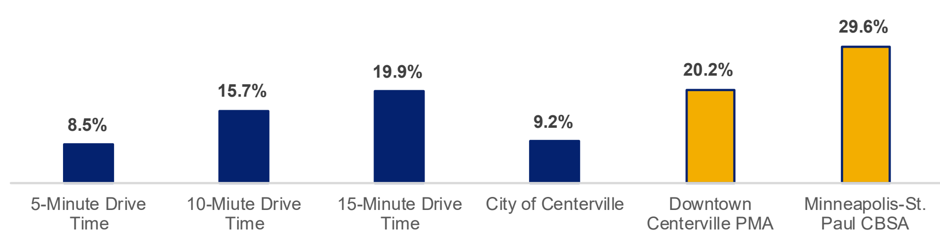
Sources: ESRI; LOCi Consulting LLC

2.14 Estimated Median Home Value, 2022



Source: US Census Bureau; ESRI; LOCi Consulting LLC

2.15 Household Rental Rates in the Downtown Centerville PMA, 2020



Source: American Community Survey, U.S. Census; ESRI; LOCi Consulting LLC

- The rental rate is lower than the Metro Area by nearly 10 percentage points.
- Areas closer to Downtown Centerville tend to have lower rental rates than the PMA as a whole.

Daytime Population

Figure 2.16 shows the daytime population for the drive-time rings, the Centerville PMA, and comparison areas. This data shows the base of workers in each area. Employment is a driver of demand both for multifamily housing and retail businesses.

- Daytime population can be broken down into residential population and worker population. Note that this data may underrepresent hybrid workers as it is built on surveys completed prior to and during the COVID19 pandemic. The data is still valuable because it is expected that many of these trends will continue with possibly more hybrid workers in the future.
- The daytime population for the Downtown Centerville PMA is smaller than the resident population, meaning each day more workers commute out of the PMA than commute into it.
- With about 95,000 people, the daytime population is about 15% lower than the resident population.
- There are an estimated 43,000 workers in the PMA, both residents and commuters.
- Map 2.17 shows the daytime population in the PMA. Each dot represents 25 people.

Commute Shed

LOCi Consulting reviewed commute shed data for the City of Centerville from the US Census Bureau's Longitudinal Employer-Household Dynamics data. The data includes all primary private jobs and is from 2019, prior to the COVID19 pandemic.

Because of its vintage, the data may not reflect current commuting patterns. However, the data does provide directional information from a point-in-time estimate of commuting origin and destinations patterns for Centerville.

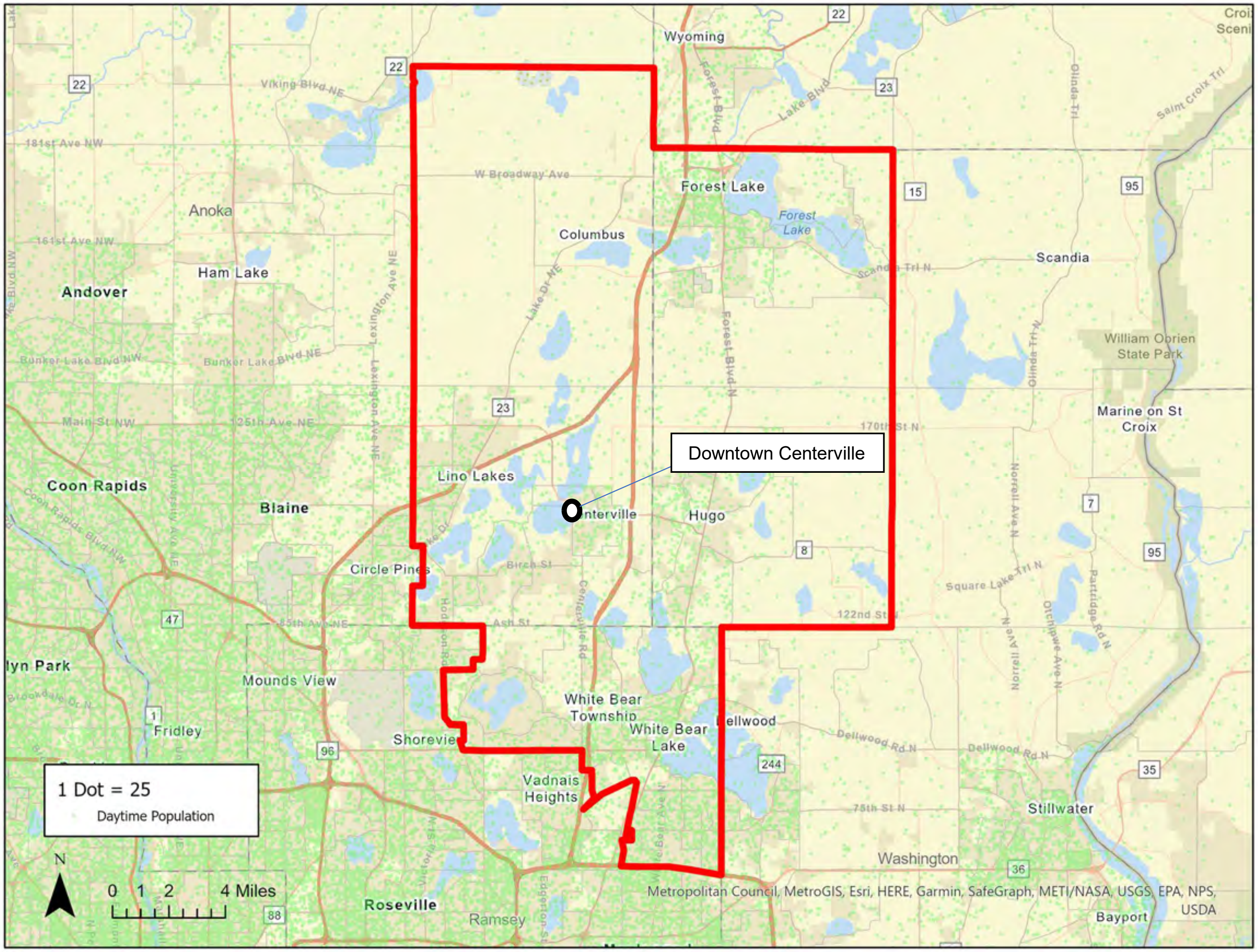
- The top five work destinations for working residents of Centerville were Minneapolis (14.3%), St. Paul (9.0%), Blaine (4.8%), White Bear Lake (3.8%), and Centerville (3.1%).
- The top five originations for workers in Centerville were Centerville (11.9%), Hugo (8.2%), St. Paul (6.7%), Blaine (5.4%), and Lino Lakes (4.3%).

2.16 Daytime Population, 2022

	Resident Population	Daytime Population	Daytime Population: Workers	Daytime Population: Residents
5-Minute Drive Time	7,210	5,379	2,040	3,339
10-Miute Drive Time	46,520	39,413	17,546	21,867
15-Minute Drive Time	173,257	165,132	82,391	82,741
Centerville	3,965	2,985	1,164	1,821
Downtown Centerville PMA	109,592	94,941	42,781	52,160

Source: US Census Bureau; ESRI; LOCi Consulting LLC

Map 2.17: Daytime Population Density in the Downtown Centerville PMA, 2022



Source: ESRI, LOCi Consulting LLC

Consumer Expenditure

Figures 2.18 and 2.19 show consumer expenditure in the PMA, including estimates for 2022 and forecasts for 2027. This data comes from ESRI and is used to forecast demand for overall retail space in the market. Only consumer spending categories associated with retail purchases are shown in the data. The data is shown in 2022 dollars, meaning it has been adjusted by LOCi Consulting to remove ESRI's assumed 2.5% per year inflation.

- In 2020, it is estimated that households in the PMA spends $1.1 billion on consumer goods.
- Based on ESRI on retail sales data for establishments (not shown in the figure), we assumed that 25% of the retail sales generated by households in the PMA goes outside the PMA. Some of the sales from outside of the PMA are e-commerce sales to internet-only retailers.
- The largest areas of consumer demand growth are in grocery stores and restaurants.
- Because this analysis examines retail real estate as an entire class, consumer expenditure forecasts have not been adjusted to account for impacts related to COVID-19, such as shifts to general merchandise retailers over specialty retailers. Demand calculations are adjusted to account for the increasing prevalence of e-commerce sales, however.

E-commerce Retail Sales

Figure 2.20 shows data from the US Census on e-commerce as a percentage of total retail sales. The percentage of sales is seasonally adjusted, meaning that the data is adjusted for variations caused by holiday spending. Depending on the retailer reporting, the e-commerce data may include sales at the store that were ordered for pickup online.

- E-commerce sales surged during the COVID19 shutdown. E-commerce retail spending jumped from 11.9% in the first quarter of 2020 to 16.4% in quarter two. By the fourth quarter of 2020, the percentage was 15.1%.
- In the fourth quarter of 2022, consumers spent 14.7% of their retail spending through e-commerce channels.

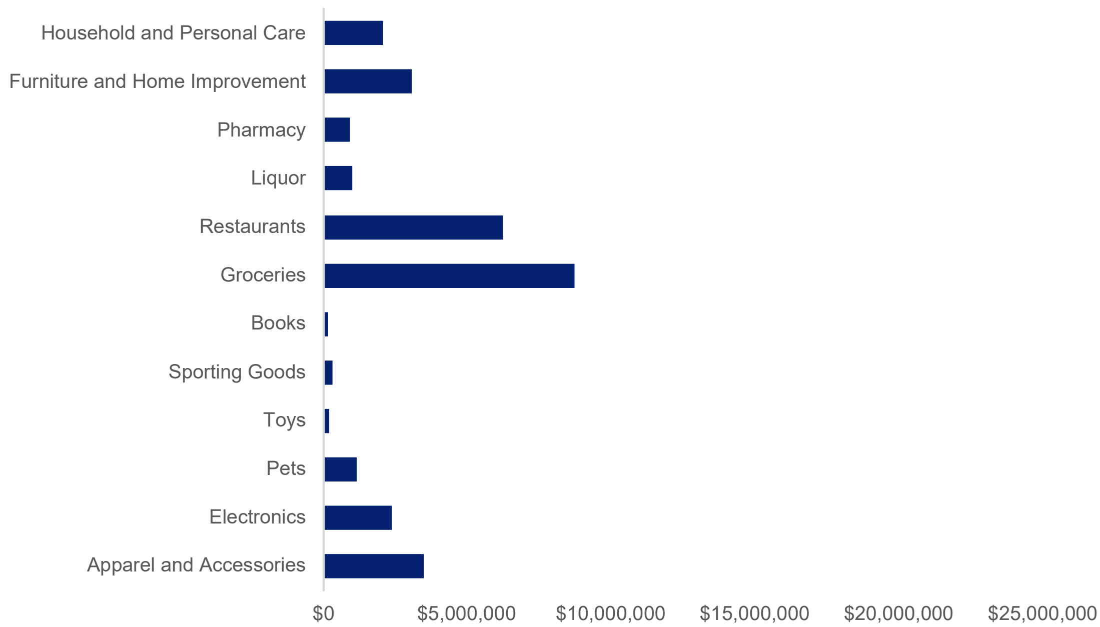
2.18 Consumer Spending in Retail Categories In the Downtown Centerville PMA

	Estimate 2022	Forecast 2027	Growth 2022-2027
Apparel and Accessories	$124,260,067	$127,741,428	$3,481,361
Electronics	$85,678,224	$88,059,969	$2,381,745
Pets	$42,042,174	$43,205,730	$1,163,556
Toys	$6,890,240	$7,093,850	$203,610
Sporting Goods	$10,704,445	$11,021,930	$317,485
Books	$6,102,298	$6,262,420	$160,122
Groceries	$313,590,443	$322,328,377	$8,737,934
Restaurants	$220,539,071	$226,781,384	$6,242,313
Liquor	$37,250,501	$38,247,933	$997,432
Pharmacy	$33,826,889	$34,758,077	$931,188
Furniture and Home Improvement	$110,020,690	$113,084,633	$3,063,943
Household and Personal Care	$74,328,448	$76,416,986	$2,088,538
Total	$1,065,233,490	$1,095,002,716	$29,769,226

* Data is shown in 2022 Dollars, adjusted from ESRI projection. ESRI assumes 2.5% inflation.

Source: US Census Bureau; ESRI; LOCi Consulting LLC

2.19 Forecasted Growth in Consumer Spending in the PMA, 2022-2027

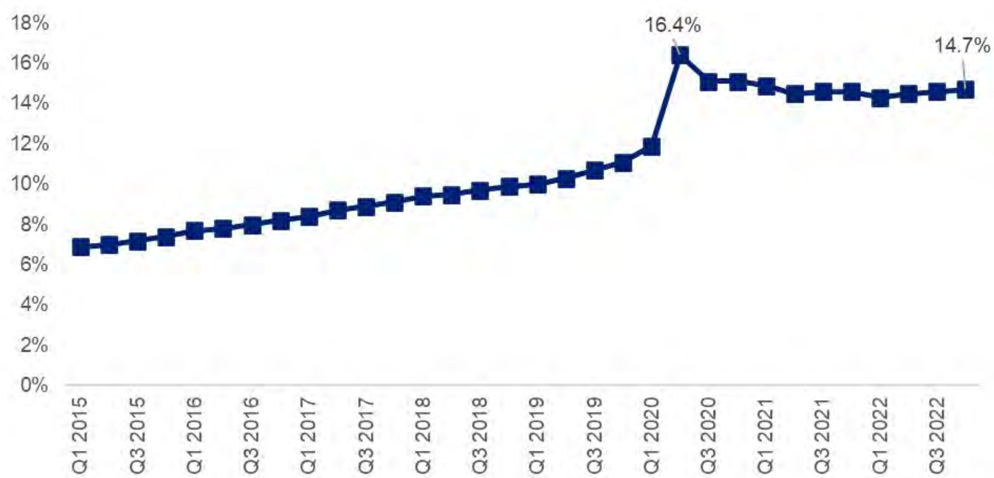


* Data is shown in 2022 Dollars, adjusted from ESRI projection. ESRI assumes 2.5% inflation.

Source: US Census Bureau; ESRI; LOCi Consulting LLC

- For the purposes of our demand analysis, LOCi Consulting uses a 15% figure. We believe this will be the average percentage over the 2022 to 2027 period.
- As more retailers transition to "omnichannel" formats, consumer demands for e-commerce options will continue to grow. There will always be "Amazon-proof" businesses that will ensure that much of retail is still done in brick-and-mortar locations. And retailers will limit e-commerce options because the economics of e-commerce can be challenging—margins for goods sold online are generally lower. But consumers will continue to demand the convenience that these channels offer, and we believe growth will continue.

2.20 **E-commerce Sales as a Percentage of All Sales**



* Seasonally adjusted

Source: Monthly Retail Trade Survey, US Census Bureau; LOCi Consulting LLC

3. Multifamily Residential Market Analysis

This section presents data on the multifamily housing market in the Centerville Primary Market Area (PMA). The review includes the for-sale housing market for both existing and newly constructed homes, the multifamily rental housing market, and the senior housing market. Because of their densities, these housing types would most likely be considered for redevelopment in Downtown Centerville.

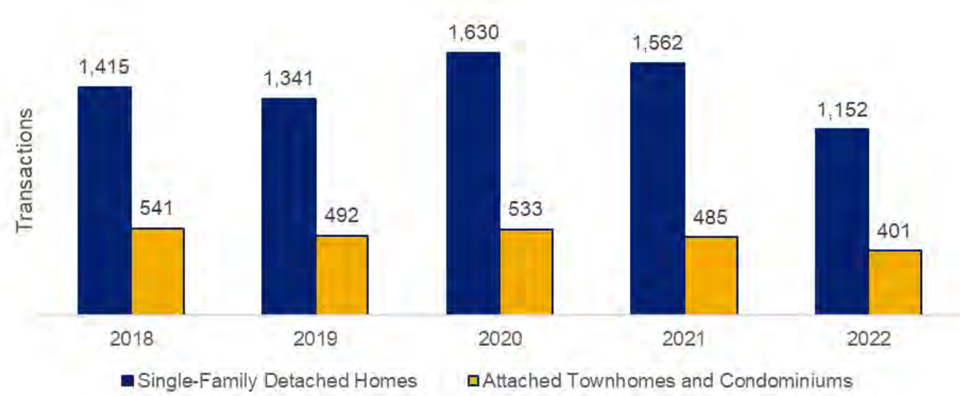
For-Sale Housing Trends

LOCi Consulting collected data on the for-sale home market in the Downtown Centerville PMA—both single-family detached homes and attached townhomes and condominiums. The data includes almost all existing home transactions and most of the new construction transactions. The data is collected from the Minneapolis Area Association of Realtors.

Figure 3.1 shows closed real estate transactions in the PMA between 2018 and 2022. Figure 3.2 shows the median sale price for single-family detached homes. Figure 3.3 shows the median sale price for attached townhomes and condominiums. Figures 3.2 and 3.3 show comparisons between the City of Centerville, the PMA, and the Metro Area. (Note that the City of Centerville is also included in the PMA data.) Figure 3.6 shows the average days on the market for homes in the PMA over the period.

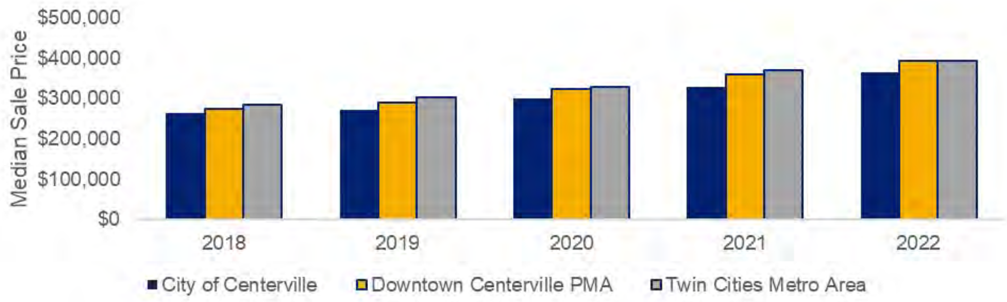
- Between 2019 and 2020, total transactions increased 18%, reflecting the increased demand for housing driven by the COVID19 pandemic and low interest rates.
- Overall sales declined 24% in 2022, as the effects of higher interest rates pushed down overall demand and slower housing production.
- Over this period, attached townhome and condominium sales have made up about one in four transactions in the PMA.

3.1 **Closed Residential Transactions in the Downtown Centerville PMA**



Source: Minneapolis Area Association of Realtors; LOCi Consulting LLC

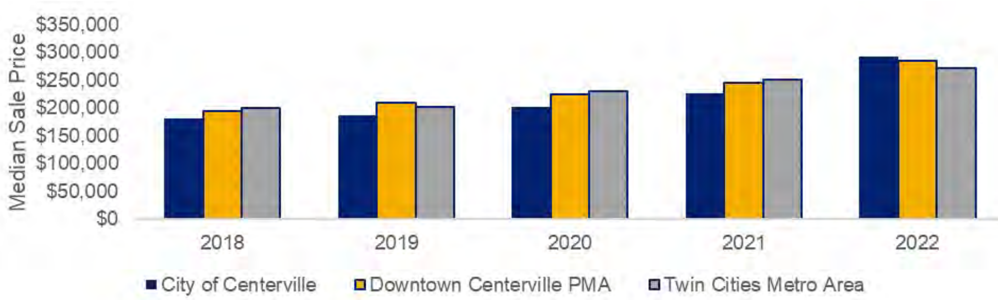
3.2 Median Sale Price of Closed Single-Family Detached Transactions



	2018	2019	2020	2021	2022
City of Centerville	$263,250	$273,000	$300,950	$330,000	$365,000
Downtown Centerville PMA	$275,000	$289,900	$323,000	$360,000	$393,750
Twin Cities Metro Area	$286,000	$304,000	$330,000	$370,000	$395,000

Source: Minneapolis Area Association of Realtors; LOCi Consulting LLC

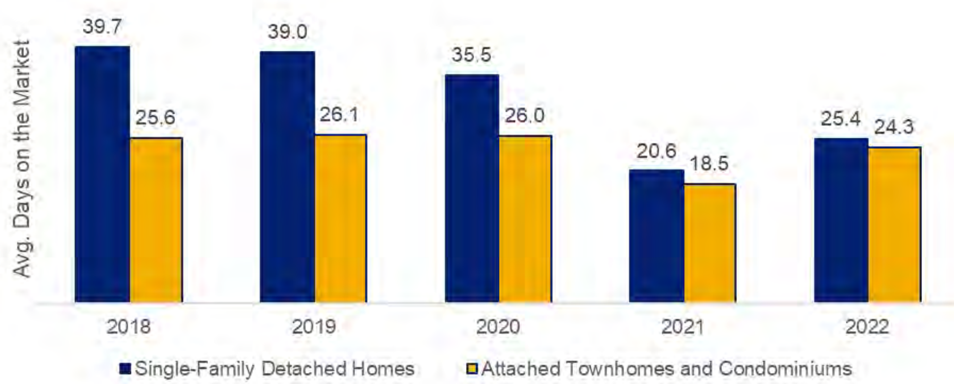
3.3 Median Sale Price of Closed Attached Townhome and Condominium Transactions



	2018	2019	2020	2021	2022
City of Centerville	$180,900	$187,000	$202,000	$227,000	$292,500
Downtown Centerville PMA	$195,000	$210,000	$224,000	$245,000	$284,500
Twin Cities Metro Area	$200,000	$201,700	$230,000	$252,000	$272,000

Source: Minneapolis Area Association of Realtors; LOCi Consulting LLC

3.4 Average Days on the Market for Transactions in the Downtown Centerville PMA



Source: Minneapolis Area Association of Realtors; LOCi Consulting LLC

- The median sale price for single-family detached homes in the PMA was $393,750 in 2022. The median home price increase 43% between 2018 and 2022.
- The median sale price for attached townhomes and condominiums was $284,500 in 2022, an increase of 46% from 2018.
- Average days on the market—a measure of the time it takes for homes to sell—declined between 2018 and 2021 but ticked up slightly in 2022.

Profile of Newer For-Sale Multifamily Projects in the Downtown Centerville PMA

LOCi Consulting collected data on actively marketing for-sale condominiums and townhomes in the Centerville PMA. Condominiums and attached townhomes are the for-sale product type that would be most likely to be developed in Downtown Centerville. Actively marketing projects in the PMA are profiled to best understand average sale prices, absorptions, and features and amenities that are currently being offered in the marketplace.

Figure 3.5 shows the developments profiled in the PMA. Map 3.6 shows the location of the profiled properties.

- Four competitive condominium and townhome developments were identified in the PMA, totaling 262 units. Of those, 81 units remain available.
- All of the condominiums and townhomes profiled are association maintained.
- There are also several association-maintained detached townhomes, sometimes called villas, being marketed in the PMA. Because they are more like single-family homes, they are not profiled.

Condominiums

- One condominium development is marketing in the PMA. *Hill Farms Condominiums* is a three-story, 34-unit building under construction in North Oaks.
- Serving the higher-income community of North Oaks, the project is a higher-end multifamily development. Units range in price from about $800,000 to $2.4 million.

3.5 Actively Marketing For-Sale Condominium and Attached Townhome Developments in the PMA

Property	Units	Avail. Units	Unit Type	Size of Unit	Base Price	Price per Square Foot	Services and Amenities
Condominiums							
Hill Farm Condominiums of North Oaks *Hill Farms Condominiums LLC* North Oaks	34	20	2BR 3BR	1,323 - 1,951 2,724 - 3,841	$795,000 - 1,220,000 $2,000,000 - 2,375,000	$601 - 625 $618 - 734	Three-story condominium building to be built in two phases. First phase is 34 units. Project is located on the 22-acre site surrounded by 300 acres of conservancy land. High levels included in base pricing. Community amenities include direct connection to the trail system, parks, tennis courts, patio, fitness center, party room, and underground heated parking. Occupancy is planned for August 2023. Association fee is $522-1,169.
Attached Townhomes							
Watermark *Lennar Homes* Lino Lakes	172	29	Quad Units 3BR	 1,792	 $339,990	 $190	Two-story townhomes in buildings with four to eight units. Units include center island, pantry, great room, patio, and main suite with walk-in closet. Bedrooms on second floor with first level main suite option. Association fee is $221 (Insurance, sanitation, and snow removal/lawn care).
			Side by Side 3BR	 1,804 - 1,906	 $360,790 - 382,690	 $200 - 212	

---Continued on Next Page---

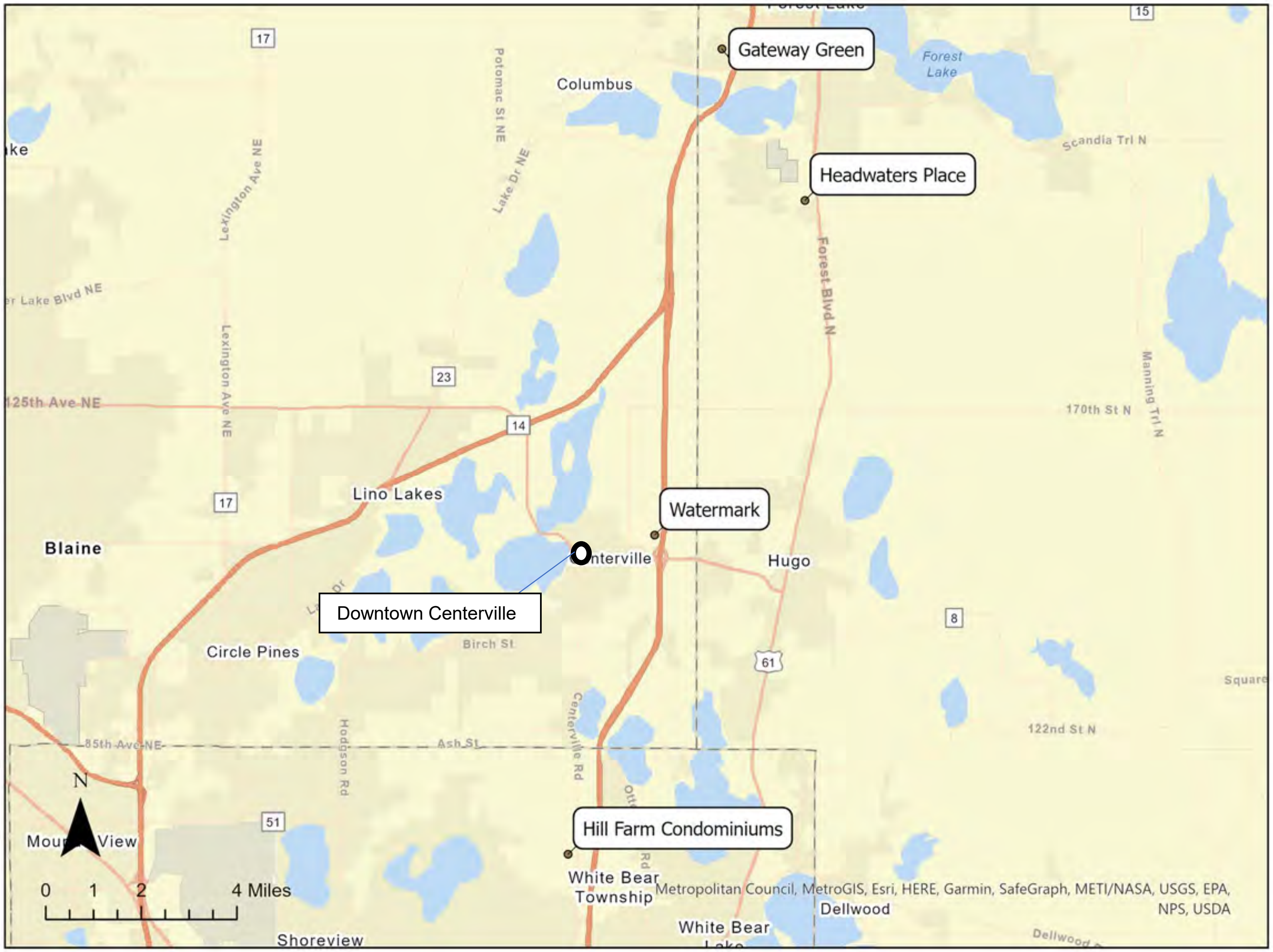
Source: Northstar MLS; interviews; LOCi Consulting LLC

3.5 Actively Marketing For-Sale Condominium and Attached Townhome Developments in the PMA (Continued)

Property	Units	Avail. Units	Unit Type	Size of Unit	Base Price	Price per Square Foot	Services and Amenities
Attached Townhomes (Continued)							
Headwaters Place *Fenway Investments* Forest Lake	30	14	Side by Side 2BR	1,729	$449,900 - 459,900	$260 - 266	Single-level, slab on grade townhome with open concept floor plan with vaulted ceilings, kitchens with granite counters, stainless steel appliances, walk in pantry, island, gas fireplace, sun room off the back of the unit, concrete patio, main suite with private bath, and walk in closet. Association fee is $275 (Insurance, sanitation, and snow removal/lawn care).
Gateway Green *C&E Wurzer Builders* Forest Lake	26	18	Quad Units 3BR Side by Side 3BR	1,583 - 1,705 1,631 - 1,779	$365,000 - 395,000 $409,000 - 424,000	$231 - 250 $251 - 260	1.5-story townhomes with kitchens with granite counters, stainless steel appliances, main suite on second level, and walk-in main suite closet. Gas fireplace is optional. Association fee is $290(insurance, sanitation, and snow removal/lawncare).

Source: Northstar MLS; interviews; LOCi Consulting LLC

Map 3.6: Actively Marketed For-Sale Condominiums and Attached Townhomes in the PMA



Source: ESRI; LOCi Consulting LLC

Side by side townhomes in Watermark development

- The asking prices per square foot are $601 to $734. Units range in size from 1,323 to 3,841.
- The association fee ranges from about $522 to $1,169 per month and includes building maintenance, insurance, lawncare, and snow removal.
- Finishes in the units are targeted to a higher-income buyer. Community amenities include connection to the trail system, parks, tennis courts, patio, fitness center, party room, and underground heated parking.

Attached Townhomes

- Three attached townhome projects are profiled with a total of 228 units.
- This type of product is targeted to more price sensitive homebuyers, primarily younger buyers. The units often have primary suites on the second level, which makes them less appealing to older, more affluent buyers.
- The primary two types of attached townhome units offered are quad units with four units per building and side-by-side units. Side-by-side units typically offer more space and are priced higher than quad units.
- These units typically have two or three bedrooms, although some of the units offer optional bedrooms that can be added prior to construction.
- The side-by-side units marketed at *Headwaters Place* are slightly different. These units are single-level duplexes that typically compete with detached townhomes and are marketed to move-up and empty nester buyers.
- Units range in size from 1,583- to 1,906-square feet.
- The profiled attached townhomes range from $339,990 to $459,900. Price per square foot ranges from $190 to $266.
- Finishes for the attached townhomes marketing tend to be more modest. Some of the developments provide community space for the larger overall development, which typically includes single-family homes and detached townhomes.
- The association fee for these developments typically ranges from about $200 to $300 per month and includes insurance, lawncare, and snow removal.

Rental Market Trends

The apartment market in the Minneapolis-St. Paul Metro Area has been very strong over the last several years. Driven by a tight labor market, strong wage growth, and lack of affordable for-sale housing, demand for rental has driven absorption across the market.

At the same time, apartment developers continue to deliver new units to the market. According to CoStar, a national real estate data provider, 11,000 new rental units came online in 2022 in the Minneapolis-St. Paul market, nearly 2.5 times the average number delivered in the three years prior to the beginning of the pandemic (2017-2019).

On average across the metropolitan area, supply of new units has outpaced demand, increasing the vacancy rate to 7.0% in the fourth quarter of 2022. In general, the market is considered to be at "equilibrium" when the vacancy rate is at 5%. At that point there are enough renters for property owners to be profitable and to be in a position to reinvest in their properties in order for them to remain marketable. Vacancies below 5% indicate a tight rental market, in which rents are likely to increase at rates well above other household costs. Typically, such low vacancies signal to real estate developers that enough excess demand exists in the market to support new construction, provided prevailing target market households can afford rents needed to cover the cost of new construction.

It is likely that the current vacancy rate will result in slower apartment development in the near future. Higher interest rates, higher construction costs, and supply chain disruptions are also putting headwinds on new development across the market.

Figure 3.6 shows vacancy rate for the PMA and for the Twin Cities market as a whole. Figure 3.7 shows the average asking rent in the PMA and the Twin Cities Market as a whole. (Both figures are on the previous page.) Data for both tables is from CoStar.

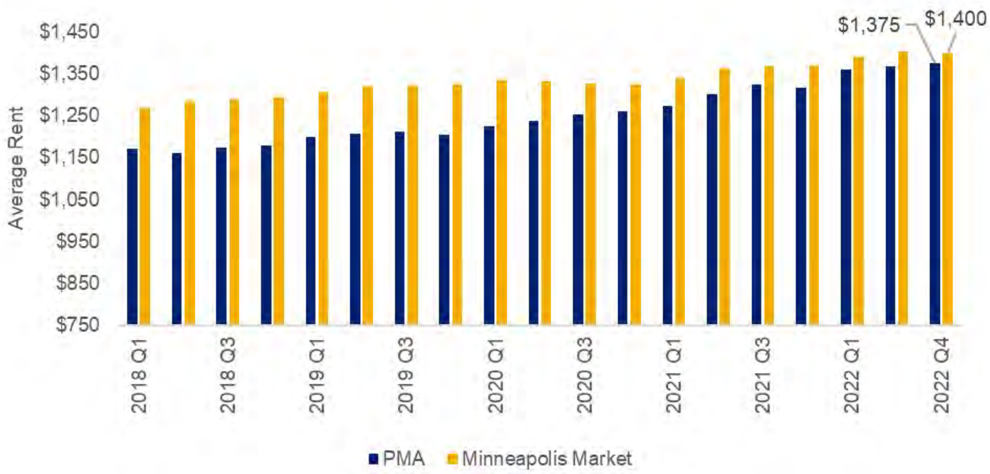
- Mentioned previously, the vacancy rate in the Minneapolis-St. Paul Metro was 7.0% in the fourth quarter of 2022.
- The vacancy rate for the Metro Area was below 5.0% from 2013 until the end of 2019. The rate

3.7 **Vacancy Rates for Multifamily in the PMA and the Metro Area**

* Data is Q1 2017 to Q4 2022

Source: CoStar; LOCi Consulting LLC

3.8 Average Rent for Multifamily in the PMA and Metro Area



* Data is Q1 2017 to Q4 2022

Source: CoStar; LOCi Consulting LLC

rose above 5.0% in the first quarter of 2020 and has remained above that level since.

- The vacancy rate for the PMA was 5.1% in the fourth quarter of 2022. In general, the vacancy rate in the PMA has been lower than the Metro Area vacancy rate.
- The average rent in the Twin Cities Market was $1,400 per month. Average rents have risen about 3% per year across the market as a whole.
- The average rent in the PMA was $1,375 per month in the fourth quarter of 2022. Reflecting the lower vacancy, rents have increased 6.8% per year since the fourth quarter of 2019.

Profile of Newer Rental Properties in the Downtown Centerville PMA

LOCi Consulting profiled recently constructed rental developments in the Downtown Centerville PMA. These properties are profiled to best understand average rents, occupancies, and features and amenities that are currently being offered in the marketplace.

Figure 3.9 shows the rental properties identified and profiled in the PMA. The inventory focused on properties built in the last five years. It does not include age-restricted apartments. Those properties are discussed in the next section. Also excluded are newer mixed-use buildings, which are profiled in the fifth section of this report (Page 74). Map 3.10 shows the location of these properties.

Income-Restricted Rental Properties

- Three newer income-restricted properties were identified in the PMA—two in Forest Lake and one in Hugo. These properties total 143 units.
- Income restrictions can vary by property and by specific unit. Income restrictions range from 30% to 60% of Area Median Income. Rents are restricted based on the specific income restrictions for the particular unit.
- There are zero vacancies in the newer income restricted properties. Building managers said these properties stay full and vacant units fill quickly.

3.9 Profiles of Recently-Developed Rental Communities in the PMA, March 2022

Property	Units	Vacant Units	Unit Mix	Unit Type	Size of Unit	Base Rent	Rent per Square Foot	Features and Amenities
Income-Restricted Rental Housing								
Fitzgerald Flats 19951 Headwaters Blvd N Forest Lake *Year Built: 2023*	53	0	6 28 19	1BR 2BR 3BR	729 913 - 969 1,307 - 1,310	$986 $1,086 - 1,235 $1,250 - 1,448	$1.35 $1.19 - 1.27 $0.96 - 1.11	Income restriction is restricted to 30% and 50% of Area Median Income. Six of the units are market rate. Garbage, sewer, and water included in rent. Community room, community patio, laundry facilities, playground, and basketball courts. Surface parking lot available.
Rosemary Apartments 4628 Rosemary Way N Hugo *Year Built: 2021*	45	0	6 18 21	1BR 2BR 3BR	715 974 - 1,131 1,224 - 1,268	$690 - 880 NA - NA $1,210	$0.97 - 1.23 NA - NA $0.95 - 0.99	Income restriction is restricted to 30%, 50%, and 60% of Area Median Income. Heat, garbage, sewer, and water included in rent. Three-story building with elevator, playground, fitness center, controlled access/gated, washer and dryer in unit, and underground parking.
Headwaters Landing Apartments 20041 Fitzgerald Trl N Forest Lake *Year Built: 2020*	45	0	9 36	1BR 2BR	714 893	$800 - 900 $1,100	$1.12 - 1.26 $1.23	Income restriction is restricted to 30% and 50% of Area Median Income. Garbage, sewer, and water included in rent. Three-story building with elevator, playground, fitness center, community room, computer lab, storage lockers, washer and dryer on each floor, and surface parking.

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* Data collected in February and March 2023

Source: Costar; websites, interviews with leasing agents; LOCi Consulting LLC

3.9 Profiles of Recently-Developed Rental Communities in the PMA, March 2022 (Continued)

Property	Units	Vacant Units	Unit Mix	Unit Type	Size of Unit	Base Rent	Rent per Square Foot	Features and Amenities
Market-Rate Rental Housing								
Timber Ridge Phase II 22500 Everton Ave N Forest Lake *Year Built: 2023*	39	3		Studio 1BR 2BR	570 665 923 - 1,073	$1,050 $1,240 - 1,290 $1,479 - 1,720	$1.84 $1.86 - 1.94 $1.60 - 1.60	Wi-Fi, water, sewer, and garbage are all included. Units include washer and dryer. Patio with grills and on-site fitness center included. Surface parking lot with garages available.
The Barnum Apartments 1711 County Road E White Bear Lake *Year Built: 2021*	192	18	20 114 58	Studio 1BR 2BR	480 480 - 1,035 1,154 - 1,329	$1,235 $1,385 - 1,780 $1,886 - 2,260	$2.57 $1.72 - 2.89 $1.63 - 1.70	Rent includes water, sewer, and trash. Courtyard with grills, dining area, fire pit, community launce with kitchen and dining area, outdoor pool, fitness center, granite countertops, and washer and dryer in unit. Surface lot parking with garages available.
Jack Pine Place 14672 N Finale Ave Hugo *Year Built: 2021*	84	5	30 46 8	1BR 2BR 3BR	650 - 805 850 - 1,193 1,543	$1,500 $1,900 $2,250	$1.86 - 2.31 $1.59 - 2.24 $1.46	Rent includes water, sewer, and trash. Includes stainless steel appliances, dishwashers, in-unit washer/dryer, patio/balcony, walk-in closets, and granite countertops. Surface parking with garages available.
Encore Apartments 1081 SW Fourth St Forest Lake *Year Built: 2020*	91	15	12 44 31 4	Studio 1BR 2BR 3BR	459 639 - 759 924 - 1,085 1,239	$1,302 $1,365 - 1,396 $1,750 - 1,794 $2,728	$2.84 $1.84 - 2.14 $1.65 - 1.89 $2.20	Utilities include trash removal. Includes stainless steel appliances, dishwashers, in-unit washer/dryer, some units with patio/balcony, walk-in closets, and granite countertops. Surface parking with underground parking available.

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* Data collected in February and March 2023

Source: Costar; websites, interviews with leasing agents; LOCi Consulting LLC

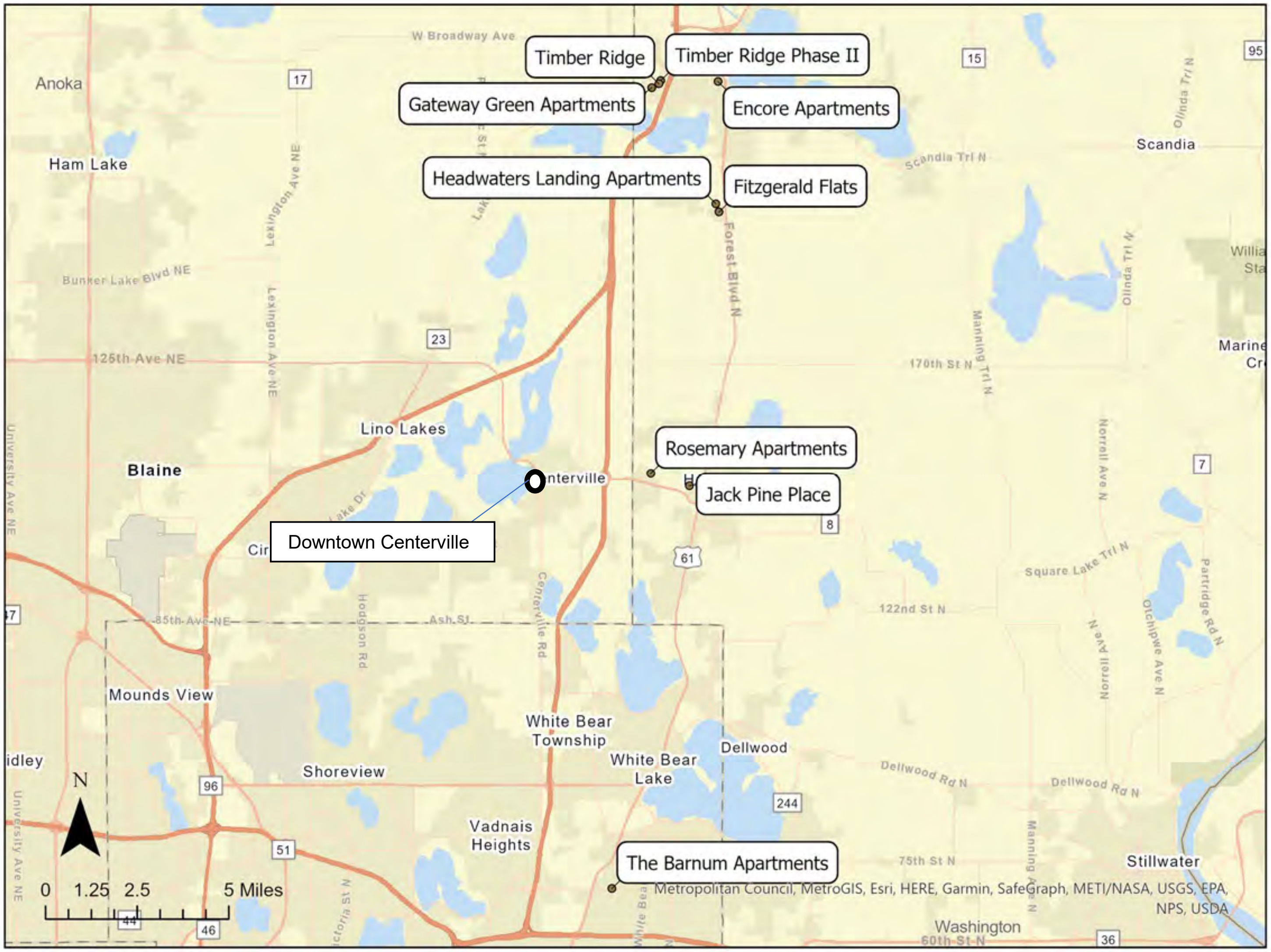
3.9 Profiles of Recently-Developed Rental Communities in the PMA, March 2022 (Continued)

Property	Units	Vacant Units	Unit Mix	Unit Type	Size of Unit	Base Rent	Rent per Square Foot	Features and Amenities
Market-Rate Rental Housing (Cont.)								
Timber Ridge 4777 19th St SW Forest Lake *Year Built: 2019*	179	3	73 53 53	1BR 2BR 3BR	480 - 634 1,146 1,410	$931 - 1,076 $1,785 $2,600	$1.70 - 1.94 $1.56 $1.84	Wi-Fi, water, sewer, and garbage are all included. Units include washer and dryer. Patio with grills and on-site fitness center included. Surface parking lot with garages available.
Gateway Green Apartments 4626 Wyngate Blvd Forest Lake *Year Built: 2019*	84	16	12 31 4	1BR 2BR 3BR	669 1,029 - 1,035 1,194	$1,433 $1,727 - 1,781 $2,185	$2.14 $1.67 - 1.68 $1.83	Units have washers and dryers. Community includes pet wash, fitness center, game room, community room, and an underground parking garage.
Arbor Ridge Luxury Apartments 1700 8th St NE Forest Lake *Year Built: 2017*	73	1	31 42	1BR 2BR	480 - 660 910 - 1,109	$885 - 1,152 $1,215 - 1,676	$1.75 - 1.84 $1.34 - 1.51	Heat, Wi-Fi, water, sewer, and garbage are all included. Units include washer and dryer. Patio with grills and on-site fitness center included. Surface parking lot with garages available.

* Data collected in February and March 2023

Source: Costar; websites, interviews with leasing agents; LOCi Consulting LLC

Map 3.10: Rental Properties in the Downtown Centerville (PMA)



Source: ESRI; LOCi Consulting LLC

- Units range in size from 714- to 1,268-square feet.
- Rents range from $800 to $1448 per month, or $0.95 to $1.35 per square foot per month.
- Two of the projects have surface parking only. One project, *Rosemary Apartments*, has underground parking.

Market Rate Rental Properties

- LOCi Consulting profiled seven newer projects with a total of 742 units. Projects are located in Forest Lake, Hugo, and White Bear Lake.
- At the time of the survey, there were 61 units vacant for a vacancy rate of 8.2%. A vacancy rate of 5% is considered to be the level where the market is in equilibrium.
- Most of the property managers interviewed said that the buildings tend to stay full. One of the newest properties, *Timber Ridge in Forest Lake*, opened its second phase in February and is already leased up.
- Unit sizes range from 480- to 1,543-square feet.
- Rents range from $885 to $2,728 per month, or $1.34 to $2.84 per square foot per month.
- Units typically include in unit washers and dryers. Some of the of the properties include community rooms and outdoor gathering spaces.
- Most of the properties offer surface parking with garages that can be rented for an additional fee. A couple of the projects have underground parking.

Senior Housing Trends

Senior housing refers to a spectrum of property types that combine housing with varied levels of services for seniors. Services can include meals, housekeeping, social programming, medication assistance, personal care, and nursing care.

Senior housing products range from minimal or no services at active adult rental communities to high levels of services provided in enhanced memory care assisted living units. Some communities will offer the spectrum of senior housing products to residents, allowing residents to age in place within the community and to receive services appropriate for their needs. Others are freestanding and offer only one type of product.

The properties that include the lowest level of services are called **active adult** properties, which offer virtually no support services or healthcare, but still restrict residency to those age 55 and over. Active adult properties can be rental or owner-occupied units—attached or detached townhomes, condominiums, and cooperatives. The target market for these communities is typically age 65 and over and are generally healthier than other senior living residents.

Affordable senior housing can generally be classified as active adult as well. Units are age- and income-restricted and offer typical apartments with few services. Some affordable housing developments offer meals, housekeeping, and/or assistance with activities of daily living through external providers. These services are rarely included in the monthly fee.

Independent living communities offer support services such as meals and housekeeping. These services are either included in the rent or offered a-la carte so that residents can choose whether to pay for them. Independent living projects attract an older and frailer senior population than active adult projects—generally seniors age 75 and over.

The most service-intensive housing types are **assisted living** and **memory care assisted living**. Typical services included three meals per day, housekeeping, linen changes, personal laundry, 24-hour emergency response, and a wide range of personal-care and therapeutic services. The meals and services can be built into the monthly fee, charged through a tiered service package, or offered a-la-carte.

Age-restricted housing can be owned by the resident or rented. Age-restricted housing that is owned by the resident can be cottages, villas, townhomes, condominiums, or cooperatives. More often than not, for-sale senior housing offers few services for its residents.

3.11 Senior Housing Properties in the PMA

Property	Address	Year Built	Units
Income- and Age-Restricted Rental			
Trailside Senior Living	19850 Forest Rd, Forest Lake	2011	70
Willow Woods Apartments	3441 Willow Ave, White Bear Lake	1997	46
The Cottages of Willow Pond	101 Willow Pond Trl, White Bear Lake	1996	47
Pioneer Manor Apartments	2225 6th St, White Bear Lake	1993	42
John Jergens Estates	57 17th Ave. SE, Forest Lake	1990	30
Muller Manor	14235 Forest Blvd. N., Hugo	1990	28
Whispering Pines	7 5th Ave NE, Forest Lake	1983	40
Washington Square Apartments	2060 5th St, White Bear Lake	1979	81
Kilkenny Court Apartments	1440 4th St. SE, Forest Lake	1976	92
			476
Age-Restricted Ownership			
Hidden Pathways Condos	5200 Pathways Ave, White Bear Lake	2005	50
Hidden Pathways Townhomes	5201-5267 Pathways Ave, White Bear Lake	2005	25
			75
Age-Restricted Rental			
Lyngblomsten at Lino Lakes (TH)	7026 Centerville Rd, Centerville	2023	20
Chauncey Barret Gardens	7026 Centerville Rd, Centerville	2004	47
The Boulders	3533 Willow Ave, White Bear Lake	2003	93
The Arbors of White Bear Lake	4800 Division St, White Bear Lake	2001	80
Lake Square Apartments	2250 6th St, White Bear Lake	1987	86
			326
Independent Living with Services			
Lyngblomsten at Lino Lakes (IL)	7026 Centerville Rd, Centerville	2023	96
Harbor Crossing	4650 Centerville Rd, White Bear Lake	2017	42
The Waters of White Bear Lake	3840 Hoffman Rd, White Bear Lake	2016	106
Cherrywood Point	1231 W Broadway Ave, Forest Lake	2015	35
Keystone Place at LaValle Fields	14602 Finale Ave N, Hugo	2015	29
Amira Choice Forest Lake	231 W Broadway Ave, Forest Lake	2014	39
Waverly Gardens	5919 Centerville Rd, North Oaks	2004	164
The Lodge at White Bear Lake	3666 E County Line N, White Bear Lake	2001	120
			631
Assisted Living			
Lyngblomsten at Lino Lakes (AL)	7026 Centerville Rd, Centerville	2023	35
NorBella Senior Living	2025 Michaud Wy, Centerville	2022	24
Good Life Assisted Living	5260 127th Street N, Hugo	2017	32
Harbor Crossing	4650 Centerville Rd, White Bear Lake	2017	40
Cherrywood Pointe	1231 W Broadway Ave, Forest Lake	2015	35
Keystone Place at LaValle Fields	14602 Finale Ave N, Hugo	2015	49
Gracewood Advanced AL	675 Market Pl Dr, Lino Lakes	2015	18
Amira Choice Forest Lake	231 W Broadway Ave, Forest Lake	2014	20
Lino Lakes Assisted Living	725 Town Center Pkwy, Lino Lakes	2010	42
White Pine	1235 Gun Club Rd, White Bear Lake	2007	34
Encore Assisted Living	5607 150th St. N., Hugo	2004	12
Waverly Gardens	5919 Centerville Rd, North Oaks	2004	59
Birchwood Arbors	604 NE First Street, Forest Lake	2002	46
Cerenity Residence of WBL	4615 Second Ave, White Bear Lake	1988	43
			489

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Source: LOCi Consulting LLC

3.11 Senior Housing Properties in the PMA (Continued)

Property	Address	Year Built	Units
	Memory Care Assisted Living		
Lyngblomsten at Lino Lakes (MC)	7026 Centerville Rd, Centerville	2023	17
Atlas Villas Memory Care	1825 Main St, Centerville	2023	16
NorBella Senior Living	2025 Michaud Way, Centerville	2022	16
Good Life Assisted Living	5260 127th Street N, Hugo	2017	32
Harbor Crossing	4650 Centerville Rd, White Bear Lake	2017	30
The Waters of White Bear Lake	3840 Hoffman Rd, White Bear Lake	2016	30
Prelude Memory Care Cottages	4650 White Bear Pkwy, White Bear Lake	2016	30
Cherrywood Pointe	1231 W Broadway Ave, Forest Lake	2015	22
Keystone Place at LaValle Fields	14602 Finale Ave N, Hugo	2015	22
Gracewood Memory Care	675 Market Pl Dr, Lino Lakes	2015	17
Amira Choice Forest Lake	231 W Broadway Ave, Forest Lake	2014	20
Lino Lakes Assisted Living	725 Town Center Pkwy, Lino Lakes	2010	28
White Pine	1235 Gun Club Rd, White Bear Lake	2007	10
Encore Memory Care	5607 150th St. N., Hugo	2004	24
Waverly Gardens	5919 Centerville Rd, North Oaks	2004	12
Birchwood Memory Care	604 1st St, Forest Lake	2002	30
Brookdale North Oaks	300 Village Center Dr, North Oaks	1998	46
			402

Source: LOCi Consulting LLC

Market Trends

The estimated national vacancy rate for all senior housing types in the fourth quarter of 2022 was 17.0%, according to the National Investment Center for Seniors Housing & Care (NIC).

The COVID19 pandemic had dramatic impacts on the senior living industry. With the healthcare and staffing problems that occurred in senior housing, assisted living, and skilled nursing communities, the vacancy rate increased significantly, rising from 12.9% in the first quarter of 2020 to 22.2% in the second quarter of 2021.

Adding to the demand side pressure, the stock of senior housing units grew by 6.3% nationally since the beginning of the pandemic, according to NIC.

Senior Housing in the PMA

LOCi Consulting inventoried senior housing in the Downtown Centerville PMA. Figure 3.11 (on the previous page and above) shows an inventory of the age-restricted properties in the PMA. About 2,400 senior housing units were identified in the PMA.

Figure 5.2 shows selected newer properties that were surveyed in the PMA. These properties are profiled to best understand average sale prices/rents, occupancies, and features and amenities that are currently being offered in the marketplace.

Affordable Senior Housing

- Three affordable senior housing properties were profiled—two in Forest Lake and one in White Bear Lake—totaling 145 units.
- There are no vacant units at the affordable senior living properties.
- Rents at the affordable senior housing projects range from $480 to $1,141, with exception to the project where rents are 30% of the resident's income.

3.12 Profiles of Selected Senior Housing Communities in the Downtown Centerville PMA

Property	Units	Vacant Units	Unit Type	Size of Unit	Base Rent	Rent per Square Foot	Services and Amenities
Income- and Age-Restricted Rental							
Trailside Senior Living 19850 Forest Rd Forest Lake *Year Built: 2011*	70	0	1BR 2BR	780 950	$480 - 900 $632 - 1,141	$0.62 - 1.15 $0.67 - 1.20	Income restricted. Heated underground parking included, community room, activity room, fitness center library, and in unit washer and dryer. Rent includes water, sewer, and garbage.
Willow Woods Apartments 3441 Willow Ave White Bear Lake *Year Built: 1997*	45	0	1BR	781	Rent is 30% of Income		Income restricted to 50% of Area Median Income. Surface parking lot available. Two-year wait list for units.
John Jergens Estates 57 14th Avenue Southeast Forest Lake *Year Built: 1990*	30	0	1BR 2BR	781 907	$809 $953	$1.04 $1.05	Income restricted. Townhomes with private entrances, limited community spaceand in unit washer and dryer. Rent includes water, sewer, and garbage.

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Source: Interviews; community websites; LOCi Consulting LLC

3.12 Profiles of Selected Senior Housing Communities in the Downtown Centerville PMA (Continued)

Property	Units	Vacant Units	Unit Type	Size of Unit	Base Rent	Rent per Square Foot	Services and Amenities
Market-Rate Active Adult Rental							
Chauncey Barrett Gardens 7022 Centerville Rd Centerville *Year Built: 1988*	47	0	1BR 2BR	705 - 1,005 964 - 1,020	$979 - 1,266 $1,194 - 1,481	$1.39 - 1.80 $1.24 - 1.54	Rent includes heat, water, sewer, and trash removal. Community room, exercise room, guest room, storage lockers, individual patios and balconies, and surface parking lot with garages available. Wait list.
The Boulders 3533 Willow Ave White Bear Lake *Year Built: 2003*	93	1	1BR 2BR	700 - 900 1,000 - 1,273	$1,175 - 1,375 $1,475 - 1,975	$1.68 - 1.96 $1.48 - 1.98	Rent includes heat, electricity, water, sewer, and trash removal. Limited community spaces, fitness center, storage lockers, individual patios and balconies, and surface parking lot.
The Arbors of White Bear Lake 4800 Division St White Bear Lake *Year Built: 2001*	80	0	1BR 2BR	786 1,150	$1,655 $2,100	$2.11 $1.83	Rent includes water, sewer, and trash removal. Community room, exercise room, guest room, storage lockers, individual patios and balconies, in-unit washer and dryer, and surface parking lot.
Independent Living with Services							
Harbor Crossing 4650 Centerville Rd White Bear Lake *Year Built: 2016*	42	0	Studio 1BR 2BR	441 - 649 545 - 880 1,060 - 1,137	$2,445 - 2,930 $2,775 - 3,590 $4,275 - 4,540	$4.51 - 5.54 $4.08 - 5.09 $3.99 - 4.03	Meals are available but not included; units include full kitchens, in-unit washer and dryer, and some patios/balconies; amenities include community room, dining room, fitness center, and guest suites. Monthly fee includes heat, central air conditioning, water and trash.

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Source: Interviews; community websites; LOCi Consulting LLC

3.12 Profiles of Selected Senior Housing Communities in the Downtown Centerville PMA (Continued)

Property	Units	Vacant Units	Unit Type	Size of Unit	Base Rent	Rent per Square Foot	Services and Amenities
Independent Living with Services (Continued)							
Keystone Place at LaValle Fields 14602 Finale Ave N Hugo *Year Built: 2015*	29	2	1BR 2BR	833 1,189 - 1,340	$4,295 $4,395 - 4,795	$5.16 $3.70 - 3.58	Meals are available but not included; units include full kitchens, in-unit washer and dryer, and some patios/balconies; amenities include community room, dining room, and fitness center. Includes all utilities.
Assisted Living							
NorBella Senior Living 2025 Michaud Way Centerville *Year Built: 2022*	24	12	Studio	380	$3,900 <u>Service Packages</u> Required care packages	$10.26	Three meals per day and light housekeeping included; units include kitchenettes; amenities include community room, and dining room. Monthly fee includes heat, central air conditioning, water and trash.
Harbor Crossing 4650 Centerville Rd White Bear Lake *Year Built: 2016*	40	0	Studio 1BR 2BR	441 - 649 545 - 880 1,060 - 1,137	$3,660 - 3,990 $3,990 - 5,400 $5,490 - 5,755 <u>Service Packages</u> Required care packages $435-6,645	$6.15 - 8.30 $6.14 - 7.32 $5.06 - 5.18	Three meals per day and light housekeeping included; units include full kitchens, in-unit washer and dryer, and some patios/balconies; amenities include community room, dining room, fitness center, and guest suites. Monthly fee includes heat, central air conditioning, water and trash.
Keystone Place at LaValle Fields 14602 Finale Ave N Hugo *Year Built: 2015*	49	7	Studio 1BR 2BR	356 600 869	$5,695 $6,495 $6,895 <u>Service Packages</u> Additional fees for required service packages	$16.00 $10.83 $7.93	Three meals per day plus snacks included in care packages, weekly housekeeping and linen change. Units include full kitchens, in-unit washer and dryer, and some patios/balconies; amenities include community room, dining room, and fitness center. Includes all utilities.

--- Continued on Next Page ---

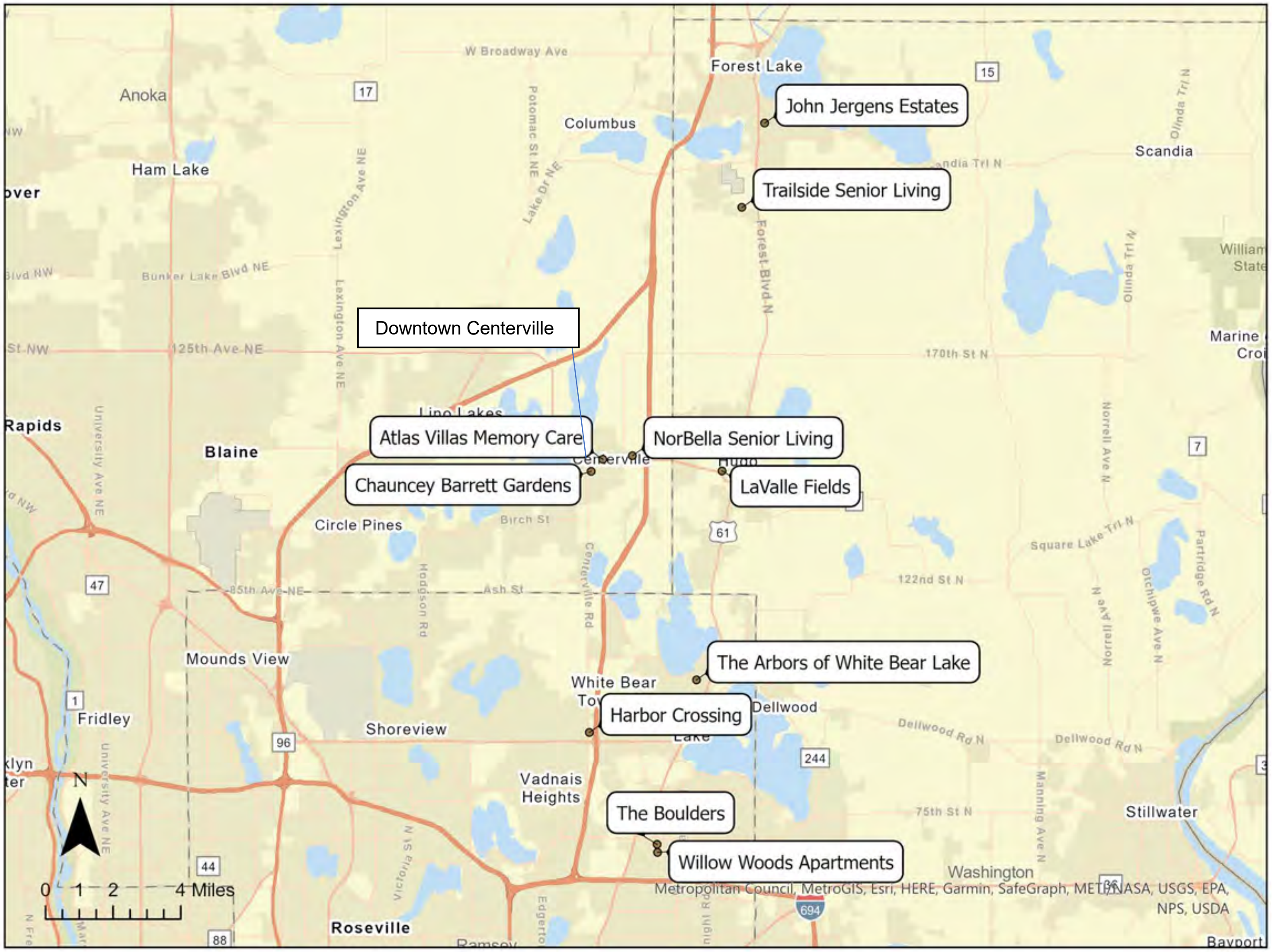
Source: Interviews; community websites; LOCi Consulting LLC

3.12 Profiles of Selected Senior Housing Communities in the Downtown Centerville PMA (Continued)

Property	Units	Vacant Units	Unit Type	Size of Unit	Base Rent	Rent per Square Foot	Services and Amenities
Memory Care Assisted Living							
Atlas Villas Memory Care 1825 Main St Centerville *Year Built: 2023*	16	13	Studio	380	$3,500 Service Packages Required care packages $4,400 and higher	$9.21	Three meals per day and light housekeeping included; units include kitchenettes; amenities include community room, and dining room. Monthly fee includes heat, central air conditioning, water and trash.
NorBella Senior Living 2025 Michaud Way Centerville *Year Built: 2022*	24	12	Studio	380	$4,900 Service Packages Required care packages $435-6,645	$12.89	Three meals per day and light housekeeping included; units include kitchenettes; amenities include community room, and dining room. Monthly fee includes heat, central air conditioning, water and trash.
Harbor Crossing 4650 Centerville Rd White Bear Lake *Year Built: 2016*	40	2	Studio	360 - 480	$4,515 - 4,690 Service Packages Required care packages $2,885-4,985	$9.77 - 12.54	Three meals per day and light housekeeping included; units include full kitchens, in-unit washer and dryer, and some patios/balconies; amenities include community room, dining room, fitness center, and guest suites. Monthly fee includes heat, central air conditioning, water and trash.
Keystone Place at LaValle Fields 14602 Finale Ave N Hugo *Year Built: 2015*	22	0	Studio 1BR	336 643	$8,895 $9,295 Service Packages Additional fees for required service packages	$26.47 $14.46	Three meals per day plus snacks included in care packages, weekly housekeeping and linen change. Units include full kitchens, in-unit washer and dryer, and some patios/balconies; amenities include community room, dining room, and fitness center. Monthly fee includes all utilities.

Source: Interviews; community websites; LOCi Consulting LLC

Map 3.13: Profiled Senior Housing Communities in the Downtown Centerville PMA



Source: ESRI; LOCi Consulting LLC

Active Adult

- Three active adult rental projects were profiled, including *Chauncey Barret Gardens* in Centerville. These properties have a total of 220 units.
- These active adult properties offer few services like meals and housekeeping but do have community spaces for residents.
- There was only one unit vacant at the time of the survey, for a vacancy rate of 0.4%.
- Rents at these properties range from $979 to $2,100 per month.

Independent Living

- Independent living senior housing resembles active adult senior housing—the properties offer full apartments with full kitchens—but also offer meals, housekeeping, and services.
- Two properties were profiled, *Keystone Place at LaValle Fields* in Hugo and *Harbor Crossing* in White Bear Lake, with a total of 71 units.
- Both of the projects surveyed offer a continuum of care with assisted living and memory care units available on the same campus.
- Both properties make meals available to residents, but they are not required to purchase meal plans. Light housekeeping is included with the monthly fee.
- At the time of the survey, there were two vacant units, for a vacancy rate of 2.8%.
- Because they offer more services and continuums of care, pricing for independent living is higher than for active adult. Monthly fees range from $2,445 to $4,795.

Assisted Living and Memory Care

- Four assisted living and memory care facilities were profiled in the PMA. Three of the properties—*Keystone Place at LaValle Fields*, *Harbor Crossing*, and *NorBella*—offer assisted living and memory care levels of service. *Atlas Memory Care* offers only memory care services.
- Two of the properties opened recently. *NorBella* opened in October 2022 and *Atlas Memory Care* opened in March 2023.
- The vacancy rate for assisted living is 7.8% and the vacancy rate for memory care is 3.2%. Because *NorBella* and *Atlas Memory Care* are still in their lease-up period, the vacancy rate excludes these properties.
- Monthly fees for assisted living range from $3,660 to $6,895. Memory care monthly fees range from $3,500 to $9,295.
- The monthly fees typically include a base package with meals and housekeeping. Some properties offer base packages with higher levels of care. Others offer more basic base services with higher services of care available.

Pending Multifamily Housing Developments in the Downtown Centerville PMA

LOCi Consulting contacted city and county staff to identify planned and pending for-sale multifamily developments in the PMA.

Centerville

- City staff said that they have had conversations with developers about a multifamily development at Block D in Downtown Centerville—the block west of Centerville Road between Sorel Street and Heritage Street. Discussions have been preliminary at this time.

Forest Lake

- A 40-unit memory care assisted living facility is under construction in the Headwaters Development. The facility is scheduled to open in 2023 and will be operated by Suite Living. Because this project is under construction, it is included in the demand calculations in this analysis.
- Gaughan Companies, developer of the *Lighthouse Lofts* mixed-use project in Forest Lake, is proposing another 100-unit mixed-use development that would be located at the southeastern corner of Broadway and Highway 61. The project would be similar to its earlier

project and would include a proposed 10,000-square-foot restaurant space and about 2,000-square feet of retail space. The developers are asking for Tax Increment Financing to assist the project. The city has not yet approved the proposal.

Hugo

- Summit Management, operator of *Hugo Estates Mobile Home Park*, has been approved for a 54-unit, three story apartment building at their property at Highway 61 and 152nd Street. The proposal also includes 16 new trailer pads. Permits have not been pulled for this project and construction has not started.

- Knut Properties has proposed two 70-unit apartment buildings at the intersection of Frenchman Road and Highway 61. The proposal also includes future phases of commercial. The proposal has not been approved by the city.

Lino Lakes

- Lino Lakes LLC is developing a 72-unit, age restricted apartment building to be called *NorthPointe Garden Estates*. The project will be just southeast of Centerville, south of West Cedar Street and north of Birch Street. Rents will range from $1,675 to $2,475 per month. The building will be constructed over a one-story, at-grade parking structure and will include a community room, fitness center, wood shop, game room, and salon. The project is under construction and is included in the demand calculations for this study.

- Integrate Properties LLC is continuing to refine a concept plan for the development of the Robinson Sod Farm property. The final plan could include about 500 units of single-family homes and townhomes. This project is still in the planning process and does not have final approval.

- Lennar Homes has approached the City of Lino Lakes to revise their overall plan for the *Watermark* development. The plan would call for the reduction of the number of villa homes and an increase of about 60 to 70 new attached townhome units. This revision has been discussed but not submitted officially and has not been approved by the city.

White Bear Lake

- Shafer Richardson has begun construction on a 244-unit apartment complex, which will be located at the corner of Hoffman Road and County Road E on the existing site of The Stadium Bar & Grill. As a part of the financing, the project will include 10 affordable units.

- DigniCare Senior Development is proposing a 14-unit assisted living and memory care community that would be located at 2687 County Road D East. The project is still in discussion and the plan has not been approved by the planning commission.

- Element Design Build is proposing a redevelopment project for a gas station site at the intersection of County Road E and Bellaire Avenue. The project would include a 15-unit apartment building and three townhomes. The project has not been approved.

Interviews

LOCi Consulting interviewed sources familiar with the for-sale, rental, and senior housing markets. These sources include Realtors, developers, leasing agents, and property managers. Key points from those interviews follow.

Demand for new housing comes primarily from the immediate area.

- Realtors and property managers said that most of the buyers and new tenants are from the area and want to stay closer to their family and friends.

- Senior housing operators said the same thing.

The mix of retail in the immediate area generates demand and helps sell or rent units.

- One senior housing manager said that the development of a nearby *Lund's and Byerly's* grocery store facilitated lease up.

Development of new housing is financially difficult.

- Developers said that, between higher interest rates and higher construction costs, they are having difficulty making new projects work. One developer said that they would need some type of public financing to get projects to work in this environment.

For-Sale Housing

Demand for single-family homes and townhomes was very strong in 2020 and 2021 but is now starting to show signs of slowing.

- Realtors interviewed said that the existing resale housing market has slowed down in the last six months as interest rates have increased. But prior to that the housing market was very heated.
- Realtors said that higher interest rates and economic uncertainty overall has slowed the for-sale home market. Buyers are hesitant to make big decisions.
- Realtors said that inventory remains very low and that has meant that transactions are still happening. But the price increases seen over the last few years are not happening.

Buyers of townhomes are often more price sensitive than buyers of single-family homes.

- Many buyers would prefer to buy a single-family home, so builders of townhomes need to price the units to match demand.
- Realtors said that buyers of single-level townhomes are often empty nesters. These units do not move as quickly as more affordable multi-level townhomes because the buyers already have an existing home and can take their time to purchase.

Condominiums have not been tested in the market as much as townhomes.

- This product type is more specialized, and, other than one project currently being developed in North Oaks and an older project in Forest Lake, has not been developed frequently in the PMA.

Rental Housing

Even with the large number of new rental units coming into the market, there is still demand for rental housing.

- Managers and developers said that homeownership has become even more challenging with higher interest rates and that is creating demand for rental.
- Although some developers said that they do not see rents increasing like they have in the last couple of years.

New rental projects are still leasing up quickly.

- One building manager at a newly opened project said that her building was almost fully leased at opening.

Senior Housing

Active adult and independent living occupancies are strong.

- Managers reported low vacancies for these housing types.

Assisted living and memory care managers are concerned that there is too much new product.

- Managers are still seeing challenges from the COVID19 pandemic and think that occupancies may continue to be challenged with newer units becoming available.

Senior housing property managers said that staffing has become less of a challenge.

- Managers said they are seeing improvement and do not see this as a significant barrier.

4. Retail Market Analysis

This section examines the restaurant and retail market in the Downtown Centerville Primary Market Area (PMA).

Retail real estate has seen dramatic change in the last 10 years. Even prior to the COVID19 pandemic, shifting incomes, changing consumer preferences, and the growth of e-commerce had resulted in a significant number of store closures and shuttered shopping centers across the country. With the pandemic, many of these trends that were negatively impacting retail have accelerated. Other trends that were trending positive—like the growth of health clubs and experiential retail—have now reversed and slowed considerably.

On the other side, many retail concepts have done well during the coronavirus pandemic. Grocery stores, liquor stores, and home improvement all experienced strong sales during this period. And retail concepts that have been able leverage their e-commerce operations and alternative methods of delivery—like curbside pickup—were able to maintain most of their sales.

While there have been significant disruptions, the traditional analytic lens of retail has stayed relatively consistent. Based on an understanding of consumer spending in an area and the ability to target the right retail to capture that spend, the framework provides a tool to understand how these shifts drive changes in demand for retail space.

Retail and restaurant space can be found in malls, shopping centers, and freestanding buildings—both individual structures and street-front business districts. Mixed-use projects—where retail is combined with residential or office—have also become popular with developers and local planners.

Retail is often viewed along a spectrum of convenience versus destination. Convenience retailers are grocery stores, drugstores, liquor stores, home improvement stores, coffee shops, and quick-service and fast-casual restaurants. At the destination end of the spectrum are department stores, apparel and accessories stores, furniture, electronics, sporting goods, higher-end restaurants. General merchandisers and clubs—like Costco, Target, and Walmart—seek to capitalize on spending from both ends of the spectrum.

The location of a planned retail development determines which types of retail will succeed. Convenience locations need more frequent trips and generally higher population densities to drive smaller purchases and support lower margins. Destination retail may need higher incomes and proximity to similar types of retail to support the fact that their customers make less frequent trips to their establishments.

Key Retail Trends

Here are key trends in retail that will impact the amount and types of space that retailers will demand in the Downtown Centerville PMA.

1. **Consumer spending has been surprisingly strong.**

With a tight labor market and the resulting wage growth, purchasing power of households has been strong. Even as the inflation increased in the second half of 2022, households continued to spend at levels comparable to 2021. And, unlike the shutdowns of 2020, consumers spread their spending to both e-commerce and brick-and-mortar channels. This sustained spending has pushed retailers to add new locations and demand additional space at existing locations.

2. **The coronavirus pandemic changed the way consumers shop.**

Buy online and pickup in-store (sometimes called "BOPIS") was already a major trend for retail headed into the pandemic, but COVID-19 put gasoline on the fire. To address safety concerns, retailers quickly developed curb-side pickup, enhanced drive-through, delivery, and online ordering capabilities.

And consumers responded and adopted these new methods of transaction. Even as consumers demand more experiential retail at brick-and-mortar locations, they continue to demand the conveniences that evolved during the pandemic. Curb-side pickup and delivery are here to stay.

3. **Weak and struggling retail concepts will continue to disappear from the market.**

Retailers who lacked cash, have heavy amounts of debt, or who were already suffering sales declines were forced into bankruptcy in 2020 and 2021 to levels not seen in more than a decade. Some retailers that were able to stay afloat during this period because of rent concessions or stimulus payments are continuing to struggle and may ultimately go out of business.

4. **Grocery and convenience retail will continue to be viewed as an essential anchor for other retailers.**

Community and neighborhood shopping centers with a grocery anchor did well in the pandemic and indoor shopping malls did terribly. Consumers are spending more of their discretionary and essential spending online, but grocery stores and other convenience retail have been able to maintain sales. Smaller retailers will look to position themselves near these convenience traffic drivers. And malls will continue to consider adding grocery stores as anchors.

5. **Direct to consumer brands and online-only retailers will continue to look for traditional brick-and-mortar space to leverage their consumer relationship.**

Continuing a trend that began before the pandemic, online-only retailers are seeking out brick and mortar locations to leverage their presence in a market. They have realized that an actual physical presence boosts online sales. Many of these retailers look to unique and interesting shopping districts, like Grand Avenue, 50th and France, and North Loop, to capture the attention of their target market. This trend may present an opportunity for local entrepreneurs in Downtown Centerville.

6. **E-commerce will continue to grow but will experience growing pains.**

With the dramatic acceleration of e-commerce, the cracks began to show. Employee shortages at distribution centers, a taxed postal service, and technology glitches and crashes meant that consumers were often left feeling disappointed. And, because of the cost structures, online retail is often much less profitable than an in-store transaction. Retailers know they must do e-commerce to be competitive, but the overall trend is driving down the bottom line.

Retail Overview in the Downtown Centerville PMA

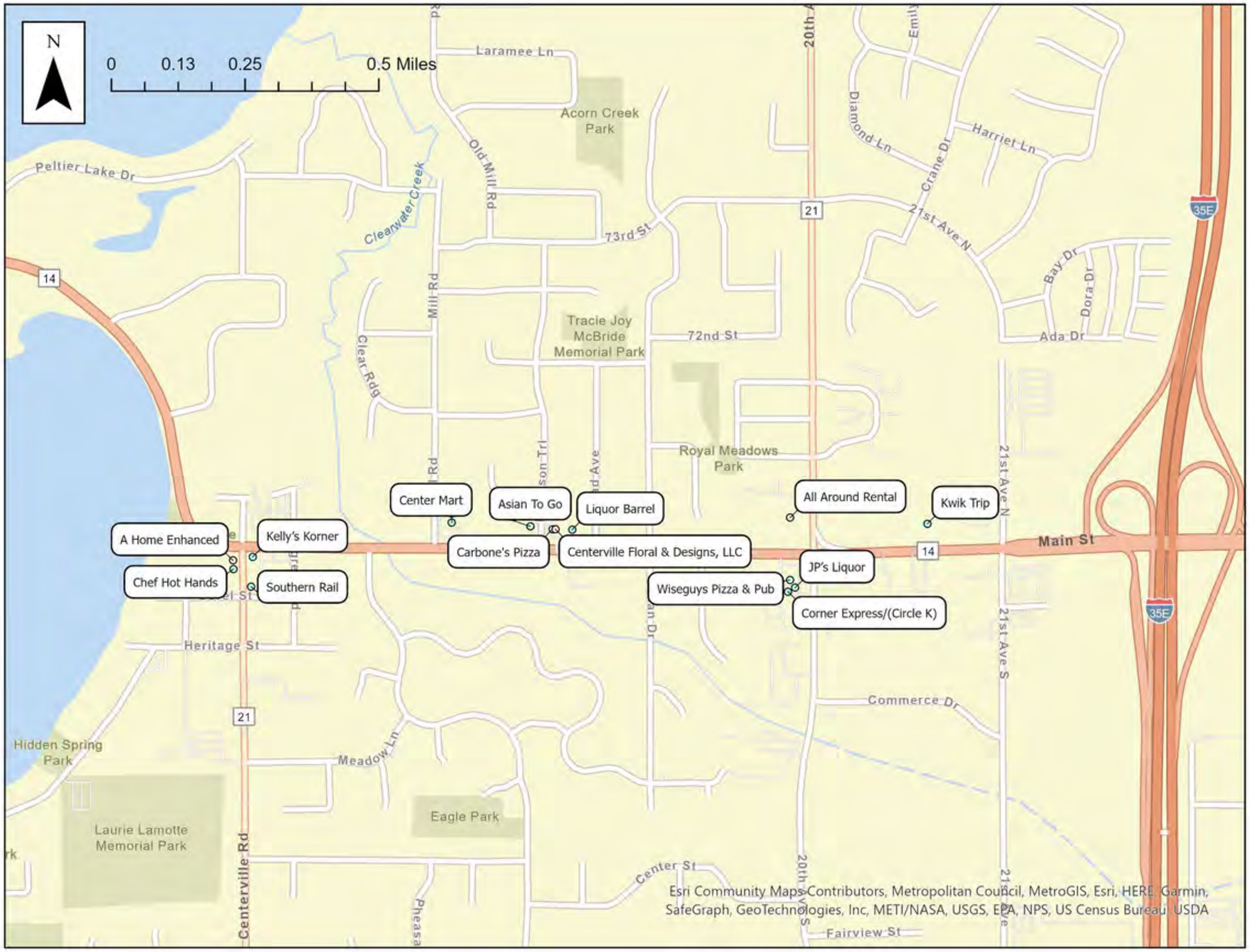
Map 4.1 shows restaurants and retail in the City of Centerville. The city is served by several convenience stores, liquor stores, and a few specialty retailers. For restaurants, there are two pizza restaurants, two bars that serve food, one café/caterer, and an Asian restaurant. The city does not have a grocery store, general merchandise store, or pharmacy.

Map 4.2 shows an overview of the restaurants and retail that serves the Centerville PMA. The map includes grocery stores, general merchandise stores, and national pharmacy chains—Walgreens and CVS—along with points showing restaurants and retailers in the area.

Grocery Stores and Neighborhood Shopping Centers

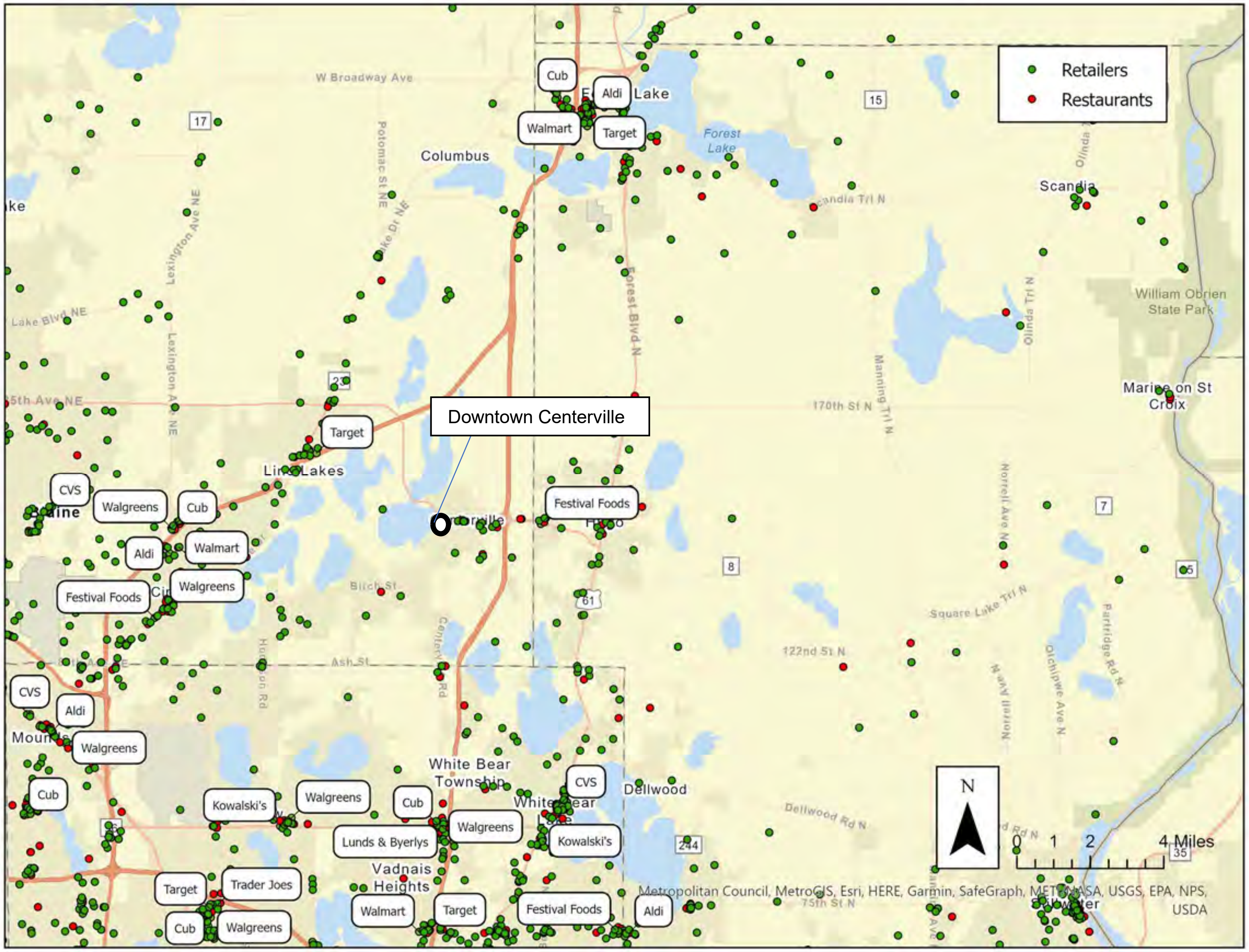
- The closest grocery store to the City of Centerville is Festival Foods at the Hugo Marketplace in Hugo. The 54,000-square foot store is located 2.0 miles from Downtown Hugo. The store is a full-service grocery store but does not have a pharmacy.
- Shopping centers and retail nodes anchored by grocery stores are called neighborhood retail. These shopping areas tend to be smaller and serve trade areas of about 20,000 people, typically within about three miles of the shopping center.

Map 4.1: Restaurants and Retail in the City of Centerville



Source: City of Centerville; ESRI; LOCi Consulting LLC

Map 4.2: Grocery Stores, General Merchandize Stores, and National Pharmacy in the PMA



Source: Retailer websites; SNAP data; DataVu; ESRI; LOCi Consulting LLC

General Merchandise Stores and Community Shopping Centers

- The closest general merchandise store is Target in Lino Lakes. The 162,000-square foot store has a full grocery offering along with more traditional general merchandise. It is located 2.8 miles from Downtown Centerville, but the drive is longer because the route is through the Rice Creek Chain of Lakes Preserve.
- This type of shopping center and retail node is called community retail. In addition to the general merchandise retailer—Target or Walmart—the shopping centers are often anchored by a grocery store or pharmacy. These retail nodes serve much larger trade areas, with between 75,000 and 150,000 people within three to six miles of the node.
- The Centerville PMA has an additional community retail node in Forest Lake about 8.0 miles north of Downtown Centerville. There are also community retail nodes located in Blaine and Vadnais Heights, just outside of the PMA.

Regional Malls and Regional Shopping Nodes

- The Downtown Centerville PMA is served by two regional malls—*Maplewood Mall* in Maplewood and *Rosedale Center* in Roseville. Both have about one million square feet of retail space and serve as anchors to larger retail nodes surrounding their locations. (These locations are not shown on the map.)
- Regional malls are traditionally anchored by two or more department stores and serve 100,000 to 500,000 people within five to 10 miles.
- This shopping format is evolving to meet changing consumer demands. Department stores are struggling and are no longer dependable anchors. Many mall owners are looking to add traffic drivers like entertainment and general merchandise and grocery stores. Others are looking to create mixed-use centers by adding residential development.

Market Conditions for Retail Commercial Real Estate in the Metro Area

Responding to increased consumer expenditure, local and national retailers have sought additional retail space. While at the same time, commercial real estate developers faced significant headwinds with rising construction costs and supply-chain challenges, resulting in fewer new projects being developed to respond to this demand. In fact, with demolitions and redevelopments, the base inventory of retail space in the Metro Area actually contracted significantly. These factors have kept retail vacancy rates low and increased rents at existing properties.

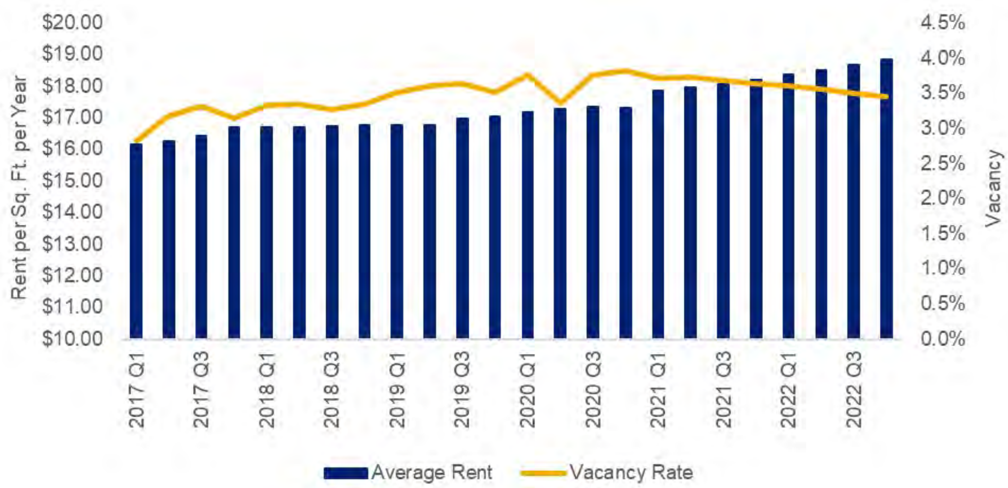
Using data from CoStar—a national commercial real estate data service used by commercial brokers and retail site selectors—LOCi Consulting reviewed retail real estate data for the Twin Cities Metropolitan Area (referred to by CoStar as the Minneapolis Market).

CoStar data is not perfect. It does not include vacant data that is not being listed by brokers. Therefore, it is likely an underrepresentation of the actual vacancy rate. Spaces that may be currently closed because of the pandemic are not considered vacant because they are not being listed. Further, CoStar data includes many single-user properties in its data that are often not considered in other sources. As a result, the denominator tends to be larger, so vacancy rates are lower than other sources.

Figures 4.1 and 4.2 show average retail lease rates per square foot per year, vacancy rates, and absorption for the Minneapolis-Saint Paul market.

- The vacancy rate for retail commercial real estate space in the Metro Area was 3.4% in the fourth quarter of 2022.
- Vacancies have remained low in the market as new supply has primarily been built-to-suit for a particular retailer. Few large shopping centers have been developed in the market, and the ones that have been built already have most of their space committed.

4.3 Average Lease and Vacancy Rates for Retail Space in the Metro Area



* Data is Q1 2017 to Q4 2022

Source: CoStar; LOCi Consulting LLC

4.4 Net 12-Month Absorption for Retail Space in the Metro Area

* Data is Q1 2017 to Q4 2022

Source: CoStar; LOCi Consulting LLC

- The average rent for retail space was $18.84 per square foot per year in the Metro Area in the fourth quarter of 2022.
- Rents grew on average 3.4% per year between 2019 and 2022. Between 2010 and 2019, the average annual rental growth was 0.5% per year.
- Absorption has been very strong between the first quarter of 2021 and the fourth quarter of 2022.

Market Conditions for Retail Commercial Real Estate in the Downtown Centerville PMA

Figures 4.3 and 4.4 show average retail lease rates per square foot per year, vacancy rates, and absorption for the retail real estate in the Downtown Centerville PMA.

- The vacancy rate for retail commercial real estate space in the PMA was 2.2% in the fourth quarter of 2022.
- This vacancy rate is very low and suggests that potential tenants are having a tough time finding space in the PMA to meet their needs.
- The average rent for retail space was $16.46 per square foot per year in the Metro Area in the fourth quarter of 2022.
- Even with the lower vacancy rates, rents in the PMA have not risen comparably to the Metro Area as a whole.

Profiled Shopping Centers in the Downtown Centerville PMA

Figure 4.7 shows profiled existing shopping centers in the Downtown Centerville PMA.

- There are seven shopping center properties profiled. One property is located in the City of Centerville.
- The largest shopping center profiled is *White Bear Marketplace*, anchored by Cub Foods, with 119,000-square feet.
- If it were combined into one property, the shopping center in Lino Lakes with Target and Kohl's would likely be the largest. However, the anchor retailers are separate properties from the in-line retail.
- Occupancy for the group ranges from 72% to 100%. There is about 5,280-square feet of vacant space in these properties. The overall vacancy rate for the profiled properties is 1.3%.
- Quoted retail lease rates for these properties are $18 to $20 per square foot triple net (NNN). These lease rates are unlikely to support new construction. (Triple net—sometimes just labeled "NNN"—is a rental arrangement where the tenants pay all of the expenses on the property, including operating expenses, taxes, and sometimes external maintenance.)

Pending Retail Developments in the Downtown Centerville PMA

LOCi Consulting contacted city and county staff to identify planned and pending retail developments in and near the PMA.

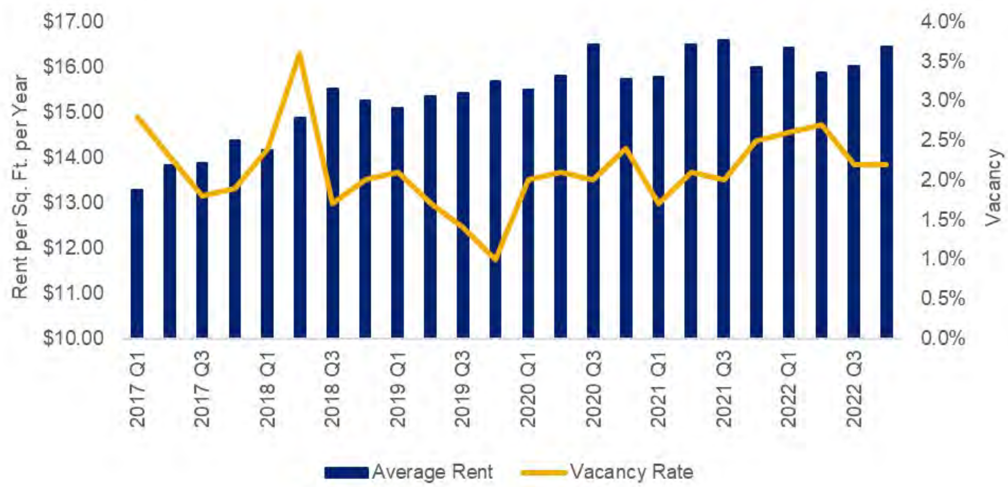
Centerville

- City officials said that the owners of Guys and Dolls Salon in Hugo have entered into a purchase agreement with the City of Centerville to purchase land at 1737 Main Street to build a 3,000-square foot salon. The owners have suggested that they would possibly add a coffee shop component to the business. The proposal would still need to be approved by the city before the owners could take possession of the land and begin construction.

Forest Lake

- Also mentioned in the multifamily section, Gaughan Companies, developer of the *Lighthouse Lofts* mixed-use project in Forest Lake, is proposing another 100-unit mixed-use development that would be located at the southeastern corner of Broadway and Highway 61. The project would be similar to its earlier project and would include a proposed 10,000-square-foot restaurant space and about 2,000-square feet of retail space. The developers are asking for Tax Increment Financing to assist the project. The city has not yet approved the proposal.

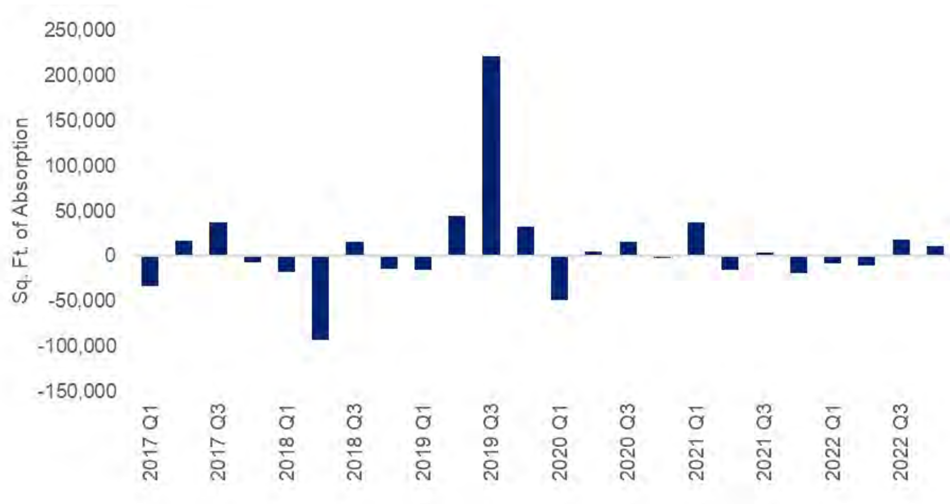
4.5 Average Lease and Vacancy Rates for Retail Space in the PMA



* Data is Q1 2017 to Q4 2022

Source: CoStar; LOCi Consulting LLC

4.6 Net 12-Month Absorption for Retail Space in the PMA



* Data is Q1 2017 to Q4 2022

Source: CoStar; LOCi Consulting LLC

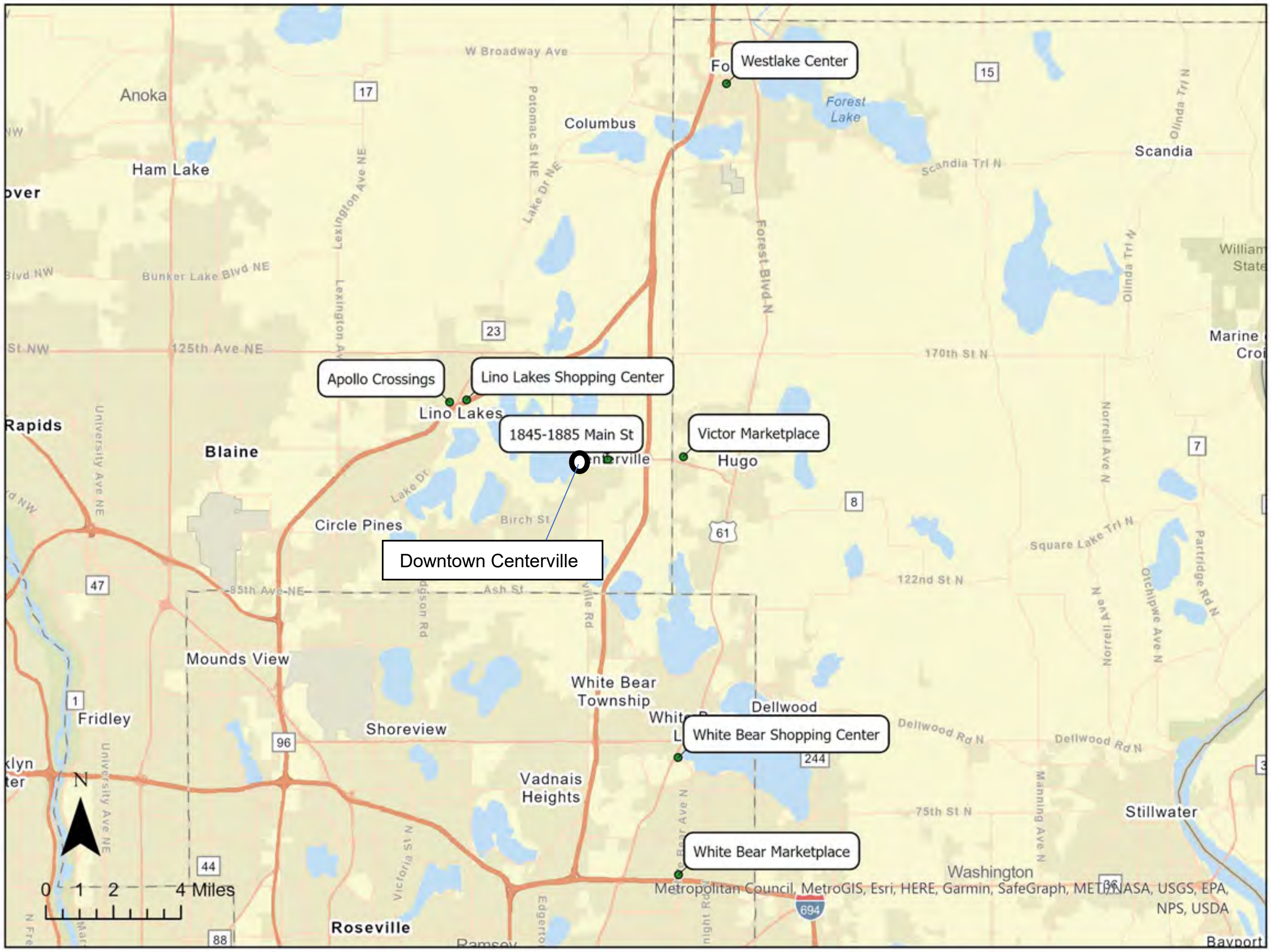
4.7 Selected Retail Space in Shopping Centers in the Downtown Centerville PMA

Property	Gross Leasable Area	Available	Occupancy	Quoted Lease Rate	Parking Ratio [1]	Major Tenants
1845-1885 Main St 1861-1885 Main St Centerville Year Built: NA	21,400	0	100%	NA	7.6	Carbone's Pizza, Asian to Go, Apple Academy Learning Center, Main Street Liquor Barrel, Christa's Paw Spa, and Centerville Tabaco and E-Cig
Victor Marketplace 14755 Victor Hugo Blvd Hugo Year Built: 2006	70,000	0	100%	NA	NA	Festival Foods, On The Rocks Wine and Spirits, Bates Orthodontics, Papa Murphy's Pizza, and Dunn Brothers Coffee
Apollo Crossings 550-566 Lilac St Lino Lakes Year Built: 2004	14,569	4,080	72%	NA	3.2	Precision Auto Tune, Anytime Fitness, El Zocalo Grill & Cantina, and Fiesta Cancun Grill & Bar Retail
Lino Lakes Shopping Center 730 Apollo Dr Lino Lakes Year Built: 2003	14,800	1,200	92%	$18-20 NNN	4.7	Mattress Firm, Caribou Coffee, and Turbo Nails
Westlake Center 119-289 12th St SW Forest Lake Year Built: 1988 / 2018	107,383	0	100%	NA	5.8	PetSmart, Aldi, OfficeMax, and Northern Tool & Equipment
White Bear Shopping Center 4391-4437 Lake Ave S White Bear Lake Year Built: 1955 / 1988	70,269	0	100%	NA	6.0	Kowalski's, Artiste Salon, White Bear Jewelers
White Bear Marketplace 1920-1930 White Bear Ave N White Bear Lake Year Built: 2015	118,627	0	100%	NA	NA	Cub Foods, Planet Fitness, Norther Tool & Equipment

1. Parking stalls per 1,000 square feet

Source: Listings, Interviews, CoStar, LOCi Consulting LLC

Map 4.8: Profiled Commercial Properties in the Downtown Centerville PMA



Source: Listing; interviews; Costar; ESRI; LOCi Consulting LLC

Hugo

- The City of Hugo has been working to redevelop portions of its own downtown. Dennis Properties is proposing to acquire and develop a 4.3-acre property adjacent to Egg Lake. The proposal includes 63,000-square feet of commercial space—restaurants, retail, and office space. The proposal does not include residential space. Two rows of buildings would be constructed between Highway 61 and Egg Lake with about 250 spaces of parking. The land is currently owned by the City of Hugo and would be sold to the developer for $1 provided the developer can meet the criteria of the city's plan. No additional financial incentives would be provided. The developer is actively marketing the space, but the project has not yet been presented to the city for approval.

Lino Lakes

- Kwik Trip has started construction on a new gas station/convenience store at the intersection of Lake Drive and Hodgson Road.
- City staff said a new Starbucks and dental office will be added to the shopping center at Interstate 35W and Apollo drive. The dental office is planned to be 4,200-square feet and the Starbucks will be 2,240-square feet.
- Tidal Wave Auto Spa is under construction at the Main Street Village development at the intersection of Main Street and Otter Lake Road.
- Previous proposals for the larger Main Street Village development have included significant big box, grocery, and inline retail. Developers are marketing this space, but no firm projects have come together.

Interviews

LOCi Consulting interviewed several sources familiar with the retail real estate market. Key points from those interviews follow.

Household growth in the area is attractive to retailers.

- Several sources said that the Main Street/Interstate 35E area will see retail growth because retailers are attracted to the housing growth in the area.

Traffic counts on Main Street and Centerville Road determine the types of retailers who would be attracted to Downtown Centerville.

- One regional coffee chain executive said they look for 20,000 vehicles per day for their locations. Main Street sees only about 10,000 vehicles per day.
- Another source said convenience stores and gas stations want to see traffic counts closer to 15,000 vehicles per day.

Outlot retail developments have been popular in recent years at the expense of in-line retail.

- Freestanding stores on the edges of shopping centers are preferred to inline retail within the center. Retailers like the ease of access, better options for buy-online-pick-up-in-store, and potential for drive throughs.

More retailers want drive-thru options.

- National and regional coffee chains see 30% increases in sales when they add drive-throughs. One source said they would not consider suburban locations without them.
- Local "mom and pop" coffee shops without drive-throughs are challenged to compete when national coffee shops can see these volumes.
- Another source said that fast casual restaurants like Chipotle and Noodles and Company are looking for locations with drive-throughs.

Convenient parking is essential for retailers.

- Retailers will not compromise on parking in suburban trade areas. With traditional shopping center options available, they do not have to consider these locations.

Current retail rents are unlikely to support new retail construction.

- Developers said that the retail rents typical in the area—$15 to $25 per square-foot per year—will not support new construction. In mixed-use development, the retail space is often subsidized by residential portion.

- Developers said that free-standing retail space would likely need public assistance to get built.

Destination retail could be an opportunity in Downtown Centerville.

- One source said that the area already has some destination bars, showing that these types of businesses could work in Downtown.

Homegrown restaurants and breweries may present an opportunity for Downtown Centerville.

- One source pointed to Robbinsdale as an example of how a homegrown restaurant (*Travail Kitchen*) can spur development in a small downtown. The source suggested that the city attempt to identify some local entrepreneurs to develop this concept.
- Another source suggested that breweries could serve as a catalyst for development in the community and said that it has worked elsewhere.
- One developer suggested an ice cream shop could provide a catalyst, like some of the communities on Lake Minnetonka.

Destination retailers would be attracted to a unique setting.

- One developer said that the city could make Downtown more attractive to restaurants and destination retail by enhancing its identity. He said improving access to the lake would be helpful.

5. Mixed-Use Analysis

This section presents data on mixed-use properties in the Downtown Centerville Primary Market Area (PMA). The properties selected represent the types of development that could occur in Downtown Centerville.

Profiled Mixed-Use Multifamily Properties in the Downtown Centerville PMA

LOCi Consulting profiled three projects in the PMA. We collected data on each of the properties, including acreage, residential and commercial characteristics, and parking. Figure 5.1 shows the general characteristics of the property. Map 5.2 shows the location. Figures 5.3 and 5.4 show the residential and commercial data, respectively.

- Three projects are profiled. All of the projects are in mixed-use neighborhoods and all overlook lakes.
- One project has for-sale condominium units and the other two have market-rate rental units.
- Two projects are located in Downtown Forest Lake and one project is located in White Bear Lake.
- The profiled projects have a total of 200 residential units. The average size of the profiled projects is 67 units.
- The vacancy rate for the profiled projects is 3.0%. All of the vacant units are at *The Lighthouse Lofts*.
- Rents at the two rental projects range from $1,551 for a 1-bedroom unit at *Boatworks Commons* to $3,116 for a three-bedroom unit at *The Lighthouse Lofts*. Average rent per square feet ranges from $1.87 to $2.38.
- The for-sale units at Park Place have sold in the last two years for $360,000, or $185 to $195 per square foot.

The Lighthouse Lofts in Forest Lake

5.1 Profiled Mixed-Use Properties in the Downtown Centerville PMA

Property	Year Opened	Units	Residential Type	Commercial Space	Commercial Type	Build. Height	Acres
The Lighthouse Lofts 220 Lake St N Forest Lake	2018	103	Market-Rate Rental	9,761	Retail	5	2.40
Boatworks Commons 4495 Lake Ave S White Bear Lake	2015	85	Market-Rate Rental	4,000	Retail	4	1.40
Park Place 25 North Lake Street Forest Lake	2004	12	For-Sale Condominium Units	61,363	Office/ Retail	3	0.59

Source: Interviews, Costar; Northstar MLS, LOCi Consulting LLC

- All of the projects have higher end features and amenities. All have parking ratios that exceed one parking stall per residential unit.
- Projects typically offer balconies, in-unit washer and dryer, community rooms, and community terraces. Most projects offer a fitness center, and some offer a business center. We expect that business centers will become increasingly popular.
- Only one project is leasing commercial space currently. That space is listed for $15 per square foot, triple net. (In triple net rental agreement, the tenant is responsible for all expenses and taxes.)
- Parking is made available onsite for commercial tenant customers.

Interviews

LOCi Consulting interviewed several sources familiar with mixed-use developments. Key points from those interviews follow.

Sources said that these projects work because they are integrated with the neighborhood and linked to the lakes.

- One developer said that his project would not work if it was not on the lake.
- Residents are attracted to commercial amenities in mixed-use developments. They like to be in an area with retail, restaurants, and services.
- The developer of *The Lighthouse Lofts* said residents are attracted to the trail access as well.

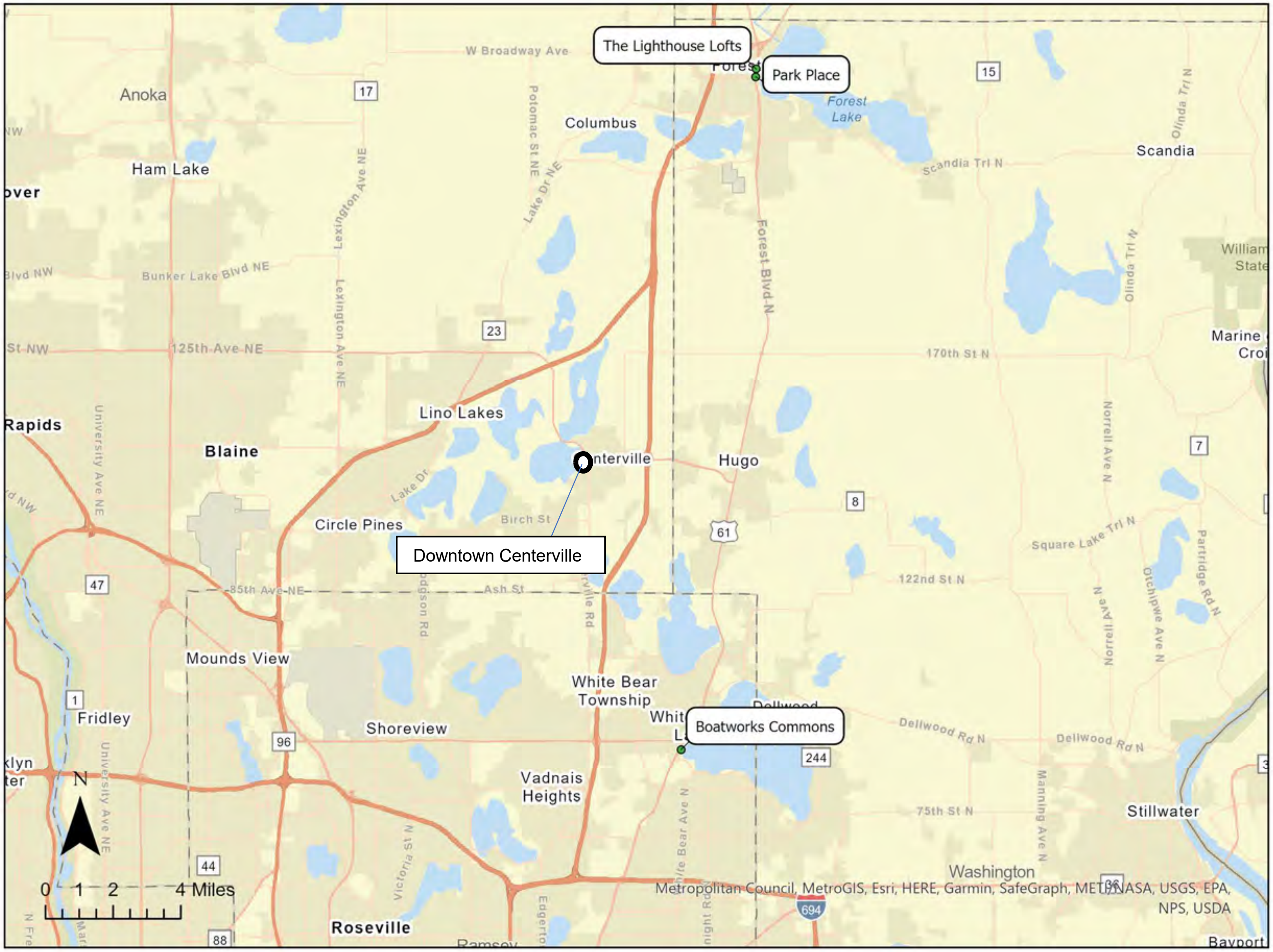
These projects can be financially difficult and likely require public financing, such as Tax Increment Financing (TIF).

- Even with public subsidies, these projects are challenging. "No developer is going to build and get a 0% return," said one developer. "These projects aren't going to get you a 30% return, but, with TIF financing, a developer might get an 11% return."
- One developer said that some residential TIF programs require that a certain number of units be affordable and that can present some financial challenges as well.

Parking is critical for the success of mixed-use projects.

- Underground parking is sometimes expected for residential units at higher rents and this expense can really add to the overall project cost.

Map 5.2: Profiled Mixed-Use Development Projects in the Downtowon Centerville PMA



Source: ESRI; LOCi Consulting LLC

5.3 Profiled Mixed-Use Developments---Residential Space

Property	Units	Vacant Units	Unit Type	Size of Unit	Base Rent/Sale Price	Rent/Price per Square Foot	Buildings and Parking
The Lighthouse Lofts 220 Lake St N Forest Lake	103	6	1BR 2BR 3BR	754 - 873 890 - 1,251 1,307	$1,617 - 1,694 $1,924 - 2,340 $3,116	$1.94 - 2.14 $1.87 - 2.16 $2.38	Five-story building with underground heated parking.
Boatworks Commons 4495 Lake Ave S White Bear Lake	85	0	1BR 2BR	738 1,259	$1,551 $2,445	$2.10 $1.94	Four-story building with 231 covered, off street parking stalls. Two level commercial space uses the covered parking.
Park Place 25 North Lake Street Forest Lake *Year Built: 2004*	12	0	2BR	1,842 - 1,945	$360,000	$185 - 195	Three story building with heated underground garage and assigned spaces. 82 surface-level parking spaces for commercial space

Source: Interviews, Costar; Northstar MLS, LOCi Consulting LLC

5.4 Profiled Mixed-Use Developments---Commercial Space

Property	Commercial Space	Available Commercial Space	Listed Lease Rate	Notes
The Lighthouse Lofts 220 Lake St N Forest Lake	9,761	0	Not Listed	Mallard's Restaurant, Snap Fitness, and Allstate Insurance. Reserved surface level parking for commercial spaces. Residential units have underground parking.
Boatworks Commons 4495 Lake Ave S White Bear Lake	4,000	0	Not Listed	Tenants: Mizu Japanese Sushi and yoga studio. Space took several years to lease. Buildout of space and rent received city subsidy.
Park Place 25 North Lake Street Forest Lake	61,136	1,681	$15 NNN	Variety of tenants. Office/retail space is available on the first through third levels. Condominium units are top two floors.

Source: Interviews, Costar; Northstar MLS, LOCi Consulting LLC

Park Place in Forest Lake

Boatworks Commons in White Bear Lake

- Dedicated, convenient parking for the commercial spaces is very important, said several developers.
- One developer said the city required too much parking for the residential.
- "You've got to get residential parking as close to one stall per bedroom as you can get," said one developer. "And you need some guest parking too."

Developing the project with a commercial tenant commitment can improve the chances of success.

- One mixed-use developer said that they often have challenges filling commercial spaces after they are built. He said he prefers to work with a potential tenant at the pre-development phases.
- The developer who built *The Lighthouse Lofts* said they worked with the restaurant tenant Mallards prior to development and that that worked well.

Developers suggested that cities encourage horizontal mixed-used development over vertical mixed use.

- Several developers said that vertical mixed-use adds much more complexity to the project. Much of the benefit of multiple uses can be achieved by having the commercial and residential spaces next to each other rather than stacked.
- One developer pointed out that that is what suburban shopping center owners are doing. They see the value of the residential but keeping the uses separated can be easier to manage and more attractive to potential residents and commercial space users.

6. Informal Community Survey

LOCi Consulting LLC partnered with the City of Centerville to collect community input through an informal online survey. The survey was conducted from February 7, 2023, through March 20, 2023. Residents could access the survey through the city's website. The survey used Survey Monkey for the online questionnaire. The questionnaire is included in the Appendix of this report.

It is important to note that this is not a statistically reliable survey. No statistical methods or controls were used to ensure that a randomized sample was generated. While the survey platform has some controls to keep respondents from taking multiple surveys from the same source, there were no strict measures to keep people from taking the survey again at a different computer or smart phone. It is possible that respondents may have taken the survey multiple times.

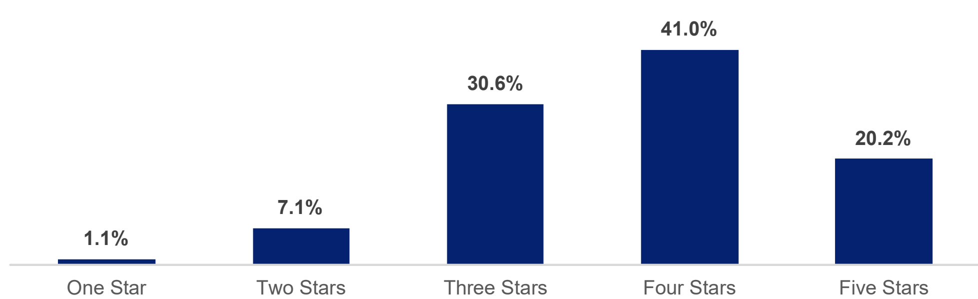
The sole purpose of the informal survey was to gather community input to inform this analysis and to provide direction for future discussions of Downtown Centerville. It is expected that this survey will become part of a bigger community engagement process around a plan for Downtown Centerville.

Survey Participants

- The survey was completed by 192 respondents.
- Of the respondents, 92.6% live in the City of Centerville. The remaining respondents were from Hugo, Lino Lakes, Ham Lake, Scandia, and East Bethel.
- Almost half of the respondents work outside of Centerville (49.0%). Almost one quarter work in Centerville (24.2%). The remaining respondents are retired, unemployed, or providing care for family members.
- The majority of respondents either work from home full-time or have a hybrid work situation.
    - 29.2% work full-time at an employer's location.
    - 27.5% work in a hybrid work situation.

6.1 Community Input on Current Housing Options

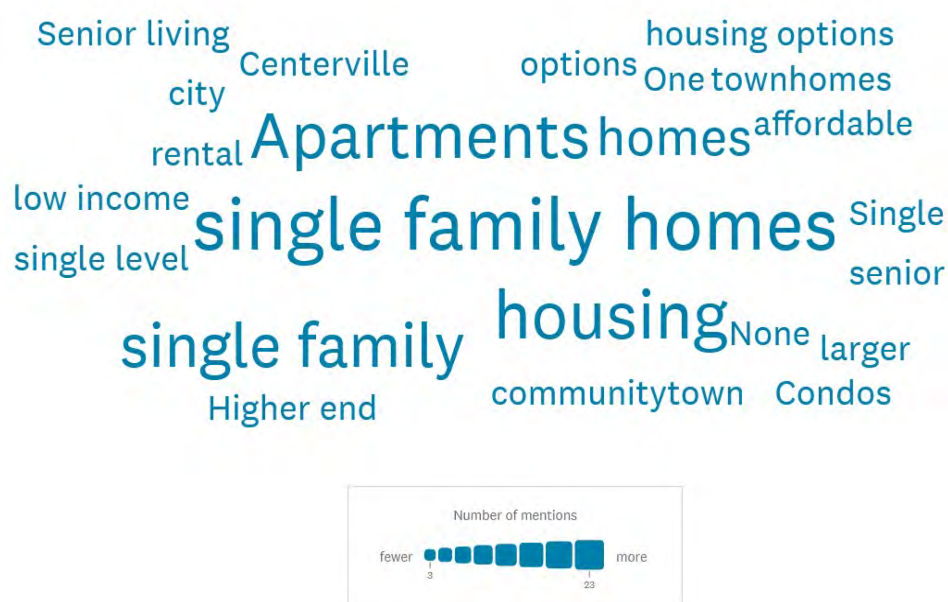
With five stars as the highest, please rank current housing options in the City of Centerville.



Source: Informal Community Survey, 3-20-2023; City of Centerville; LOCi Consulting LLC

6.2 Word Cloud from Community Input on Current Housing Needs

What types of housing does Centerville need?



Source: Informal Community Survey, 3-20-2023; City of Centerville; LOCi Consulting LLC

- 31.5% work from home almost all of the time.

Housing Questions

Figure 6.1 (on the previous page) shows how respondents ranked current housing options in the City of Centerville. Figure 6.2 above shows a word cloud of responses when asked what types of housing Centerville needs.

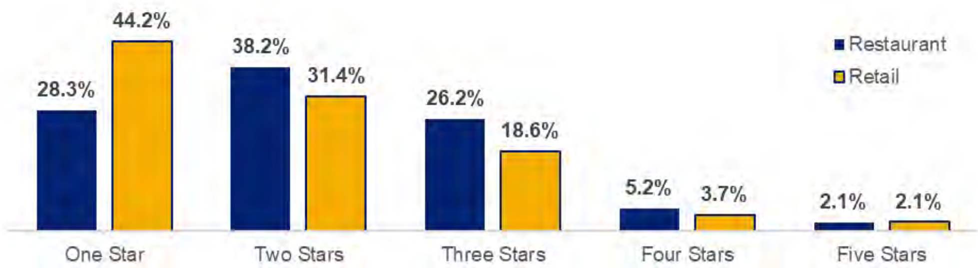
Word clouds are visualizations created from open-ended responses. It takes frequently used words from the responses and presents them with the more frequent words in larger fonts. The word cloud provides a way to summarize themes from the responses.

Admittedly, these visualizations are not perfect. Small variations in the word can often show up multiple times. And words can show up where the writer is expressing the alternative opinion. A quick review of the word “apartments” in some of the open-ended responses found that in a few cases the actual response was “no apartments.”

- In general, respondents are satisfied with housing options. The majority (61.2%) ranked the options either four or five stars.

6.3 Community Input on Current Restaurant and Retail Options

With five stars as the highest, please rank current restaurant and retail options in the City of Centerville.



Source: Informal Community Survey, 3-20-2023; City of Centerville; LOCi Consulting LLC

- Respondents to the open-ended question frequently mentioned “single-family homes” or “single family” as the type of housing that Centerville needs. “Apartments” and “townhomes” were also mentioned as housing types that are needed. Affordability also appears to be a theme.

Restaurant and Retail Questions

Figure 6.3 shows how respondents ranked current restaurant and retail options in the City of Centerville. Figure 6.4 shows a word cloud of responses when asked what types of restaurants Centerville needs. Figure 6.5 shows a word cloud of responses when asked what types of restaurants Centerville needs.

- In general, respondents are less satisfied with restaurant and retail options in Centerville.
- The majority of respondents (66.5%) ranked the restaurant options either one or two stars. Retail options are considered worse, with three quarters of respondents (75.6%) ranking retail as one or two stars.
- For restaurants, the general theme from the respondents is that there should be more restaurant options overall. Some respondents want fast food, some want more sit-down options, some want more ethnic food options, some want more chains, and some want more independent restaurants.
- For retail, respondents expressed a similar theme of more options overall. Other typical responses were “grocery store,” “pharmacy,” “hardware store,” and “Target.”

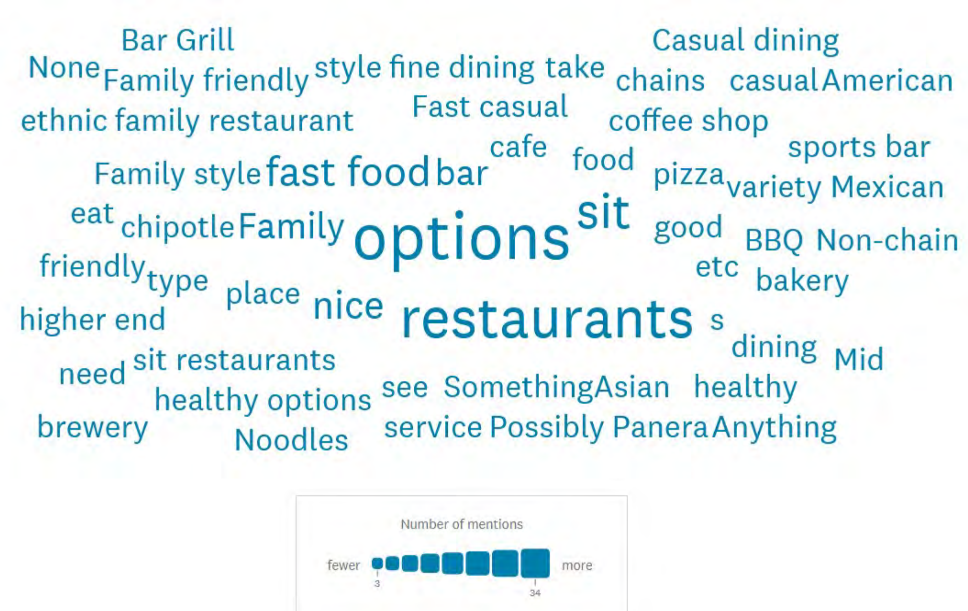
Downtown Vision Question

Figure 6.6 shows a word cloud of responses when asked what Downtown Centerville should look like in 10 years.

- Respondents frequently used the words “restaurants,” “shops,” and “housing.” The communities of Stillwater and White Bear Lake come up frequently as well.

6.4 Word Cloud from Community Input on Current Restaurant Needs

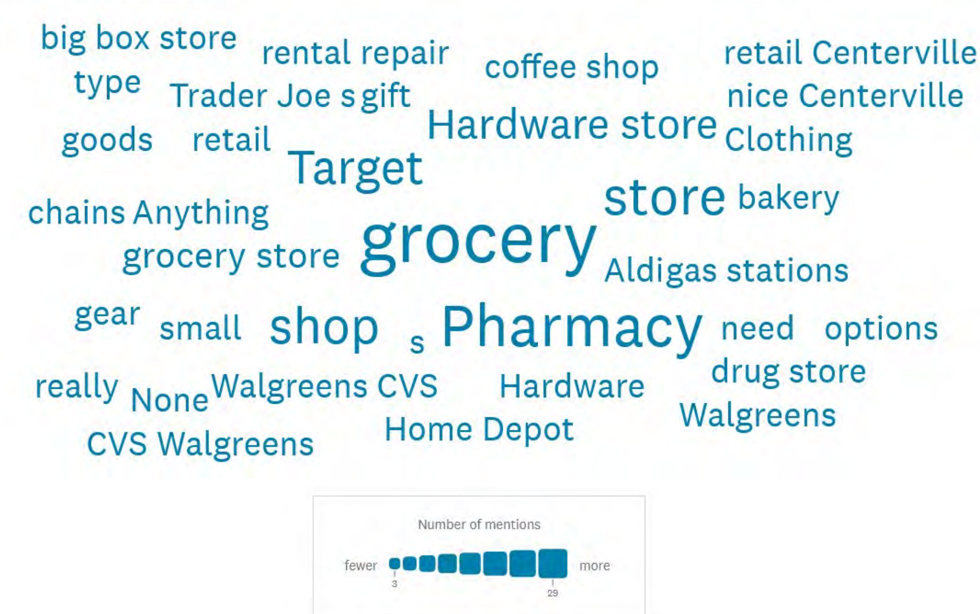
What types of restaurants does Centerville need?



Source: Informal Community Survey, 3-20-2023; City of Centerville; LOCi Consulting LLC

6.5 Word Cloud from Community Input on Current Retail Needs

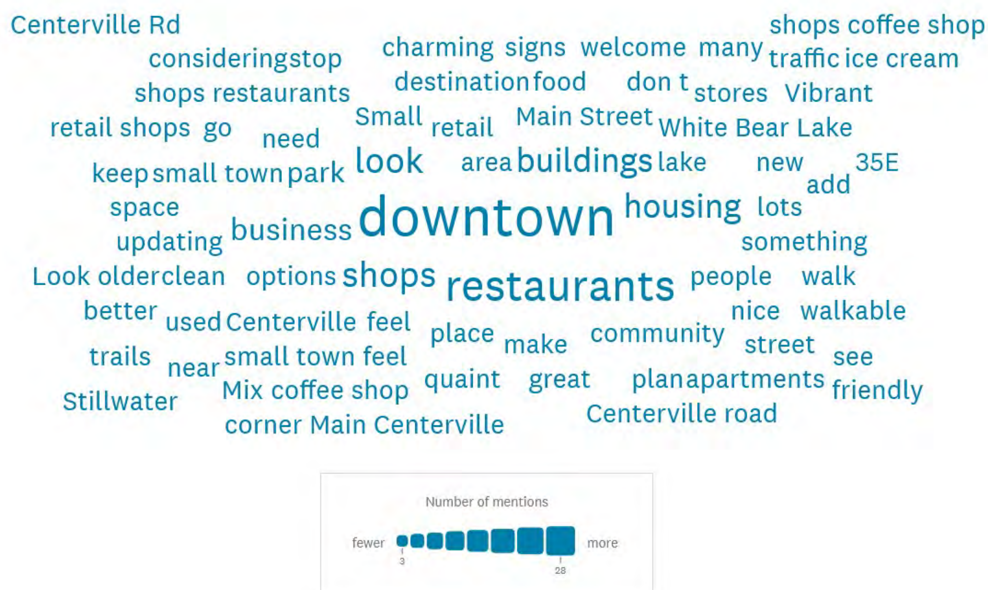
What types of retail does Centerville need?



Source: Informal Community Survey, 3-20-2023; City of Centerville; LOCi Consulting LLC

6.6 Word Cloud from Community Input on Downtown Vision

What should "Downtown" Centerville look like in 10 years?



Source: Informal Community Survey, 3-20-2023; City of Centerville; LOCi Consulting LLC

7. Findings and Recommendations

This section summarizes the demand calculations for for-sale condominium and townhome units, market-rate and affordable rental housing units, and senior housing along with retail space demand in Downtown Centerville. Detailed demand calculations are included in the Appendix that follows this section. This section also makes recommendations based on this overall analysis.

One key finding that stands out from this analysis is the large amount of residential demand relative to the much smaller amount of commercial space demand. This disparity can be explained by a number of factors. First, housing demand has been particularly strong in the last five years as millennials have moved into their prime homebuying years following several years of lower residential production. Developers have also had to catch up with rental housing demand as younger generations waited longer to form households and struggled with higher homeownership costs. These factors led to increased demand across the housing spectrum.

Meanwhile, commercial space demand has slowed, especially in retail and, more recently, office. Both real estate types have seen slower rent growth in recent years, meaning less demand for new development. Lastly, unlike housing, commercial development at Downtown Centerville faces significant competition from commercial nodes with higher traffic counts and better access to freeways and key transportation corridors. These areas will always be more attractive to national and regional retailers and the small homegrown businesses from the area.

Residential Demand Estimates

Figures 7.1 through 7.3 show summaries of the residential demand calculations in the Appendix. Although some of the demand calculations provide for point estimates, data in the summary is provided as a range of units.

The analysis shows that there is housing demand across almost all housing types.

Note that for the most part, the demand forecasts are mutually exclusive, meaning there is little overlap between demand for different product types. Where there is overlap, it is noted.

For-Sale Condominiums and Townhomes

- Figure 7.1 shows the summary of the demand calculations for for-sale condominiums and townhomes in Downtown Centerville. We find demand for between 45 and 90 units between 2022 and 2027.
- This demand is driven by younger first-time homebuyers who tend to be more price sensitive and empty nesters, move-up homebuyers looking for association-maintained, single-level housing options.
- We believe that most of this demand would be for multilevel townhomes priced between $350,000 and $450,000, targeted to younger professionals with and without children looking to live in an association-maintained home in a suburban downtown district.
- However, there is also some demand potential for condominium units in an apartment-style building. This product type would work best positioned to capitalize on access and visibility to Centerville Lake. (This product style would also overlap with some of the age-restricted for-sale product discussed later.)

Rental Housing

- Figure 7.2 shows the summary of demand for rental housing in Downtown Centerville between 2022 and 2027. The analysis found demand for between 115 and 140 units of rental housing targeted to households with incomes less than 60% of Area Median Income ($63,360). This income threshold is based on income limits set for

7.1 Condominium and Townhome Demand for Downtown Centerville, 2022-2027

	Estimated Base Price	Estimated Demand (Units)
Market-Rate For-Sale Units		
Households with incomes of $100,000 or higher	$350,000 - $450,000	45 - 90

Source: LOCi Consulting LLC

7.2 Rental Housing Demand for Downtown Centerville, 2022-2027

	Estimated Rents	Estimated Demand (Units)
Affordable Rental Housing Units		
Up to 50% AMI	$0 - $1,320	40 - 50
50% to 60% AMI	$1,320 - $1,584	75 - 90
Market-Rate Rental Units	Greater than $1,584	75 - 100

* AMI is Area Median Income. Incomes shown in demand figures.

Source: LOCi Consulting LLC

the Metro Area by the Department of Housing and Urban Development (HUD).

- We recommend that developers focus on one-, two-, and three-bedroom units in apartment style buildings to meet the affordable rental demand.
- The analysis found demand for between 75 and 100 market-rate rental units.
- For market-rate rental demand, developers could build rental housing targeted to households with a range of incomes. Developers could do a higher end project targeted to households with higher incomes if the development could be positioned to take advantage of lake access and views.
- Developers may also want to consider townhome rental units to meet some of this need. These structures could have three- and four-bedroom units targeted to households with families. We believe these types of rental housing would be well received by the market. But it may cost more to develop than a single structure with more units.
- If a rental housing project could be developed with direct access to the lake and units with views of the lake, rents for such a project could be in the range of $1,700 to $3,000 per month or $1.90 to $2.25 per square foot.

Senior Housing

- Figure 7.3 shows the estimated demand for senior housing in Downtown Centerville between 2022 and 2027. There is demand for between 85 and 125 market-rate senior housing units, ranging from age-restricted for-sale and rental product with no services to independent living with services and memory care.
- Developers could consider building an age-restricted condominium or cooperative building

7.3 Senior Housing Demand for Downtown Centerville, 2022-2027

	Estimated Demand (Units)
Market-Rate Active Adult	
For-Sale Senior Housing	40 - 50
Rental Senior Housing	10 - 20
Market-Rate Independent Living/Congregate	25 - 35
Market-Rate Assisted Living	
Assisted Living	0 - 0
Memory Care	10 - 20

Source: LOCi Consulting LLC

or age-restricted apartments or rental townhomes.

- No additional demand was found for assisted living units in the PMA or in Downtown Centerville.

Retail Space Demand Estimates

Figure 7.4 shows a summary of the retail demand calculation in the Appendix for Downtown Centerville between 2022 and 2027.

- There is demand for between 2,300- and 5,700-square feet of retail in Downtown Centerville between 2022 and 2027.
- We believe that most of this demand would be from food-based, destination retail like sit-down restaurants, breweries, or ice cream shops. Specialty and convenience retailers will be looking for locations with much higher traffic counts.
- Another market may be service-based businesses such as accountants, real estate agents, financial planners, or lawyers who want to open and operate a more retail-styled office.
- It is also highly likely that these businesses will be operated by home-grown entrepreneurs who understand the vision and opportunities of the area. It is also likely that these businesses will need support from the City of Centerville to overcome cost challenges.
- Some of these businesses see this as a unique opportunity to own their own real estate.
- We recommend developers that are considering adding commercial space to accommodate this demand attempt to secure a user in

7.4 Demand for Retail Space Downtown Centerville, 2022-2027

	Estimated Rent per Square Foot per Year	Estimated Demand (Square Footage)
Retail Commercial Space		
Supporting Sales of $300 to $400 per Square Foot	$20 - $30	2,300 - 5,700

Source: LOCi Consulting LLC

predevelopment phases. Securing a user would give the developer and user the opportunity to design the space to maximize the opportunity for the future tenant. We do not recommend developing speculative space in mixed-use buildings to accommodate this demand.

Demand in 2028 and Beyond

For the most part, the demand for housing units and retail space can be extended into the next five-year period. The Metropolitan Council is forecasting strong household growth in the communities within the Downtown Centerville PMA.

The one area where we would recommend a more detailed analysis would be in senior housing. The senior population is projected to start declining as a percentage of the entire population in the 2030s. These shifts could have material impacts on demand for these housing types in the PMA.

Recommendations

- **Maximize access and views to Centerville Lake.** The lake is a natural draw for residential development and placemaking in Downtown Centerville. Currently, access is limited to Trailside Park, a 0.5-acre park adjacent to Main Street on the lake. Improved access and sightlines to the lake would create additional housing opportunities and support higher rents. Access to the lake would also create a destination that would drive demand for restaurants similar types of retail. We recommend working with existing landowners to create development opportunities near the lake.

- **Promote horizontal mixed-use developments over vertical mixed use.** Horizontal mixed-use developments are less complicated than vertical mixed use and may be easier to develop quickly.

- **Prioritize developments on the four blocks around the Main Street and Centerville Road Intersection.** This is the key intersection in Downtown. Establishing a keystone development or plan for one of these blocks would kick start an identity for Downtown Centerville.

- **Consider working with the school district to develop the Centerville Elementary School parking lot.** This vacant piece of land presents an excellent opportunity for development at a key parcel. Explore alternative parking options for the school to the southeast or east of the school building.

- **Prioritize retail development on Main Street versus Centerville Road.** With higher traffic counts, this street presents the best opportunity for retailers.

- **Transition residential densities to put higher density developments closer to the intersection of Main Street and Centerville Road.** With the overall residential nature of Downtown Centerville, encourage townhome developments on the edges of downtown and higher density uses in the center.

- **Partner with a planning firm to update traffic management, streetscape guidelines, and pedestrian plans for development in downtown.** As traffic counts grow on Centerville Road and Main Street with new household growth in the area, planning for improvements at the downtown intersection will become more necessary. Traffic plans like this can have significant impacts on evolving development plans in small areas. We recommend working with a firm to incorporate these plans and discussions for development and to balance the needs of existing and future residents and businesses.

- **Develop marketing plan for Downtown Centerville.** Centerville has many unique features and characteristics but is not well known in the area. (In fact, one interviewee for this analysis thought we were talking about Center City for the first 15 minutes of the interview). The analysis should identify the best themes and attractions for the city to capitalize on:

    - Fete des Lacs
    - Bald Eagle Waterski Club
    - Centerville Lake
    - Rice Creek Chain of Lakes Park Preserve
    - St. Genevieve Church history
    - French settlement history

- **Enhance existing local and regional entrepreneur networks.** Work with local economic development organizations and community colleges to identify potential businesses that could be located in Downtown Centerville. Destination-based businesses should be targeted, as they have greater potential to develop and grow in downtown.

- **Consider creating incubator spaces to support small businesses downtown.** Look into developing temporary spaces for "pop-up" restaurants and other businesses in incubator spaces in Downtown Centerville. Incubator spaces offer small businesses temporary, low-cost space to develop new business concepts. The space provides new businesses with an opportunity to test and develop their concepts without long-term lease commitments. "Pop-up" shops are temporary retail shops that create opportunities for existing or new restaurants and retailers to offer goods in a new location. Often times the opening and short run of business become more of a marketing event. Sometimes online-only retailers use pop up shops to drive awareness in trade areas with high concentrations of particular customers. Potential funding sources for incubator spaces can include state and federal grants, institutional gifts, or private capital. Examples of retail incubator spaces in Minnesota are:
    - Midtown Global Market in Minneapolis
    - Frogtown Crossroads, Frogtown Square, Frogtown Entrepreneurship Center in St. Paul
    - Brooklyn Park Small Business Center

- **Leverage local economic development tools, state and federal grants and loans, and other resources available for development projects.** Many communities use Tax Increment Financing (TIF) or tax abatements as a tool for the development of new housing and commercial projects. Depending on the details of the proposal, one or both of these tools might be appropriate for redevelopment in downtown. Other development programs offered by the state that the city should explore include:
    - Contamination Cleanup and Investigation Grant Program
    - Demolition Loan Program
    - Redevelopment Grant Program
    - Small Cities Development Program
    - Transportation Economic Development Infrastructure Program (TEDI)
    - Housing grants and loans offered through Minnesota Housing

- **Prioritize local entrepreneurs and pursue retail concepts that would be most likely to have success in Downtown Centerville.** Traffic counts and population density limit the types of retail that would be attracted to locations in Downtown Centerville. Retail operators who would consider locations in Downtown Centerville would be looking for the opportunity to pay lower rents for retail space to get their businesses started. Most of the operators will likely be local entrepreneurs. Retail concepts that would be the most successful in downtown include:
    - Casual restaurants
    - Fast casual restaurants
    - Quick service restaurants
    - Bars
    - Brewery/Tap room
    - Bakery
    - Ice cream shop
    - Candy store
    - Coffee shop
    - Thrifts store
    - Gift shop
    - Antique store
    - Specialty grocery store (organic, ethnic, etc.)
    - Tax preparation
    - Estate planning
    - Legal services

Appendix

Demand Calculations

A.1 For-Sale Townhome and Condominium Housing Demand in the PMA, 2022-2027

Demand from Household Growth in the PMA	
Age/income qualified households in 2022 [1]	21,439
Age/income qualified households in 2027 [1]	24,307
Projected growth of the age/income qualified market	2,868
Estimated percentage that will choose new for-sale housing	89%
Units needed to meet demand from household growth in the PMA	2,564
Demand from For-Sale Housing Turnover in the PMA	
Estimated number of households that own in the PMA in 2022	25,586
Estimated percentage that will seek new for-sale housing between 2022 and 2027	23%
Estimated percentage that will choose new for-sale housing	5%
Units needed to meet demand from turnover in PMA	295
Demand from Outside the PMA	
Estimated demand from outside PMA	20%
Units needed to meet demand from outside the PMA	715
Demand in the PMA	
Total for-sale demand in PMA	3,574
Minus vacant and competitive planned units	81
Units needed in the PMA	3,493
Times percent of demand for condominiums and townhomes	26%
Units needed in the PMA	908
Estimated demand capturable in Downtown Centerville	5% - 10%
Units supportable at the Commercial Zone	45 - 91

1. Age/income qualified households are households under age 65 with incomes above $100,000 plus 80% of households age 65 and over with incomes above $100,000. 20% of households age 65 plus are assumed to prefer age-restricted housing with services.

Source: LOCi Consulting LLC

A.2 Market-Rate Rental Demand in the PMA, 2022 to 2027

Demand from Household Growth in the PMA	
Age/income qualified households in 2022 [1]	26,092
Age/income qualified households in 2027 [1]	27,110
Projected growth of the age/income qualified market	1,018
Estimated percentage that will choose new market-rate rental housing	18%
Units needed to meet demand from household growth in the PMA	188
Demand from Rental Turnover in the PMA	
Estimated number of market-rate rental households in PMA in 2022	5,789
Estimated percentage that will seek new rental housing between 2022 and 2027	67%
Estimated percentage that will choose new market-rate rental housing	10%
Units needed to meet demand from rental turnover in PMA	391
Demand from Outside the PMA	
Estimated demand from outside PMA	10%
Units needed to meet demand from outside the PMA	64
Demand in the PMA	
Total market-rate rental demand in PMA	643
Minus vacant and competitive planned units at 95% occupancy	256
Units needed in the PMA	387
Estimated demand capturable in Downtown Centerville	20% - 25%
Units supportable at the Commercial Zone	77 - 97

1. Age/income qualified households are households under age 65 with incomes above $63,360 plus 80% of households age 65 and over with incomes above $63,360. 20% of households age 65 plus are assumed to prefer age-restricted housing with services. For 2027, incomes thresholds increased by 3% per year to account for inflation.

Source: LOCi Consulting LLC

A.3 Affordable Rental Demand in the PMA, 2022 to 2027

	Up to 50% AMI[1]	50% to 60% AMI[2]
Demand from Household Growth in the PMA		
Age/income qualified households in 2022	6,074	3,379
Age/income qualified households in 2027	5,064	4,005
Projected growth of the age/income qualified market	-1,010	626
Estimated percentage that will choose new affordable rental housing	33%	8%
Units needed to meet demand from household growth in the PMA	-338	53
Demand from Existing Households in the PMA		
Cost-burdened households that are age/income qualified	485	226
Housing units estimated to be severely inadequate[4]	42	41
Estimated demand from mobility from single-family to affordable rental (1%)	25	34
Units needed to meet demand from existing households in the PMA	552	300
Demand from Outside the PMA		
Estimated demand from outside PMA	20%	20%
Units needed to meet demand from outside the PMA	54	88
Demand in the PMA		
Total affordable rental demand in PMA	268	441
Minus existing and planned units at 95% occupancy	68	68
Units needed in the PMA	200	373
Estimated demand capturable at the Commercial Zone	20% - 25%	20% - 25%
Units supportable at the Commercial Zone	40 - 50	75 - 93

1. Age/income qualified households are households under age 65 with incomes below $52,800 plus 80% of households age 65 and over with incomes below $52,800. 20% of households age 65 plus are assumed to prefer age-restricted housing with services. For 2027, income thresholds are increased
2. Age/income qualified households are households under age 65 with incomes between $52,800 and $63,360 plus 80% of households age 65 and over with incomes between $52,800 and $63,360. 20% of households age 65 plus are assumed to prefer age-restricted housing with services. For 2027, income thresholds are increased 3% per year to account for inflation.
3. Estimated percentage of housing units in rural US that are classified as severely inadequate is 1.1%, according to American Housing Survey, Census Bureau, 2019.

Source: LOCi Consulting LLC

A.4 Active Adult For-Sale Demand in Primary Market Area, 2022 and 2027

	2022	2027
Households Age 55 to 65		
Households Age 55 to 64 with Incomes Above $50,000 [1]	7,448	6,862
Households Age 55 to 64 with Incomes Between $35,000 and $50,000 [1]	471	397
Homeownership Rate	90%	90%
Asset-Qualified Households Age 55 to 64	425	358
Total Income- and Asset-Qualified Households Age 55 to 64	7,873	7,220
Penetration Rate for Active Adult For-Sale	0.0%	0.0%
Total Demand from Households Age 55 to 64	-	-
Households Age 65 to 74		
Households Age 65 to 74 with Incomes Above $50,000 [1]	5,183	5,853
Households Age 65 to 74 with Incomes Between $35,000 and $50,000 [1]	580	669
Homeownership Rate	97%	97%
Asset-Qualified Households Age 65 to 74	562	648
Total Income- and Asset-Qualified Households Age 65 to 74	5,745	6,502
Penetration Rate for Active Adult For-Sale	1%	1%
Total Demand from Households Age 65 to 74	57	65
Households Age 75+		
Households Age 75+ with Incomes Above $50,000 [1]	2,258	3,163
Households Age 75+ with Incomes Between $35,000 and $50,000 [1]	887	835
Homeownership Rate	91%	91%
Asset-Qualified Households Age 75+	808	760
Total Income- and Asset-Qualified Households Age 75+	3,066	3,923
Penetration Rate for Active Adult For-Sale	3%	3%
Total Demand from Households Age 75+	92	118
Total Demand for Active Adult For-Sale Units	149	183
Demand from Outside PMA	20%	20%
	187	228
Minus Existing and Planned AA For-Sale Units in the PMA at 95% Occupancy	71	71
Total Active Adult For-Sale Units Needed in the PMA	116	157
Estimated percentage capturable by Downtown Centerville	25% - 33%	25% - 33%
Demand at site	29 - 38	39 - 52

1. Incomes for 2027 are increased by 3% per year to account for inflation.

Source: LOCi Consulting LLC

A.5 Active Adult Rental Demand in Primary Market Area, 2022 and 2027

	2022	2027
Households Age 55 to 65		
Households Age 55 to 64 with Incomes Above $50,000 [1]	7,448	6,862
Households Age 55 to 64 with Incomes Between $35,000 and $50,000 [1]	471	397
Homeownership Rate	90%	90%
Asset-Qualified Households Age 55 to 64	425	358
Total Income- and Asset-Qualified Households Age 55 to 64	7,873	7,220
Penetration Rate for Active Adult Rental	0.0%	0.0%
Total Demand from Households Age 55 to 64	-	-
Households Age 65 to 74		
Households Age 65 to 74 with Incomes Above $50,000 [1]	5,183	5,853
Households Age 65 to 74 with Incomes Between $35,000 and $50,000 [1]	580	669
Homeownership Rate	97%	97%
Asset-Qualified Households Age 65 to 74	562	648
Total Income- and Asset-Qualified Households Age 65 to 74	5,745	6,502
Penetration Rate for Active Adult Rental	2%	2%
Total Demand from Households Age 65 to 74	115	130
Households Age 75+		
Households Age 75+ with Incomes Above $50,000 [1]	2,258	3,163
Households Age 75+ with Incomes Between $35,000 and $50,000 [1]	887	835
Homeownership Rate	91%	91%
Asset-Qualified Households Age 75+	808	760
Total Income- and Asset-Qualified Households Age 75+	3,066	3,923
Penetration Rate for Active Adult Rental	4%	4%
Total Demand from Households Age 75+	123	157
Total Demand for Active Adult Rental Units	238	287
Demand from Outside PMA	20%	20%
	297	359
Minus Existing and Planned AA Rental Units in the PMA at 95% Occupancy	310	310
Total Active Adult Rental Units Needed in the PMA	-13	49
Estimated percentage capturable by Downtown Centerville	25% - 33%	25% - 33%
Demand at site	-3 - -4	12 - 16

1. Incomes for 2027 are increased by 3% per year to account for inflation.

Source: LOCi Consulting LLC

A.6 Independent Living Demand in Primary Market Area, 2022 and 2027

	2022	2027
Households Age 65 to 74		
Households Age 65 to 74 with Incomes Above $50,000 [1]	5,183	5,853
Households Age 65 to 74 with Incomes Between $35,000 and $50,000 [1]	580	669
Homeownership Rate	97%	97%
Asset-Qualified Households Age 65 to 74	562	648
Total Income- and Asset-Qualified Households Age 65 to 74	5,745	6,502
Penetration Rate for Independent Living	2%	2%
Total Demand from Households Age 65 to 74	115	130
Households Age 75+		
Households Age 75+ with Incomes Above $50,000 [1]	2,258	3,163
Households Age 75+ with Incomes Between $35,000 and $50,000 [1]	887	835
Homeownership Rate	91%	91%
Asset-Qualified Households Age 75+	808	760
Total Income- and Asset-Qualified Households Age 75+	3,066	3,923
Penetration Rate for Independent Living	11%	11%
Total Demand from Households Age 65 to 74	337	432
Total Demand for Independent Living Units	452	562
Demand from Outside PMA	20%	20%
	565	702
Minus Existing and Planned IL Units in the PMA at 95% occupancy	599	599
Total Independent Living Units Needed in the PMA	-34	103
Estimated percentage capturable by Downtown Centerville	25% - 33%	25% - 33%
Demand at site	-8 - -11	26 - 34

1. Incomes for 2027 are increased by 3% per year to account for inflation.

Source: LOCi Consulting LLC

A.7 Assisted Living Demand in Primary Market Area, 2022 and 2027

	2022	2027
Households Age 75+ with Incomes Above $50,000	2,258	3,163
Households Age 75+ with Incomes Between $35,000 and $50,000	887	835
Homeownership Rate	91%	91%
Asset-Qualified Households Age 75+	808	760
Total Income- and Asset-Qualified Households Age 75+	3,066	3,923
Percentage of Households that Need Assistance with ADLs or IADLs [2]	20%	20%
	613	785
Estimated Penetration Rate	50%	50%
	307	392
Plus Demand from Outside Primary Market Area	20%	20%
	383	490
Minus Existing and Planned AL Units in the Primary Market Area at 93% Occupancy	492	492
Assisted Living Units Needed in the Primary Market Area	-109	-2
Estimated percentage capturable by Downtown Centerville	25% - 33%	25% - 33%
Demand at site	-27 - -36	0 - -1

1. Incomes for 2027 are increased by 3% per year to account for inflation.
2. Activities of Daily Living (ADLs) are activities such as eating, dressing, or bathing. Instrumental Activities of Daily Living (IADLs) are activities such as household chores or shopping. Source is Summary Health Statistics for the U.S. Population: National Health Interview Survey, 2012. Centers for Disease Control. 2012. Study found 10% incidence for ADLs and 20% for IADLs.

Source: LOCi Consulting LLC

A.8 Memory Care Assisted Living Demand in Primary Market Area, 2022 and 2027

	2022	2027
Population Age 75 to 84	5,141	6,772
Alzheimer's Incidence [1]	13%	13%
	673	887
Population Age 84+	2,019	2,180
Alzheimer's Incidence [1]	33%	33%
	670	724
Population suffering from Alzheimer's Dementia	1,344	1,611
Population suffering from Dementia not caused by Alzheimer's [1]	188	226
Estimated Population with Dementia	1,532	1,836
Proportion needing Memory Care Assisted Living	20%	20%
Memory Care Demand from PMA	306	367
Demand from Outside PMA	20%	20%
	383	459
Minus Existing and Planned MC Beds in the PMA at 93% Occupancy	374	374
Beds/Units needed in the Primary Market Area	9	85
Estimated percentage capturable by Downtown Centerville	10% - 20%	10% - 20%
Demand at site	1 - 2	9 - 17

1. Alzheimer's Disease Facts and Figures. Alzheimer's Association. 2022.

Source: LOCi Consulting LLC

A.9 Retail Space Demand in the PMA, 2022-2027

Increase in Consumer Demand in 2022 Dollars, 2022 to 2027	$29,769,226
Percent of Consumer Demand Spent at Brick and Mortar Retail	85%
Demand from Brick-and-Mortar Retail in PMA	$25,304,000
Minus Percentage Sales Leakage Outside of the PMA	25%
Equals Consumer Demand for Retail Sales in PMA	$19,000,000
Divided by Average Sales per Square Foot	$300 - $400
Equals Demand for New Retail Space in PMA	48,000 - 63,000
Minus Existing Vacant Retail Space at 5% vacancy	0
Minus Estimated New Retail Space Under Construction	25,000
Equals Demand for New Retail Space	23,000 - 38,000
Estimated Percentage Capturable by Downtown Centerville	10% - 15%
Equals Demand for New Retail Space in Downtown Centerville	2,300 - 5,700

Source: ESRI; LOCi Consulting LLC

Informal Community Survey Questionnaire

1. Are you a resident of Centerville?

- Yes/No
- If no, what city do you live in? (please specify)

2. Where do you work?

- I work primarily in Centerville
- I work primarily outside of Centerville
- I am an at-home caregiver for children, family members, or others
- I am currently unemployed, retired, or out of the workforce
- Other (please specify)

3. How do you work?

- At my employer's location most of the time
- Hybrid work--sometimes at home and sometimes at the workplace
- Work from home almost all of the time
- Other (please specify)

4. With five stars as the highest, please rank current housing options in the City of Centerville.

- One Star
- Two Stars
- Three Stars
- Four Stars
- Five Stars

5. What types of housing does Centerville need?

6. With five stars as the highest, please rank existing restaurant options in the City of Centerville.

- One Star
- Two Stars
- Three Stars
- Four Stars
- Five Stars

7. What types of restaurants does Centerville need?

8. With five stars as the highest, please rank existing retail options in the City of Centerville.

- One Star
- Two Stars
- Three Stars
- Four Stars
- Five Stars

9. What types of additional retail does Centerville need?

10. What should "Downtown" Centerville look like in 10 years?

About LOCi Consulting LLC

LOCi Consulting LLC was founded by Grant Martin in 2019. The company is dedicated to the belief that location intelligence drives critical strategy for any organization.

Grant has over 15 years' experience conducting market research studies and providing critical recommendations for a wide range of real estate uses, including residential, retail, office/industrial, healthcare, and mixed use. He has presented meaningful and actionable recommendations to CEOs and CFOs, corporate real estate committees, city councils and economic development boards, and industry associations.

For over 10 years, Grant developed and led new store forecasting strategy, property portfolio optimization, and location-based analytics for Target Corporation. As Director of Regional Market Analysis, Grant and his team owned the geographic infrastructure and provided key data and market intelligence that continues to drive successful location strategy for the organization. Grant also managed regional market planning teams for Target, directing retail market research in a wide variety of markets across the United States and Canada.

Grant has completed over 60 market studies across the United States. Prior to coming to Target, Grant was Director of Market Research at Clifton Larson Allen, where he consulted with senior living and healthcare clients, estimating demand and providing strategic recommendations. He also conducted a wide variety of research for real estate uses at Maxfield Research Inc., including studies for multifamily, single-family, office, industrial, hospitality and mixed-use projects.

Grant is a member of the International Council of Shopping Centers, where he is a member of the North American Research Group; the Minnesota Shopping Center Association; and the Minnesota Commercial Association of Realtors. He is a licensed real estate broker in Minnesota.

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