Target Market Analysis

Charlevoix County

Michigan

THE MARKET STRATEGY

November 3, 2014

A-B

Prepared for:

Networks Northwest

Investing in People.
Investing in Places.
MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

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Market Strategy Report

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Executive Summary

This Executive Summary of the Target Market Analysis for Charlevoix County has been prepared as part of a regional study completed for 10 counties comprising the Northwest Michigan Prosperity Region (Region 2). The more complete narrative report begins on page 4 of this report, and includes a more complete explanation of the Place Scores; market potential for both aggressive and conservative scenarios; and housing affordability.

The Market Potential and Strategy

- *The Study Areas* –There are 11,282 households in Charlevoix County as of month-end June 2014. Of these, 14.7% are located in Boyne City; 11.3% are in Charlevoix; 8.6% are in East Jordan; 2.8% are in Bay Shore; and smaller shares are residing in other small urban places and throughout the surrounding rural areas. A total of 44.9% of all households in the county are located in one of the 11 communities.
- *Place Scores and Walk Scores* – The City of Boyne City has a good overall Place Score with 24 points out of 30 points possible. Charlevoix and East Jordan also have good overall scores, and the Village of Boyne Falls has a good score after adjusting for its relatively small size.
- *Propensity to Move* – Among the 11,282 households currently residing in Charlevoix County, 220 of the owner households and 582 of the renter households moved in the past year. These figures include households that moved within Charlevoix County, plus households that moved into the county from beyond.
- *The Target Markets* – There are 3,144 existing households in Charlevoix County that align with the 12 target markets (i.e., household lifestyle clusters), and they represent about 28% of the county's total households. Among 12 selected target markets, 94 of the owner households and 498 of the renter households moved in the past year.
- *Aggressive Scenario* – There is a maximum annual market potential throughout Charlevoix County for 94 new owner-occupied units and 498 new renter-occupied units, for a total of 592 units. Assuming the market potential is fully served every year over the next five years, this implies a market potential for 2,960 units over the 5-year term. Again, the aggressive scenario includes households migrating into the county, plus households moving within the same county.
- *Market Potential by Community* – Most of the market potential is in Boyne City, Charlevoix, and East Jordan, with smaller market potentials for the communities. If these communities do not act to capture their full market potential in any given year, then the smaller communities could pursue an aggressive scenario and grab a share of the market before it dissipates.

- *Conservative Scenario* – Under the conservative scenario there is an annual market potential for at least 49 new owner-occupied units and 225 new renter-occupied units throughout Charlevoix County, for a total of at least 274 units. Assuming the market potential is fully met every year over the next five years, this implies a market potential for at least 1,370 units over the full 5-year term. Again, the conservative scenario is based on in-migration only, and does not include internal movers.
- *Owner-Occupied Units* – Under the conservative scenario there is an annual market potential for at least 49 new owner-occupied units throughout Charlevoix County, or a cumulative of 245 units over the next five years. The aggressive scenario or maximum market potential is about 52% larger than these figures, and includes internal migration within the county as well as in-migration from beyond.
- *Owner-Occupied Values* – Almost all of the target markets will seek home values of $250,000 or less in 2012 dollars, which will be closer to $270,000 by 2015, and will approach $300,000 by the year 2020.
- *Renter-Occupied Units* – The conservative scenario generates a market potential for at least 225 renter-occupied units throughout Charlevoix County each year, or a cumulative total of 1,125 units over the 5-year term (assuming that the potential is fully captured in each consecutive year). The aggressive scenario or maximum market potential is 45% larger and includes internal migration as well as in-migration.
- *Renter-Occupied Prices* – Almost all of the target markets will seek monthly contract rents of $900 or less in 2012 dollars. These prices will be closer to $1,000 by 2015, and $1,150 by the year 2020. Similarly, almost two-thirds of the new households will be seeking contract rents of $600 or less in 2012 dollars, and these prices will be closer to $650 or less by 2015; and $750 or less by the year 2020. The remaining one-third of the county's new households will have a tolerance for contract rents in the range of $600 to $1,250 (in 2012 dollars).
- *HUD Affordability Standards* – Based on the HUD income limits and annual market potential by contract rent bracket, only 6% (15 units) of the 225 new rental units can be priced at market rates and above; and the vast majority or 94% (210 units) should be priced in more affordable ranges.
- *Detached Building Formats* – Among the annual market potential of 274 owner-occupied and renter-occupied units, almost 38% of the new households will seek detached houses. Among new-builds, detached houses may include cottages with small footprints and lots, perhaps arranged around a shared courtyard. Detached houses could also be re-introduced by rehabilitating some of the existing stock within the urban neighborhoods.
- *Attached Building Formats* – About 61% of the target markets moving into Charlevoix County are likely to seek attached units (i.e., not detached houses) in a range of building sizes. Under the conservative scenario, there is a county-wide market potential for at least 168 attached units annually, or a cumulative of 840 attached units over the 5-year term.

- *A Focus on Product Types* – Strategy recommendations by product type should be refined by the developers and builders as needed for local context and place, with the urban transect as a general guide. Attached units may include a mix of duplexes, triplexes, quads, condos or row houses (no more than 6 units in a row, with private entrances), and stacked flats or lofts (no more than 6 units along the side of any given building, with shared entrances).
- *Downtown Formats* – Units above street-front retail and/or located in downtown districts will be well-received by the target markets. In transitional areas around the downtowns, low-rise buildings and row houses might be more appropriate. Detached houses, duplexes, and triplexes could be used as infill within the surrounding neighborhoods.
- *Unit Sizes and Amenities* – In the individual units, some of the floor area can be traded for unique amenities, quality construction, and modern interior treatments. However, every bedroom must have a full private bath, and 2-bedroom units must have a ½ bath near the entrance. Ideally, kitchens will be centrally located and facing outward onto an open floor plan, with bedrooms on opposite ends (i.e., not sharing common walls.) All units should have balconies or patios that can accommodate at least two chairs.
- *Construction Costs* – The average detached house built in Charlevoix County since 2010 has involved an investment in the range of $215,000 to $300,000. The assessment of construction costs for detached houses reinforces the need for a) building smaller houses (such as cottages) with small footprints as part of urban infill; b) building attached units (like lofts, flats, condos, and row houses); and c) rehabilitating the existing housing stock.

Placemaking

Summary of Placemaking Criteria – Placemaking is addressed early in this report because it is a key ingredient to implementing the optimal market strategy and achieving the market's full potential under the aggressive scenario. In the absence of effective Placemaking, the market potential will be more limited and could even be as low as the conservative scenario.

We evaluated existing Placemaking in Charlevoix County by scoring each of four (4) communities based on 30 possible attributes, and also compared each community's Walk Score. Results in Table 1 below include Emmet and Antrim County for comparisons to Charlevoix County.

Table 1
Summary of Place Scores and Walk Scores
Charlevoix, Emmet, and Antrim Counties, Michigan

Charlevoix County, Michigan Small and Large Urban Places	2010 Population	Place Score (30 points)	Walk Score (100 points)
The City of Boyne City	3,739	24	78
The City of Charlevoix	2,513	23	91
The City of East Jordan	2,351	18	55
The Village of Boyne Falls	294	6	27

Emmet County, Michigan Small and Large Urban Places	2010 Population	Place Score (30 points)	Walk Score (100 points)
The City of Petoskey	5,668	23	100
The City of Harbor Springs	1,194	22	61
The Village of Pellston	822	8	51
The Village of Mackinaw City	806	18	50
The Village of Alanson	738	11	35

Antrim County, Michigan Small and Large Urban Places	2010 Population	Place Score (30 points)	Walk Score (100 points)
The Village of Elk Rapids	1,642	19	53
The Village of Mancelona	1,390	13	53
The Village of Bellaire	1,086	15	68
The Village of Central Lake	952	16	39
The Village of Ellsworth	349	10	26

Summary of Placemaking Criteria – The detailed Place Scores for Charlevoix County are provided in attached Exhibit B.5 and Exhibit B.6, and the criteria include the following categories:

Place Score Criteria (30 points possible)

- *Local Planning Documents* – Availability of master plans and zoning ordinance, with extra credit for considering a form-based code. (3 points possible)

- *Downtown Planning Documents* – Evidence of an established Downtown Development Authority (DDA), subareas plans, streetscape and transportation improvement plans, retail and residential market strategies, Tax Increment Financing (TIF) plans, and façade improvement programs. (7 points possible)

- *Downtown Organization and Marketing* – Accreditation as a Michigan Cool City or active participation in the Michigan Main Street program, and extra credit for any communities following the National Main Street Center's 4-point approach (even if they are not Main Street members). (3 points possible)

- *Online Listings of Merchants and Amenities* – Credit for actively promoting business listings on various websites, such as the city or village's main website, DDA/BID website, and Chamber of Commerce or Convention and Visitor's Bureau (CVB) website, with extra credit for Facebook pages. (4 points possible)

- *Unique Downtown Amenities* – Evidence of downtown cinemas, theaters, playhouses, waterfront access, established farmers' markets, summer music in the park, and national or other major festivals. (5 points possible)

- *Downtown Street and Environment* – Credit for any evidence of angle parking in front of storefronts, a higher than average Walk Score, free off-street parking, balanced downtown scale with 2-level buildings on both sides of the street, pedestrian crosswalks that are marked and signaled, and two-way traffic flow. (8 points possible)

Online Effectiveness – If the Placemaking criteria are not readily evident or available online, then we considered them to be less effective and more difficult to discover by visitors and households on the move. So, they are not given a point or credit toward the total score. For example, if a community completed a retail market strategy but we couldn't find the report online, then credit was not given for that criteria. The analysis is imperfect, and any errors or omissions are unintentional. Stakeholder requests for corrections will be verified and then incorporated into the final report.

Place Score v. Market Size – Among all communities within the Northwest Michigan Prosperity Region, there is a correlation between the scores and the market size. If the scores are adjusted for the market size (or calculated based on the score per 1,000 residents), then the results reveal an inverse logarithmic relationship. Smaller markets may have lower scores, but their points per 1,000 residents tend to be higher. Larger markets have higher scores, but their points per 1,000 residents tend to be lower. These relationships are also shown on Exhibit B.7 (Place Score) and Exhibit B.8 (Walk Score).

Summary of the Place Scores – All four of the communities in Charlevoix County have populations of less than 4,000 residents, and their Place Scores should be evaluated with that in mind. The City of Boyne City has a good overall score with 24 points out of 30 points possible. Charlevoix and East Jordan also have good overall scores, and the Village of Boyne Falls has a good score after adjusting for its relatively small size.

Local Market Assessment – The largest markets in Charlevoix County are the City of Boyne City, the City of Charlevoix, and the City of East Jordan, and an assessment of their market Strengths and Opportunities is provided in Exhibits B.1 through Exhibit B.4. The assessments describe the market's relationship with Michigan's Blue Economy, its regional setting relative to natural resources, the downtown business mix, anchor institutions as key economic drivers, educational facilities, and public transit.

The Market Potential

Introduction – The balance of this Executive Summary focuses on the optimal market strategy and annual market potential for urban housing formats over the next 5 years (assuming ground-breaking on the first project in 2015; a first full year of 2016; and fifth full year of 2020). We conducted the market analysis for 11 communities in Charlevoix County, which are shown on the attached Exhibit A.1 map and listed in Exhibit A.2.

Current Households – Based on an analysis of lifestyle clusters, there are 11,282 households in Charlevoix County as of month-end June 2014. Of these, 14.7% are located in Boyne City; 11.3% are in Charlevoix; 8.6% are in East Jordan; 2.8% are in Bay Shore; and smaller shares are residing in other small urban places and throughout the surrounding rural areas. A total of 44.9% of all households in the county are located in one of the 11 communities, and the balance are scattered throughout the surrounding rural areas.

Propensity to Move – Among the 11,282 households currently residing in Charlevoix County, 220 of the owner households and 582 of the renter households moved in the past year. Among 12 selected target markets (i.e., household lifestyle clusters), 94 of the owner households and 498 of the renter households moved in the past year. These figures include households that moved within Charlevoix County, plus households that moved into the county from beyond. They are also based on the movership rates among households in each of the 12 target markets, and weighted by their prevalence within Charlevoix County.

Criteria for the Target Markets – The target markets and a subset of 71 lifestyle clusters across the nation, and were carefully selected based on the following criteria:

Target Market Criteria

- ❖ The households have a proven propensity for choosing to live within the Prosperity Region. Some of the target markets might not yet be prevalent in Charlevoix County, but when they move within the region, they become good targets for developers.

- ❖ The households have some propensity to choose to live in urban places. For some of the target markets, almost all of the households have a propensity to live in urban places.

- ❖ The households have a propensity to choose to live in attached housing units like lofts, flats, row houses, duplexes, and condominiums (i.e., not detached houses). For some of the target markets, almost all of the households have a propensity to live in attached housing units. They may include a mix of both renters and owners.

The Target Markets – There are 3,144 existing households in Charlevoix County that align with the 12 target markets, and they represent about 28% of the county's total households. Exhibit A.3 introduces the 12 target markets sorted by their lifestyle cluster code. The exhibit also shows their prevalence in each of Charlevoix County's 11 communities. For example, households in the M45 Infants and Debit Cards target market are almost exclusively in East Jordan. However, the K40 Bohemian Groove households are most prevalent in Charlevoix. Households in the O55 Family Troopers group are almost evenly divided between Charlevoix and Boyne City.

Introduction to Two Scenarios – We have prepared two scenarios in the Target Market Analysis for the Northwest Michigan Prosperity Region, including a conservative (minimum) and aggressive (maximum) scenario. Derivation of these two scenarios is also explained in more detail below. In general, the aggressive scenario tends to be about three times as large as the conservative scenario. It is also possible to estimate a mid-point between the conservative and aggressive scenarios, which would generally represent a "progressive" or "proactive" scenario.

Summary of Scenarios	Market Potential	Basis (market parameter)
"Conservative"	Minimum	In-Migration Only
"Progressive"	Mid-Point	- average -
"Aggressive"	Maximum	Plus Migration Within

Aggressive Scenario – Exhibit A.4 and Exhibit A.5 present an aggressive scenario for the market potential among residential units. The urban places are listed alphabetically and span the total of 2 pages. The market potential is also broken-down for owner-occupied households, and renter-occupied households. Finally, the market potential is shown for each of the 12 target markets and for all 12 combined.

The aggressive scenario represents a maximum annual threshold based on current migration patterns both within, and into Charlevoix County. It assumes that every household moving into and within the county could trade up into a new or refurbished residential unit rather than simply occupying a pre-existing unit.

The aggressive scenario also represents a best-case scenario or not-to-exceed maximum, and can be achieved only if all impediments to development are removed or overcome. For example, it assumes that any impediments to securing loans, approving permits, selling and buying real estate, paying for construction materials and labor, and all other related development challenges are easily resolved.

Results of the aggressive scenario (see Exhibit A.4) suggest that there is a maximum annual market potential throughout Charlevoix County for 94 new owner-occupied units and 498 new renter-occupied units, for a total of 592 units. Assuming the market potential is fully served every year over the next five years, this implies a market potential for 2,960 units over the 5-year term.

Some of the communities in Charlevoix County will continue to be challenged by their smaller size, making it difficult to compete for projects that might otherwise gravitate toward Boyne City, Charlevoix, and East Jordan. However, with a mix of aggressive marketing, Placemaking, and planning, the small communities could still divert a modest amount of the county-wide market potential.

Market Potential by Community – Most of the market potential is in Boyne City, Charlevoix, and East Jordan with smaller market potentials for the other communities. If the three largest communities do not act to capture their full market potential in any given year, then the smaller communities could pursue an aggressive scenario and grab a share of the market before it dissipates. Small communities should focus on appropriately scaled small projects in increments of 2, 3, 4, and 6 attached units per year. Building sizes are addressed in more detail in the following sections of this Executive Summary.

Conservative Scenario – Exhibit A.6 and Exhibit A.7 present the market potential under a conservative scenario that is based on in-migration only, or households moving into Charlevoix County from beyond. Again, the urban places are listed alphabetically and span the total of 2 pages. The market potential is also broken-down for owner and renter households. Finally, the market potential is shown for each of the 12 target markets, with a total for all 12 combined.

The conservative scenario provides an attainable goal with low risk of over-building in the market. It assumes that most of households already living in Charlevoix County will shuffle among existing housing choices, and that the units they vacate will be occupied by other resident households also on the move within that same county. This pragmatic approach also assumes "business as usual" and that existing master plans, zoning ordinances, real estate prices, property ownership and availability, lending practices, Placemaking initiatives, and overall business development climate all remain as-is.

Results of the conservative scenario (see Exhibit A.6) reveal an annual market potential for at least 49 new owner-occupied units and 225 new renter-occupied units throughout Charlevoix County, for a total of at least 274 units. Assuming the market potential is fully met every year over the next five years, this implies a market potential for at least 1,370 units over the full 5-year term.

The figure for the five-year build-out assumes that the annual potential is fully captured in each year through new-builds, conversions, or rehabilitation of existing units. If the market potential is not captured in each year, then the balance does not roll-over to the next year. Instead, it dissipates into the rural areas or is intercepted by more communities in the surrounding counties. It is assumed that the first projects aligning with the TMA recommendations would break ground as early as 2015, with a first full year of 2016 and fifth full year of 2020.

Owner-Occupied Values – Under the conservative scenario there is an annual market potential for at least 49 new owner-occupied units throughout Charlevoix County, or a cumulative of 245 units over the next five years. Exhibit A.8 provides details on how these units should be priced in Charlevoix County, with variations by target market. The market potential by target market is based on their known propensity to choose homes within the given price brackets. Adjustments have also been applied to reflect variances among income profiles for Charlevoix County relative to other counties in the region.

The owner-occupied home values are stated in 2012 constant dollars but can be forecast based on the median home values over time. Almost all of the target markets will seek home values of $250,000 or less in 2012 dollars, which will be closer to $270,000 by 2015, and will approach $300,000 by the year 2020.

The allocation of units by home value is based on the tolerance level of each target market for prices, and has not been adjusted for HUD's affordability standards. Lower income target markets (particularly S70 Tight Money, S68 Small Town Shallow Pockets, and Q65 Senior Discounts) are most likely to be over-burdened by market-rate prices, and are more likely to be spending more than 35% of their income on gross housing costs, including utilities and associated fees.

Renter-Occupied Units – As shown in Exhibit A.9, the conservative scenario generates a market potential for at least 225 renter-occupied units throughout Charlevoix County each year, or a cumulative total of 1,125 units over the 5-year term (assuming that the potential is fully captured in each consecutive year).

Renter-Occupied Prices – With adjustments for income, almost all of the target markets will seek monthly contract rents of $900 or less in 2012 dollars. These prices will be closer to $1,000 by 2015, and $1,150 by the year 2020. Similarly, almost two-thirds of the new households will be seeking contract rents of $600 or less in 2012 dollars, and these prices will be closer to $650 or less by 2015; and $750 or less by the year 2020. The remaining one-third of the county's new households will have a tolerance for contract rents in the range of $600 to $1,250 (in 2012 dollars). A few units could be tested with higher prices, but only if they offer exceptional vista views of Lake Michigan and/or downtown Charlevoix.

Detached Building Formats – Exhibit A.10 shows how the market potential is allocated based on each target market's propensity to choose detached houses and attached units in various building sizes. Among the annual market potential of 274 owner-occupied and renter-occupied units, almost 39% of the new households will seek detached houses. Among new-builds, detached houses may include cottages with small footprints and lots, perhaps arranged around a shared courtyard. Detached houses could also be re-introduced by rehabilitating some of the existing stock within the urban neighborhoods.

New-builds for detached houses in suburbs and rural areas are explicitly not recommended as part of the housing strategy for Charlevoix County. That traditional path of real estate investment should be redirected toward the creation of more attached units in the markets, and within each of the 14 communities (allocated by market size).

Attached Building Formats – As shown in the attached Exhibit A.10, about 61% of the target markets moving into Charlevoix County are likely to seek attached units (i.e., not detached houses) in a range of building sizes. Under the conservative scenario, there is a county-wide market potential for at least 168 attached units annually, or a cumulative of 840 attached units over the 5-year term. These results are also shown in Table 2 on the following page, for both the conservative (minimum) and aggressive (maximum) scenarios.

Table 2
Annual and Cumulative Market Potential
Attached Units in Charlevoix County, Michigan

		Conservative (minimum)		Aggressive (maximum)	
		Annual	5-Years	Annual	5-Year
Target Markets		# Units	# Units	# Units	# Units
S71	Tight Money	73	365	110	550
Q65	Senior Discounts	33	165	50	250
K40	Bohemian Groove	32	160	47	235
Q55	Family Troopers	20	100	30	150
O51	Digital Dependents	6	30	10	50
L41	Booming, Consuming	2	10	4	20
N46	True Grit Americans	1	5	2	10
Q62	Reaping Rewards	1	5	2	10
	Subtotal	168	840	255	1,275

Note: Due to rounding, the figures shown above do not perfectly match Exhibit A.10. Annual units may not be rolled-over to subsequent years. The 5-year totals assume that the market potential is fully captured in each consecutive year. Otherwise, the potential may be intercepted by other counties in the Prosperity Region.

A Focus on Product Types – Strategy recommendations by product type should be refined by the developers and builders as needed for local context and place, with the urban transect as a general guide. Attached units may include a mix of duplexes, triplexes, quads, condos or row houses (no more than 6 units in a row, with private entrances), and stacked flats or lofts (no more than 6 units along the side of any given building, with shared entrances).

Downtown Formats – Units above street-front retail and/or located in downtown districts will be well-received by the target markets. In transitional areas around the downtowns, low-rise buildings and row houses might be more appropriate. Detached houses, duplexes, and triplexes could be used as infill within the surrounding neighborhoods.

Attached products may include a combination of hard lofts (with exposed ductwork, etc.) and soft lofts that are relatively more finished. Units should include either 1 or 2 bedrooms, anticipating that the markets are likely to include young renters, including singles, couples, and/or have unrelated roommates.

Unit Sizes and Amenities – In the individual units, some of the floor area can be traded for unique amenities, quality construction, and modern interior treatments. However, every bedroom must have a full private bath, and 2-bedroom units must have a ½ bath near the entrance. Ideally, kitchens will be centrally located and facing outward onto an open floor plan, with bedrooms on opposite ends (i.e., not sharing common walls.) All units should have balconies or patios that can accommodate at least two chairs.

Contract Rent v. Gross Rent – Exhibit A.11 shows that on average, gross rents in Charlevoix County represent about 30% of the area's median household income. Based on the American Community Survey's (ACS) 5-year estimates for 2008 through 2012, the median monthly gross rent was $615 in 2012 and the median monthly contract rent is $523. The difference of $92 can be generally attributed to utilities costs paid by the tenant, deposits, and other fees for pets, cleaning, security, parking, storage units, meals, on-call nurses, party rooms, fitness centers, and other memberships. These fees represent about 15% of the county's median gross rent.

HUD Affordability Standards – Exhibit A.12 provides documentation on the US Department and Housing and Urban Development's 2014 income limits and affordability levels. Households most likely to be candidates for market-rate prices have incomes at or above 80% of the county's Area Median Income (AMI). On average, 1-person households in Charlevoix County should have an income of at least $33,550; a 2-person household should have an income of at least $38,350; and a 3-person household should have an income of at least $43,150.

Renter Affordability Limits – In order for new housing units to be classified by MSHDA as "market rate" and without adding to shelter burden, gross rents should not exceed 35% of AMI for the local market. For Charlevoix County, this implies the following rents by affordability bracket (see Table 3, below):

Table 3
2014 HUD Income Limits and Affordable Rents
Charlevoix County, Michigan

Income Limits	1-Person Household	2-Person Household	3-Person Household
80% of AMI	$33,550	$38,350	$43,150
100% of AMI	$42,000	$48,000	$54,000
Affordable Rent Limit (35% of income)			
Gross Rent	$ 980	$ 1,120	$ 1,260
Other Fees	- $ 150	- $ 170	- $ 190
Contract Rent	$ 830	$ 950	$ 1,070

Based on the HUD income limits (Exhibit A.12) and annual market potential by contract rent bracket (Exhibit A.9), only 6% (15 units) of the 225 new rental units can be priced at market rates and above; and the vast majority or 94% (210 units) should be priced in more affordable ranges.

Construction Costs – This last section of the Executive Summary for the Charlevoix County TMA provides a comparison of average construction costs over time, with comparisons between detached (single-family) and attached (multi-family) buildings. As shown in Exhibit A.13, the average detached house built in Charlevoix County since 2010 has involved an investment in the range of $215,000 to $300,000.

Historically, the per-unit investment into new attached units has averaged between 70% and 90% of the investment in detached houses. As might be expected, the average costs per unit have been increasing over time, and there appears to have been a significant increase in cost (or investment) per unit since 2010. This is partly attributed to rising labor costs with recovery from the Great Recession, and also rising costs for lumber and materials.

Overall, the building permit data reinforces the strategy for meeting the needs of the target markets by a) building smaller houses (such as cottages) with small footprints as part of urban infill; b) building attached units (like lofts, flats, condos, and row houses); and c) rehabilitating the existing housing stock.

Regional Comparisons

The last table in Section A compares the total market potential for each of the 10 counties within the Northwest Michigan Prosperity Region, under the conservative (minimum) scenario only. The county totals include both renter- and owner-occupied units, and also includes the potential for detached houses as well as units in attached products. The numbers include small and large urban areas, plus surrounding rural areas in the counties. The magnitude of opportunity is a reflection of the each county's current size (in number of households); recent in-migration patterns (but not internal migration); and prevalence of the target markets weighted by their respective movership rates.

Under the minimum or conservative scenario, Grand Traverse County has the largest market potential, or 1,215 units annually over the next five years. Among the urban places in Grand Traverse County, the City of Traverse City will capture the largest market share.

Emmet County has the second largest market potential, and the City of Petoskey will capture the largest share among its urban places. The third largest is Wexford County, and the City of Cadillac with capture the largest share. The Cities of Charlevoix and Manistee will also capture significant shares within their respective counties.

It is important to note gaps in the target market potential between counties. For example, the conservative scenario implies that there is not market for units that would be targeted at the S68 Small Town Shallow Pockets and S70 Tight Money lifestyle clusters. The results reflect the fact that they are not yet demonstrating a propensity to live in Leelanau County.

However, it is equally likely that the low-to-moderate income households simply can't afford to live in Leelanau County, so have found alternatives in the surrounding counties. Deductive reasoning can be used to gauge the magnitude of upside potential for some of the missing lifestyle clusters, and particularly those earning less than 50% of AMI and seeking affordable prices.

On the flip side, most of the market potential for the C12 Golf Carts and Gourmet lifestyle cluster is allocated to Leelanau and Emmet Counties – because they have already demonstrated a high propensity to live there. Similarly, the market potential in the K40 Bohemian Groove lifestyle cluster is weighted toward Grand Traverse and Emmet Counties – where they have already demonstrated a tendency to live. Again, deductive reasoning can be used to argue that Antrim, Benzie, and Manistee Counties could capture a larger share of the region's households in that target market.

The conservative scenario represents a minimum threshold, with plenty of "upside" opportunity to more aggressively pursue moderate-to-low income households and divert migrating households from one county to another. For example, if Manistee County can support a minimum of 20 units annually to meet the needs of the S68 Small Town Shallow Pockets target market, then Benzie and Leelanau Counties should be able to match that. Similarly, Kalkaska County should be able to improve its capture of the M45 Infants and Debit Cards and N46 True Grit Americans target markets.

We recommend all counties in the region focus on the need for affordable housing options. In addition, this Target Market Analysis should be updated after about 5 years to gauge the effects of adding missing middle housing formats – particularly affordable lofts, flats, and other attached products in the downtowns and urban neighborhoods.

Contact Information

Questions regarding this target market analysis, work approach, analytic results, and strategy recommendations can be directed to Sharon Woods at LandUse|USA. Questions regarding economic growth initiatives and implementation of these recommendations can be addressed to Sarah Lucas at Networks Northwest.

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TOC

Strategy

Market Analysis

Prepared for:

Networks Northwest

Investing in People. Investing in Places. MSHDA Michigan State Housing Development Authority

Prepared by:

LandUse|USA

Target Market Analysis

Charlevoix County

Michigan

THE MARKET STRATEGY

November 3, 2014

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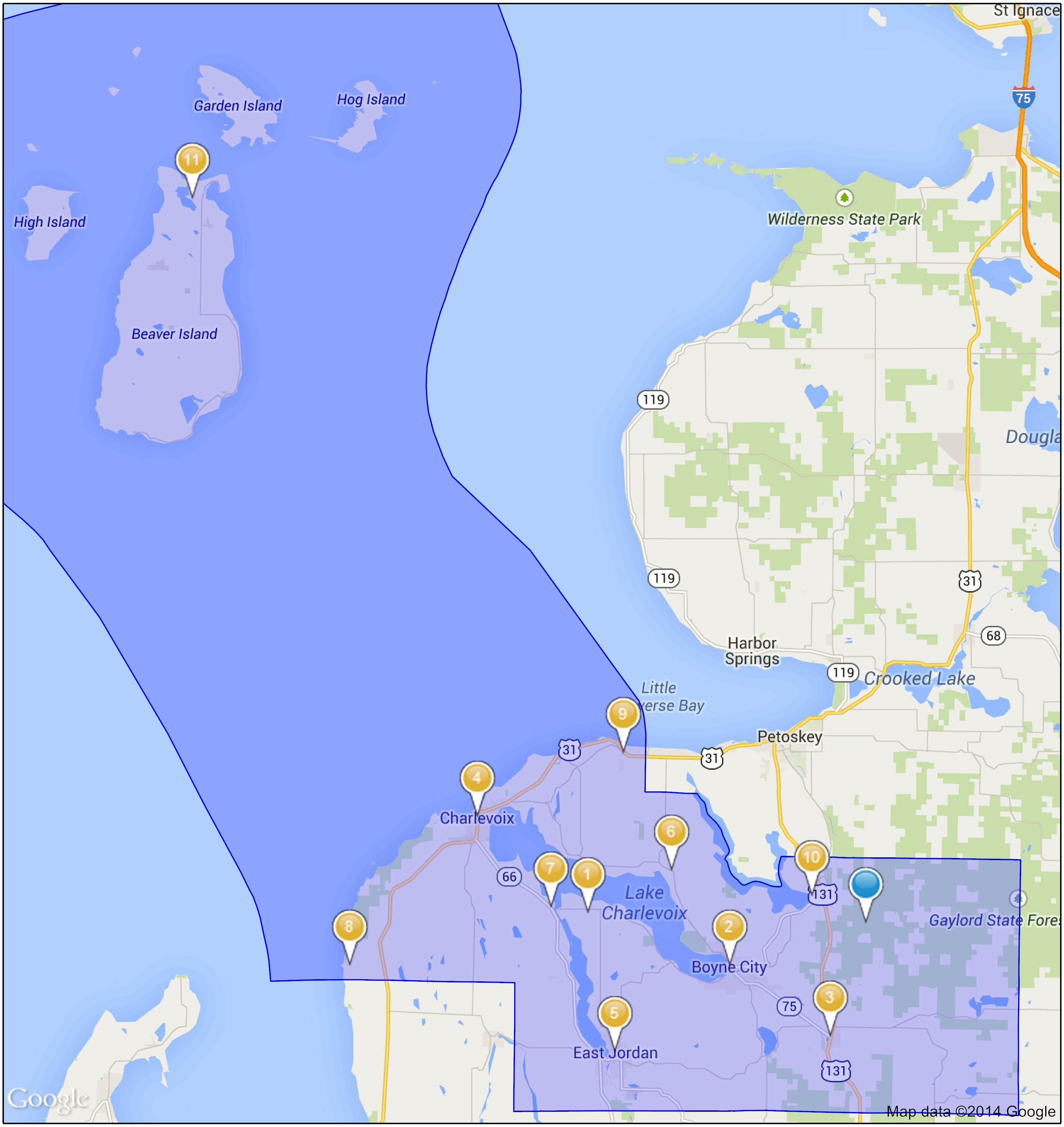
Prepared for:

Networks Northwest

Investing in People. Investing in Places.
MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

Prepared by:

LANDUSE | USA



Charlevoix County, Michigan

Exhibit A.1

1. Advance
2. Boyne City
3. Boyne Falls
4. Charlevoix
5. East Jordan
6. Horton Bay
7. Ironton
8. Norwood
9. Bay Shore
10. Walloon Lake
11. St. James

Existing PARAMETERS (in Households) through June 2014
Large and Small Urban Places - Charlevoix County, MI

Exhibit A.2

Existing Number of Households	Sum of Total 12 Targets	Capture Rate 12 Targets	Sum of Total 71 Clusters	Existing Share 71 Clusters
CHARLEVOIX COUNTY	3,144	100.0%	11,282	100.0%
Advance 2 Miles	62	2.9%	255	2.3%
Boyne City	725	34.2%	1,663	14.7%
Boyne Falls	12	0.6%	119	1.1%
Charlevoix	857	40.4%	1,272	11.3%
East Jordan	370	17.4%	965	8.6%
Horton Bay	21	1.0%	212	1.9%
Ironton	12	0.6%	63	0.6%
Norwood	5	0.2%	58	0.5%
St. James Twp. 2 Miles	18	0.8%	30	0.3%
Bay Shore	27	1.3%	316	2.8%
Walloon Lake	13	0.6%	118	1.0%
Subtotal		100.0%		44.9%
Inmigration - Owners	49		115	
Inmigration - Renters	225		263	
All Movers - Owners	94		220	
All Movers - Renters	498		582	

Source: Underlying data provided by the Internal Revenue Services; US Decennial Census; American Community Survey; and Experian Decision Analytics.
Analysis and exhibit prepared by LandUse|USA;

Existing PARAMETERS (in Households) through June 2014
Large and Small Urban Places - Charlevoix County, MI

Exhibit A.3

Existing Number of Households	C12 Golf Carts, Gourmets	K40 Bohemian Groove	L41 Booming, Consum-ing	L42 Rooted Flower Power	M45 Infants, Debit Cards	N46 True Grit Americans	O51 Digital Depend-ents	O55 Family Troopers	Q62 Reaping Rewards	Q65 Senior Discounts	S68 Small Town Shallow Pockets	S70 Tight Money
CHARLEVOIX COUNTY	60	211	295	103	14	891	458	72	406	396	8	230
Advance 2 Miles	12	1	5	0	0	0	11	0	30	3	0	0
Boyne City	3	53	36	33	1	245	125	26	33	128	0	42
Boyne Falls	0	0	0	0	0	0	3	1	0	0	0	8
Charlevoix	1	135	53	59	1	356	37	21	88	82	0	24
East Jordan	0	0	0	0	12	182	66	4	0	44	7	55
Horton Bay	0	0	1	0	0	0	6	0	11	2	0	1
Ironton	0	1	0	0	0	0	6	0	3	1	0	1
Norwood	2	0	0	0	0	0	0	0	3	0	0	0
St. James Twp. 2 Miles	0	0	15	0	0	2	1	0	0	0	0	0
Bay Shore	0	1	1	0	0	1	6	2	9	1	0	6
Walloon Lake	0	0	0	0	0	0	12	0	1	0	0	0
Subtotal												
Inmigration - Owners	1	1	6	1	0	18	19	0	2	1	0	0
Inmigration - Renters	0	39	5	0	1	8	34	24	1	32	0	80
All Movers - Owners	2	2	12	2	0	34	36	0	4	2	0	0
All Movers - Renters	0	86	12	0	2	18	76	54	2	70	0	178

Source: Underlying data provided by the Internal Revenue Services; US Decennial Census;
American Community Survey; and Experian Decision Analytics.
Analysis and exhibit prepared by LandUse|USA;

Note: Totals might not sum exact due to rounding.

Annual Target Market POTENTIAL in Households for 12 Selected Lifestyle Clusters
Small and Large Urban Places - Charlevoix County, MI

Exhibit A.4

Tenure	AGGRESSIVE Scenario (Based on All Movers)	Sum of Total 12 Targets	C12 Golf Carts, Gourmets	K40 Bohemian Groove	L41 Booming, Consum-ing	L42 Rooted Flower Power	M45 Infants, Debit Cards	N46 True Grit Americans	O51 Digital Depend-ents	O55 Family Troopers	Q62 Reaping Rewards	Q65 Senior Discounts	S68 Small Town Shallow Pockets	S70 Tight Money
Owners	CHARLEVOIX COUNTY	94	2	2	12	2	0	34	36	0	4	2	0	0
Renters	CHARLEVOIX COUNTY	498	0	86	12	0	2	18	76	54	2	70	0	178
Total	CHARLEVOIX COUNTY	592	2	88	24	2	2	52	112	54	6	72	0	178
Owners	Advance 2 Miles	3	0	0	0	0	0	1	1	0	0	0	0	0
Renters	Advance 2 Miles	15	0	3	0	0	0	1	2	2	0	2	0	5
Total	Advance 2 Miles	17	0	3	1	0	0	2	3	2	0	2	0	5
Owners	Boyne City	32	1	1	4	1	0	12	12	0	1	1	0	0
Renters	Boyne City	170	0	29	4	0	1	6	26	18	1	24	0	61
Total	Boyne City	202	1	30	8	1	1	18	38	18	2	25	0	61
Owners	Boyne Falls	1	0	0	0	0	0	0	0	0	0	0	0	0
Renters	Boyne Falls	3	0	0	0	0	0	0	0	0	0	0	0	1
Total	Boyne Falls	3	0	0	0	0	0	0	1	0	0	0	0	1
Owners	Charlevoix	38	1	1	5	1	0	14	15	0	2	1	0	0
Renters	Charlevoix	201	0	35	5	0	1	7	31	22	1	28	0	72
Total	Charlevoix	239	1	36	10	1	1	21	45	22	2	29	0	72
Owners	East Jordan	16	0	0	2	0	0	6	6	0	1	0	0	0
Renters	East Jordan	87	0	15	2	0	0	3	13	9	0	12	0	31
Total	East Jordan	103	0	15	4	0	0	9	20	9	1	13	0	31

Source: Underlying data provided by the Internal Revenue Services; US Decennial Census;
American Community Survey; and Experian Decision Analytics.
Analysis and exhibit prepared by LandUse|USA;

Note: Totals might not sum exact due to rounding.

Annual Target Market POTENTIAL in Households for 12 Selected Lifestyle Clusters
Small and Large Urban Places - Charlevoix County, MI

Exhibit A.5

Tenure	AGGRESSIVE Scenario (Based on All Movers)	Sum of Total 12 Targets	C12 Golf Carts, Gourmets	K40 Bohemian Groove	L41 Booming, Consum-ing	L42 Rooted Flower Power	M45 Infants, Debit Cards	N46 True Grit Americans	O51 Digital Depend-ents	O55 Family Troopers	Q62 Reaping Rewards	Q65 Senior Discounts	S68 Small Town Shallow Pockets	S70 Tight Money
Owners	Horton Bay	1	0	0	0	0	0	0	0	0	0	0	0	0
Renters	Horton Bay	5	0	1	0	0	0	0	1	1	0	1	0	2
Total	Horton Bay	6	0	1	0	0	0	1	1	1	0	1	0	2
Owners	Ironton	1	0	0	0	0	0	0	0	0	0	0	0	0
Renters	Ironton	3	0	0	0	0	0	0	0	0	0	0	0	1
Total	Ironton	3	0	0	0	0	0	0	1	0	0	0	0	1
Owners	Norwood	0	0	0	0	0	0	0	0	0	0	0	0	0
Renters	Norwood	1	0	0	0	0	0	0	0	0	0	0	0	0
Total	Norwood	1	0	0	0	0	0	0	0	0	0	0	0	0
Owners	St. James Twp. 2 Miles	1	0	0	0	0	0	0	0	0	0	0	0	0
Renters	St. James Twp. 2 Miles	4	0	1	0	0	0	0	1	0	0	1	0	2
Total	St. James Twp. 2 Miles	5	0	1	0	0	0	0	1	0	0	1	0	2
Owners	Bay Shore	1	0	0	0	0	0	0	0	0	0	0	0	0
Renters	Bay Shore	6	0	1	0	0	0	0	1	1	0	1	0	2
Total	Bay Shore	8	0	1	0	0	0	1	1	1	0	1	0	2
Owners	Walloon Lake	1	0	0	0	0	0	0	0	0	0	0	0	0
Renters	Walloon Lake	3	0	1	0	0	0	0	0	0	0	0	0	1
Total	Walloon Lake	4	0	1	0	0	0	0	1	0	0	0	0	1

Source: Underlying data provided by the Internal Revenue Services; US Decennial Census;
American Community Survey; and Experian Decision Analytics.

Note: Totals might not sum exact due to rounding.

Annual Target Market POTENTIAL in Households for 12 Selected Lifestyle Clusters
Small and Large Urban Places - Charlevoix County, MI

Exhibit A.6

Tenure	CONSERVATIVE Scenario (Per In-Migration Only)	Sum of Total 12 Targets	C12 Golf Carts, Gourmets	K40 Bohemian Groove	L41 Booming, Consum-ing	L42 Rooted Flower Power	M45 Infants, Debit Cards	N46 True Grit Americans	O51 Digital Depend-ents	O55 Family Troopers	Q62 Reaping Rewards	Q65 Senior Discounts	S68 Small Town Shallow Pockets	S70 Tight Money
Owners	CHARLEVOIX COUNTY	49	1	1	6	1	0	18	19	0	2	1	0	0
Renters	CHARLEVOIX COUNTY	225	0	39	5	0	1	8	34	24	1	32	0	80
Total	CHARLEVOIX COUNTY	274	1	40	12	1	1	26	53	24	3	33	0	80
Owners	Advance 2 Miles	1	0	0	0	0	0	1	1	0	0	0	0	0
Renters	Advance 2 Miles	7	0	1	0	0	0	0	1	1	0	1	0	2
Total	Advance 2 Miles	8	0	1	0	0	0	1	2	1	0	1	0	2
Owners	Boyne City	17	0	0	2	0	0	6	6	0	1	0	0	0
Renters	Boyne City	77	0	13	2	0	0	3	12	8	0	11	0	27
Total	Boyne City	94	0	14	4	0	0	9	18	8	1	11	0	27
Owners	Boyne Falls	0	0	0	0	0	0	0	0	0	0	0	0	0
Renters	Boyne Falls	1	0	0	0	0	0	0	0	0	0	0	0	0
Total	Boyne Falls	2	0	0	0	0	0	0	0	0	0	0	0	0
Owners	Charlevoix	20	0	0	3	0	0	7	8	0	1	0	0	0
Renters	Charlevoix	91	0	16	2	0	0	3	14	10	0	13	0	32
Total	Charlevoix	111	0	16	5	0	0	10	21	10	1	13	0	32
Owners	East Jordan	9	0	0	1	0	0	3	3	0	0	0	0	0
Renters	East Jordan	39	0	7	1	0	0	1	6	4	0	6	0	14
Total	East Jordan	48	0	7	2	0	0	5	9	4	1	6	0	14

Source: Underlying data provided by the Internal Revenue Services; US Decennial Census;
American Community Survey; and Experian Decision Analytics.
Analysis and exhibit prepared by LandUse|USA;

Note: Totals might not sum exact due to rounding.

Annual Target Market POTENTIAL in Households for 12 Selected Lifestyle Clusters
Small and Large Urban Places - Charlevoix County, MI

Tenure	CONSERVATIVE Scenario (Per In-Migration Only)	Sum of Total 12 Targets	C12 Golf Carts, Gourmets	K40 Bohemian Groove	L41 Booming, Consum-ing	L42 Rooted Flower Power	M45 Infants, Debit Cards	N46 True Grit Americans	O51 Digital Depend-ents	O55 Family Troopers	Q62 Reaping Rewards	Q65 Senior Discounts	S68 Small Town Shallow Pockets	S70 Tight Money
Owners	Horton Bay	0	0	0	0	0	0	0	0	0	0	0	0	0
Renters	Horton Bay	2	0	0	0	0	0	0	0	0	0	0	0	1
Total	Horton Bay	3	0	0	0	0	0	0	1	0	0	0	0	1
Owners	Ironton	0	0	0	0	0	0	0	0	0	0	0	0	0
Renters	Ironton	1	0	0	0	0	0	0	0	0	0	0	0	0
Total	Ironton	2	0	0	0	0	0	0	0	0	0	0	0	0
Owners	Norwood	0	0	0	0	0	0	0	0	0	0	0	0	0
Renters	Norwood	1	0	0	0	0	0	0	0	0	0	0	0	0
Total	Norwood	1	0	0	0	0	0	0	0	0	0	0	0	0
Owners	St. James Twp. 2 Miles	0	0	0	0	0	0	0	0	0	0	0	0	0
Renters	St. James Twp. 2 Miles	2	0	0	0	0	0	0	0	0	0	0	0	1
Total	St. James Twp. 2 Miles	2	0	0	0	0	0	0	0	0	0	0	0	1
Owners	Bay Shore	1	0	0	0	0	0	0	0	0	0	0	0	0
Renters	Bay Shore	3	0	0	0	0	0	0	0	0	0	0	0	1
Total	Bay Shore	3	0	1	0	0	0	0	1	0	0	0	0	1
Owners	Walloon Lake	0	0	0	0	0	0	0	0	0	0	0	0	0
Renters	Walloon Lake	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	Walloon Lake	0	0	0	0	0	0	0	0	0	0	0	0	0

Source: Underlying data provided by the Internal Revenue Services; US Decennial Census;
American Community Survey; and Experian Decision Analytics.
Analysis and exhibit prepared by LandUse|USA;

Note: Totals might not sum exact due to rounding.

Exhibit A.7

Annual Target Market POTENTIAL in Households for 12 Selected Lifestyle Clusters
Small and Large Urban Places - Charlevoix County, MI

Tenure	CONSERVATIVE Scenario (Per In-Migration Only)	Sum of Total 12 Targets	C12 Golf Carts, Gourmets	K40 Bohemian Groove	L41 Booming, Consum-ing	L42 Rooted Flower Power	M45 Infants, Debit Cards	N46 True Grit Americans	O51 Digital Depend-ents	O55 Family Troopers	Q62 Reaping Rewards	Q65 Senior Discounts	S68 Small Town Shallow Pockets	S70 Tight Money
Owners	Horton Bay	0	0	0	0	0	0	0	0	0	0	0	0	0
Renters	Horton Bay	2	0	0	0	0	0	0	0	0	0	0	0	1
Total	Horton Bay	3	0	0	0	0	0	0	1	0	0	0	0	1
Owners	Ironton	0	0	0	0	0	0	0	0	0	0	0	0	0
Renters	Ironton	1	0	0	0	0	0	0	0	0	0	0	0	0
Total	Ironton	2	0	0	0	0	0	0	0	0	0	0	0	0
Owners	Norwood	0	0	0	0	0	0	0	0	0	0	0	0	0
Renters	Norwood	1	0	0	0	0	0	0	0	0	0	0	0	0
Total	Norwood	1	0	0	0	0	0	0	0	0	0	0	0	0
Owners	St. James Twp. 2 Miles	0	0	0	0	0	0	0	0	0	0	0	0	0
Renters	St. James Twp. 2 Miles	2	0	0	0	0	0	0	0	0	0	0	0	1
Total	St. James Twp. 2 Miles	2	0	0	0	0	0	0	0	0	0	0	0	1
Owners	Bay Shore	1	0	0	0	0	0	0	0	0	0	0	0	0
Renters	Bay Shore	3	0	0	0	0	0	0	0	0	0	0	0	1
Total	Bay Shore	3	0	1	0	0	0	0	1	0	0	0	0	1
Owners	Walloon Lake	0	0	0	0	0	0	0	0	0	0	0	0	0
Renters	Walloon Lake	1	0	0	0	0	0	0	0	0	0	0	0	0
Total	Walloon Lake	2	0	0	0	0	0	0	0	0	0	0	0	0

Source: Underlying data provided by the Internal Revenue Services; US Decennial Census;
American Community Survey; and Experian Decision Analytics.

Annual Market Potential by Home Value for 12 Target Markets (in 2012 Constant Dollars) Exhibit A.8

Owner-Occupied Units for Charlevoix County, Michigan

Tenure	CONSERVATIVE SCENARIO Home Value Brackets (2012 Constant Dollars)	Sum of Total 12 Targets	C12 Golf Carts, Gourmets	K40 Bohemian Groove	L41 Booming, Consum-ing	L42 Rooted Flower Power	M45 Infants, Debit Cards	N46 True Grit Americans	O51 Digital Depend-ents	O55 Family Troopers	Q62 Reaping Rewards	Q65 Senior Discounts	S68 Small Town Shallow Pockets	S70 Tight Money
Owner	< $50,000	1	0	0	0	0	0	1	0	0	0	0	0	0
Owner	$50 - $74,999	3	0	0	0	0	0	2	1	0	0	0	0	0
Owner	$75 - $99,999	7	0	0	0	0	0	3	3	0	0	0	0	0
Owner	$100 - $149,999	17	0	0	1	0	0	7	7	0	0	0	0	0
Owner	$150 - $174,999	7	0	0	1	0	0	2	3	0	0	0	0	0
Owner	$175 - $199,999	4	0	0	1	0	0	1	2	0	0	0	0	0
Owner	$200 - $249,999	4	0	0	1	0	0	1	1	0	0	0	0	0
Owner	$250 - $299,999	2	0	0	1	0	0	1	1	0	0	0	0	0
Owner	$300 - $349,999	1	0	0	0	0	0	0	0	0	0	0	0	0
Owner	$350 - $399,999	1	0	0	0	0	0	0	0	0	0	0	0	0
Owner	$400 - $499,999	1	0	0	0	0	0	0	0	0	0	0	0	0
Owner	$500 - $749,999	1	0	0	0	0	0	0	0	0	0	0	0	0
Owner	$750,000+	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total	49	1	1	6	1	0	18	19	0	2	1	0	0
	Median Home Value													
Owner	2012	--	$342,508	$129,140	$180,165	$123,291	$72,802	$119,508	$118,381	$114,010	$216,761	$102,920	$66,123	$99,898
Owner	2015	--	$370,992	$139,879	$195,148	$133,545	$78,856	$129,446	$128,226	$123,491	$234,788	$111,479	$71,622	$108,206
Owner	2020	--	$407,382	$153,600	$214,289	$146,644	$86,591	$142,143	$140,803	$135,604	$257,818	$122,414	$78,647	$118,819

Source: Underlying data provided by the Internal Revenue Services; US Decennial Census; American Community Survey; and Experian Decision Analytics.

Note: Totals might not sum exact due to rounding.

Exhibit A.9

Annual Market Potential by Contract Rent for 12 Target Markets (in 2012 Constant Dollars)
Renter-Occupied Units for Charlevoix County, Michigan

Tenure	CONSERVATIVE SCENARIO Contract Rent Brackets (2012 Constant Dollars)	Sum of Total 12 Targets	C12 Golf Carts, Gourmets	K40 Bohemian Groove	L41 Booming, Consum-ing	L42 Rooted Flower Power	M45 Infants, Debit Cards	N46 True Grit Americans	O51 Digital Depend-ents	O55 Family Troopers	Q62 Reaping Rewards	Q65 Senior Discounts	S68 Small Town Shallow Pockets	S70 Tight Money
Renter	<$500	87	0	11	1	0	0	1	5	6	0	18	0	45
Renter	$500 - $599	55	0	12	1	0	0	2	7	6	0	8	0	18
Renter	$600 - $699	35	0	7	1	0	0	2	8	5	0	3	0	9
Renter	$700 - $799	27	0	6	1	0	0	1	6	4	0	1	0	7
Renter	$800 - $899	15	0	2	1	0	0	1	7	2	0	1	0	1
Renter	$900 - $999	4	0	1	0	0	0	0	1	1	0	0	0	0
Renter	$1,000 - $1,249	1	0	0	0	0	0	0	0	0	0	0	0	0
Renter	$1,250 - $1,499	0	0	0	0	0	0	0	0	0	0	0	0	0
Renter	$1,500 - $1,999	0	0	0	0	0	0	0	0	0	0	0	0	0
Renter	$2,000+	0	0	0	0	0	0	0	0	0	0	0	0	0
	Total	225	0	39	5	0	1	8	34	24	1	32	0	80
	Median Contract Rent													
Renter	2012	--	$574	$426	$485	$507	$488	$476	$483	$433	$443	$350	$396	$355
Renter	2015	--	$628	$466	$530	$554	$533	$520	$527	$473	$484	$383	$433	$388
Renter	2020	--	$728	$540	$614	$642	$618	$603	$612	$548	$561	$444	$502	$450

Source: Underlying data provided by the Internal Revenue Services; US Decennial Census;
American Community Survey; and Experian Decision Analytics.
Analysis and exhibit prepared by LandUse|USA;

Note: Totals might not sum exact due to rounding.

Annual Market Potential by Building Size for 12 Target Markets
Total Units for Charlevoix County, Michigan

Exhibit A.10

Tenure	CONSERVATIVE SCENARIO Units by Building Size	Sum of Total 12 Targets	C12 Golf Carts, Gourmets	K40 Bohemian Groove	L41 Booming, Consum-ing	L42 Rooted Flower Power	M45 Infants, Debit Cards	N46 True Grit Americans	O51 Digital Depend-ents	O55 Family Troopers	Q62 Reaping Rewards	Q65 Senior Discounts	S68 Small Town Shallow Pockets	S70 Tight Money
Total	1 unit (house)	106	1	8	10	1	1	25	47	4	2	0	0	7
Total	2 units (duplex)	13	0	3	0	0	0	0	1	2	0	0	0	7
Total	3 units (triplex)	21	0	6	0	0	0	0	1	3	0	0	0	10
Total	4 units (quad)	10	0	3	0	0	0	0	1	2	0	0	0	4
Total	5 - 9 units	41	0	10	1	0	0	1	3	5	0	1	0	20
Total	10 - 19 units	18	0	3	0	0	0	0	0	2	0	4	0	9
Total	20 - 49 units	24	0	3	0	0	0	0	0	2	0	7	0	11
Total	50 - 100 units	18	0	2	0	0	0	0	0	1	0	8	0	6
Total	101+ units	22	0	3	0	0	0	0	0	3	0	12	0	5
	Total	274	1	40	12	1	1	26	53	24	3	33	0	80
Total	Detached Units	106	1	8	10	1	1	25	47	4	2	0	0	7
Total	Attached Units	168	0	32	2	0	0	1	6	20	1	33	0	73
	Total	274	1	40	12	1	1	26	53	24	3	33	0	80

Source: Underlying data provided by the Internal Revenue Services; US Decennial Census;
American Community Survey; and Experian Decision Analytics.
Analysis and exhibit prepared by LandUse|USA;

Note: Totals might not sum exact due to rounding.

Exhibit A.11

Market Parameters - Contract and Gross Rents
Counties in the Northwest Michigan Prosperity Region

	County name	Median Gross Rent as a Share of Income	Median Gross Rent	Median Contract Rent	Utilities and Fees	Fees as a Share of Gross
1	Grand Traverse	31%	$833	$712	$121	15%
2	Leelanau	33%	$794	$641	$153	19%
3	Emmet	30%	$732	$630	$102	14%
4	Charlevoix	30%	$615	$523	$92	15%
5	Antrim	38%	$710	$515	$195	27%
6	Benzie	30%	$763	$537	$226	30%
7	Manistee	30%	$665	$492	$173	26%
8	Wexford	32%	$679	$521	$158	23%
9	Missaukee	30%	$712	$502	$210	29%
10	Kalkaska	30%	$713	$501	$212	30%

Source: US Census and American Community Survey 5-year estimates (2008 - 2012); analysis and exhibit prepared by LandUse|USA; 2014.
Contract rents typically align with advertised rents and may not include utilities, deposits, and fees for pets, cleaning, security, parking, storage units, meals, on-call nurse services, meals, party rooms, fitness centers, and other memberships.

HUD Income Limits for Affordability
Selected Counties in Northwest Michigan - 2014

Exhibit A.12

County Name	HUD Qualifier	Share of AMI	Household Size 1 person	Household Size 2 persons	Household Size 3 persons	Household Size 4 persons
Emmet Co.	Extreme	30%	13,800	15,750	17,700	19,650
Emmet Co.	Very Low	50%	22,950	26,200	29,500	32,750
Emmet Co.	Low	80%	36,700	41,950	47,200	52,400
Emmet Co.	Average	100%	45,900	52,400	59,000	65,500
Charlevoix Co.	Extreme	30%	12,600	14,400	16,200	17,950
Charlevoix Co.	Very Low	50%	21,000	24,000	27,000	29,950
Charlevoix Co.	Low	80%	33,550	38,350	43,150	47,900
Charlevoix Co.	Average	100%	42,000	48,000	54,000	59,900
Antrim Co.	Extreme	30%	11,100	12,700	14,300	15,850
Antrim Co.	Very Low	50%	18,500	21,150	23,800	26,400
Antrim Co.	Low	80%	29,600	33,800	38,050	42,250
Antrim Co.	Average	100%	36,800	42,000	47,300	52,500

Source: U.S. Housing and Urban Development (HUD) income limits for 2014,
with some interpolations by LandUseUSA.

Exhibit A.13

Construction Costs Per Approved Building Permits
Charlevoix County, Michigan - 2000 through 2013

Year	Units Single-Family	Cost Single-Family	Cost/Unit Single-Family	Units Multi-Family	Cost Multi-Family	Cost/Unit Multi-Family	MF v. SF Cost Index
2013	60	$17,813,696	$296,900	4	$1,181,202	$295,300	0.99
2012	62	$16,161,457	$260,700	2	$611,157	$305,600	1.17
2011	43	$9,303,739	$216,400	48	$3,585,388	$74,700	0.35
2010	51	$11,631,536	$228,100	6	$527,504	$87,900	0.39
2009	43	$8,056,160	$187,400	--	--	--	--
2008	243	$35,467,535	$146,000	--	--	--	--
2007	124	$18,600,000	$150,000	34	$6,500,000	$191,200	1.27
2006	221	$28,532,915	$129,100	9	$1,293,750	$143,800	1.11
2005	265	$34,187,271	$129,000	12	$1,725,000	$143,800	1.11
2004	267	$34,592,280	$129,600	--	--	--	--
2003	226	$28,250,000	$125,000	48	$6,900,000	$143,800	1.15
2002	208	$18,720,000	$90,000	40	$2,000,000	$50,000	0.56
2001	436	$48,779,070	$111,900	--	--	--	--
2000	371	$55,297,760	$149,100	--	--	--	--
All Years	2,620	$365,393,419	$139,500	203	$24,324,001	$119,800	0.86
2007-13	626	$117,034,123	$187,000	94	$12,405,251	$132,000	0.71
2000-06	1,994	$248,359,296	$124,600	109	$11,918,750	$109,300	0.88

Source: Underlying data collected by the U.S. Bureau of the Census.
Analysis and exhibit prepared by LandUse|USA, 2014.

Exhibit A.14

Annual Target Market POTENTIAL in Housing Units for 12 Selected Lifestyle Clusters
10 Counties in the Northwest Michigan Prosperity Region (Region 2)

CONSERVATIVE Scenario (Per In-Migration Only)	Sum of Total 12 Targets	C12 Golf Carts, Gourmets	K40 Bohemian Groove	L41 Booming, Consum-ing	L42 Rooted Flower Power	M45 Infants, Debit Cards	N46 True Grit Americans	O51 Digital Depend-ents	O55 Family Troopers	Q62 Reaping Rewards	Q65 Senior Discounts	S68 Small Town Shallow Pockets	S70 Tight Money
10-COUNTY REGION	2,908	20	694	136	18	91	197	705	411	33	209	68	328
GRAND TRAVERSE CO.	1,215	1	479	13	13	10	40	339	154	13	85	13	54
LEELANAU COUNTY	134	11	12	29	0	0	0	52	15	8	7	0	0
EMMET COUNTY	463	3	143	20	2	0	17	75	91	5	35	0	72
CHARLEVOIX COUNTY	274	1	40	12	1	1	26	53	24	3	33	0	80
ANTRIM COUNTY	113	2	1	30	0	8	6	24	12	3	4	7	17
BENZIE COUNTY	67	2	2	18	0	0	13	16	4	1	3	0	10
MANISTEE COUNTY	157	0	6	9	1	17	40	20	12	0	15	20	17
WEXFORD COUNTY	324	0	9	3	1	50	50	72	59	1	15	22	41
MISSAUKEE COUNTY	68	0	2	1	0	1	2	24	17	0	6	1	13
KALKASKA COUNTY	93	0	0	0	0	5	1	30	22	0	6	5	24

Source: Underlying data provided by the Internal Revenue Services; US Decennial Census;
American Community Survey; and Experian Decision Analytics.

Exhibit A.15

Annual Target Market POTENTIAL in Housing Units for 12 Selected Target Markets
10 Counties in the Northwest Michigan Prosperity Region (Region 2)

AGGRESSIVE Scenario (Per All Migration)	Sum of Total 12 Targets	C12 Golf Carts, Gourmets	K40 Bohemian Groove	L41 Booming, Consum-ing	L42 Rooted Flower Power	M45 Infants, Debit Cards	N46 True Grit Americans	O51 Digital Depend-ents	O55 Family Troopers	Q62 Reaping Rewards	Q65 Senior Discounts	S68 Small Town Shallow Pockets	S70 Tight Money
10-COUNTY REGION	7,062	36	1,720	286	38	230	420	1,620	1,086	66	528	170	862
GRAND TRAVERSE CO.	2,914	2	1,178	30	28	22	88	784	382	28	208	30	134
LEELANAU COUNTY	232	18	22	48	0	0	0	90	28	12	14	0	0
EMMET COUNTY	1,162	6	368	46	4	0	38	178	236	10	90	0	186
CHARLEVOIX COUNTY	592	2	88	24	2	2	52	112	54	6	72	0	178
ANTRIM COUNTY	274	4	2	68	0	18	14	58	32	6	10	16	46
BENZIE COUNTY	172	4	6	40	0	0	26	40	12	2	10	0	32
MANISTEE COUNTY	398	0	18	20	2	42	86	50	36	0	44	50	50
WEXFORD COUNTY	962	0	34	8	2	134	110	194	216	2	52	60	150
MISSAUKEE COUNTY	128	0	4	2	0	2	4	46	32	0	12	2	24
KALKASKA COUNTY	228	0	0	0	0	10	2	68	58	0	16	12	62

Source: Underlying data provided by the Internal Revenue Services; US Decennial Census;
American Community Survey; and Experian Decision Analytics.

Target Market Analysis

Charlevoix County

Michigan

PLACEMAKING

November 3, 2014

B

Prepared for:

Networks Northwest

Investing in People.
Investing in Places.
MSHDA
MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

Prepared by:

LANDUSE | USA

Local Market Assessment – STRENGTHS
The City of Boyne City (Charlevoix County, Michigan)

Exhibit B.1

Strengths

- *Michigan's Blue Economy and Natural Resources* - From the City's website, the City has 11 miles of Lake Charlevoix frontage, and there are 6 public parks, a municipal beach, and a boardwalk on the Boyne River. There are also bike paths within the city that connect travelers to nearby parks.
- *Downtown Business Mix* - The downtown area offers over 20 restaurants, specialty foods, snack shops, and many eclectic gift shops, sporting goods & clothing stores, and art galleries.
- *Support for Local Business* – With only a few chain stores within the downtown, there is a demand for local businesses in Boyne City. In addition, the Boyne City Farmers Market is over 30 years old and has gained a reputation as the best farmer's market in northern Michigan with over 70 regular vendors.
- *Year Round Economy* - The community offers access to recreation for all four seasons including boating, golfing, hunting, fishing and downhill skiing.
- *Anchor Institutions* – Boyne City offers access to trade via the Boyne City Municipal Airport. Major employers include LexaMar Corp, Summertree Residential Centers, and Honeywell International, Inc.
- *Public Transit* - Charlevoix County Transit System services Boyne City, making mobility much easier on residents and workers. Amtrak also has a station in Boyne City, but is served by a thruway bus, and not a train.
- *Access to Medical Care* – Boyne Area Medical, Quick Care and Boyne Area Free Clinic are all located in Boyne City and offer residents fast access to medical care.
- *Planning for the Future* – Boyne City recently adopted a Trail Town Master Plan and is currently undergoing a Master Planning process with citizen engagement.

Local Market Assessment – OPPORTUNITIES
The City of Boyne City (Charlevoix County, Michigan)

Exhibit B.2

Opportunities

- *Downtown Economic Development* – With a state accredited Business Park, Team Boyne, and having been a three-time winner of the state's Community of Economic Excellence Award, there is a framework to expand current businesses and welcome new businesses in order to create more jobs in the City.
- *Diversify the Business Mix* – Based on the profiles of the Target Markets, there is a high demand for movie theaters; one could be a welcomed addition to Boyne City's downtown core.
- *Retail Study* – Based on our scorecard of Placemaking attributes the City might benefit from a retail study or strategy to ensure that both tourists and locals have the amenities that are needed in the community.
- *Marketing* – While the City is located directly on M-75, passers through would have to intentionally include the City of Boyne City as a point of interest on their travels north or south, as faster routes across the state direct people to highways like US 131. Traffic counts are 7,000 vehicle trips daily through Boyne City on M-75. The downtown business mix, farmers market, and natural resources are all characteristics of the City that should be advertised to create more draw to this area.

Local Market Assessment – STRENGTHS and OPPORTUNITIES
The City of Charlevoix (Charlevoix County, Michigan)

Exhibit B.3

Strengths

- *Connectivity* – Charlevoix is located on US 31 in the Northwestern part of Michigan's Lower Peninsula about an hour south of the Mackinac Bridge and an hour North of Traverse City, Michigan. About 13,000 vehicles pass through Charlevoix on US 31 daily. In addition, nearby M-66 easily connects travelers to I-75.
- *Michigan's Blue Economy* – Lake Michigan provides a main access to downtown Charlevoix. Visitors may arrive by boat, dock in the city marina and be within walking distance of shopping and overnight accommodation. Recently, the Downtown Marina has been expanded to accommodate larger vessels. In addition, the area is a destination for fishing. Ferries for Beaver Island take off from the docks in Charlevoix.
- *Tourism* - Tourism is the area's main industry, annually injecting around $100 million into the economy. The population in the summer is estimated to grow ten times larger than the 2,656 year round residents.
- *Business Growth and Retention* - The Charlevoix Area Chamber of Commerce and the City of Charlevoix have partnered to advocate economic development through an Industrial Development Committee (IDC). The IDC sponsors a number of events and information programs to promote existing manufacturing jobs, and the recruitment of new businesses.
- *Anchor Institutions* – Charlevoix is home to many large institutions that will continue to help the area grow economically, such as the Charlevoix Area Hospital, North West Michigan Community Health Services, the Charlevoix County Offices, Harbor Industries, St. Mary's Cement, the US Coast Guard, and the US Air Force. In addition, the Charlevoix Municipal Airport has a passenger terminal, 4,550 feet of runway and a repair service for aircraft reaching the level of small jets.
- *Downtown Business Mix* – The downtown includes a mix of goods and services including grocery stores, coffee shops, restaurants, clothing stores, beauty salons, and art galleries. These businesses experience a larger than normal surge in the summer months due to the predominance of second home owners in the area.

Opportunities

- *Development Potential* – The City is planning to create a new industrial park to provide additional development space for new businesses; therefore, this is probably a good area for potential new businesses to relocate or entrepreneurs to start a business.
- *Year-round Economy* – There is an impression that many businesses see themselves as only seasonal. From interviews with year round residents, there is an opportunity for businesses to stay open year-round to service residents and locals within the area, and a demand from residents for businesses to do so.
- *Public Transit* – While the area's current transportation needs are covered by Charlevoix County Transit, there might be a market for a public transit system within the City with a limited bus schedule.

Local Market Assessment – STRENGTHS and OPPORTUNITIES
The City of East Jordan (Charlevoix County, Michigan)

Exhibit B.4

Strengths

- *Connectivity* - The City of East Jordan is located at the junction of M-66 and M-32, and sits almost exactly halfway between US 131 as well as scenic US 31 on M-66. Both of these routes are popular gateways for traffic heading north from the lower parts of Michigan to Traverse City, as well as to the Upper Peninsula and Canada. M-32 connects with US 131 about 16 miles to the east and with I-75 at Gaylord about 29 miles to the east. Traffic counts in East Jordan are estimated to be 2,000 per day along M-66.
- *Michigan's Blue Economy* - The city is at the end of the south arm of Lake Charlevoix at the mouth of the Jordan River making East Jordan a destination for fly fishing on the Jordan River, and boating. The National Fish Hatchery is also a tourist attraction.
- *Year-round Economy* – While tourism is a major economic force in the town and continues to bolster East Jordan's local economy, the city is also a four-season destination due to its location and offers access to regional alpine skiing, cross-country trails, golf courses, water sports, and autumn views.
- *Education* – East Jordan area Middle and High Schools have great ratings for education (84), thus making East Jordan an attraction for year-round residents.
- *Anchor institutions* – East Jordan has other economic assets that will help it continue to grow economically and help it be sustainable long-term. The East Jordan Family Health Center is available for those seeking medical care, the Grandvue Medical Care Facility provides assisted living care for residents, and the East Jordan Regional Airport allows for more access to trade. Major employers in the area include East Jordan Iron Works Inc. founded in 1883, East Jordan Plastics, and Burnette Foods (Food Processing).
- *Downtown Business Mix* – East Jordan has an eclectic mix of businesses such as art galleries, antiques, book stores, grocery stores, wine shops, restaurants, bars, and flower shops.
- *Public Transportation* – Dial-A-Ride Charlevoix County Transit is available for transport services.

Opportunities

- *Downtown Development* – The East Jordan Area Chamber of Commerce partners with the Northern Lakes Economic Alliance (NLEA), Networks Northwest, The Michigan Economic Development Corporation (MEDC) and the Northern Michigan Chamber Alliance as an Associate Member, and works to recruit new business, industry, or professionals to the area and connect existing businesses with business counseling, resource connections, and other services. Because of this, there is probably a lucrative market for developers and potential entrepreneurs seeking investment opportunities in the downtown core.
- *Diversify the Business Mix* – Based on the profiles of the Target Markets, there is a high demand for movie theaters; one could be a welcomed addition to East Jordan's downtown core. In addition, there is an opportunity for businesses to stay open year round to be of service to residents in the region, and a demand from residents for businesses to do so.

Place Scores

Local Placemaking Initiatives and Amenities (Evident through Online Search Engines)
Selected Communities in Charlevoix County, Michigan - 2014

Exhibit B.5

		City of Boyne City	City of Charlevoix	City of East Jordan	Village of Boyne Falls
	2010 Census Population	3,739	2,513	2,351	294
City/Village-Wide Planning Documents					
1	City-Wide Master Plan (not county)	1	1	1	0
2	Has a Zoning Ordinance Online	1	1	1	0
3	Considering a Form Based Code	0	0	0	0
Downtown Planning Documents					
4	Established DDA	1	1	1	0
5	DT Master Plan, Subarea Plan	0	0	0	0
6	Streetscape, Transp. Improvmt. Plan	1	1	1	0
7	Retail Market Study or Strategy	0	0	0	0
8	Residential Market Study, Strategy	0	0	0	0
9	Downtown TIF Plan (Fiscal Plan)	1	1	1	0
10	Façade Improvement Program	1	1	1	0
Downtown Organization and Marketing					
11	Designation as a Michigan Cool City	1	0	0	0
12	Member of Michigan Main Street	1	1	1	0
13	Main Street 4-Point Approach	1	0	0	0
Listing or Map of Merchants and Amenities					
14	City/Village Main Website	1	1	0	0
15	DDA, BID, or Main Street Website	1	1	1	0
16	Chamber or CVB Website	1	1	1	1
17	Facebook	1	1	1	0
Subtotal Score (17 points possible)		13	11	10	1

The assessment is based only on internet research, and have not been field verified.

If a community's amenities and resources are not listed, then the challenge is to improve marking efforts, and ensure that the resources are available and easy to find through mainstream online search engines.

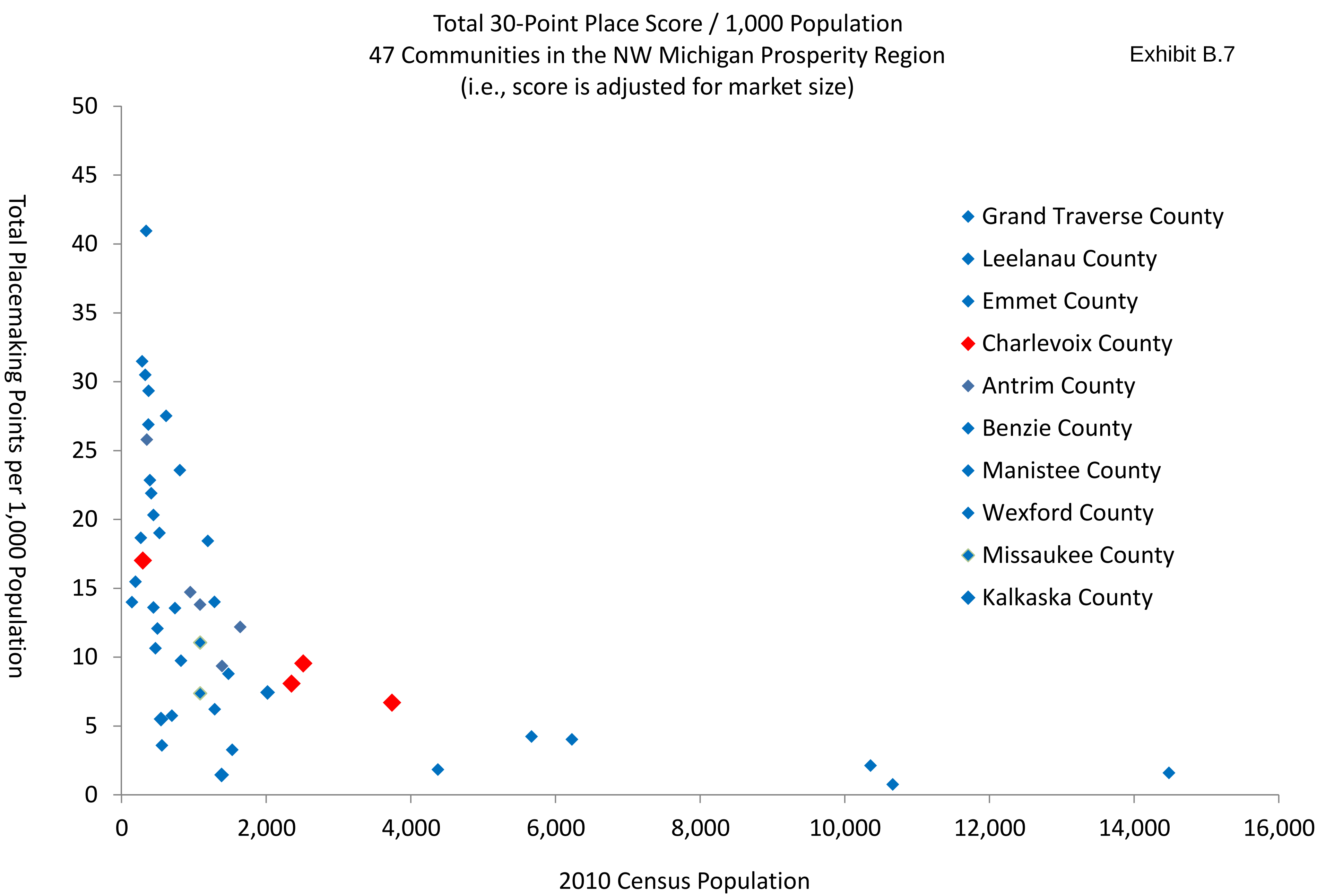
Place Scores

Exhibit B.6

Local Placemaking Initiatives and Amenities (Evident through Online Search Engines)
Selected Communities in Charlevoix County, Michigan - 2014

		City of Boyne City	City of Charlevoix	City of East Jordan	Village of Boyne Falls
	Jurisdiction Name				
	2010 Census Population	3,739	2,513	2,351	294
Unique Downtown Amenities					
1	Cinema/Theater, Playhouse	0	1	0	0
2	Waterfront Access/Parks	1	1	1	1
3	Established Farmer's Market[2]	1	1	1	0
4	Summer Music in the Park	1	1	0	0
5	National or Other Major Festival	1	1	1	0
Downtown Street and Environment					
6	Street Views by GoogleEarth	1	1	1	1
7	Angle Storefront Parking	1	1	0	1
8	Walk Score/1,000 is 40 or Higher	0	0	0	1
9	Off Street Parking is Evident	1	1	1	0
10	2-Level Scale of Historic Buildings	1	1	1	0
11	Balanced Scale 2 Sides of Street	1	1	1	0
12	Pedestrian Crosswalks, Signaled	1	1	0	0
13	Two-way Traffic Flow	1	1	1	1
Subtotal Score (13 points possible)		11	12	8	5
Total Score (30 Points Possible)		24	23	18	6
Points per 1,000 Residents		6	9	8	20
Reported Walk Score (avg. = 42)		78	91	55	27
Walk Score per 1,000 Residents		21	36	23	92

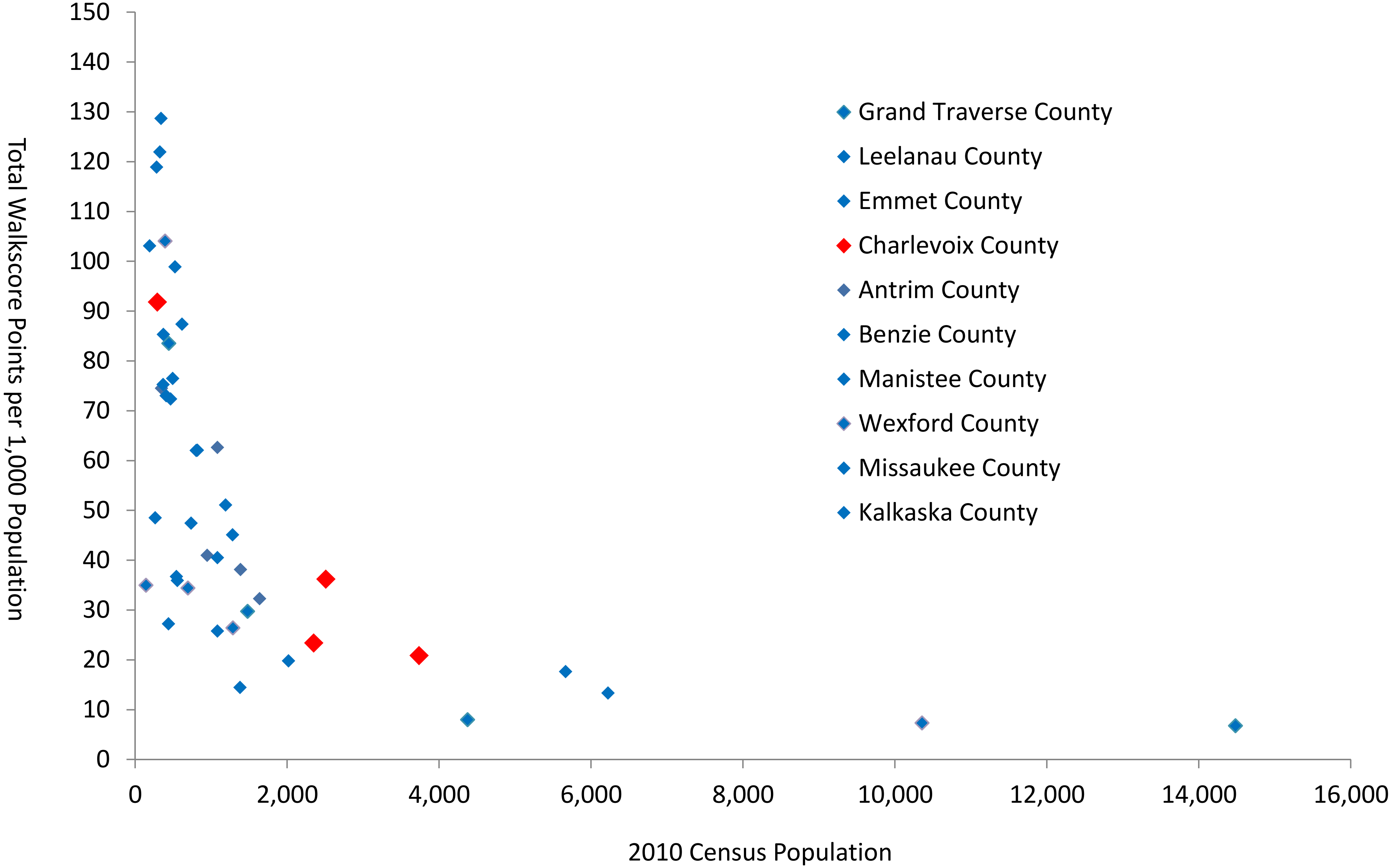
The assessment is based only on internet research, and have not been field verified.
Desk-top analysis and qualitative assessment by LandUse|USA;
If a community's amenities and resources are not listed, then the challenge is to improve marking efforts, and ensure that the resources are available and easy to find through mainstream online search engines.



Source: Based on a subjective analysis of 30 Placemaking attributes.
Analysis and exhibit prepared by LandUse|USA and Lonex Consulting; 2014.

Reported Walk Score / 1,000 Population
45 Communities in the NW Michigan Prosperity Region
(i.e., the score is adjusted for market size)

Exhibit B.8



Source: Based on a subjective analysis of 30 Placemaking attributes.
Analysis and exhibit prepared by LandUse|USA and Lonex Consulting; 2014.