

The Windward Group

July 27, 2018

Mr. A. Brad Chown
City of Black River Falls
101 S. 2nd Street
Black River Falls, WI 54615

**RE: Community Housing Assessment-Addendum
Black River Falls, Wisconsin**

Dear Brad,

At the request of the City of Black River Falls, Wisconsin, The Windward Group conducted community-wide housing needs assessment in September 2017.

This analysis included 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 the larger primary market area (PMA).
- 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 market.

As an addendum to that analysis, the Windward Group evaluated the depth of the Black River Falls for senior-oriented (Assisted Living Facilities/Memory Care Centers) rental housing alternatives. This analysis includes a determination of whether or not a properly designed, priced and marketed property could meet with satisfactory levels of consumer acceptance.

In order to reach these conclusions, we utilized the already completed analysis and include detailed income, age and growth expectations for the 55 to 74 year old age group in Jackson County.



More specifically, this addendum includes the following:

- Number of adults in Jackson County, WI by age group (55/64, 65/74 and 75+)
- Rental versus homeowner percentages for Jackson County.
- The median and average home value in Jackson County.
- The number of “Baby Boomers” (Born between 1946 and 1964) who will be coming into or are currently in the Jackson County market.
- The Number of Assisted Living Facilities/Memory Care Centers (“ALF/MC”) within Jackson County.
- Rental rates for the designated ALF/MC’s.
- Percent of population over age 75 that will need assisted living or memory care
- Median and average income figures for the 55/64, 65/74 and 75+ age cohorts.
- Locations of existing ALF/MC units (comps) by number per location
- Size of living space (square feet) per ALF/MC.

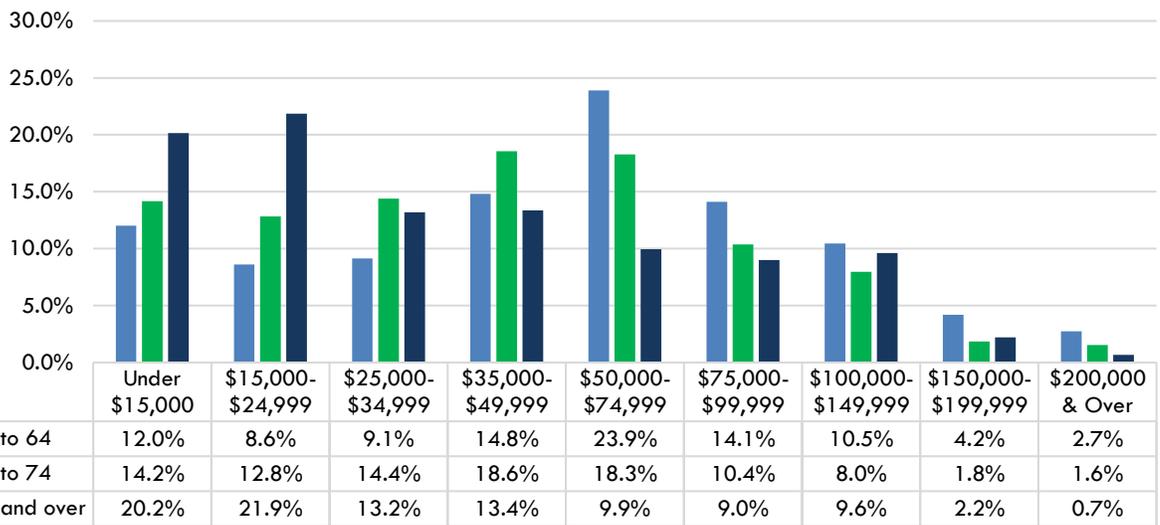
Economic and Demographic Factors

As seen in the following table and chart, the 2017 median income for a Jackson County, Wisconsin household headed by a person over the age of 54 stands at \$43,855, while the average income for this same cohort stands at \$55,995. In the middle income range, defined by those earning between \$25,000 and \$75,000, we find 1,956 households representing 45.9% of the Jackson County total. In comparison, we note that in Jackson County there are currently 1,088 households earning more than \$75,000 per year, equating to 25.6 of the household totals.

By age group, we see a significant amount of variation in annual incomes with the 55-64 cohort supporting a median of \$53,827, the 65-74 age group at \$40,589, and the 75+ set carrying a median income of only \$27,484 annually.

Jackson County, WI 2017 Households by Age & Income								
Income Range	55-64	Percent	65-74	Percent	75+	Percent	Total	Percent
Under \$15,000	201	12.0%	201	14.2%	237	20.2%	639	15.0%
\$15,000-\$24,999	144	8.6%	182	12.8%	257	21.9%	583	13.7%
\$25,000-\$34,999	153	9.1%	204	14.4%	155	13.2%	512	12.0%
\$35,000-\$49,999	248	14.8%	263	18.6%	157	13.4%	668	15.7%
\$50,000-\$74,999	400	23.9%	259	18.3%	117	9.9%	776	18.2%
\$75,000-\$99,999	236	14.1%	147	10.4%	106	9.0%	489	11.5%
\$100,000-\$149,999	175	10.5%	113	8.0%	113	9.6%	401	9.4%
\$150,000-\$199,999	70	4.2%	26	1.8%	26	2.2%	122	2.9%
\$200,000 & Over	46	2.7%	22	1.6%	8	0.7%	76	1.8%
Total	1,673	100.0%	1,417	100.0%	1,176	100.0%	4,266	100.0%
Median HH Income	\$53,827		\$40,589		\$27,484		\$43,885	
Average HH Income	\$67,917		\$54,583		\$40,737		\$55,995	

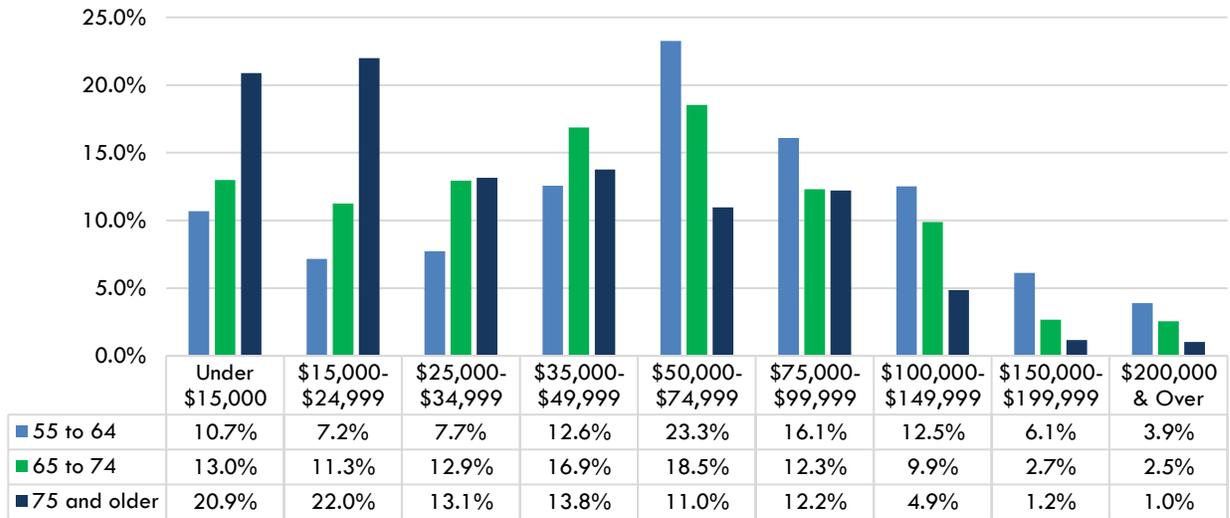
Jackson County, WI 2017 Households by Age & Income



By the year 2022, estimates by the U.S. Census Bureau indicate that the median income for a 54+ household will increase to \$47,188 per year, while the average income will grow to \$65,756. Census estimates also indicate the median incomes among the three age cohorts will increase similarly, as seen in the table and chart which follows.

Jackson County, WI 2022 Households by Age & Income								
Income Range	55-64	Percent	65-74	Percent	75+	Percent	Total	Percent
Under \$15,000	176	10.7%	209	13.0%	267	20.9%	652	14.4%
\$15,000-\$24,999	118	7.2%	181	11.3%	281	22.0%	580	12.8%
\$25,000-\$34,999	127	7.7%	208	12.9%	168	13.1%	503	11.1%
\$35,000-\$49,999	207	12.6%	271	16.9%	176	13.8%	654	14.4%
\$50,000-\$74,999	383	23.3%	298	18.5%	140	11.0%	821	18.1%
\$75,000-\$99,999	265	16.1%	198	12.3%	156	12.2%	619	13.7%
\$100,000-\$149,999	206	12.5%	159	9.9%	62	4.9%	427	9.4%
\$150,000-\$199,999	101	6.1%	43	2.7%	15	1.2%	159	3.5%
\$200,000 & Over	64	3.9%	41	2.5%	13	1.0%	118	2.6%
Total	1,647	100.0%	1,608	100.0%	1,278	100.0%	4,533	100.0%
Median HH Income	\$60,054		\$45,412		\$29,671		\$47,188	
Average HH Income	\$80,784		\$64,916		\$47,452		\$65,756	

Jackson County, WI 2022 Households by Age & Income



The median value of a home in Black River Falls, WI stands at \$125,619 with 40.4% of all home in the city valued between \$100,000 and \$150,000. Only 2.6% of the homes support a value exceeding \$300,000. From a broader perspective, we find that in Jackson County, the median home value stands at \$130,215. We also note that 25.8% of the inventory is valued between \$100,000 and \$150,000, with 6.7% supporting values over \$300,000. The table which follows provides further details.

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%
Owner-Occupied Units	987	100%	5,895	100%
Median Home Value	\$125,619		\$130,233	
Source: US Census Bureau				

As discussed earlier, there are currently 4,266 households in Jackson County, Wisconsin headed by a person aged 55 or older. Based upon estimates provided by the U.S. Census Bureau, 26.4% of all Jackson County households reside in rental housing of one form or another. Applying this figure to the current household base yields a result of 1,126 renter households headed by a person 55 years of age or older.

Assuming a maximum expenditure for housing of 30% and applying to this to household income figures presented earlier results in the following maximum annual and monthly housing expenditures across the income spectrum.

Jackson County, WI 2017 Capture Rate Calculations								
Annual Income	Average Income	Max. Annual Expense	Max. Monthly Expense	Renter HH's	Capture Rate		HH	
					10%	15%	Total	Percent
Under \$15,000	\$12,500	\$3,750	\$313	169	17	25	639	15.0%
\$15,000-\$24,999	\$20,000	\$6,000	\$500	154	15	23	583	13.7%
\$25,000-\$34,999	\$30,000	\$9,000	\$750	135	14	20	512	12.0%
\$35,000-\$49,999	\$42,500	\$12,750	\$1,063	176	18	26	668	15.7%
\$50,000-\$74,999	\$62,500	\$18,750	\$1,563	205	20	31	776	18.2%
\$75,000-\$99,999	\$87,500	\$26,250	\$2,188	129	13	19	489	11.5%
\$100,000-\$149,999	\$125,000	\$37,500	\$3,125	106	11	16	401	9.4%
\$150,000-\$199,999	\$175,000	\$52,500	\$4,375	32	3	5	122	2.9%
\$200,000 & Over	\$225,000	\$67,500	\$5,625	20	2	3	76	1.8%
				1,126	113	169	4,266	100.00%

As detailed above, we find that maximum housing expenditures extend from a low of \$313 for the poorest Jackson County 55+ households to \$5,625 or higher for the wealthiest households. Typically, a new properly designed, priced and marketed rental housing development, senior-oriented or otherwise, can expect to capture between 10% and 15% of the available market.

Applying these capture rates to renter households by income shows that a well-conceived rental facility could attract between 113 and 169 renters. However, as detailed above, these figures include all income categories, so adjustments must be made to reflect the reality that most new rental housing in Jackson County will be financially out of reach of many households unless government or other housing subsidies are provided. For example, focusing only households with incomes exceeding \$50,000 annually (\$1,563 maximum monthly housing expenditure) reduces the number of potential renters to 49 under a 10% capture rate and 74 assuming a capture rate of 15%.

Jackson County, WI 2022 Capture Rate Calculations								
Annual Income	Average Income	Annual Expense	Monthly Expense	Renter HH's	Capture Rate		HH	
					10%	15%	Total	Percent
Under \$15,000	\$12,500	\$3,750	\$313	172	17	26	652	14.4%
\$15,000-\$24,999	\$20,000	\$6,000	\$500	153	15	23	580	12.8%
\$25,000-\$34,999	\$30,000	\$9,000	\$750	133	13	20	503	11.1%
\$35,000-\$49,999	\$42,500	\$12,750	\$1,063	173	17	26	654	14.4%
\$50,000-\$74,999	\$62,500	\$18,750	\$1,563	217	22	33	821	18.1%
\$75,000-\$99,999	\$87,500	\$26,250	\$2,188	163	16	25	619	13.7%
\$100,000-\$149,999	\$125,000	\$37,500	\$3,125	113	11	17	427	9.4%
\$150,000-\$199,999	\$175,000	\$52,500	\$4,375	42	4	6	159	3.5%
\$200,000 & Over	\$225,000	\$67,500	\$5,625	31	3	5	118	2.60%
				1,197	120	180	4,533	100.00%

The Competitive Environment

In order to evaluate the competitive environment within which any future assisted living facility in Black River Falls will operate, we examined twelve similar facilities located within Jackson County. However, before entering into an analysis of these facilities, a brief discussion of the broader assisted living facility market is warranted.

According to a 2017 analysis conducted by Genworth Financial, the cost for a private, one-bedroom space within an assisted living facility averaged \$3,750 per month. Within the state of Wisconsin, the average is slightly higher, and averages \$4,000 per month.

Within the region that includes Black River Falls, Genworth found that the average, private, one-bedroom unit rented for \$3,538 per month, with monthly rents extending from a low of \$2,460 to a high of \$7,050. The details of the Genworth Financial analysis can be found here:

<https://www.genworth.com/aging-and-you/finances/cost-of-care.html>

Among the twelve facilities in Jackson County that we examined, we note a total capacity of 166 persons, with per facility numbers ranging from a low of three to a high of 36. The average capacity among all fifteen facilities stands at 7.73.

In order to generate the most accurate conclusions, we will focus only upon the six larger assisted living facilities, and exclude those facilities with only three or four person capacities.

Among these six facilities we note a total capacity of 128 persons, or an average of 21.3. It is estimated that the average room or unit includes 385 square feet of living space. However, it should be noted that in almost all cases, the person responsible for providing this information was unsure about the exact size, as it is not a question that is typically asked of them.

The average monthly cost for residence among these facilities is \$3,175 per month, with averages extending from a low of \$1,800 to a high of \$4,000 per month. This seemingly wide range can be attributed directly to the level of additional services/amenities that may be included. For example, at Pine View Terrace the average is only \$1,800 per month, but this does not include full meal service, only lunch. As such, it will be important that any future development be assured that the level of service provided is commensurate with the cost.

We were unable to identify any facilities that were strictly devoted to memory care services, but of the six larger facilities we examined, three offered this service to their residents while another offered it at a neighboring nursing home facility.

Please refer to the following table for more detailed information about each of these facilities.

Jackson County, Wisconsin Larger Assisted Living Facilities						
Facility/Address	Capacity	Occupied	Average Unit Size	Monthly Cost	Memory Care	Waiting List
Atrium Senior Living 109 N. 4th Street Black River Falls, WI 715-284-4396	32	32	300	\$3,310	Yes	Yes
Country Terrace 525 E. 2nd Street Black River Falls, WI 715-284-2060	15	15	275	\$4,000	Yes	Yes
Country Terrace II 642 E. 3rd Street Black River Falls, WI 715-284-2060	25	25	350	\$4,000	No	Yes
Creative Community Living Services W11490 Spaulding Road Black River Falls, WI 715-284-1223	11	11	350	\$3,989	Yes	Yes
Pine View Terrace 404 County Road R Black River Falls, WI 715-284-7077	36	31	550	\$1,800	No	No
RJ's Home Care N7525 County Road A Hixton, WI 715-284-0510	9	8	350	\$3,538	No	No
Total/Average	128	122	385	\$3,175		

Conclusions

Based upon the factors presented above, it is our contention that a properly designed, marketed, priced and managed assisted living facility in Black River Falls could meet with strong levels of consumer acceptance.

- This is based upon several factors, including;
- A generally aging population base with acceptably high incomes.
- An expected continuation of the growth of the 55+ age cohort over the next five years.
- The desirability of Black River Falls itself as a location for an assisted living facility, evidenced by the fact that of the six larger facilities in Jackson County, five are located in Black River Falls.

- A relatively tight market for assisted living, evidenced by the fact that, at present, there are only six available rooms/units among the larger facilities examined.

Given the above, we expect that a well-conceived assisted living facility with a capacity of up to 30 or 40 residents would allow for the provision of a wide array of services while not exceeding market demand.

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 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

