

HOUSING NEEDS ASSESSMENT BLACK RIVER FALLS, WI.



Prepared by: The Windward Group, LLC

November 2017

PURPOSE & METHODOLOGY

At the request of The City of Black River Falls, Wisconsin, The Windward Group was commissioned to evaluate the existing housing market and offer recommendations regarding steps that can be taken to improve housing quality and affordability within Black River Falls.

More specifically, this analysis includes the following:

- An assessment of the growth and demand potential for both owner-occupied and rental/apartment housing in Black River Falls, Wisconsin over the next five years, based upon economic and demographic trends in the City of Black River Falls as well as Jackson County, of which Black River Falls is a component.
- An analysis of housing demand at varying price/rent points, as well as an investigation into the types of housing and geographic positioning of alternatives that will be accepted by the local market.

To reach the conclusions presented in this report, a number of analytical steps were taken. These include;

- A thorough economic and demographic analysis of the City of Black River Falls and Jackson County, focusing upon employment, construction, income and population/household trends as they affect future potentials the city.
- An analysis and assessment of the future demand, for both owner-occupied and rental/apartment alternatives in the City of Black River Falls and Jackson County over the next five years.
- A detailed audit of all comparable developments in the defined market area viewed to hold either direct or indirect competitive influence over potentials within the City of Black River Falls. This audit details absorption rate histories, price/rent positioning, unit size factors and included features or amenities on a project by project basis.
- An assessment of the future competitive positioning of any residential developments in the planning pipeline.

EXECUTIVE SUMMARY

The following paragraphs summarize the salient points found in the body of this analysis.

- Founded in 1833, the City of Black River Falls, Wisconsin originally prospered as a hub for logging and sawmills. No longer dependent upon the lumber industry, Black River Falls currently exists as the county seat for Jackson County, and supports a much more service-based economy.
- Situated at the confluence of State Highway 54 and Interstate 94, Black River Falls benefits from excellent accessibility to several larger metropolitan areas including Minneapolis/St. Paul, Madison, Milwaukee and Chicago.
- Unlike many similarly sized “rural” towns found throughout Wisconsin, the downtown area of Black River Falls is quite healthy, and the city supports many recreational outlets, retail facilities, a solid school system and a low crime rate, as well.
- Within the City of Black River Falls, there are two single family developments (lot sales), and one multifamily parcel that would allow an outside residential builder/developer an opportunity to begin constructions and sales/leasing almost immediately.
- Black River Falls is the county seat of Jackson County. While Black River Falls itself will be an important driver of future residential demand, the larger Jackson County area will also contribute significantly to local housing demand.
- Over the past seven years, employment in Jackson County has increased by 650 jobs, or by an average of 93 per year. Over this same time frame, the unemployment rate from 8.1% in 2010, to a current level of only 2.9%.
- Since 2009 residential housing start authorizations, as evidenced by building permits, have averaged a modest 28 per year in Jackson County. Most recent figures available indicate that through July of 2017, 22 new residential units have been authorized. Further, comparing recent job growth to building permits indicates that the Jackson County residential market is largely in balance.
- The economic base of Jackson County is largely service-oriented, with 38.7% of all employed persons positioned in that sector. Other employment sectors with significant representation include Manufacturing at 16.6% and Retail Trade at 10.0%.
- Mirroring construction activity, population/household growth in Jackson County has been restrained. Over the past seven years, household additions in Jackson County have averaged only 26 per year, while in the City of Black River Falls, the household base has declined by an average on nine per year since 2010.
- The 2017 median annual income in Black River Falls is \$49,094, a figure 2.6% higher than that noted for Jackson County. By income range, we find that 44.3% of all Black River Falls households earn between \$35,000 and \$74,999 per year. Despite relatively high incomes, in Black River Falls we note that 54.4% of all renter households are paying 30.0% or more of their annual income in rent.

- Based upon factors summarized above and detailed in the body of this analysis, we expect that organic demand for housing in Jackson County will be unexceptional, averaging 25 to 35 new units per year. However, we also believe that given the age of the current housing stock, there is significant latent, or pent-up demand in the County as well. Adding this demand into the equation increases the overall expected housing demand to 65 to 90 units yearly in Jackson County.
- Given the exceptionally tight rental housing market (1.8% vacancy, currently) we are confident that a new, properly designed, marketed and priced rental development could capture up to 20.0% of age and income-eligible households in Jackson County. This would allow the development of up to 82 new rental units.
- Using a more conservative 10.0% capture rate figure for single family development translates to the potential for 238 new units.
- Within Black River Falls, we find a median home value of \$125,619 with 69.7% of all homes valued at under \$150,000. In Jackson County, the median home value is slightly higher at \$130,233, with 60.2% of all homes carrying a value under \$150,000. In both areas we note a heavy concentration of single family homes, with representation rates of 69.4% and 77.2% recorded for Black River Falls and Jackson County, respectively.
- The relatively low home values discussed above can be traced to the general age of the current housing inventory. In Black River Falls, the median year built for a home is 1958, with 50.6% of all homes constructed prior to 1960. In Jackson County, the median year built is 1975, with 35.5% of the housing stock built in 1959 or earlier.
- According to the Wisconsin Board of Realtors, home sales in Jackson County have averaged 161 annually over the past ten years. During this same time-period, the median price of a home sold increased from \$96,150 to \$125,039.
- In the City of Black River Falls, over the past six months we note that 26 single family homes were sold. Among all sales, the average price stood at \$119,431 and the average unit included 1,727 square feet of living area. This yields a value ratio of \$69.17 per square foot. Straight-line regression analysis reveals that “market” or average single-family home prices in the City of Black River Falls extend from \$68,081 for a 700-square foot home to \$168,081 for a home with 2,700 square feet.
- In 2015, the median rent for an apartment in Jackson County stood at \$676 per month, with 90.0% of all renters paying less than \$1,000 monthly. The median for Black River Falls was 13.6% higher at \$768, with 84.2% of all rental households paying rent of less than \$1,000 per month.
- Within the City of Black River Falls, we identified a total of seven larger rental apartment communities with a total of 276 units. Of the unit total, five units are currently unrented yielding a vacancy rate of 1.8%. For all properties, the average rent stands at \$597 per month with an average unit size of 745 square feet (\$0.80/sq. foot).
- Based upon a survey that was distributed to persons who currently live and/or work in Black River Falls, we find that 73% of the respondents felt that the quality of the current housing inventory was not acceptable, and 57% of respondents indicated that if new housing were to become available

in Black River Falls, they would consider purchasing or renting it. When posed a question regarding the type of new housing that is most needed in Black River Falls, 31% of respondents noted Single Family, while 29% indicated that rental apartments were most necessary.

CONCLUSIONS

Based upon the information detailed in the body of this report and summarized above, it is our contention that the City of Black River Falls currently suffers from a shortage of newer, high quality housing and that new, properly designed, marketed and priced rental apartment or single-family home developments can achieve strong levels of consumer acceptance from both current residents of Black River Falls, as well as from those currently residing outside of the city limits.

This claim is based upon the following factors:

- The City of Black River Falls benefits from strong accessibility and visibility with its location at the confluence of Interstate Highway 94 and State Highway 54 with potentials further enhanced by the city's vibrant downtown core, a wealth of nearby recreational/entertainment facilities, a solid public school system and a low crime rate.
- Residential builder/developers will find two "turn key" single family developments already in place as well as a vacant multifamily parcel positioned behind the existing Wal-Mart on the east side of town.
- Although recent employment additions, housing starts, and population/household increases have been modest over the past seven to ten years, a dearth of recent new residential construction has led to a market in which there is significant pent-up demand in the form of local residents who desire new housing alternatives.
- Based upon an analysis of age and income-eligible households in Jackson County, we find that there is sufficient demand to justify the development of new housing, whether it be single family or rental apartments.
- The current rental market is extremely tight, with an overall vacancy rate of just 1.8% noted among the seven larger apartment communities surveyed in Black River Falls.
- A survey of persons who live and/or work in Black River Falls indicates that respondents felt that the current housing inventory was sub-standard, and that new rental and/or for-sale housing is needed, provided that it is properly priced.

While the above factors are positive, there are obstacles that future development in Black River Falls that will have to overcome in order to be successful. Of primary importance is the fact that employment growth, and thereby population growth and housing construction is expected to remain negligible over the next five to ten years. As such, any residential development upon have to pull buyers or renters from the existing population in Black River Falls and Jackson County to be successful. It is our belief that there is enough pent-up demand to justify this future development.

Another restrictive factor is construction costs. Among residential alternatives, current construction costs for "standard" housing are generally failing in the \$115 to \$125 per square foot range. Given that, any future residential development in Black River Falls will have to support rents or purchase prices high enough to warrant development.

RECOMMENDATIONS

Given the above, it is our recommendation that a portion of the “Wal-Mart Property” be developed as an apartment community including between 40 and 60 units.

Given the cost to develop discussed earlier coupled with achievable rent levels, it is believed that “standard” market rate apartments are not financially viable from a developer perspective. As such, we believe that the strongest option is the development of apartments using Low Income Housing Tax Credits (LIHTC) allocated by the Wisconsin Housing and Economic Development Authority or WHEDA, through their Section 42 Tax Credit program.

Under the Section 42 program, apartment owners must abide by household income limits set by WHEDA for any units designated as income-restricted. These limits are based upon a percentage of the median household income in a number of rural Wisconsin counties, including Jackson County. Income limits are detailed in the table which follows. Developers are offered flexibility concerning which income levels to abide by, as well as the number of units in any development which are income restricted.

2017 WHEDA Income Limits Section 42 Tax Credit Program							
	Persons in Household						
	One	Two	Three	Four	Five	Six	Seven
80% Income	\$35,100	\$40,100	\$45,100	\$50,100	\$54,150	\$58,150	\$62,150
60% Income	\$26,340	\$30,060	\$33,840	\$37,560	\$40,620	\$43,620	\$46,620
50% Income	\$21,950	\$25,050	\$28,200	\$31,300	\$33,850	\$36,350	\$38,850
40% Income	\$17,560	\$20,040	\$22,560	\$25,040	\$27,080	\$29,080	\$31,080
30% Income	\$13,170	\$15,030	\$16,920	\$18,780	\$20,310	\$21,810	\$23,320

Source: WHEDA

In addition to income restrictions, developers utilizing the Section 42 program must abide by maximum rent levels set by WHEDA with these levels again based upon median incomes in Jackson County. However, as seen in the following tables, maximum rents allowable, especially at the 80% level, are quite high and it is likely that these rents are higher than the local market will support.

2017 WHEDA Rent Limits Section 42 Tax Credit Program							
	Maximum Rent						
	Efficiency	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
80% Income	\$877	\$940	\$1,127	\$1,303	\$1,453	\$1,603	\$1,753
60% Income	\$658	\$705	\$846	\$977	\$1,090	\$1,203	\$1,315
50% Income	\$548	\$587	\$705	\$814	\$908	\$1,002	\$1,096
40% Income	\$439	\$470	\$564	\$651	\$727	\$802	\$877
30% Income	\$329	\$352	\$423	\$488	\$545	\$601	\$657

Source: WHEDA

Given the above we recommend the development of a 40 to 60 unit apartment complex which adheres to the following schedule.

Black River Falls, WI Apartment Product Recommendations					
Unit Type	Percent/ Number	Unit Count	Unit Size	Monthly Rent	Rent/ Sq. Ft
Studio/One Bath	10.0%	4 to 6	500-600	\$550-\$600	\$1.10-\$1.00
One Bedroom/One Bath	50.0%	20 to 30	650-750	\$650-\$700	\$1.00-\$0.93
Two Bedroom/Two Bath	40.0%	16 to 24	950-1,050	\$800-\$850	\$0.84-\$0.81
Total/Average	100.0%	40 to 60	756	\$692	\$0.91

In terms of construction we suggest two-story, walk-up buildings containing six to eight units each with one enclosed garage (attached or detached) space per unit

In-unit amenities should include a full kitchen appliance package (Refrigerator, Oven/Range, Microwave Oven, Dishwasher and Disposal), laminate “wood” flooring in the main living areas and carpeting in the bedroom(s), washer-dryers, walk-in closets, patios or balconies, and full cable/wi-fi readiness. Recreational amenities (i.e., swimming pool) are not necessary.

To keep costs reasonable, the buildings themselves should not be “over-designed”, nor should they include expensive exterior or interior finishes like granite countertops or high-end fixtures. Rather they should be designed to appeal to as broad a consumer segment as possible with quality finishes and fixtures. The following photos provide a conceptual idea.



Under this scenario, we estimate that the apartment development would reach stabilized occupancy in six to eight months.

As noted earlier, there are currently two active single-family home/lot sale developments in Black River Falls. Lollapalooza Estates has 59 available lots of approximately 1/3-acre available at prices from \$42,900 to \$69,900. At Rye Bluff Estates, we find 34, 1/8-acre to 1-acre lots remaining at prices between \$19,500 and \$29,500. It is thought that a builder developer willing to purchase lots “in bulk” could do so at a significant discount.

In and around Black River Falls, there are currently a number of available vacant land parcels that are also suitable for residential development. However, most of these parcels are not currently zoned for residential use, nor do they benefit from city sewer and water.

That said, in order for a single family development to meet with satisfactory levels of consumer acceptance it must be both properly conceived and marketed, and more importantly, it must be priced within the affordability of a significant percentage of Black River Falls and Jackson County residents.

It is recommended that new single family units in Black River Falls be developed as three and four bedroom homes offering between approximately 1,300 and 1,650 square feet, with prices from \$195,000 to \$240,000. While positioned well above the existing housing inventory in Black River Falls, we believe that these prices are attainable for two reasons.

First, the existing housing stock in Black River Falls is generally older and outdated in terms of amenities and design with only minimal numbers of “newer” homes available. We are confident that, given the opportunity, many area residents would be eager to purchase a new home in Black River Falls with this claim reinforced by the results of the housing survey discussed earlier.

Second, the prices noted above are within the affordability ranges of approximately half of the current Jackson County population. For example, and using the lower \$195,000 end of the price range as a base, we find that under “standard” loan terms (90% loan-to-value, 30-year amortization, 4.0% interest) the cost to purchase the home, including property taxes and insurance, would be approximately \$1,263 per month, or \$15,156 per year.

Housing Needs Assessment Black River Falls, WI.

Using a maximum 30.0% ratio of income to housing costs, we find that the minimum annual income needed to acquire this type of home would be \$50,520. In Jackson County, just under 50.0% of all households earn at least \$50,000 per year.

For the more expensive homes at \$240,000, using the same methodology, we find that the minimum income required would be \$62,250, with approximately 37.0% of all Jackson County households supporting incomes high enough to purchase this type of unit.

As was the case for the recommended rental apartments, the single-family homes should be relatively simple, without extraneous architectural elements, as seen in the images below.

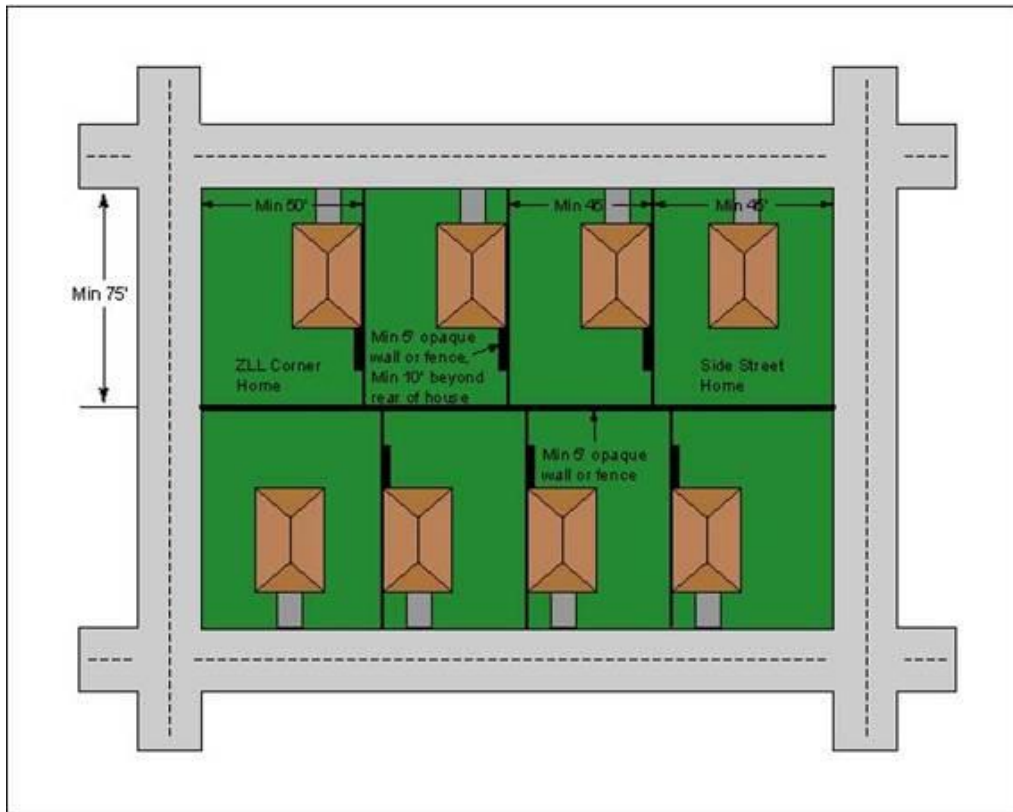


Finishes should be of high quality, but not overly expensive. The exterior should provide for vinyl or similar siding with brick or stone accents, aluminum or fiberglass windows, “architectural” shingles, and quality lighting fixtures. Interior features should include laminate wood flooring in main living areas and carpeting in bedrooms, a kitchen with oven/range, refrigerator, dishwasher, disposal and microwave oven. Cabinetry should be high quality, and granite or other solid-surface material should be used for the countertops.

All units should include a two-car attached garage, and if financially feasible, an un-finished full basement. These homes will attract younger families with children as well as empty-nesters with annual incomes generally in the \$50,000 to \$100,000 range.

In order to reduce costs, another single family development option for the single-family component could include maintenance-free, one and two-story homes in a zero-lot line configuration. A zero-lot line layout is one in which most or all of the homes are constructed with one wall on or very near the property line, as seen in the accompanying image. The advantage of this configuration is that it allows for a maximization of yard space on relatively small lots. Further, to appeal to the broadest consumer segment including empty-nesters, we suggest that most of the homes (standard or zero-lot line) be designed with main-floor master bedrooms.

Using the parameters detailed above, we are confident that 15 to 20 homes per year could be sold in the City of Black River Falls.



ECONOMIC, DEMOGRAPHIC & DEMAND FACTORS

Black River Falls-Past & Present

Before getting into a discussion of the economic, demographic and demand factors which will impact future residential development potential with the City of Black River Falls, a brief historical outline of the city is warranted. The following was sourced directly from the Black River Country Chamber of Commerce.

“The great forest of pines and the attraction of becoming wealthy lumbermen lured the first group of men up the Black River in 1830s to the location that was to become Black River Falls. The village of Black River Falls was founded in 1833 by Jacob Spaulding along with other lumbermen. Early trading helped to grow a relationship with the local Native American tribe (Winnebago tribe, now Ho-Chunk Nation).



Logging and sawmills became the major industry for Black River Falls and later mining as well. Sawmills became numerous along the river. The first sawmill, built in 1839, was carried away along with most of the mills by a sudden rising of the river in 1847. The prospect of future floods didn't deter the early settlers. They immediately rebuilt the mill in the same area. Other large rises in the river were experienced in 1857, 1866, 1876, and 1880.

The village grew with several public buildings and by 1850 Water Street and the eastern end of Main Street was a town with a population of 150. In 1853, Black River Falls was designated the county seat and it was incorporated as a city in 1866. A large fire that destroyed many of the buildings in the downtown area in 1860 and another in 1878 didn't dampen the citizen's determination to continue to develop their town.

In its early years, the city faced several major disasters. In 1860, most of the business section of Black River Falls was destroyed by a major fire. The city faced another major disaster in October of 1911 when two upstream dams on the Black River failed. Flood waters destroyed most of the downtown business district. The flood waters from this event created the landscape of the existing business core area. In the years following the 1911 flood, the downtown was reconstructed with masonry structures, many of which form the city's current downtown building stock.

Once more, the downtown buildings were constructed at the same location that attracted the first visionaries in 1839. Today it remains the small town so often written about in the reminiscence of the heartland country.”



With a 2017 population of 3,552, Black River Falls is the largest community within Jackson County and it also serves as the Jackson County Seat. Located in the west-central part of the state, Black River Falls is located 39 miles east of LaCrosse, 112 miles northwest of Madison, 182 miles northwest of Milwaukee and 234 miles from Chicago.



Major thoroughfares serving Black River Falls include Interstate 94 which provides accessibility to Minneapolis/St. Paul to the northwest as well as Madison to the southeast. Other highways which bisect the city include State Highway 12 and State Highway 27 which run generally north-south, as well as State Highway 54, which runs generally east-west.

Black River Falls supports two elementary schools, one middle school and one high school. The city also includes one major hospital (Black River Memorial Hospital) as well as the Black River Falls Airport located south of the city.

As would be expected, criminal activity, especially violent crime in Black River Falls is minimal. According to City-Data.com, the city supports a crime index of only 125.1, well below the average for the United States at 270.1.

Recreational facilities include a The Lunda Community Center, the Hoffman Aquatic Center, the Rotary Skatepark, a number of public parks

including the Black River State Forest, the Black River itself for which the town is named, Wazee Lake, the deepest inland lake in Wisconsin which offers swimming, fishing and scuba diving, the Foundation Trail, a paved running/bicycle path which circles the entire city, as well as the Skyline Golf Course located in the northwest part of town.

The Ho-Chunk Black River Falls Casino & Hotel is located just several miles northeast of downtown Black River Falls along State Highway 54.

Unlike many similarly sized towns found throughout Wisconsin, the downtown core of Black River Falls is quite healthy, offering a selection of restaurants/cafes, drinking establishments, specialty retail shops and antique stores among its historic buildings.

The City also hosts several annual community events including the Black River Area Oktoberfest, the Christkindl Festival in December and the Karner Blue Festival/Festival in the Park in July.



Current Development Opportunities

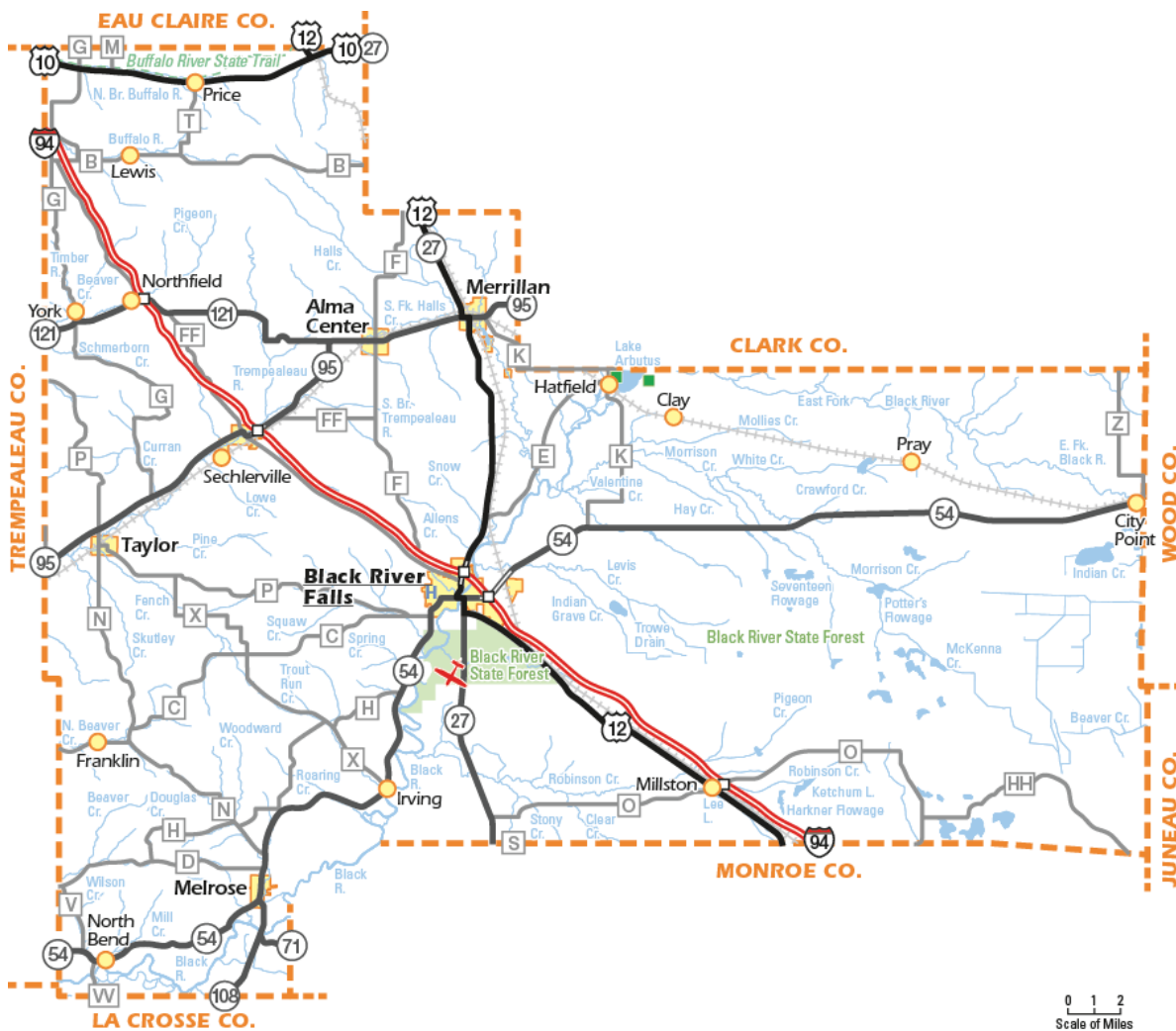
Within the City of Black River Falls, there are currently three parcels that a residential real estate builder/developer could acquire and begin construction almost immediately. Two of these are subdivided for single family homes, while the third is zoned for higher-density, multifamily development. The following paragraphs provide further details regarding each of these.

- Situated on 35 acres, Lollapalooza Estates has been developed with 70 single family lots, most of which include approximately 1/3 of an acre. Prices for these lots extend from \$42,900 to \$69,900. Located at the northwest intersection of State Highway 12 and Interstate 94, this development also includes city sewer & water, streets with curb and gutter, as well as several aerated ponds and a paved walking trail. To date, eleven lots have been sold, and six single family homes have been constructed.
- The Rye Bluff Estates includes 46 single family lots ranging in size from 1/8 to 1 acre, with prices extending from \$19,500 to \$29,500. Developed on 22 acres in the northwest section of Black River Falls, twelve lots have been sold to date, and ten homes have been constructed. Homes in this development are generally priced between \$175,000 and \$225,000. While Rye Bluff does not offer any on-site amenities, many homes benefit from views of the Skyline Golf Course, which abuts this property. The development also utilizes city sewer & water, with streets including both curbs and gutters.
- The third property includes an assemblage of nine individual parcels containing a total of 40 acres. This property is located on the east side of Black River Falls, immediately south of the Wal-Mart Supercenter on State Route 54 (E. Main Street). While this parcel lacks any aesthetic features, it is ideally located for future rental apartment development.

Market Area Definition

While the focus of this analysis is the City of Black River Falls, future residential potentials within the city will be significantly impacted by a larger geographic area. As such, to evaluate the potential demand for residential development within the City of Black River Falls, it is first necessary to establish that market area from which most future demand will emanate. In our determination, this area includes the entirety of Jackson County.

Geographically, the City of Black River Falls sits roughly at the center of Jackson County, while Jackson County is positioned in the west-central portion of the State of Wisconsin as indicated in the maps which follow.





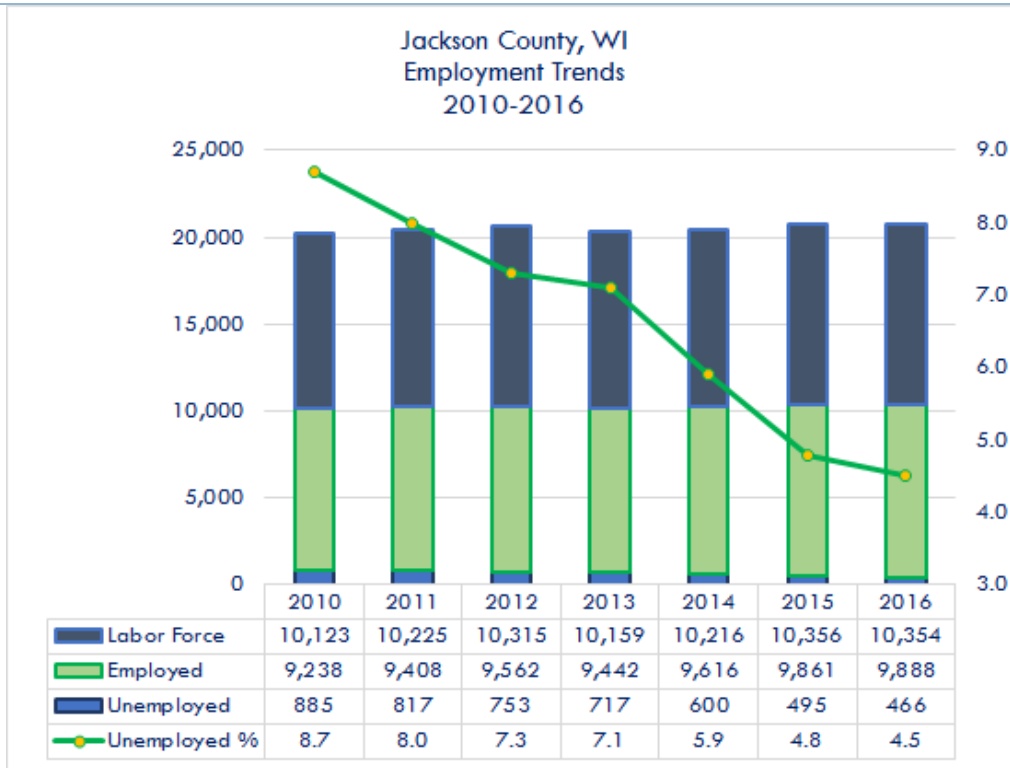
Jackson County, Wisconsin

Typically, demand for new residential development is almost exclusively dependent upon employment growth. As such, in relatively “rural” areas such as Black River Falls, employment growth is typically modest, leading to relatively low levels of new housing development.

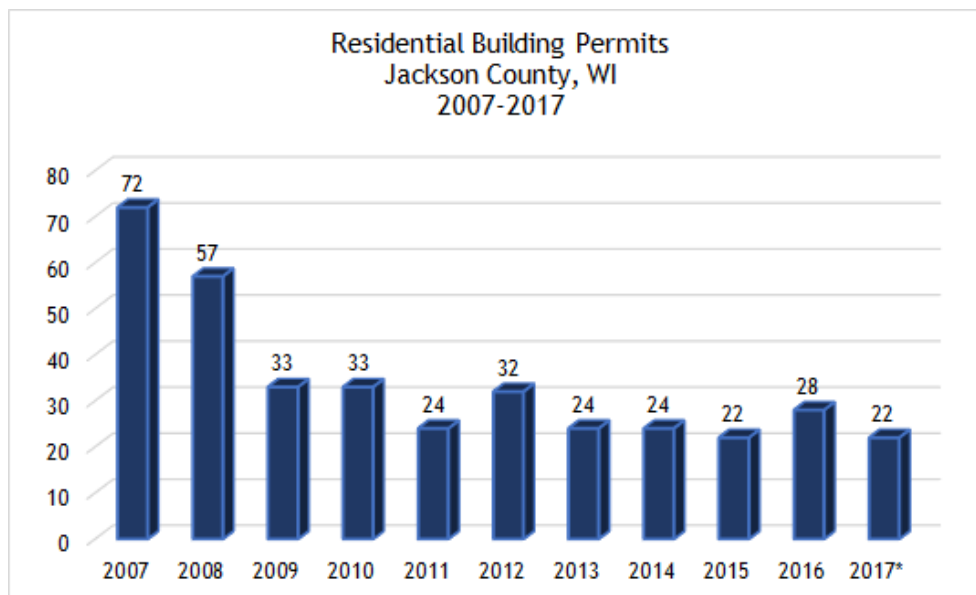
Employment & Industry

As detailed in the chart which follows, over the past seven years, the number of employed persons in Jackson County has increased from 9,238 to 9,888. This reflects an increase of 650 jobs in total, or an average of 93 per year. However, we also note that during this period, the labor force increased by only 231 persons, indicating that many of the new jobs were only replacing lost jobs which accumulated during the recession in 2008 and 2009.

Over this same seven-year time-frame, we also see that the unemployment rate has declined significantly and consistently from a high of 8.7% in 2010 to 4.5% in 2016. Most recent figures available indicate that through July of this year, 95 job additions have been recorded in Jackson County, and the unemployment rate has decreased to a very low 2.9%.

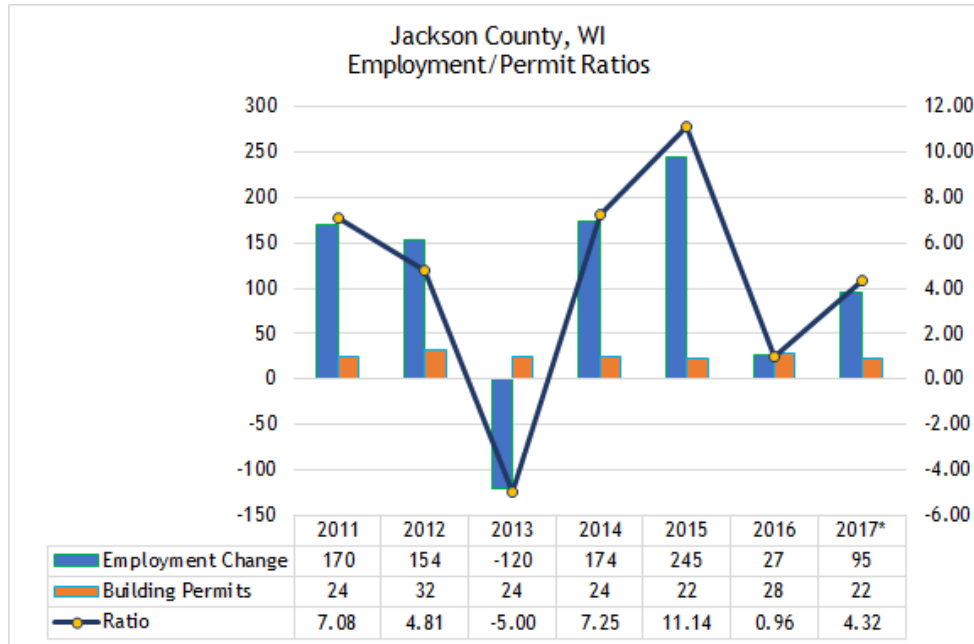


After witnessing the issuance of 72 residential building permits in 2007 and 57 in 2008, we note that in Jackson County, residential authorizations have remained modest but consistent over the past eight years. Specifically, since 2009 we find annual permit authorizations having averaged only 28 per year, extending from a low of 22 in 2015, to highs of 33 in 2009 and 2010 as detailed below. Through July of this year, 22 building permits have been authorized in Jackson County.



Source: Wisconsin Builders Association

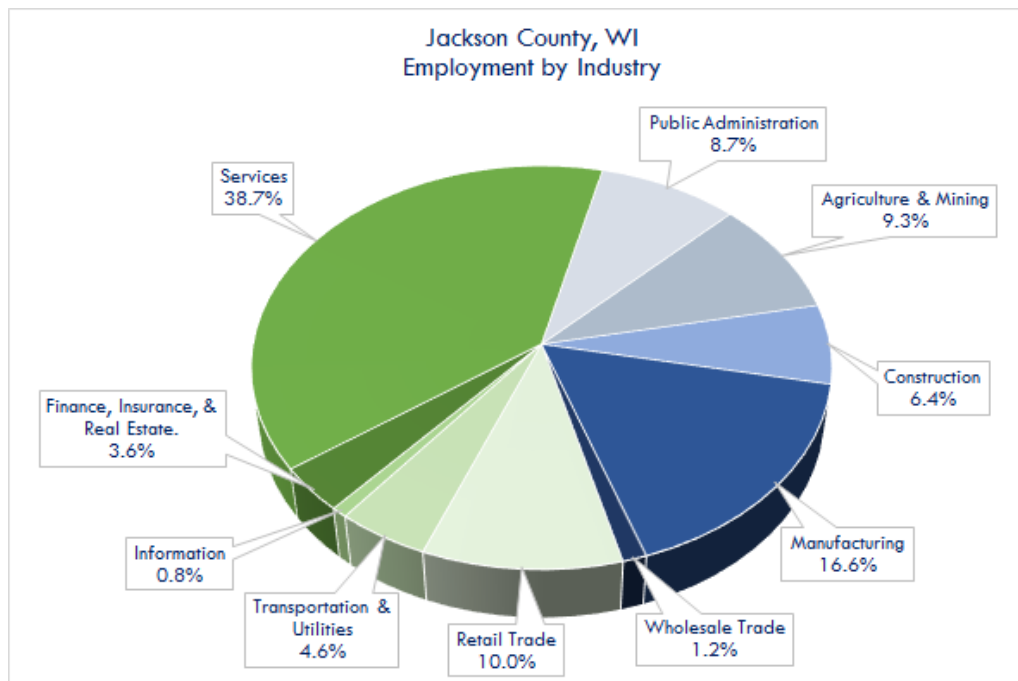
As employment growth is a major contributor to new residential demand, examining the relationship between job additions (or losses) and demand for new housing provides insight into possible oversupply or undersupply conditions. Specifically, in an area in which job additions are significantly outpacing housing additions, we typically find significant undersupply. Conversely, in situations in which housing additions are exceeding job increases, we typically find oversupply.



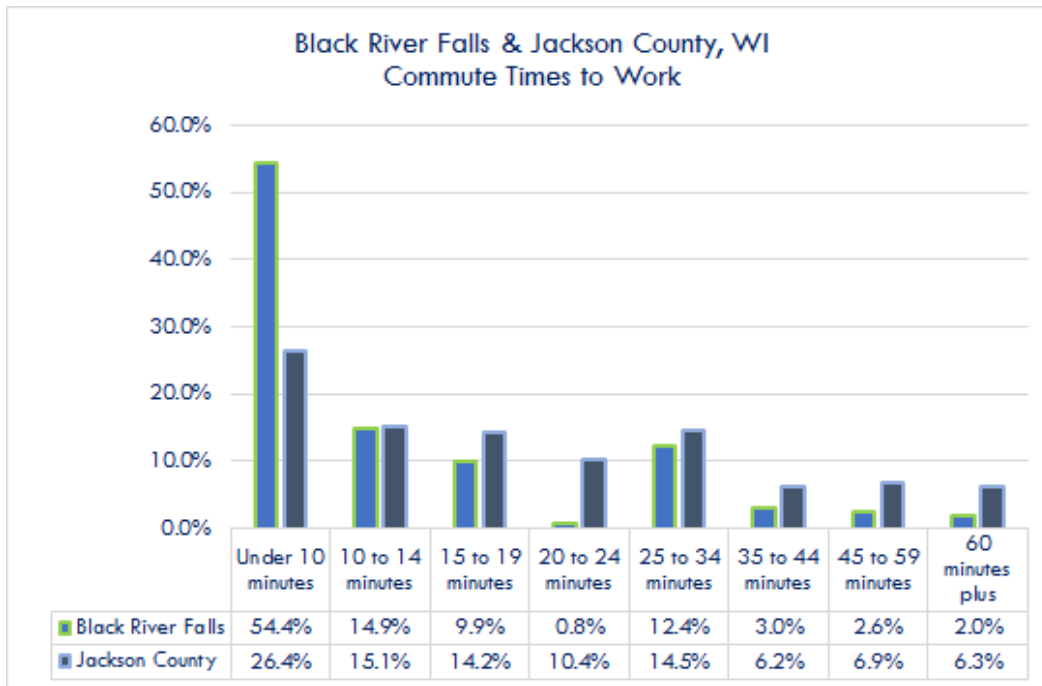
As it relates to Jackson County, WI, we find that since 2011, the employment ratio has varied from a low of -5.00 in 2013 to a high of 11.14 in 2015.

However, over the entire time-frame, we find a market that is largely in balance as indicated in the chart to the left.

The current employed population within Jackson County is 9,294 persons. The Services sector accounts for the highest representation at 38.7%, followed by Manufacturing at 16.6%, Retail Trade at 10.0%, and Agriculture & Mining at 9.3% as detailed in the chart which follows.



Within the City of Black River Falls, we find a median commute time of 14.3 minutes with 54.4% of all employees travelling to work in under ten minutes, indicating that that a majority of Black River Falls residents likely work within the city limits. For Jackson County, the median commute time is 22.1 minutes with only 26.4% of residents travelling to work in under ten minutes as detailed below.



Source: US Census Bureau

Demographic Factors

Within Jackson County, census figures placed the total household count at 7,843 units in 2010. Current (2017) figures show a total of 8,024 households, reflecting a net increase of 181 households over the past seven years. Over the next ten years, the household count is expected to increase moderately to 8,178 in 2022, and further to 8,322 in 2027.

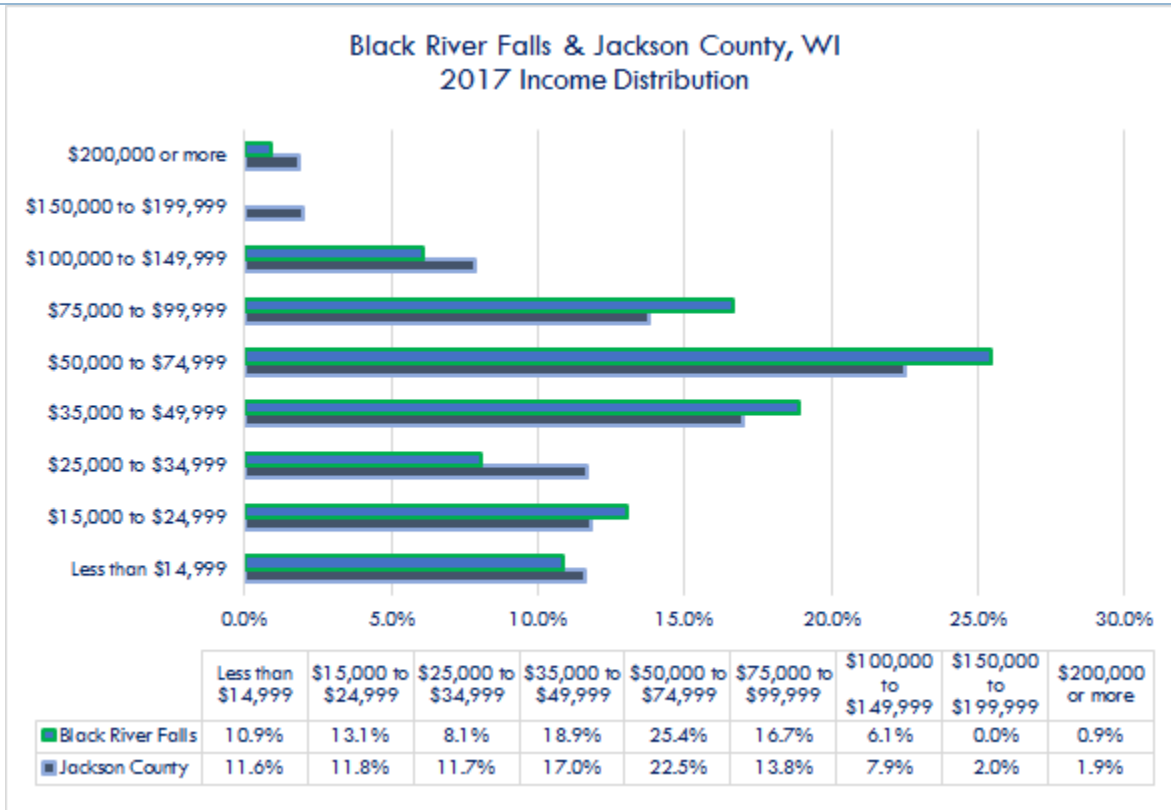
Black River Falls & Jackson County, WI					
Population & Household Trends					
	2000	2010	2017	2022	2027
	Households	Households	Households	Households	Households
Black River Falls	1,517	1,665	1,601	1,588	1,580
Net Change	NA	148	-64	-13	-8
Average HH Size	2.15	2.15	2.18	2.19	2.19
Jackson County	7,070	7,843	8,024	8,178	8,322
Net Change	NA	773	181	154	144
Average HH Size	2.51	2.49	2.44	2.43	2.43
	2000	2010	2017	2022	2027
	Population	Population	Population	Population	Population
Black River Falls	3,485	3,622	3,552	3,527	3,524
Net Change	NA	137	-70	-25	-3
Jackson County	19,100	20,449	20,810	21,152	21,477
Net Change	NA	NA	361	342	325

Source: US Census Bureau

In the City of Black River Falls, the household count has declined slightly, from 1,665 in 2010 to 1,601 in 2017. Over the next ten years, Census estimates indicate that the household count will dip further to 1,580 units by 2027 as detailed in the graphic to the right.

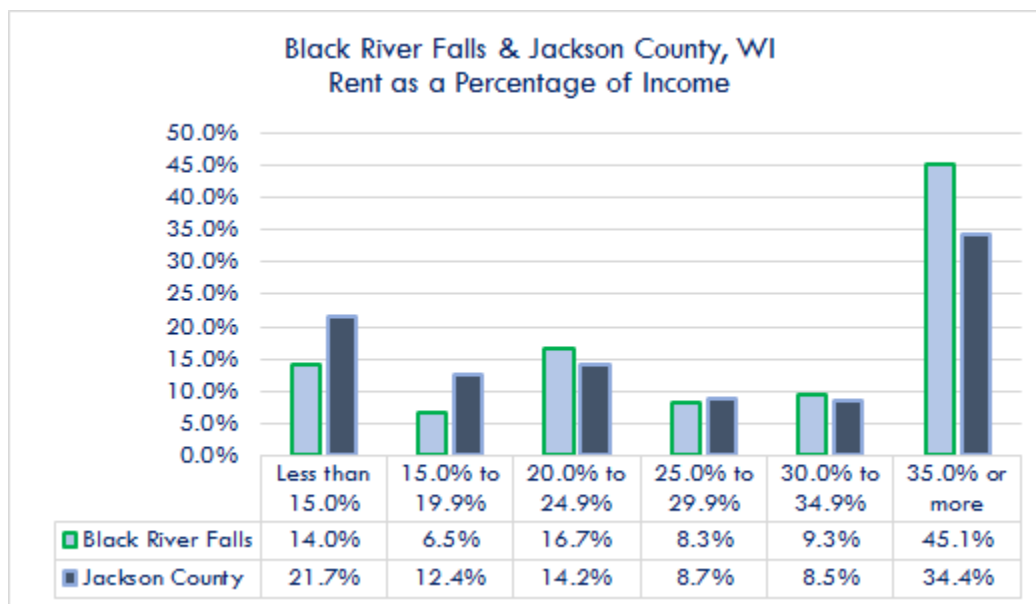
The median annual household income within Jackson County is currently \$47,851. By component income category, the bulk of households are earning between \$35,000 and \$74,999 annually, with 3,143 households in this range, accounting for 39.5% of the total. Further, we note that 48.1% of all households are earning more than \$50,000 annually.

In the City of Black River Falls, the 2017 median annual income for a resident household is \$49,094, a figure 2.6% higher than that noted for Jackson County. Within the \$35,000-\$74,999 income range, we note that the City of Black River Falls contains 710 households, representing 44.3% of the total as indicated below.

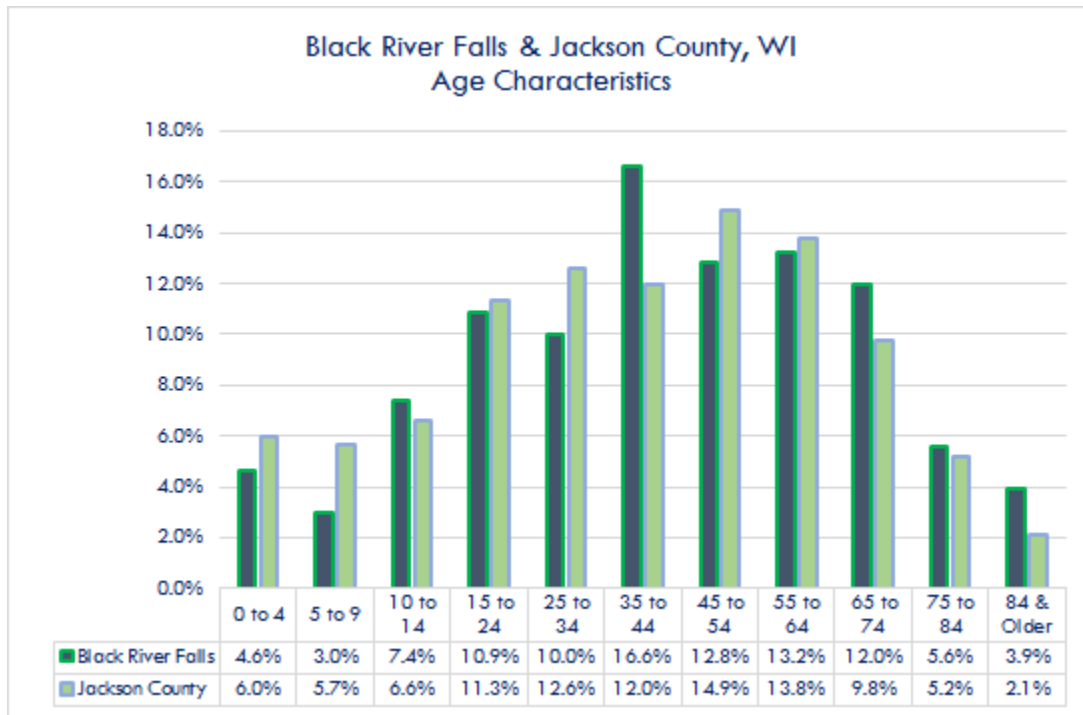


Source: US Census Bureau

While incomes in both Black River Falls and Jackson County are reasonably high, in both areas we find that a significant number of renter households are paying 30.0% or more of their income in monthly rent. Specifically, we see that 54.4% of all Black River Falls renters are paying 30.0% or more of their income in rent, while in Jackson County, the figure is 42.9% as indicated in the following chart.



Current census figures place the median age in Jackson County at 44.4 years. By and large, age statistics for the City of Black River Falls align closely with those in Jackson County as shown in the following graphic.



Source: US Census Bureau

We find that within the City of Black River Falls, the average size of a household is 2.13 persons, while in Jackson County, the average stands at 2.44 persons per household. As presented in the table which follows, in both areas there is a high concentration of households with three persons or fewer. We also note that in Black River Falls a relatively high 41.5% of all households include only one person.

Black River Falls & Jackson County, WI Households by Size				
	Black River Falls		Jackson County	
One Person	669	41.5%	2,113	26.9%
Two Person	491	30.4%	3,034	38.7%
Three Person	202	12.5%	1,110	14.2%
Four Person	138	8.6%	871	11.1%
Five Person	69	4.3%	411	5.2%
Six Person	27	1.7%	189	2.4%
Seven Person	17	1.1%	115	1.5%
Total households	1,613	100.0%	7,843	100.0%
Avg. Household Size	2.13		2.44	

Source: US Census Bureau

Localized Housing Demand Forecast

Outside of the occurrence of a catalytic event, such as the relocation of a significant employer into the area, it is likely that employment growth, and by extension, *organic* demand for new housing that would be required to accommodate an influx of new residents will remain modest over the next five to ten years.

Based upon recent employment growth and residential construction trends, we estimate that organic housing demand in Jackson County will average between 25 and 35 units yearly over the next five years. However, given the current age and condition of the existing housing inventory, it is quite likely that new residential development within the City of Black River Falls can meet with satisfactory levels of consumer acceptance by drawing, from existing housing stock (county-wide), residents who desire new and updated housing alternatives.

While arriving at a specific number of homes that would opt for new construction in any given year is an inexact science, we are confident that given the demographics of the county and Black River Falls specifically, that *latent* or pent-up annual demand within Jackson County falls in the 40 to 60 units per year range. Taken in total, we estimate that demand for new housing could average 65 to 95 units annually over the next five years.

Capture Rate-Rental Alternatives

Another analytical tool that is useful for estimating demand for a specific development is the capture rate. The capture rate can be defined as the percentage of age, and income qualified renter or buyer households in a market area that a property must capture to achieve a stabilized level of occupancy. The capture rate is calculated by multiplying a reasonable capture rate percentage by the total number of age, and income qualified renter or buyer households in the market area, in this instance, defined as Jackson County.

For the purposes of this analysis, we expect that almost all future demand for rental housing alternatives will originate from households headed by persons aged from 25 to 64, with annual incomes between \$15,000 and \$49,999. At incomes above \$50,000, it is more likely that households will lean towards home ownership, while at incomes below \$15,000, affordability issues will likely prevent them from leasing at a newer development with associated higher rents.

As displayed in the following table, within Jackson County, there are 1,574 households headed by someone between the ages of 25 and 64, with annual incomes between \$15,000 and \$49,999. However, as only 25.9% of households in the county are currently renters, this must be factored into the final calculation.

Jackson County, WI 2017 Households by Age & Income			
Income Range	25-64	Percent	Project
Under \$15,000	480	9.1%	-
\$15,000-\$24,999	365	6.9%	365
\$25,000-\$34,999	417	7.9%	417
\$35,000-\$49,999	792	15.1%	792
\$50,000-\$74,999	1,324	25.2%	-
\$75,000-\$99,999	889	16.9%	-
\$100,000-\$149,999	684	13.0%	-
\$150,000-\$199,999	160	3.0%	-
\$200,000 & Over	150	2.9%	-
Total	5,261	100.0%	1,574
Assumed Renter Percent			25.9%
Income Qualified HH's			408
Capture Rate			20.0%
Potential Rental Units			82

Source: U.S. Census Bureau

As revealed above, we find 408 income and age eligible households in Jackson County assuming a 25.9% renter likelihood. By applying a capture rate of 20.0%, we can extrapolate that the maximum number of rental units (within one development) that can be absorbed by the market is approximately 82.

Capture Rate-For Sale Alternatives

To assess the number of income and age qualified households in Jackson County we again focused households headed by persons between 25 and 64 years of age, with incomes exceeding \$50,000 per year. It is believed that this group will compose the majority of potential Jackson County purchasers. Using a similar methodology as was done for rental alternatives, we find that the annual potential for new for-sale housing stands at 238, as outlined below.

Jackson County, WI 2017 Households by Age & Income			
Income Range	25-64	Percent	Project
Under \$15,000	480	9.1%	-
\$15,000-\$24,999	365	6.9%	-
\$25,000-\$34,999	417	7.9%	-
\$35,000-\$49,999	792	15.1%	-
\$50,000-\$74,999	1,324	25.2%	1,324
\$75,000-\$99,999	889	16.9%	889
\$100,000-\$149,999	684	13.0%	684
\$150,000-\$199,999	160	3.0%	160
\$200,000 & Over	150	2.9%	150
Total	5,261	100.0%	3,207
Assumed Homeowner Percent			74.1%
Income Qualified HH's			2,376
Capture Rate			10.0%
Potential For-Sale Units			238

Source: U.S. Census Bureau

THE RESIDENTIAL ENVIRONMENT

Introduction

To assess the potential for new residential development in the City of Black River Falls, we examined a number of relevant housing market statistics and have detailed them in this section of the analysis.

General Housing Statistics

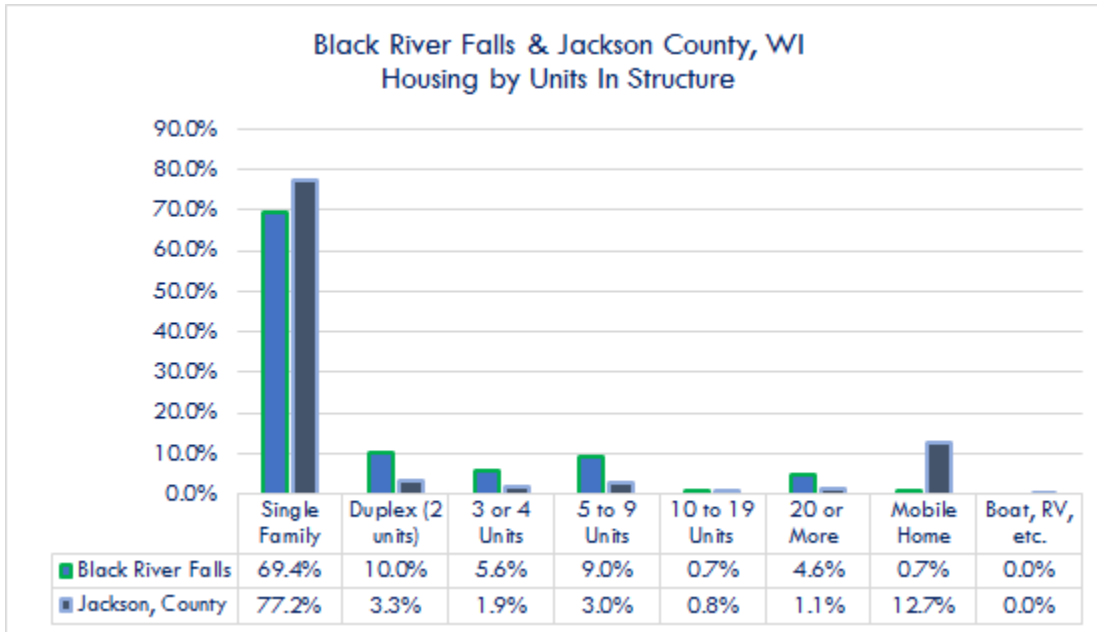
Based upon 2015 US Census figures, the median value of a home within the Black River Falls stands at a relatively modest \$125,619, with 69.7% of homes valued under \$150,000. In Jackson County, the median home value is slightly higher at \$130,233, with 60.2% of residences valued under \$150,000, as indicated below.

Black River Falls & Jackson County, WI 2015 Housing Values				
Value	Black River Falls		Jackson County	
	Total	Percent	Total	Percent
Less than \$50,000	30	3.0%	557	9.4%
\$50,000 to \$99,999	260	26.3%	1,474	25.0%
\$100,000 to \$149,999	399	40.4%	1,518	25.8%
\$150,000 to \$199,999	160	16.2%	1,037	17.6%
\$200,000 to \$299,999	112	11.3%	779	13.2%
\$300,000 to \$499,999	26	2.6%	393	6.7%
\$500,000 to \$999,999	0	0.0%	101	1.7%
\$1,000,000 or more	0	0.0%	36	0.6%
Units	987	100%	5,895	100%
Median Home Value	\$125,619		\$130,233	

Source: US Census Bureau

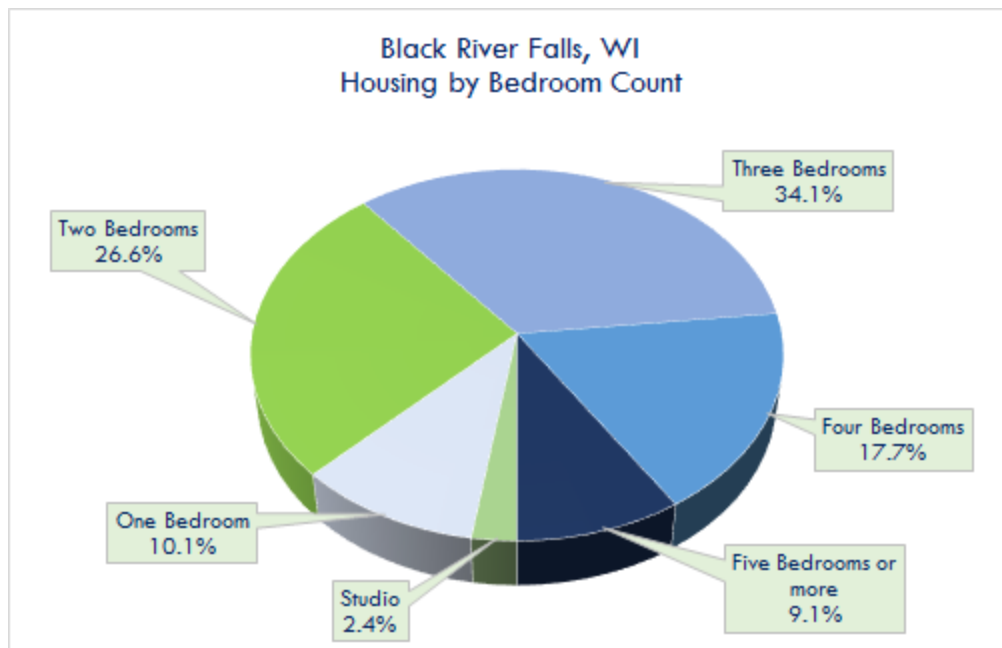
Within Black River Falls, among the 1,759 housing units identified in 2015, we note that 1,220 units, or 69.4% of the housing stock is single family homes, and another 176 units (10.0%) are found within two-unit, duplex structures. Conversely, we see that only 81 units, or 4.6% of the total, are found in structures including 20 units or more.

In Jackson County, single family representation is even higher, with 7,532 (77.2%) of the 9,755 housing units found within this sector. Like Black River Falls, Jackson County supports very little high-density development, with only 1.1% of the housing stock in structures containing 20 units or more. The following table provides details for both Black River Falls and Jackson County.



Source: US Census Bureau

As indicated in the following chart, 34.1% of all homes in Black River Falls include three bedrooms, 26.6% include two bedrooms, and 17.7% provide four bedrooms.



Source: US Census Bureau

As it relates to age of the existing housing stock, we find an aging inventory with little recent construction activity in either the Black River Falls or Jackson County. Specifically, the median year built in the City of Black River Falls is 1958, with no new construction activity noted after 2010. We also find that 50.6% of all housing units within the city were constructed prior to 1960.

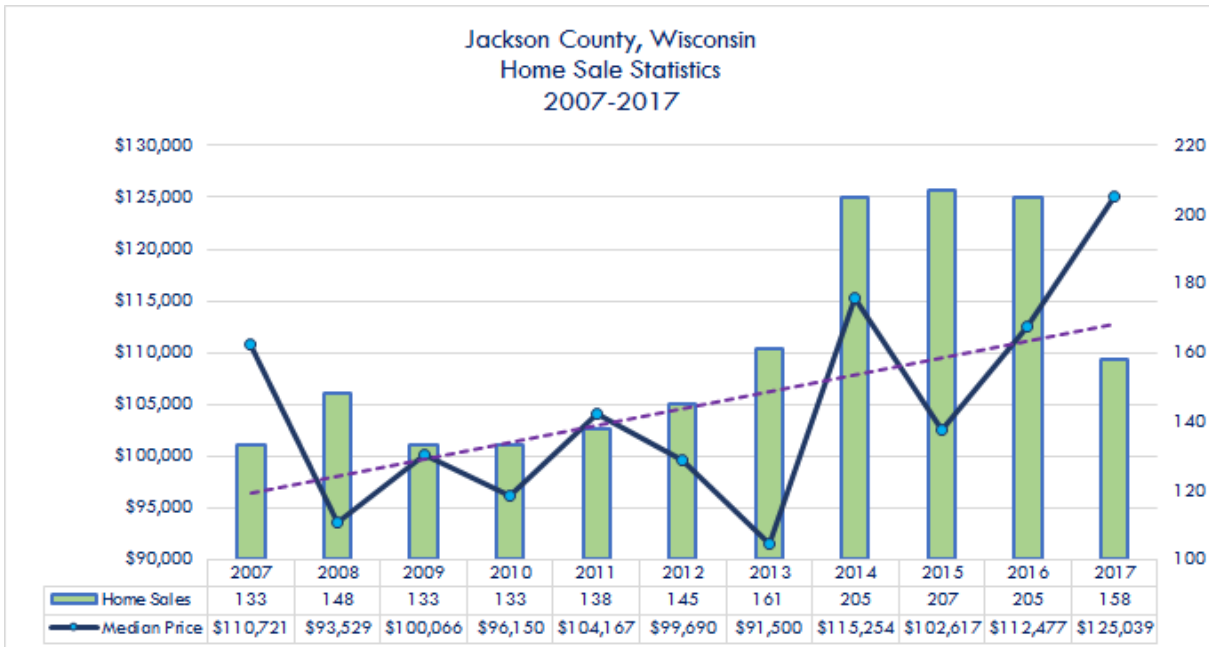
Within Jackson County, the median year built for residential units is 1975, with only 1.1% of the inventory constructed in 2010 or later. Conversely, 35.5% of the housing stock was built in 1959 or earlier, as seen in the following table.

Black River Falls & Jackson County, WI Housing Stock by Year Built				
Year Built	Black River Falls		Jackson County	
	Units	Percent	Units	Percent
1939 or earlier	442	25.1%	2,341	24.0%
1940-1949	247	14.0%	576	5.9%
1950-1959	203	11.5%	548	5.6%
1960-1969	145	8.2%	666	6.8%
1970-1979	181	10.3%	1,371	14.1%
1980-1989	167	9.5%	915	9.4%
1990 to 1999	259	14.7%	1,744	17.9%
2000 to 2009	115	6.5%	1,482	15.2%
2010 or later	0	0.0%	112	1.1%
Total	1,759	100.0%	9,755	100.0%

Median Year Built	1959	1975
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Source: US Census Bureau

According to the Wisconsin Board of Realtors, home sales in Jackson County have averaged 161 per year over the 2007 to 2017-time period. In Jackson County, the median price of a home sold in 2017 stands at \$125,039 up significantly from 2010, during which the median stood at \$96,150. The following table provides residential sales and pricing statistics for Jackson County over the 2007-2011 time frame.



Source: Wisconsin Board of Realtors

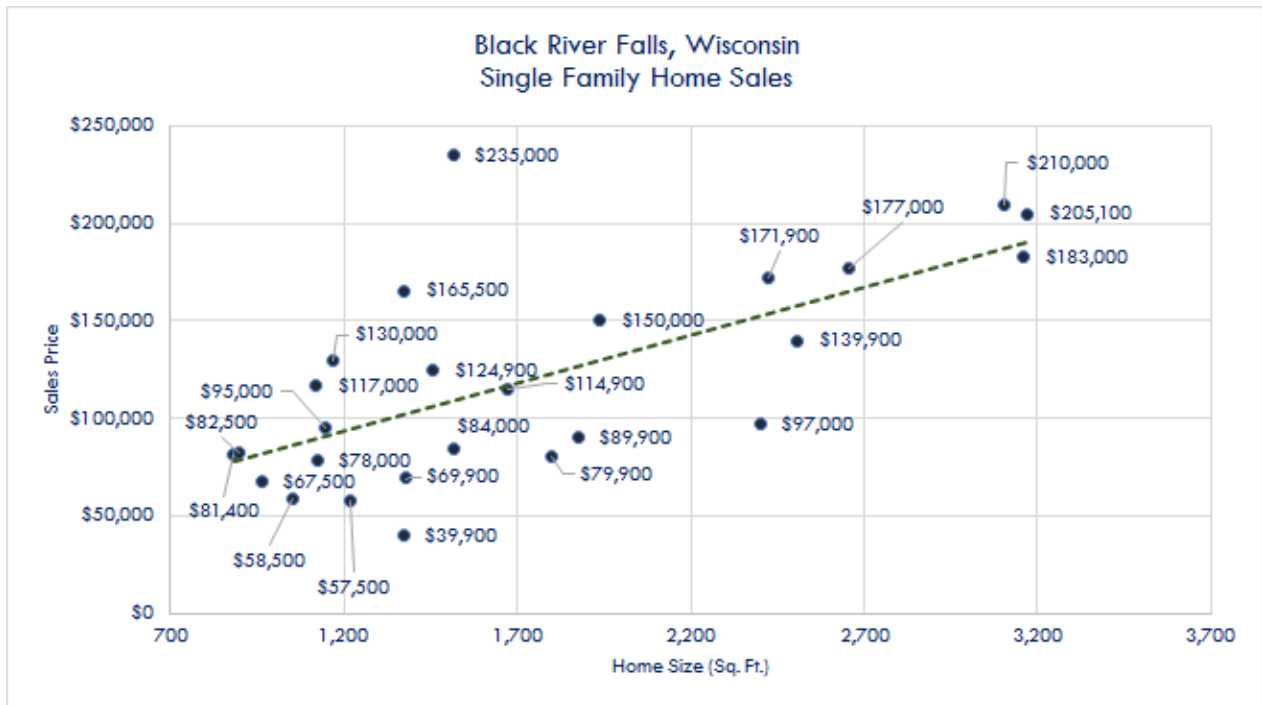
The Single-Family Home Sector

As outlined in the table which follows, a total of 26 single family homes have been sold in the City of Black River Falls over the past six months. The average sales price among these sales was \$119,431, and the average home included 1,727 square feet of living area. This yields a value ratio of \$69.17 per square foot.

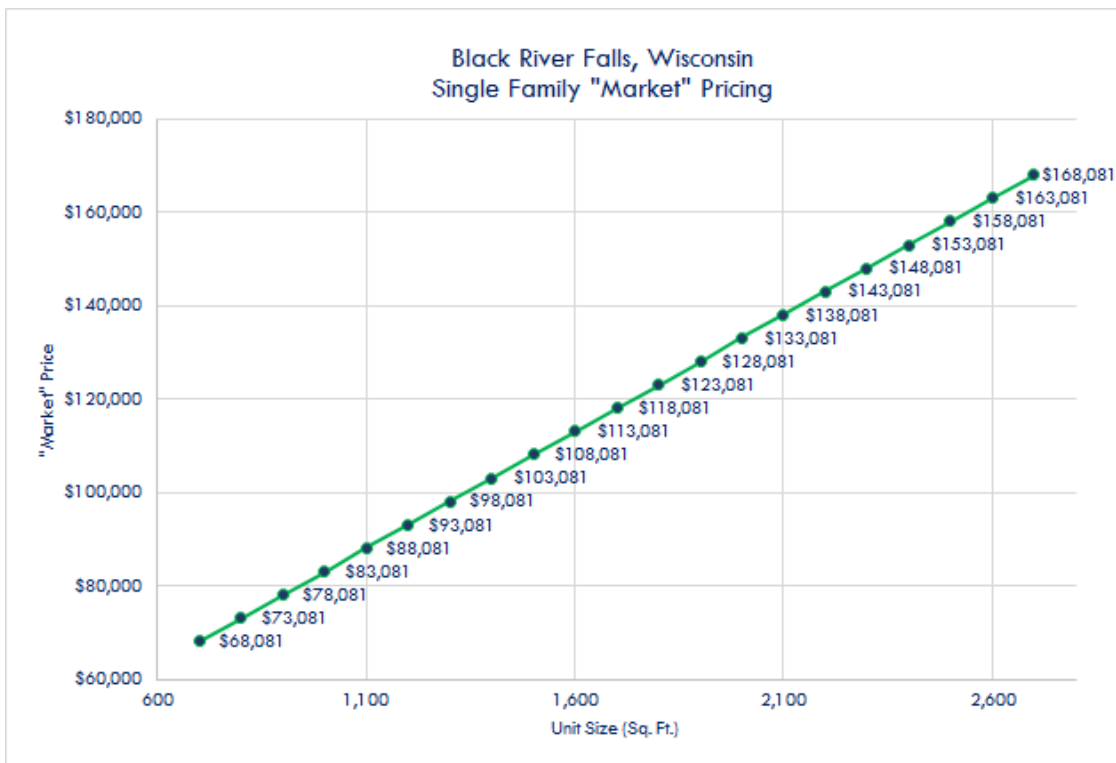
**Black River Falls, Wisconsin
Single Family Home Sales
Past Six Months**

Property/Address	Sale Date	Bedrooms	Baths	Home Size (Sq. Ft.)	Sales Price	Price/Sq. Ft.
N7095 Paul Rd.	9/19/2017	5	2	1,372	\$165,500	\$120.63
312 S. 3rd Street	9/5/2017	3	2	1,372	\$39,900	\$29.08
406 Pine Street	9/1/2017	2	1	1,144	\$95,000	\$83.04
505 E. 2nd Street	8/25/2017	3	3	1,515	\$235,000	\$155.12
N2801 Highway 27	8/21/2017	3	1.5	1,939	\$150,000	\$77.36
W11854 Totten Rd.	8/18/2017	3	2	3,104	\$210,000	\$67.65
918 9th Street	8/11/2017	2	1	1,170	\$130,000	\$111.11
319 N. 5th Street	7/31/2017	3	2	1,670	\$114,900	\$68.80
700 Van Buren St.	7/31/2017	3	1.5	1,518	\$84,000	\$55.34
704 Alder Street	7/25/2017	3	2	1,120	\$117,000	\$104.46
N6925 Highway 12	7/25/2017	3	2	2,508	\$139,900	\$55.78
130 River Drive	7/25/2017	2	1	1,050	\$58,500	\$55.71
2280 Amber Rd.	7/19/2017	2	2	2,426	\$171,900	\$70.86
W11418 Goldsmith	7/12/2017	4	2.5	3,160	\$183,000	\$57.91
719 Forest Street	7/7/2017	2	1	1,380	\$69,900	\$50.65
815 Monroe Street	7/6/2017	3	1	2,400	\$97,000	\$40.42
725 Forest Street	7/6/2017	3	1.5	1,125	\$78,000	\$69.33
W9881 Levis Creek Rd.	6/22/2017	3	2.5	3,168	\$205,100	\$64.74
125 S. 10th Street	6/7/2017	3	2	1,800	\$79,900	\$44.39
517 Alder Street	5/26/2017	4	1.5	1,874	\$89,900	\$47.97
N6360 Krome Rd.	5/12/2017	3	2	1,456	\$124,900	\$85.78
309 W. Jefferson St.	5/12/2017	2	1	884	\$81,400	\$92.08
201 S. 10th Street	5/5/2017	3	1	1,216	\$57,500	\$47.29
508 E. 2nd Street	5/4/2017	4	1	900	\$82,500	\$91.67
215 Melrose St.	4/26/2017	3	2	2,658	\$177,000	\$66.59
432 Chestnut Street	4/24/2017	3	1	962	\$67,500	\$70.17
Average				1,727	\$119,431	\$69.17
Median				1,486	\$105,950	\$71.32

The chart below provides a graphic delineation of all 26 single family sales recorded in the City of Black River Falls over the past six months.



Straight-line regression analysis reveals that “market” or average single-family home prices in the City of Black River Falls extend from \$68,081 for a 700-square foot home to \$168,081 for a home with 2,700 square feet, as outlined in the following chart.



The Townhome/Condominium Sector

Within the City of Black River Falls, the market for townhome/condominiums is minimal. Over the past six months, we find that no sales activity has occurred in this sector and no such units are presently listed for sale.

The Rental Apartment Sector

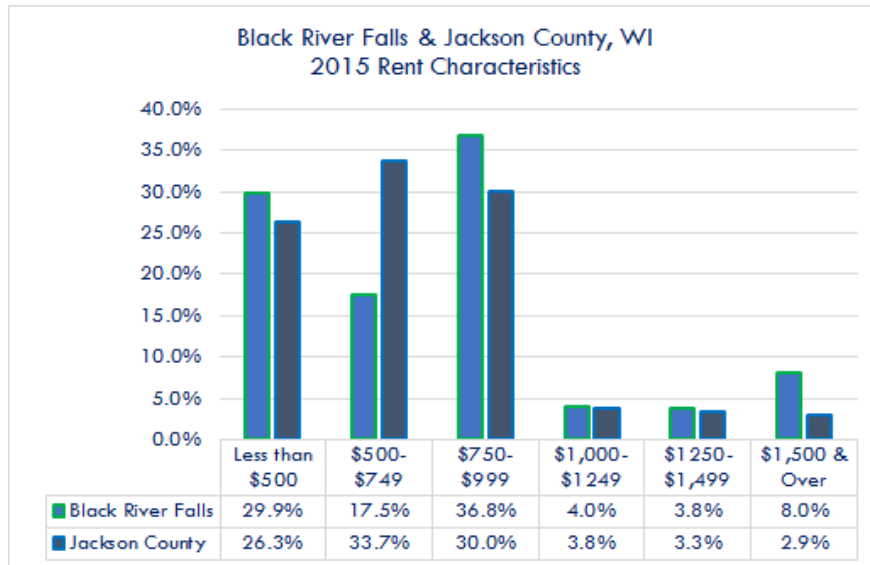
Based upon US Census figures from 2015, the median rent for an apartment in the City Black River Falls is \$768 per month with 84.2% of all renter households paying less than \$1,000 per month. Within Jackson County, the 2015 median rent was \$676, a figure 13.6% lower than Black River Falls. In Jackson County, 90.0% of all households are paying less than \$1,000 per month in rent.

Please refer to the following table and chart for details regarding monthly rents in Black River Falls and Jackson County.

Black River Falls & Jackson County, WI 2015 Rent Characteristics				
	Black River Falls		Jackson County	
Monthly Rent				
Less than \$500	179	29.9%	467	26.3%
\$500-\$749	105	17.5%	598	33.7%
\$750-\$999	220	36.8%	532	30.0%
\$1,000-\$1,249	24	4.0%	67	3.8%
\$1,250-\$1,499	23	3.8%	59	3.3%
\$1,500 & Over	48	8.0%	51	2.9%
Total	599	100.0%	1,774	100.0%

Median Rent	\$768	\$676
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Source: U.S. Census Bureau



As discussed earlier, much of the housing stock in Black River Falls and Jackson County is older, with no significant residential development over the past seven years. As such, the current inventory will only exert an indirect competitive influence over future residential offerings in Black River Falls.

Within Jackson County, the Wisconsin Housing and Economic Development Authority (WHEDA) has financed eight projects with 185 units over the past twenty years. Of these, five projects, including 122 units are in Black River Falls. According to WHEDA the vacancy rate among all eight properties was 0.0% at the end of the 3rd Quarter, 2017.

Within the City of Black River Falls, we identified seven larger (20 or more units) apartment communities with a total of 276 units. Among all units we note only five vacancies yielding a vacancy rate of a very low 1.8%.

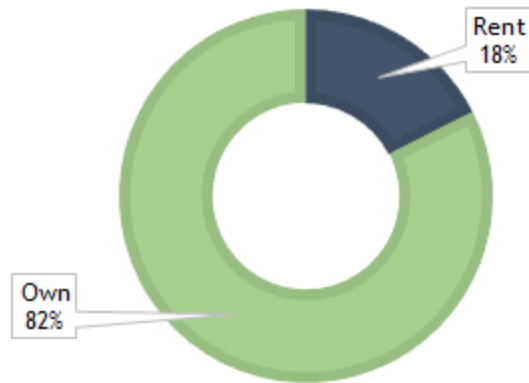
Among all seven properties we find that three are operated under Section 8 (Rent is based upon income) guidelines, two are operated under Section 42 (Income restricted) guidelines, and two are market rate. As detailed in the following table, the average unit rents for \$597 per month and includes 745 square feet of living area. This equates to a value ratio of \$0.80 per square foot. ON a gross basis, the highest rents are being achieved at the two market rate communities (Country View and Meander Stone) while the lowest rents are found at River Grove, a Section 8 complex.

Black River Falls, WI Rental Property Summary							
Property	Year Built	Unit Count	Average Adj. Rent	Average Unit Size	Rent/ Sq. Ft.	Vacant Units	Vacancy Rate
Union Place (Section 8)	2001	21	\$589	650	\$0.91	3	14.3%
Country View Apartments (Market Rate)	1997	24	\$704	1,019	\$0.69	0	0.0%
8th Street Apartments (Section 42)	1957	64	\$497	533	\$0.93	0	0.0%
Rye Bluff Meadow Apartments (Section 8)	1989	20	\$645	825	\$0.78	1	5.0%
Black River Apartments (Section 42)	1992	48	\$500	714	\$0.70	0	0.0%
River Grove Apartments (Section 8)	1977	80	\$496	500	\$0.99	1	1.3%
Meander Stone Apartments (Market Rate)	1988	19	\$750	975	\$0.77	0	0.0%
Total/Average		276	\$597	745	\$0.80	5	1.8%

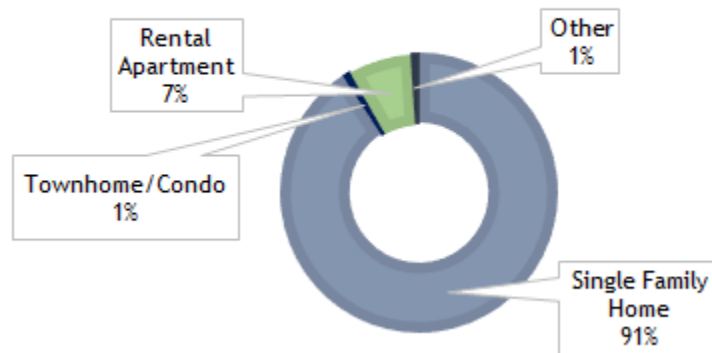
Local Employee/Resident Housing Survey

As part of this analysis, The Windward Group distributed a ten-question housing survey to persons who currently work and/or live in Black River Falls. The survey generated 97 responses and the results are detailed in the following charts.

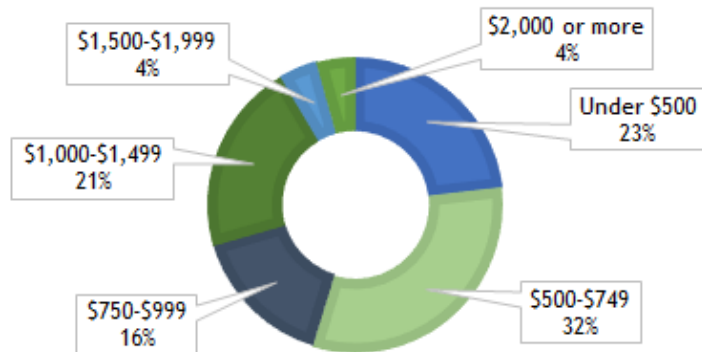
DO YOU OWN OR RENT YOUR HOME?



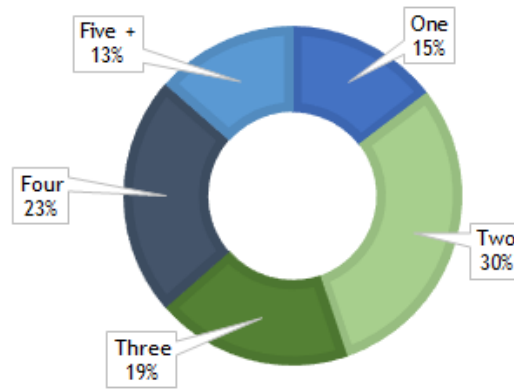
IN WHAT TYPE OF HOME DO YOU CURRENTLY LIVE?



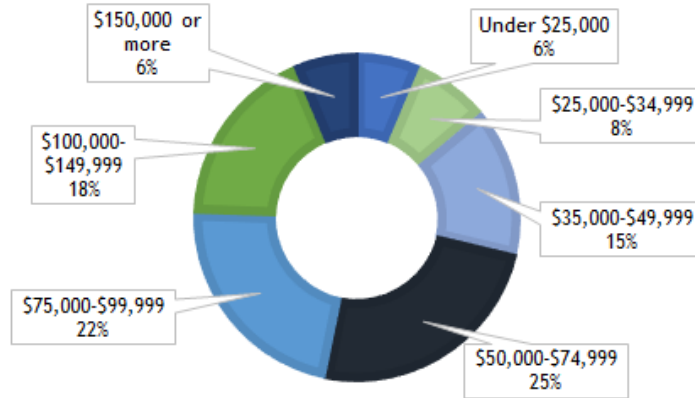
HOW MUCH DO YOU PAY MONTHLY FOR HOUSING?



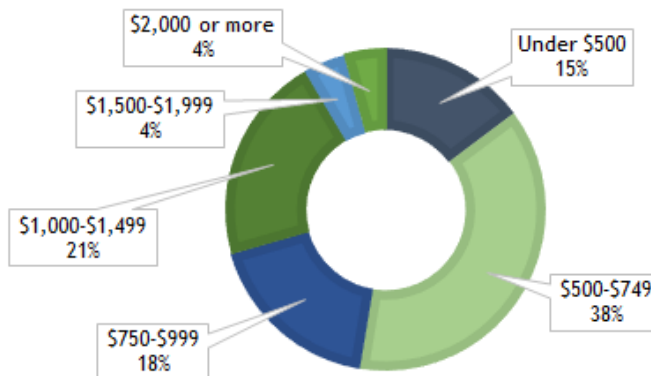
HOW MANY PEOPLE LIVE IN YOUR HOME?



WHAT IS YOUR ANNUAL HOUSEHOLD INCOME?



WHAT IS THE MOST WOULD YOU BE WILLING TO PAY FOR HOUSING?



DO YOU CURRENTLY LIVE IN THE CITY OF BLACK RIVER FALLS?

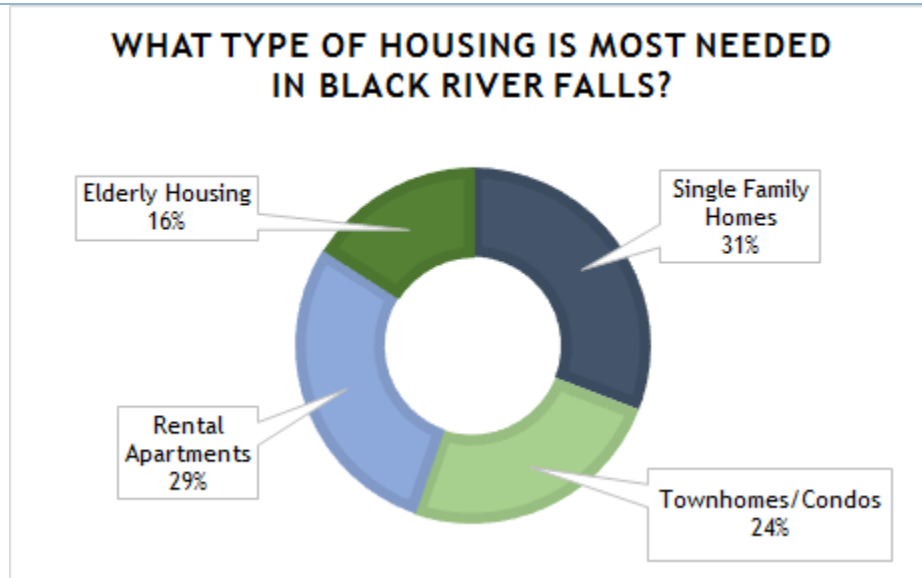


IF NEW HOUSING WERE AVAILABLE IN BLACK RIVER FALLS, WOULD YOU CONSIDER PURCHASING/RENTING IT?



DO YOU FEEL THE CURRENT HOUSING OPTIONS IN BLACK RIVER FALLS ARE ACCEPTABLE?





DISCLAIMER

This report may have forward-looking projections about the future growth of various markets. These projections are subject to risk and uncertainty. Actual results may differ due to a variety of factors including, but not limited to; competition, regulatory changes, and general economic conditions. All other factors should be considered carefully, and the Client shall not place undue reliance on these forward-looking projections.

LIMITATION OF LIABILITY

All information collected by The Windward Group for this report has been collected by analyzing the pricing and availability trends for residential and/or commercial/retail

projects. This analysis relies on information from a variety of secondary sources and while the information contained herein is believed to be accurate, The Windward Group cannot guarantee the complete accuracy of the information in this study that has been obtained from secondary sources. The liability of The Windward Group, and its employees, to the Client, for the production of this study shall not exceed the amount of fees paid by the Client. No claim may be brought against The Windward Group and its employees more than one year after the services were completed

The author of this analysis, Scott A. Meitus, is the Managing Partner of The Windward Group (www.windwardinvest.com), a Wisconsin based company which provides expert financial and market analysis services to real estate

developers, investors, family offices and municipalities. He can be reached at (715) 892-8757, or via e-mail at Smeitus@windwardinvest.com.