

Target Market Analysis

Leelanau County

Michigan

THE MARKET STRATEGY

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A-B



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Market Strategy Report

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Executive Summary

This Executive Summary of the Target Market Analysis for Leelanau 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 discussion on the Place Scores; market potential for both aggressive and conservative scenarios; and housing affordability.

The Market Potential and Strategy

- ❖ *The Study Areas* – Based on an analysis of lifestyle clusters, there are 9,635 households in Leelanau County as of month-end June 2014. Of these, 7.2% are located in Greilickville; 2.8% are in Northport; 2.7% are in Suttons Bay; and 2.0% are in Empire. Only 21.6% of all households in the county are located in one of the 10 communities, with the balance scattered throughout the surrounding rural areas.
- ❖ *Place Scores and Walk Scores* – All four of the studied communities in Leelanau County have populations of less than 2,000 residents, and their Place Scores should be evaluated with that in mind. For its market size of 1,530 residents, Greilickville has a low Place Score. In comparison, the much smaller Village of Empire has the highest Place Score among the group. Suttons Bay takes second place, trailed by the Village of Northport. However, Northport rivals Suttons Bay on the basis of the Walk Scores, and especially after adjusting for differences in market size.
- ❖ *Propensity to Move* – Among the 9,635 households currently residing in Leelanau County, 140 of the owner households and 200 of the renter households moved in the past year. These figures include households that moved within Leelanau County, plus households that moved into the county from beyond.
- ❖ *The Target Markets* – There are 2,937 existing households in Leelanau County that align with the 12 target markets, and they represent 30% of the county’s total households. Among 12 selected target markets (i.e., household lifestyle clusters), 66 of the owner households and 166 of the renter households moved in the past year.
- ❖ *The Aggressive Scenario* – There is a maximum annual market potential throughout Leelanau County for 66 new owner-occupied units and 166 new renter-occupied units, for a total of 232 units. Assuming the market potential is fully served every year over the next five years, this implies a market potential for 1,160 units over the 5-year term. The aggressive scenario includes households migrating into the county, plus households moving within the county.
- ❖ *Market Potential by Community* – Most of the market potential is in Northport, but Glen Arbor, Empire, Leeland, and Suttons Bay are also well-positioned to compete for a good share of the market. If these communities do not act to capture their full market potential, then the smaller communities could grab a share of the market before it dissipates.

- ❖ *Owner-Occupied Units* – Under the conservative scenario there is an annual market potential for at least 46 new owner-occupied units throughout Leelanau County, or a cumulative of 230 units over the next five years. The aggressive scenario or maximum market potential is nearly 50% 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 \$260,000 by 2015, and will approach \$270,000 by the year 2020.
- ❖ *Renter-Occupied Units* – The conservative scenario generates a market potential for at least 88 renter-occupied units throughout Leelanau County each year, or a cumulative total of 440 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 almost twice as large and includes internal migration as well as in-migration.
- ❖ *Renter-Occupied Prices* – Almost all of the target markets will seek monthly contract rents of \$800 or less in 2012 dollars. These prices will be closer to \$875 per month by 2015, and \$1,015 per month by the year 2020. About 25% will be seeking monthly contract rents of \$600 or less in 2012 dollars. These prices will be closer to \$655 or less by 2015; and \$760 or less per month by the year 2020. About 5% of the county's new households will have a tolerance for monthly contract rents of \$1,000 or more (in 2012 dollars).
- ❖ *HUD Affordability Standards* – Based on the HUD income limits and annual market potential by contract rent bracket, 90% (79 units) of the 88 new rental units should be priced affordably and below market rates; and only 10% (9 units) should be priced at market rates or higher.
- ❖ *Detached Building Formats* – Among the annual market potential of 134 owner-occupied and renter-occupied units, about 66% 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.
- ❖ *Luxury Detached Houses* – Within the Northwest Michigan Prosperity Region, Leelanau County is one exception where the development of new detached houses in rural areas is likely to remain sustainable. Second home buyers seeking vista views of Lake Michigan, Grand Traverse Bay, and/or surrounding vineyards will continue to drive the upscale market among detached houses.
- ❖ *Attached Building Formats* – About 33% of the target markets moving into Leelanau 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 45 attached units annually, or a cumulative of 225 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 Leelanau County since 2006 has involved an investment of at least \$200,000, and in recent years this has shot up to \$255,000 - \$290,000. The assessment of construction costs reinforces importance of 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 Leelanau 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 neighboring Grand Traverse County for comparison purposes.

Table 1
Summary of Place Scores and Walk Scores
Leelanau and Grand Traverse Counties, Michigan

Leelanau County, Michigan Small and Large Urban Places	2010 Population	Place Score (30 points)	Walk Score (100 points)
The Village of Suttons Bay	618	17	54
The Village of Northport	526	11	52
Greilickville (unincorp.)	1,530	4	10
The Village of Empire	375	12	32
Grand Traverse Co., Michigan Small and Large Urban Places	2010 Population	Place Score (30 points)	Walk Score (100 points)
The City of Traverse City	14,482	22	98
Garfield Township	16,256	10	72
East Bay Township	10,663	8	10
Acme Township	4,375	8	10
The Village of Kingsley	1,480	12	44
The Village of Fife Lake	443	10	33

Summary of Placemaking Criteria – The detailed Place Scores for Leelanau 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 studied communities in Leelanau County have populations of less than 2,000 residents, and their Place Scores should be evaluated with that in mind. For its market size of 1,530 residents, Greilickville has a low Place Score. In comparison, the much smaller Village of Empire has the highest Place Score among the group. Suttons Bay takes second place, trailed by the Village of Northport. However, Northport rivals Suttons Bay on the basis of the Walk Scores, and especially after adjusting for differences in market size.

The Villages of Suttons Bay and Northport – Since Suttons Bay and Northport are the county’s largest incorporated places, we also conducted an assessment of their market Strengths and Opportunities, with results summarized in [Exhibit B.1](#) through [Exhibit B.4](#). The assessments describe the markets’ relationships 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 report 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 10 communities in Leelanau 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 9,635 households in Leelanau County as of month-end June 2014. Of these, 7.2% are located in Greilickville; 2.8% are in Northport; 2.7% are in Suttons Bay; and 2.0% are in Empire. Only 21.6% of all households in the county are located in one of the 10 communities, with the balance scattered throughout the surrounding rural areas.

Propensity to Move – Among the 9,635 households currently residing in Leelanau County, 140 of the owner households and 200 of the renter households moved in the past year. Among 12 selected target markets (i.e., household lifestyle clusters), 66 of the owner households and 166 of the renter households moved in the past year. These figures include households that moved within Leelanau 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 Leelanau 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 Leelanau 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 2,937 existing households in Leelanau County that align with the 12 target markets, and they represent 30% 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 Leelanau County’s 10 communities.

Households in the C12 Golfcarts and Gourmet target market (which is the most affluent of the target markets) are most prevalent in Glen Arbor, Leland, and Northport. The K40 Bohemian Groove, O51 Digital Dependents, and O55 Family Troopers are more likely to reside in Greilickville; and L41 Booming and Consuming households are most prevalent in Northport and Empire.

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 Leelanau 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](#)) reveal a maximum annual market potential throughout Leelanau County for 66 new owner-occupied units and 166 new renter-occupied units, for a total of 232 units. Assuming the market potential is fully served every year over the next five years, this implies a market potential for 1,160 units over the 5-year term.

Market Potential by Community – Some of the communities in Leelanau County will continue to be challenged by their smaller size, making it difficult to compete for projects that might otherwise gravitate toward Suttons Bay, Northport, Empire, and Leland. 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.

Most of the market potential is in Northport (60 units annually), but Glen Arbor, Empire, Leeland, and Suttons Bay are also well-positioned to compete for a good share of the market. The annual market potential by community is summarized in [Table 2](#) below, for both owner-occupied and renter-occupied units, and for both the aggressive and conservative scenarios.

Table 2
Annual Market Potential by Tenure and Scenario
Selected Communities in Leelanau County, Michigan

	Aggressive Scenario			Conservative Scenario		
	Owner	Renter	Total	Owner	Renter	Total
Northport	17	43	60	12	23	34
Glen Arbor	8	19	28	6	11	17
Empire	7	19	26	5	10	15
Leeland	7	19	26	5	10	15
Suttons Bay	6	16	22	4	9	13
Omena	4	10	14	3	5	8
All others	17	40	56	11	20	32
Leelanau County	66	166	232	46	88	134

Note: Due to rounding, the figures above might not exactly match the figures in Exhibit A.4 – A.7.

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. Small communities should focus on appropriately scaled small projects in increments of 2, 3, 4, and 6 attached units per year. Recommended building sizes for all of the communities are addressed again later in this report.

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 Leelanau County from beyond. Again, the urban places are listed alphabetically and span the total of 2 pages. The market potential is also detailed 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 Leelanau 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 [Table 2](#) above, and [Exhibit A.6](#), attached) reveal an annual market potential for at least 46 new owner-occupied units and 88 new renter-occupied units throughout Leelanau County, for a total of at least 134 units. Assuming the market potential is fully met every year over the next five years, this implies a market potential for at least 670 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 46 new owner-occupied units throughout Leelanau County, or a cumulative of 230 units over the next five years. [Exhibit A.8](#) shows how these units should be priced in Leelanau 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 Leelanau 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 \$260,000 by 2015, and will approach \$270,000 by the year 2020.

The allocation 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 88 renter-occupied units throughout Leelanau County each year, or a cumulative total of 440 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 \$800 or less in 2012 dollars. These prices will be closer to \$875 per month by 2015, and \$1,015 per month by the year 2020. About 25% will be seeking monthly contract rents of \$600 or less in 2012 dollars. These prices will be closer to \$655 or less by 2015; and \$760 or less per month by the year 2020.

About 5% of the county's new households will have a tolerance for monthly contract rents of \$1,000 or more (in 2012 dollars). A few units could be tested with even higher prices, but only if they offer exceptional vista views of Lake Michigan or Grand Traverse Bay, plus vineyards and/or downtown districts.

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 134 owner-occupied and renter-occupied units, about 66% 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.

Within the Northwest Michigan Prosperity Region, Leelanau County is one exception where the development of detached houses in rural areas is likely to remain sustainable. Second home buyers seeking vista views of Lake Michigan, Grand Traverse Bay, and/or surrounding vineyards will continue to drive the upscale market among detached houses.

Attached Building Formats – As shown in the attached [Exhibit A.10](#), about 33% of the target markets moving into Leelanau 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 45 attached units annually, or a cumulative of 225 attached units over the 5-year term. These results are also shown in [Table 3](#) on the following page, for both the conservative (minimum) and aggressive (maximum) scenarios.

Table 3
Annual and Cumulative Market Potential by Scenario
Attached Units in Leelanau County, Michigan

Target Markets	Conservative (minimum)		Aggressive (maximum)	
	Annual # Units	5-Years # Units	Annual # Units	5-Year # Units
O55 Family Troopers	11	55	20	100
K40 Bohemian Groove	10	50	19	95
Q65 Senior Discounts	8	40	15	75
O51 Digital Dependents	6	30	11	55
C12 Golf Carts, Gourmets	4	20	8	40
L41 Booming, Consuming	4	20	8	40
Q62 Reaping Rewards	<u>2</u>	<u>10</u>	<u>4</u>	<u>20</u>
Subtotal	45	110	85	425

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 Leelanau County represent about 33% 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 \$794 in 2012 and the median monthly contract rent is \$641. The difference of \$153 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 19% 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 Leelanau County should have an income of at least \$37,800; a 2-person household should have an income of at least \$43,200; and a 3-person household should have an income of at least \$48,600.

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 Leelanau County, this implies the following rents by affordability bracket (see Table 4, below):

Table 4
2014 HUD Income Limits and Affordable Rents
Leelanau County, Michigan

	1-Person Household	2-Person Household	3-Person Household
Income Limits			
80% of AMI	\$37,800	\$43,200	\$48,600
100% of AMI	\$47,300	\$54,000	\$60,800
Affordable Rent Limit (35% of income)			
Gross Rent	\$ 1,100	\$ 1,260	\$ 1,415
Other Fees	- \$ 210	- \$ 240	- \$ 270
Contract Rent	\$ 890	\$ 1,020	\$ 1,145

Based on the HUD income limits ([Exhibit A.12](#)) and annual market potential by contract rent bracket ([Exhibit A.9](#)), 90% (79 units) of the 88 new rental units should be priced affordably and below market rates; and only 10% (9 units) should be priced at market rates or higher.

Construction Costs – This last section of the report for the Leelanau 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 Leelanau County since 2006 has involved an investment of at least \$200,000, and in recent years this has shot up to \$255,000 - \$290,000.

Historically, the per-unit investment into new attached units has fluctuated between 45% and 55% 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 will 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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Prepared for:



Prepared by:



Target Market Analysis

Leelanau County

Michigan

THE MARKET STRATEGY

November 3, 2014



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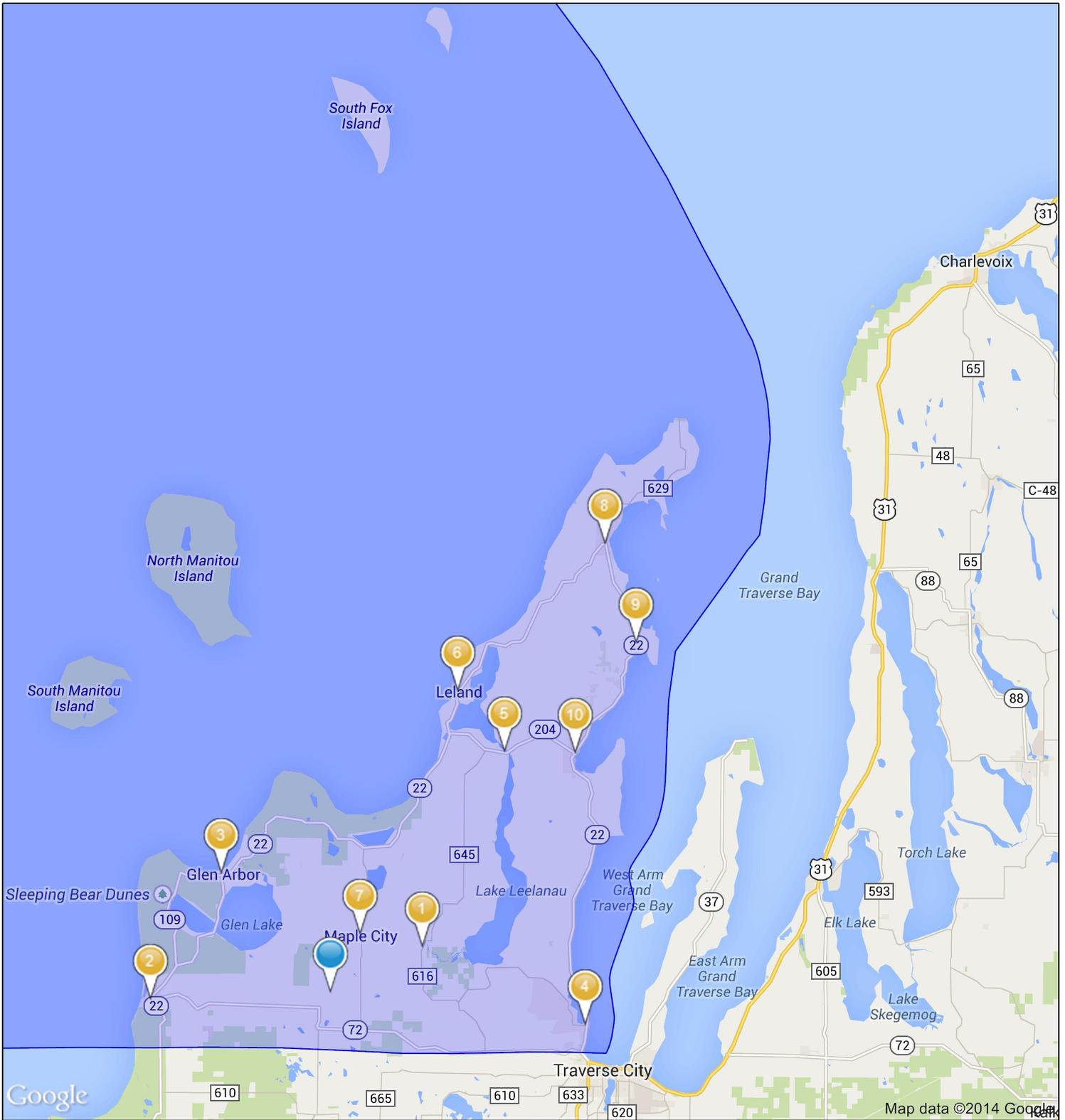


Prepared for:



Prepared by:





Leelanau County, Michigan

Exhibit A.1



- | | |
|------------------|-----------------|
| 1. Cedar | 6. Leland |
| 2. Empire | 7. Maple City |
| 3. Glen Arbor | 8. Northport |
| 4. Greilickville | 9. Omena |
| 5. Lake Leelanau | 10. Suttons Bay |

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

Exhibit A.2

	Sum of Total 12 Targets	Capture Rate 12 Targets	Sum of Total 71 Clusters	Existing Share 71 Clusters
Existing Households				
LEELANAU COUNTY	2,937	100.0%	9,635	100.0%
Cedar	1	0.1%	38	0.4%
Empire	98	11.3%	192	2.0%
Glen Arbor	107	12.3%	118	1.2%
Greilickville	174	20.0%	689	7.2%
Lake Leelanau	24	2.8%	121	1.3%
Leland	98	11.3%	185	1.9%
Maple City	9	1.0%	87	0.9%
Northport	223	25.7%	266	2.8%
Omena	50	5.8%	123	1.3%
Suttons Bay	84	<u>9.7%</u>	262	<u>2.7%</u>
Subtotal		100.0%		21.6%
Inmigration - Owners	46		97	
Inmigration - Renters	88		106	
All Movers - Owners	66		140	
All Movers - Renters	166		200	

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

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

Exhibit A.3

Existing Households	C12	K40	L41	L42	M45	N46	O51	O55	Q62	Q65	S68	S70
	Golf Carts, Gourmets	Bohemian Groove	Booming, Consuming	Rooted Flower Power	Infants, Debit Cards	True Grit Americans	Digital Dependents	Family Troopers	Reaping Rewards	Senior Discounts	Small Town Shallow Pockets	Tight Money
LEELANAU COUNTY	676	55	682	11	0	7	397	37	990	82	0	0
Cedar	0	0	0	0	0	0	1	0	0	0	0	0
Empire	1	0	79	0	0	2	3	0	13	0	0	0
Glen Arbor	85	0	11	0	0	0	0	0	11	0	0	0
Greilickville	9	11	9	0	0	0	50	10	71	14	0	0
Lake Leelanau	4	1	4	0	0	0	5	0	8	2	0	0
Leland	43	0	20	0	0	0	5	0	30	0	0	0
Maple City	5	0	0	0	0	0	1	1	2	0	0	0
Northport	42	0	136	0	0	2	2	0	41	0	0	0
Omena	3	0	19	0	0	0	1	0	27	0	0	0
Suttons Bay	0	8	14	3	0	0	19	0	39	1	0	0
Subtotal												
Immigration - Owners	7	0	15	0	0	0	18	0	6	0	0	0
Immigration - Renters	4	12	14	0	0	0	34	15	2	7	0	0
All Movers - Owners	10	0	22	0	0	0	26	0	8	0	0	0
All Movers - Renters	8	22	26	0	0	0	64	28	4	14	0	0

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

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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 - Leelanau County, MI

Exhibit A.4

		Sum of	C12	K40	L41	L42	M45	N46	O51	O55	Q62	Q65	S68	S70
Tenure	AGGRESSIVE Scenario (Based on all Movers)	Total 12 Targets	Golf Carts, Gourmets	Bohemian Groove	Booming, Consum- ing	Rooted Flower Power	Infants, Debit Cards	True Grit Americans	Digital Depend- ents	Family Troopers	Reaping Rewards	Senior Discounts	Small Town Shallow Pockets	Tight Money
Owners	LEELANAU COUNTY	66	10	0	22	0	0	0	26	0	8	0	0	0
Renters	LEELANAU COUNTY	166	8	22	26	0	0	0	64	28	4	14	0	0
Total	LEELANAU COUNTY	232	18	22	48	0	0	0	90	28	12	14	0	0
Owners	Cedar	0	0	0	0	0	0	0	0	0	0	0	0	0
Renters	Cedar	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	Cedar	0	0	0	0	0	0	0	0	0	0	0	0	0
Owners	Empire	7	1	0	2	0	0	0	3	0	1	0	0	0
Renters	Empire	19	1	2	3	0	0	0	7	3	0	2	0	0
Total	Empire	26	2	2	5	0	0	0	10	3	1	2	0	0
Owners	Glen Arbor	8	1	0	3	0	0	0	3	0	1	0	0	0
Renters	Glen Arbor	20	1	3	3	0	0	0	8	3	0	2	0	0
Total	Glen Arbor	29	2	3	6	0	0	0	11	3	1	2	0	0
Owners	Greilickville	13	2	0	4	0	0	0	5	0	2	0	0	0
Renters	Greilickville	33	2	4	5	0	0	0	13	6	1	3	0	0
Total	Greilickville	47	4	4	10	0	0	0	18	6	2	3	0	0
Owners	Lake Leelanau	2	0	0	1	0	0	0	1	0	0	0	0	0
Renters	Lake Leelanau	5	0	1	1	0	0	0	2	1	0	0	0	0
Total	Lake Leelanau	6	0	1	1	0	0	0	2	1	0	0	0	0

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

Exhibit A.5

		Sum of	C12	K40	L41	L42	M45	N46	O51	O55	Q62	Q65	S68	S70
AGGRESSIVE Scenario		Total	Golf Carts,	Bohemian	Booming,	Rooted	Infants,	True Grit	Digital	Family	Reaping	Senior	Small	Tight
Tenure	(Based on all Movers)	12 Targets	Gourmets	Groove	Consum-	Flower	Debit	Americans	Depend-	Troopers	Rewards	Discounts	Town	Money
					ing	Power	Cards		ents				Shallow	
Owners	Leland	7	1	0	2	0	0	0	3	0	1	0	0	0
Renters	Leland	19	1	2	3	0	0	0	7	3	0	2	0	0
Total	Leland	26	2	2	5	0	0	0	10	3	1	2	0	0
Owners	Maple City	1	0	0	0	0	0	0	0	0	0	0	0	0
Renters	Maple City	2	0	0	0	0	0	0	1	0	0	0	0	0
Total	Maple City	2	0	0	0	0	0	0	1	0	0	0	0	0
Owners	Northport	17	3	0	6	0	0	0	7	0	2	0	0	0
Renters	Northport	43	2	6	7	0	0	0	16	7	1	4	0	0
Total	Northport	60	5	6	12	0	0	0	23	7	3	4	0	0
Owners	Omena	4	1	0	1	0	0	0	1	0	0	0	0	0
Renters	Omena	10	0	1	1	0	0	0	4	2	0	1	0	0
Total	Omena	13	1	1	3	0	0	0	5	2	1	1	0	0
Owners	Suttons Bay	6	1	0	2	0	0	0	3	0	1	0	0	0
Renters	Suttons Bay	16	1	2	3	0	0	0	6	3	0	1	0	0
Total	Suttons Bay	22	2	2	5	0	0	0	9	3	1	1	0	0

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

Exhibit A.6

		Sum of	C12	K40	L41	L42	M45	N46	O51	O55	Q62	Q65	S68	S70
CONSERVATIVE Scenario		Total	Golf Carts,	Bohemian	Booming,	Rooted	Infants,	True Grit	Digital	Family	Reaping	Senior	Small	Tight
Tenure	(Per In-Migration Only)	12 Targets	Gourmets	Groove	ing	Power	Debit	Americans	Depend-	Troopers	Rewards	Discounts	Town	Money
							Cards		ents				Shallow	
Owners	LEELANAU COUNTY	46	7	0	15	0	0	0	18	0	6	0	0	0
Renters	LEELANAU COUNTY	88	4	12	14	0	0	0	34	15	2	7	0	0
Total	LEELANAU COUNTY	134	11	12	29	0	0	0	52	15	8	7	0	0
Owners	Cedar	0	0	0	0	0	0	0	0	0	0	0	0	0
Renters	Cedar	0	0	0	0	0	0	0	0	0	0	0	0	0
Total	Cedar	0	0	0	0	0	0	0	0	0	0	0	0	0
Owners	Empire	5	1	0	2	0	0	0	2	0	1	0	0	0
Renters	Empire	10	0	1	2	0	0	0	4	2	0	1	0	0
Total	Empire	15	1	1	3	0	0	0	6	2	1	1	0	0
Owners	Glen Arbor	6	1	0	2	0	0	0	2	0	1	0	0	0
Renters	Glen Arbor	11	1	1	2	0	0	0	4	2	0	1	0	0
Total	Glen Arbor	16	1	1	4	0	0	0	6	2	1	1	0	0
Owners	Greilickville	9	1	0	3	0	0	0	4	0	1	0	0	0
Renters	Greilickville	18	1	2	3	0	0	0	7	3	0	1	0	0
Total	Greilickville	27	2	2	6	0	0	0	10	3	2	1	0	0
Owners	Lake Leelanau	1	0	0	0	0	0	0	0	0	0	0	0	0
Renters	Lake Leelanau	2	0	0	0	0	0	0	1	0	0	0	0	0
Total	Lake Leelanau	4	0	0	1	0	0	0	1	0	0	0	0	0

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

Exhibit A.7

		Sum of	C12	K40	L41	L42	M45	N46	O51	O55	Q62	Q65	S68	S70
CONSERVATIVE Scenario		Total	Golf Carts,	Bohemian	Booming,	Rooted	Infants,	True Grit	Digital	Family	Reaping	Senior	Small	Tight
Tenure	(Per In-Migration Only)	12 Targets	Gourmets	Groove	ing	Power	Debit	Americans	Depend-	Troopers	Rewards	Discounts	Town	Money
							Cards		ents				Shallow	
Owners	Leland	5	1	0	2	0	0	0	2	0	1	0	0	0
Renters	Leland	10	0	1	2	0	0	0	4	2	0	1	0	0
Total	Leland	15	1	1	3	0	0	0	6	2	1	1	0	0
Owners	Maple City	0	0	0	0	0	0	0	0	0	0	0	0	0
Renters	Maple City	1	0	0	0	0	0	0	0	0	0	0	0	0
Total	Maple City	1	0	0	0	0	0	0	1	0	0	0	0	0
Owners	Northport	12	2	0	4	0	0	0	5	0	1	0	0	0
Renters	Northport	23	1	3	4	0	0	0	9	4	1	2	0	0
Total	Northport	34	3	3	7	0	0	0	13	4	2	2	0	0
Owners	Omena	3	0	0	1	0	0	0	1	0	0	0	0	0
Renters	Omena	5	0	1	1	0	0	0	2	1	0	0	0	0
Total	Omena	8	1	1	2	0	0	0	3	1	0	0	0	0
Owners	Suttons Bay	4	1	0	1	0	0	0	2	0	1	0	0	0
Renters	Suttons Bay	9	0	1	1	0	0	0	3	1	0	1	0	0
Total	Suttons Bay	13	1	1	3	0	0	0	5	1	1	1	0	0

Source: Underlying data provided by the Internal Revenue Services; US Decennial Census; American Community Survey; and Experian Decision Analytics.
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Note: Totals might not sum exact due to rounding.

Annual Market Potential by Home Value for 12 Target Markets (in 2012 Constant Dollars)
 Owner-Occupied Units for Leelanau County, Michigan

Exhibit A.8

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	0	0	0	0	0	0	0	0	0	0	0	0	0
Owner	\$50 - \$74,999	1	0	0	0	0	0	0	0	0	0	0	0	0
Owner	\$75 - \$99,999	2	0	0	0	0	0	1	0	0	0	0	0	0
Owner	\$100 - \$149,999	8	0	0	2	0	0	6	0	0	0	0	0	0
Owner	\$150 - \$174,999	6	0	0	2	0	0	3	0	1	0	0	0	0
Owner	\$175 - \$199,999	5	0	0	2	0	0	2	0	1	0	0	0	0
Owner	\$200 - \$249,999	7	1	0	3	0	0	3	0	1	0	0	0	0
Owner	\$250 - \$299,999	4	1	0	2	0	0	1	0	1	0	0	0	0
Owner	\$300 - \$349,999	3	1	0	1	0	0	0	0	1	0	0	0	0
Owner	\$350 - \$399,999	2	1	0	1	0	0	0	0	0	0	0	0	0
Owner	\$400 - \$499,999	2	1	0	1	0	0	0	0	0	0	0	0	0
Owner	\$500 - \$749,999	3	1	0	1	0	0	0	0	0	0	0	0	0
Owner	\$750,000+	<u>2</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	Total	46	7	0	15	0	0	18	0	6	0	0	0	0
Median Home Value														
Owner	2012	--	\$393,486	\$171,966	\$231,222	\$153,495	\$91,333	\$160,056	\$148,832	\$152,809	\$257,764	\$144,835	\$84,548	\$148,192
Owner	2015	--	\$408,101	\$178,354	\$239,810	\$159,197	\$94,726	\$166,001	\$154,361	\$158,485	\$267,339	\$150,214	\$87,688	\$153,697
Owner	2020	--	\$425,874	\$186,121	\$250,254	\$166,130	\$98,851	\$173,230	\$161,083	\$165,387	\$278,981	\$156,756	\$91,507	\$160,390

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 American Community Survey; and Experian Decision Analytics.
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Note: Totals might not sum exact due to rounding.

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

Exhibit A.9

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	14	0	2	2	0	0	0	3	3	0	4	0	0
Renter	\$500 - \$599	14	0	2	2	0	0	0	5	3	0	2	0	0
Renter	\$600 - \$699	28	1	3	4	0	0	0	12	5	1	1	0	0
Renter	\$700 - \$799	15	0	2	2	0	0	0	7	3	0	0	0	0
Renter	\$800 - \$899	7	0	0	2	0	0	0	4	1	0	0	0	0
Renter	\$900 - \$999	6	1	1	1	0	0	0	2	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	2	0	0	0	0	0	0	0	0	0	0	0	0
Renter	\$1,500 - \$1,999	1	0	0	0	0	0	0	0	0	0	0	0	0
Renter	\$2,000+	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
	Total Households	88	4	12	14	0	0	0	34	15	2	7	0	0
	Median Contract Rent													
Renter	2012	--	\$793	\$454	\$512	\$524	\$485	\$500	\$485	\$449	\$475	\$372	\$410	\$371
Renter	2015	--	\$867	\$496	\$560	\$573	\$530	\$546	\$530	\$490	\$519	\$406	\$448	\$405
Renter	2020	--	\$1,005	\$575	\$649	\$664	\$615	\$633	\$614	\$568	\$602	\$471	\$520	\$470

Source: Underlying data provided by the Internal Revenue Services; US Decennial Census;
 American Community Survey; and Experian Decision Analytics.
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Note: Totals might not sum exact due to rounding.

Annual Market Potential by Building Size for 12 Target Markets
 Total Units for Leelanau 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)	89	7	2	25	0	0	0	46	3	6	0	0	0
Total	2 units (duplex)	3	0	1	0	0	0	0	1	1	0	0	0	0
Total	3 units (triplex)	6	0	2	1	0	0	0	1	2	0	0	0	0
Total	4 units (quad)	3	0	1	0	0	0	0	1	1	0	0	0	0
Total	5 - 9 units	12	1	3	2	0	0	0	3	3	1	0	0	0
Total	10 - 19 units	4	0	1	0	0	0	0	0	1	0	1	0	0
Total	20 - 49 units	5	1	1	0	0	0	0	0	1	0	2	0	0
Total	50 - 100 units	4	1	1	0	0	0	0	0	1	0	2	0	0
Total	101+ units	<u>6</u>	1	1	0	0	0	0	0	2	0	3	0	0
	Total	134	11	12	29	0	0	0	52	15	8	7	0	0
Total	Detached Units	89	7	2	25	0	0	0	46	3	6	0	0	0
Total	Attached Units	<u>45</u>	<u>4</u>	<u>9</u>	<u>4</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>6</u>	<u>12</u>	<u>2</u>	<u>7</u>	<u>0</u>	<u>0</u>
	Total	134	11	12	29	0	0	0	52	15	8	7	0	0

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

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Note: Totals might not sum exact due to rounding.

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
Grand Traverse Co.	Extreme	30%	12,550	14,350	16,150	17,900
Grand Traverse Co.	Very Low	50%	20,900	23,850	26,850	29,800
Grand Traverse Co.	Low	80%	33,400	38,200	42,950	47,700
Grand Traverse Co.	Average	100%	41,700	47,700	53,700	59,600
Leelanau Co.	Extreme	30%	14,200	16,200	18,250	20,250
Leelanau Co.	Very Low	50%	23,650	27,000	30,400	33,750
Leelanau Co.	Low	80%	37,800	43,200	48,600	54,000
Leelanau Co.	Average	100%	47,300	54,000	60,800	67,500

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

Construction Costs Per Approved Building Permits
Leelanau 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	183	\$31,270,988	\$170,900	--	--	--	--
2012	70	\$20,277,629	\$289,700	--	--	--	--
2011	59	\$15,036,642	\$254,900	--	--	--	--
2010	77	\$16,069,822	\$208,700	12	\$1,287,600	\$107,300	0.51
2009	63	\$13,030,122	\$206,800	--	--	--	--
2008	90	\$23,550,558	\$261,700	2	\$112,800	\$56,400	0.22
2007	148	\$28,462,135	\$192,300	--	--	--	--
2006	190	\$27,775,954	\$146,200	--	--	--	--
2005	209	\$33,507,060	\$160,300	--	--	--	--
2004	240	\$37,628,730	\$156,800	6	\$288,000	\$48,000	0.31
2003	249	\$35,001,294	\$140,600	6	\$297,244	\$49,500	0.35
2002	220	\$31,825,255	\$144,700	14	\$2,549,696	\$182,100	1.26
2001	252	\$36,123,552	\$143,300	--	--	--	--
2000	276	\$38,823,399	\$140,700	53	\$3,181,018	\$60,000	0.43
All Years	2,326	\$388,383,140	\$167,000	93	\$7,716,358	\$83,000	0.50
2007-13	690	\$147,697,896	\$214,100	14	\$1,400,400	\$100,000	0.47
2000-06	1,636	\$240,685,244	\$147,100	79	\$6,315,958	\$79,900	0.54

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

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 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.
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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 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.

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Target Market Analysis

Leelanau County

Michigan

PLACEMAKING

November 3, 2014



B



Prepared for:



Prepared by:



Strengths

- *Connectivity* – Suttons Bay remains in a more remote location, however, the Leelanau Peninsula is a major tourist destination and Suttons Bay is on scenic M-22. Traffic counts for vehicles passing through Suttons Bay on M-22 are 6,000 per day.
- *Michigan’s Blue Economy* – Leelanau County has 151 miles of shoreline, the most of any county in Michigan. Its lakes and miles of rivers provide the county with access to canoeing, boating, and charter fishing. The Village of Suttons Bay is located on the shore of Suttons Bay, an inlet of Lake Michigan. The Suttons Bay Marina is located just east of downtown and gives boating visitors a place to moor while they visit the area, and features a public beach. The school ship schooner, Inland Seas, is docked on the south side of the marina, and provides aquatic science, environmental awareness, and sailing classes for learners of all ages.
- *Tourism, the Wine Economy, and International Draw* – Suttons Bay is the gateway for Leelanau County and relies heavily on tourism to generate revenue for its economy. Due to the cool-climate and diverse microclimates, this area is uniquely suited for a variety of wine grapes, causing Suttons bay to be in the heart of Michigan’s wine country and surrounded by rolling vineyards. The Leelanau Peninsula Wine Trail has 24 tasting rooms and represents the oldest and largest wine trail in Michigan, and is noted as one of the best wine regions of the world.
- *Natural Resources* – In addition to two public beaches, Suttons Bay has several miles of hiking and biking trails at Bahle Park and connects with the TART trail on the edge of town. The Village is also within 40 minutes of Sleeping Bear Dunes National Park, and local resources that include Lake Leelanau (7 minutes) and Leelanau State Park (30 minutes).
- *Anchor Institutions* – Major employers such as Leelanau Sands Casino, Black Star Farms, Leelanau Fruit Company also add to the local economy.
- *Downtown Business Mix* – The walkable Village of Suttons Bay is home to over 14 restaurants and 25 retailers that include clothing shops, home furnishings, gourmet foods, bookstores, toy stores, galleries, bed and breakfasts, historic inns, and a historic theater playing current-run movies. These businesses experience a larger than normal surge in the summer months due to the predominance of second home owners in the area.
- *Public Transit* – Suttons Bay is serviced by the Bay Area Transportation Authority, which also provides bussing for Suttons Bay Public Schools. Students and seniors receive half-off bus fares, children under 5 ride for free, and the Transportation authority has a Bike-n-Ride program that allows bikers to utilize the bus system as well.

Opportunities

- *Downtown Investment* – This could be a lucrative market for businesses and developers seeking investment opportunities in the downtown. Based on the low-interest financing available through the Leelanau County EDC Revolving Loan Fund program, there may be the potential for more year round businesses and an expansion of services offered to residents and tourists.
- *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.
- *The Development of Small Scale Wind* – For Suttons Bay and the surrounding areas, there may be the opportunity for the development of alternative energy opportunities in the area of wind energy. In the neighboring community of Northport, a 120-kilowatt windmill owned by Leelanau Community Energy produces electricity for the Northport/Leelanau Township wastewater treatment plant.

Strengths

- *Michigan's Blue Economy* – Leelanau County has 151 miles of shoreline, the most of any county in Michigan. Its lakes and miles of rivers provide the county with access to canoeing, boating, and charter fishing. The Village of Northport is located on the shore of Lake Michigan and is home to a newly renovated marina that is located within the downtown, and features a half mile of public beach. Northport also has a Youth Sailing School, and is a major destination for sailing and fishing.
- *Michigan's Green Economy* – Northport is a leader in promoting environmental initiatives with a wind-powered turbine generating electricity for their wastewater treatment plant, a completed stormwater runoff project, as well as hosting a compost center and several recycling sites. They are also currently studying the use of solar power for producing electricity.
- *Tourism* – Northport relies on tourism to generate a portion of the revenue for its economy. Agricultural tourism plays a strong role in this as the hills around Northport are filled with cherry and apple orchards; Christmas Cove Farm offers samples of antique apples, and Cross Farms has an impressive labyrinth and samples Saskatoon berries. The Grand Traverse Lighthouse is 15 minutes north of Northport and is a draw for tourists as well.
- *Natural Resources* – In addition to two public beaches, Northport has a wooded walking trail within town. The Village is also within an hour of Sleeping Bear Dunes National Park, and local resources that include Leelanau State Park (15 minutes), and Leelanau Conservancy's Kehl Lake Natural Area (10 minutes).
- *Anchor Institutions* – Major employers such as Leelanau Wine Cellars, Inc., help sustain a year round local economy.
- *Downtown Business Mix* – The walkable Village of Northport is home to a full service grocery, a coffee shop, restaurants, antique shops, a bowling alley, an inn, a nine-hole golf course, a microbrewery and a specialty retail shop in a classic depot. This is all within walking distance of downtown Northport. In addition, the Village is host to a Community Arts Center and the Braman Hill Recreation Center – a year round facility that is home to tennis courts, basketball courts, a skate park and ice rink, a shooting range, a sledding hill, hiking trails, and warming hut.
- *Public Transit* – Northport is serviced by the Bay Area Transportation Authority; students and seniors receive half-off bus fares, children under 5 ride for free, and the Transportation authority has a Bike-n-Ride program that allows bikers to utilize the bus system as well.

Opportunities

- *Marketing for Tourism* – While the Leelanau Peninsula is a major tourist destination, and Northport is on scenic M-22, traffic counts for vehicles passing through on M-22 are 4,000 per day. Northport is in a more remote location; passers through would have to intentionally include the Village as a point of interest on their travels in the region. The Village might be able to intercept more visitors and attract new residents by marketing Northport as a tourist destination.
- *Creation of a Master Plan* – Based on our Scorecard for Placemaking Attributes, the Village, while not very large in square miles, has enough residents and development potential to create a Master Plan. This will help the Village be thoughtful in its approach as it guides new development within the area.
- *Downtown Investment* – This could be a lucrative market for businesses and developers seeking investment opportunities in the downtown. Based on the low-interest financing available through the Leelanau County EDC Revolving Loan Fund program, there may be the potential for more year round businesses and an expansion of services offered to residents and tourists.
- *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.

Place Scores

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

Exhibit B.5

	Village of Suttons Bay	Village of Northport	Unincorp. Greilick- Ville	Village of Empire
2010 Census Population	618	526	1,530	375
City/Village-Wide Planning Documents				
1 City-Wide Master Plan (not county)	1	0	0	1
2 Has a Zoning Ordinance Online	1	1	0	1
3 Considering a Form Based Code	1	0	0	0
Downtown Planning Documents				
4 Established DDA	1	0	0	0
5 DT Master Plan, Subarea Plan	0	0	0	0
6 Streetscape, Transp. Improvmt. Plan	1	1	0	1
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)	0	0	0	0
10 Façade Improvement Program	0	0	0	0
Downtown Organization and Marketing				
11 Designation as a Michigan Cool City	0	0	0	0
12 Member of Michigan Main Street	0	0	0	0
13 Main Street 4-Point Approach	0	0	0	0
Listing or Map of Merchants and Amenities				
14 City/Village Main Website	0	0	0	0
15 DDA, BID, or Main Street Website	0	0	0	0
16 Chamber or CVB Website	1	1	0	1
17 Facebook	1	1	1	1
Subtotal Score (17 points possible)	7	4	1	5

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

Desk-top analysis and qualitative assessment by LandUse|USA; © 2014 with all rights reserved.

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

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

Jurisdiction Name	Village of Suttons Bay	Village of Northport	Unincorp. Greilick- Ville	Village of Empire
2010 Census Population	618	526	1,530	375
Unique Downtown Amenities				
1 Cinema/Theater, Playhouse	1	0	0	0
2 Waterfront Access/Parks	1	1	1	1
3 Established Farmer's Market ²	1	1	0	1
4 Summer Music in the Park	0	1	0	0
5 National or Other Major Festival	0	0	0	0
Downtown Street and Environment				
6 Street Views by GoogleEarth	1	1	1	1
7 Angle Storefront Parking	1	0	0	1
8 Walk Score/1,000 is 40 or Higher	1	1	0	1
9 Off Street Parking is Evident	1	0	0	0
10 2-Level Scale of Historic Buildings	1	0	0	0
11 Balanced Scale 2 Sides of Street	0	0	0	0
12 Pedestrian Crosswalks, Signaled	1	1	0	1
13 Two-way Traffic Flow	1	1	1	1
Subtotal Score (13 points possible)	10	7	3	7
Total Score (30 Points Possible)	17	11	4	12
Points per 1,000 Residents	28	21	3	32
Reported Walk Score (avg. = 42)	54	52	10	32
Walk Score per 1,000 Residents	87	99	7	85

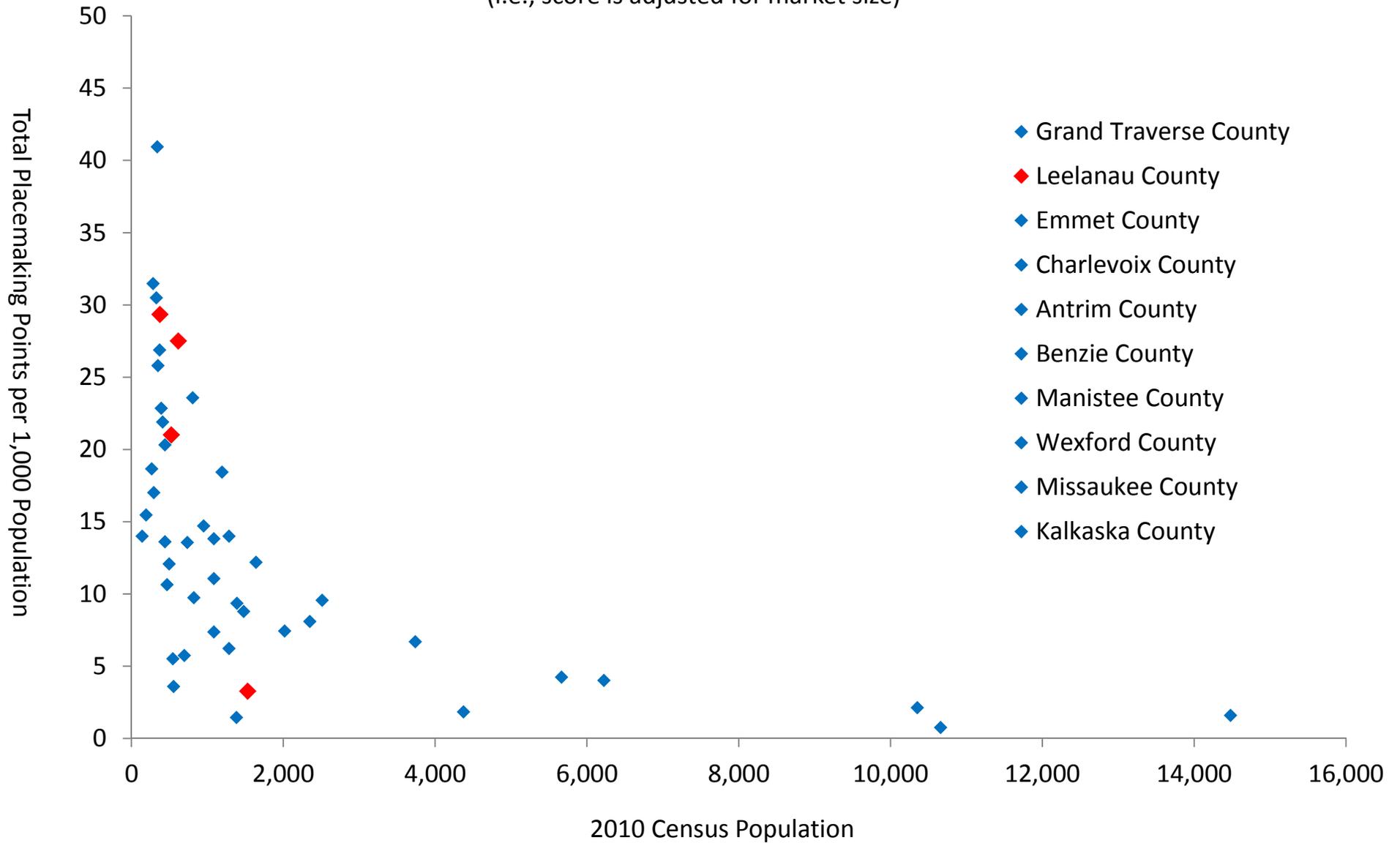
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If a community's amenities and resources are not listed, then the challenge is to improve marking efforts, and ensure that the resources are available and easy to find through mainstream online search engines.

Total 30-Point Placemaking Score / 1,000 Population
 47 Communities in the NW Michigan Prosperity Region
 (i.e., score is adjusted for market size)

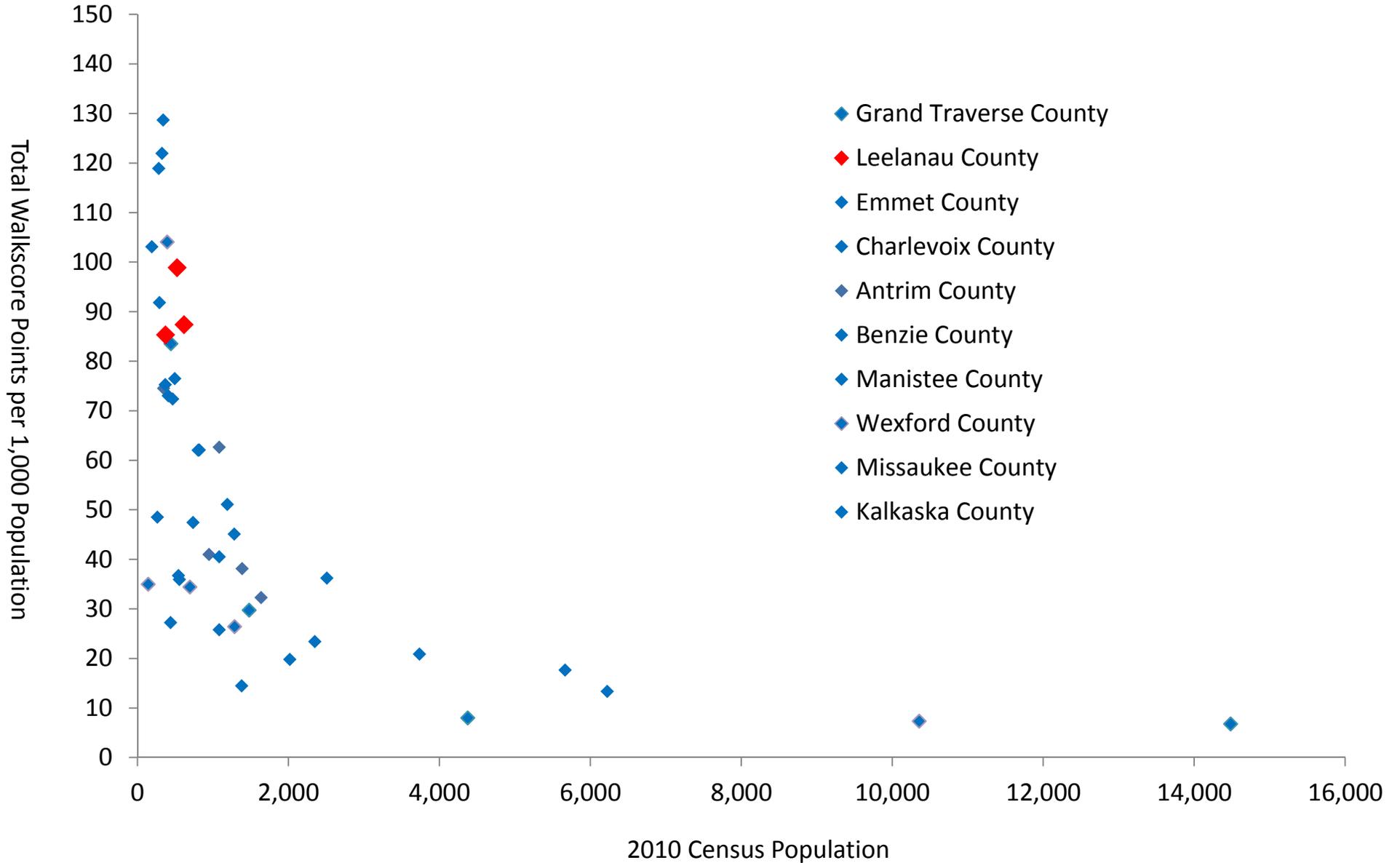
Exhibit B.7



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.