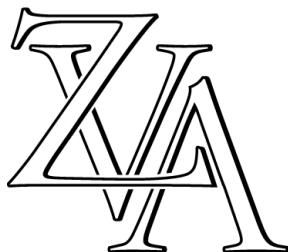

AN ANALYSIS OF RESIDENTIAL MARKET POTENTIAL

The City of Sault Ste. Marie

Chippewa County,
Michigan

February, 2014

Conducted by
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Research & Strategic Analysis

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INTRODUCTION

This study identifies the optimum market position for new urban housing units—created both through adaptive re-use of existing non-residential buildings as well as through new construction—that could be developed over the next several years within the City of Sault Ste. Marie in general, and the Downtown and in-town neighborhoods in particular. The study area includes the core Downtown—the commercial area encompassed by the Soo Locks to the north, Bingham Avenue to the east, the Power Canal to the south, and Osborn Boulevard to the west—as well as the in-town neighborhoods flanking the Downtown to the east and west.

The extent and characteristics of the potential market for new and existing housing units within the city and the Downtown were identified using Zimmerman/Volk Associates' proprietary target market methodology. In contrast to conventional supply/demand analysis—which is derived from supply-side dynamics and baseline demographic projections—target market analysis establishes the market potential for new and existing housing based on the housing preferences and socio-economic characteristics of households in the relevant draw areas.

The target market methodology is particularly effective in defining realistic housing potential for underutilized, fragile or emerging neighborhoods because it encompasses not only basic demographic characteristics, such as income qualification and age, but also less-frequently analyzed attributes such as mobility rates, lifestage, lifestyle patterns, and household compatibility issues (*see METHODOLOGY provided with detailed tabular data in a separate document*).

NOTE: Although showing signs of recovery, the housing market continues to be weak by historical measures, and uncertainty concerning housing values continues to hold some potential homebuyers out of the market in many metro areas. Although these market constraints do not reduce the size of the potential market, depending on the timing of market entry, the initial percentage of the potential market able to overcome those constraints may well be reduced, resulting in a lower overall absorption of for-sale housing. In contrast, and contrary to typical performance during economic recessions with high unemployment levels, rental occupancies have, in general, risen over the past several years.

In brief, using the target market methodology, Zimmerman/Volk Associates determined:

- Where the potential renters and buyers of new and existing housing units in the City of Sault Ste. Marie are likely to move from (the draw areas);
- How many households have the potential to move within and to the city and to the Downtown each year (depth and breadth of the market);
- What their range of affordability is, and what their housing preferences are in aggregate (income qualifications; rental or ownership, multi-family or single-family);
- Who the households are that represent the potential market for new and existing units in the city and the Downtown (the target markets);
- What their current housing alternatives are (relevant rental and for-sale development);
- What the market is currently able to pay (market-entry base rents and prices); and
- How quickly the new units will lease or sell (absorption forecasts).

CONCLUSIONS OF THE ANALYSIS

This study has determined that, from the market perspective, up to 200 new rental and for-sale market-rate dwelling units could be constructed, or created through adaptive re-use, and absorbed within the Downtown and in-town neighborhoods over the next five to seven years.

- The study has established that an annual average of 1,705 households represent the potential renters and buyers of new and existing housing units within the City of Sault Ste. Marie each year over the next five years.
- Of those 1,705 households, 847 have incomes at or above 80 percent of the 2014 Chippewa County median family income (AMI) of \$56,500 for a family of four.
- 629 of those households represent the market for new urban housing in Downtown and the in-town neighborhoods of Sault Ste. Marie.
- 355 of those 629 households are potential renters of new urban housing.
 - The annual incomes of these 355 households can support base rents, not including utilities, ranging from \$650 to \$1,400 per month.
 - Based on the recommended unit configurations and proposed rents, absorption is forecast at an average of 36 to 54 units per year.
 - To achieve these absorption paces, new rental development in the Downtown and in-town neighborhoods need only capture between 10 and 15 percent of the 355 annual potential renters of new units.
- 26 of those 629 households are potential purchasers of new urban condominiums (multi-family for-sale).
 - The annual incomes of these 26 households can support base prices of condominiums ranging from \$115,000 to \$175,000.
 - Based on the recommended unit configurations and proposed prices, absorption is forecast at an average of three to four units per year.

- To achieve these absorption paces, new construction of urban condominiums need only capture approximately 11 to 15 percent of the 26 annual potential new condominium purchasers.
- 68 of those 629 households are potential purchasers of new urban townhouses (single-family attached for-sale).
 - The annual incomes of these 68 households can support base prices of new townhouses ranging from \$145,000 to \$195,000.
 - Based on the recommended unit configurations and proposed prices, absorption is forecast at an average of three to five units per year.
 - To achieve these absorption paces, new construction of urban townhouses need only capture approximately four to seven percent of the 68 annual potential purchasers of new townhouses.
- 180 of those 629 households are potential purchasers of new urban houses (single-family detached for-sale).
 - The annual incomes of these 180 households can support base prices of new urban houses ranging from \$155,000 to \$250,000.
 - Based on the recommended unit configurations and proposed prices, absorption is forecast at an average of nine to 14 units per year.
 - To achieve these absorption paces, new construction of urban houses need only capture approximately five to eight percent of the 180 annual potential purchasers of new urban houses.

As derived from the target households' tenure and housing propensities, 200 new units in Downtown and the in-town neighborhoods would include 113 new urban rental lofts/apartments; eight new urban lofts/condominiums; 22 new urban townhouses; and 57 new urban detached houses. Again, annual market capture is projected at 36 to 54 rental units, three to four condominiums, three to five townhouses, and nine to 14 urban detached houses—a total of 51 to 77 units per year. Based on those projections, 113 new rental apartments would be leased in two to just over three years; eight condominiums would be sold in two to less than

three years; and 22 fee-simple townhouses and 57 urban detached houses would be sold in four to seven years. (Absorption periods for for-sale housing types are always longer than for rentals.)

Several implementation issues arise from this analysis.

First, it is clear that the market for new housing in Downtown and in-town Sault Ste. Marie neighborhoods is small in scale, both in the sizes and types of housing preferred and in the pace of unit absorption. In addition to the residential conversion of upper floors in Downtown commercial buildings, new housing types that could be developed in and around the Downtown include:

- Small multi-family buildings (“mansion” apartment buildings that accommodate from four to six units and resemble large single-family detached houses—*see URBAN UNIT AND BUILDING TYPES at the end of this document*);
- Corner duplex houses (a two-unit building, in a corner location, where the entrance of each unit faces a different street);
- Townhouses in small groups (no more than three or four in a row); and
- Urban infill detached houses on vacant lots.

These housing types will require builders or developers capable of producing them efficiently and economically in limited numbers, as the rent and price points need to be restrained in order to capture the potential market.

Second, it will be especially important for new rental units to be developed in the Downtown and in-town neighborhoods, particularly the residential conversion of upper floors of commercial buildings. In a variety of revitalizing urban neighborhoods across the county, rental housing has become the linchpin of urban redevelopment. New rental housing is key for several reasons:

- Rental apartments are essential for the establishment of “critical mass,” because rentals are absorbed at higher rates than for-sale units.
- Rentals are the fastest way to bring a large number of households to an area.
- Renters, who are typically younger and live in smaller units, tend to spend more time in social settings, adding vitality to the downtown.

- Rentals allow households to experiment with living in an area without the mortgage commitment of home ownership.
- Renters form a pool of potential purchasers of for-sale housing types.

In addition to the upper floors of commercial buildings, the four- to six-unit mansion building would be appropriate to provide new rentals in the Downtown and in-town neighborhoods, as would small mixed-use buildings. Management will be the key to successful rental development. The negative perception of rental units is understandable when a neighborhood is dominated by rental properties that are not professionally managed. These buildings are typically owned by absentee or disinterested landlords, who defer maintenance despite the deteriorating condition of those buildings. The new rental units must be managed by a responsible and reputable management firm, that will also undertake appropriate tenant screening.

Third, financing for mixed-use buildings is often very challenging to obtain, even in times of normal capital flows. For example, small mixed-use buildings often exceed the Fannie Mae and Freddie Mac maximums for non-residential uses, precluding access to the secondary mortgage market. Small properties have also historically had difficulties attracting public capital assistance in any form; because of their small size, they are generally not considered to have the potential for catalytic impact, despite the fact that several strategically-located smaller buildings can often stabilize a neighborhood more effectively than the same number of units in a single location.

OVERVIEW OF THE CITY OF SAULT STE. MARIE

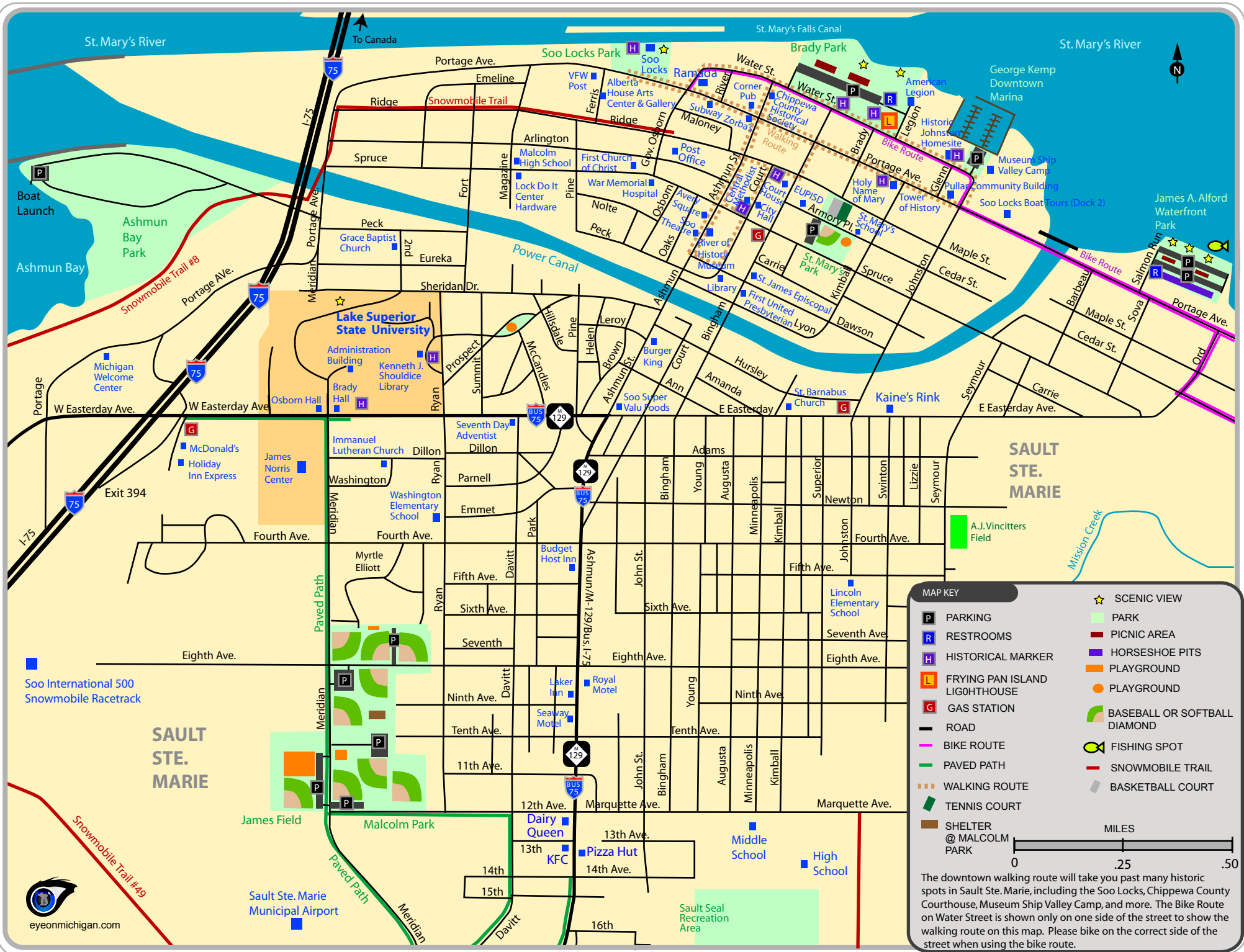
The City of Sault Ste. Marie is the county seat of Chippewa County, situated on the northeastern end of Michigan's Upper Peninsula. The city was founded in 1668 by Father Jacques Marquette, but did not incorporate until 1887. Sault Ste. Marie is bordered on three sides by the St. Mary's River which flows from Lake Superior to Lake Huron; Three Mile Road constitutes the boundary with unincorporated Chippewa County to the south. Across the St. Mary's River lies Sault Ste. Marie, Ontario, reached via the Sault Ste. Marie International Bridge.

The International Bridge is accessed via Interstate 75, the major north-south interstate highway linking the Great Lakes and Southeastern regions of the U.S., passing through six different states along the way: Michigan, Ohio, Kentucky, Tennessee, Georgia, and Florida. It is the only interstate located on the Upper Peninsula.

Michigan Route 129 also has its northern terminus in the city, where it is also known as Ashmun Street, the principal thoroughfare in Downtown Sault Ste. Marie. The Mackinac Trail, County Highway H-63, also carries significant traffic in the city. (*See MAP following this page.*)

Sanderson Field, the municipal airport accommodating private planes and charters, is located approximately a mile from Downtown Sault Ste. Marie. The Chippewa County International Airport, providing daily service to Detroit, is located 17 miles south of Downtown.

A street grid predominates on the island on which Downtown is located. More than 160 shops, banks, restaurants, and parks, as well as City Hall, the War Memorial Hospital, and county, state, and federal offices are located in Downtown. The U.S. Border Patrol, Army Corps of Engineers, Coast Guard, and Immigration and Customs Enforcement also have offices in Downtown. The two principal Downtown streets are Portage Avenue and Ashmun Street, which intersect two blocks from the St. Mary's River.



MAP KEY

PARKING	SCENIC VIEW
RESTROOMS	PARK
HISTORICAL MARKER	PICNIC AREA
FRYING PAN ISLAND LIGHTHOUSE	HORSESHOE PITS
GAS STATION	PLAYGROUND
ROAD	BASEBALL OR SOFTBALL DIAMOND
BIKE ROUTE	FISHING SPOT
PAVED PATH	SNOWMOBILE TRAIL
WALKING ROUTE	BASKETBALL COURT
TENNIS COURT	
SHELTER @ MALCOLM PARK	

MILES

0 0.25 0.50

The downtown walking route will take you past many historic spots in Sault Ste. Marie, including the Soo Locks, Chippewa County Courthouse, Museum Ship Valley Camp, and more. The Bike Route on Water Street is shown only on one side of the street to show the walking route on this map. Please bike on the correct side of the street when using the bike route.

The street grid also extends south of the Power Canal to West 12th/Marquette Avenue, below which a more suburban street pattern emerges. Outside of Downtown, the largest commercial concentrations are found at the intersection of Interstate 75 and Three Mile Road, along the Mackinac Trail, and Michigan 129, including the Cascade Crossing shopping center, a Walmart Supercenter, and a variety of hotels, stores, gas stations, and eateries.

Tourism is a major industry in Sault Ste. Marie, spurred by visitors to the Soo Locks and the Kewadin Casino, which is owned by the Sault Tribe of Chippewa Indians. Sault Ste. Marie is also home to Lake Superior State University, the smallest of Michigan's public universities at around 2,500 students.

Based on past demographic trends, the Nielsen Company, a respected provider of Census-based demographic data, estimates that the city's population reached 14,316 persons in 2014, up from 14,144 persons as of the 2010 Census, an increase of just over 1.2 percent. However, that population growth was insufficient to offset the loss of more than 2,400 persons between the 2000 Census and 2010. Nielsen projects that the city's population will climb to 14,452 persons by 2019, an increase of just under one percent over the next five years.

The number of persons per household in the city has been dropping steadily since the 2000 Census, resulting in an increase in the number of households. There were 5,752 households in Sault Ste. Marie as of the 2000 Census, rising to 5,996 households by the 2010 Census. Between 2014 and 2019, the estimated number of households will rise from 6,170 to 6,231 households. The 2019 projection represents a household increase of more than 8.3 percent since the year 2000.

The number of persons per household has an impact on the type of housing required.

- Over 69 percent of all households that live in Sault Ste. Marie contain just one or two persons (exceeding the national percentage by more than 10 percentage points).
- 14.7 percent contain three persons (compared to the national share of 16.2 percent).
- The remaining 16 percent contain four or more persons (24.3 percent nationally).

The composition of those households can also affect the type of housing required and influence housing preferences.

- Approximately 14 percent of the city's households could be characterized as traditional families, *e.g.*—married couples with children under age 18 (compared to 21.8 percent nationally).
- Non-traditional families with children, *e.g.*—single persons with children under 18, represent less than 14 percent of the city's households.
- The remaining 72.3 percent of Sault Ste. Marie households do not have children under 18 and include married couples (20.5 percent), other non-traditional family households (5.9 percent, related adults living in the same households), and 45.9 percent non-family households (unrelated or single adults living in the same household).

Median household income in the city is estimated at \$34,100, two-thirds of the national median of \$51,600. Over 35 percent of Sault Ste. Marie's households have incomes above \$50,000 per year.

Except for its American Indian population, the city's population is less diverse, compared to the nation as a whole.

- More than three quarters of the city's current residents are white (71.3 percent nationally).
- Over 15 percent are American Indian (less than one percent nationally).
- Less than one percent are African American (12.7 percent nationally).
- 1.3 percent are Asian (over five percent nationally).
- The remaining 6.9 percent are native Hawaiian, some other race or a mix of two or more races (just under 10 percent nationally).

Approximately three percent of the population is Hispanic/Latino by origin, predominantly Mexican, Puerto Rican, and Cuban.

Sault Ste. Marie residents are somewhat less educated than the nation as a whole. Approximately 22 percent of all city residents aged 25 or older have a college or advanced degree, well below the national share of 28.4 percent.

Single-family detached houses are the predominant housing type in Sault Ste. Marie.

- Over 57 percent of the city's 6,717 housing units are single-family detached houses (61.6 percent in the U.S.).
- 2.8 percent are single-family attached units (5.8 percent nationally).
- 5.7 percent are units in two-unit buildings (3.8 percent nationally).
- More than 13 percent are located in buildings of three to 19 units (just under 14 percent nationally).
- 12.9 percent are in buildings of 20 or more units (8.5 percent nationally).
- Nearly eight percent of Study Area units are mobile homes, trailers, boats, RVs, or vans (6.7 percent nationally).

In 2014, less than nine percent of all city housing units are estimated to be vacant. Of the 6,170 occupied units, just under 46 percent are rented and just over 54 percent are owner-occupied, a higher ownership percentage than in many cities.

Even though Sault Ste. Marie is the oldest city in Michigan, half of its housing stock has been built since 1960. Almost 40 percent of all units were built prior to 1950. Housing production posted double-digit growth rates through the 1970s and 1980s; nearly 13 percent of all dwelling units in the city have been built since 2000. Median value of owner-occupied dwelling units in the city is estimated at \$69,800, just 38 percent of the national median of \$182,100.

Residents of Sault Ste. Marie have lower rates of automobile ownership than the nation as a whole, even though there is limited public transportation in the city.

- Nearly 16 percent of the city's households do not own an automobile (less than 10 percent nationally).
- Over 44 percent own only one vehicle (34 percent nationally).
- More than 40 percent own two or more vehicles (nearly 57 percent nationally).

The primary transportation to work for Sault Ste. Marie workers aged 16 and older is the automobile, although a larger than typical percentage walk to work because they do not own an automobile.

- Slightly over 74 percent drive alone to work (76.4 percent nationally).
- Just under nine percent car-pool (9.8 percent nationally).
- Only 1.4 percent take public transportation (five percent nationally)
- More than 10 percent walk to work (less than three percent nationally).
- The remaining 5.6 percent either work at home (four percent) or have other means of getting to work (1.6 percent). (Nationally, 4.3 percent work at home, and over 1.7 percent have other means.)

Just under 56 percent of the city's residents over age 16 are employed in white-collar occupations, 13.5 percent blue-collar, and 30.7 percent service and farm occupations. Nationally, white-collar jobs make up more than 60 percent of all employment, blue-collar 20.4 percent, and service and farm occupations 18.9 percent.

Over 46 percent of the city's residents over age 16 are employed by private businesses, 11 percent work for non-profit private corporations, and a third are government employees, city, county, or federal. Nine percent are self-employed, and less than one-half of one percent are unpaid family workers. (*See also* Table A.) Nearly 5,000 employees work in Downtown Sault Ste. Marie.

By occupation, office and administrative support jobs account for the largest percentage of civilian employees, at 13.1 percent, followed by sales and related occupations at 11.8 percent, and food preparation and serving at 10 percent. With the exception of food preparation and serving, these are comparable to the national numbers: office and administrative support represents 13.7 percent of civilian employment; sales and related occupations just under 11 percent; food preparation and serving is just 5.7 percent of national civilian employment. The higher percentage in Sault Ste. Marie is due to the concentration of tourist establishments that cater to summer visitors.

SOURCES: U.S. Bureau of the Census; The Nielson Company;
Zimmerman/Volk Associates, Inc.

Table A

Employment Information
City of Sault Ste. Marie, Chippewa County, Michigan
2014 Estimates

Population 16+	11,598	
By Employment Status	11,598	100.0%
In Armed Forces	105	0.9%
Employed Civilians	6,277	54.1%
Unemployed Civilians	1,093	9.4%
Not in Labor Force	4,123	35.5%
 Employed Civilian By Worker Class	 6,157	 100.0%
For-Profit Private	2,844	46.2%
Non-Profit Private	680	11.0%
Local Government	828	13.4%
State Government	801	13.0%
Federal Government	425	6.9%
Self-Employed	557	9.0%
Unpaid Family	22	0.4%
 Employed Civilian By Occupation	 6,157	 100.0%
Architect/Engineer	75	1.2%
Arts/Entertainment/Sports	43	0.7%
Building Grounds Maintenance	446	7.2%
Business/Financial	172	2.8%
Community/Social Services	215	3.5%
Computer/Mathematical	37	0.6%
Construction/Extraction	180	2.9%
Education/Training/Library	442	7.2%
Farming/Fishing/Forestry	2	0.0%
Food Preparation/Serving	618	10.0%
Health Practitioner/Technician	432	7.0%
Healthcare Support	143	2.3%
Maintenance Repair	189	3.1%
Legal	29	0.5%
Life/Physical/Social Sciences	18	0.3%
Management	438	7.1%
Office/Administrative Support	808	13.1%
Production	173	2.8%
Protective Services	349	5.7%
Sales/Related	729	11.8%
Personal Care/Services	333	5.4%
Transportation/Moving	286	4.6%

SOURCES: U.S. Bureau of Census; The Nielsen Company;
 Zimmerman/Volk Associates, Inc.

MARKET POTENTIAL FOR THE CITY OF SAULT STE. MARIE

The most recent Chippewa County migration and mobility data—as derived from taxpayer records compiled by the Internal Revenue Service from 2005 through 2009 and from the 2012 American Community Survey five-year estimates for the City of Sault Ste. Marie—shows that the draw areas for new and existing housing units in the city include the following:

- The primary draw area, covering households currently living within the city.
- The secondary draw area, covering households currently living in the balance of Chippewa County.
- The regional draw area, covering households that are likely to move from Mackinac County.
- The tertiary draw area, covering households that are likely to move from Wayne and Kent Counties.
- The national draw area, covering households with the potential to move to the City of Sault Ste. Marie from all other U.S. counties (primarily other Michigan counties).

As derived from the migration and mobility analyses, then, the draw area distribution of market potential (those households with the potential to move within or to Sault Ste. Marie each year over the next five years) is shown as follows:

Market Potential by Draw Area *City of Sault Ste. Marie, Chippewa County, Michigan*

City of Sault Ste. Marie (Primary Draw Area):	52.8%
Balance of Chippewa County (Secondary Draw Area):	19.1%
Mackinac County (Regional Draw Area):	2.3%
Wayne and Kent Counties (Tertiary Draw Area):	2.3%
Balance of US (National Draw Area):	23.5%
Total:	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

As determined by the target market methodology, which accounts for household mobility within the City of Sault Ste. Marie, as well as mobility patterns for households currently living in all other counties, an average of 1,705 households represent the potential market for new and existing housing units within the city each year over the next five years.

The tenure and housing preferences of those 1,705 draw area households are shown on the following table (*see also* Table 1):

Tenure/Housing Type Propensities
Annual Average Market Potential
For New and Existing Housing Units
The City of Sault Ste. Marie, Chippewa County, Michigan

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent (lofts/apartments, leaseholder)	805	47.2%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	66	3.9%
Single-family attached for-sale (townhouses/live-work, fee-simple/ condominium ownership)	137	8.0%
Single-family detached for-sale (houses, fee-simple ownership)	<u>697</u>	<u>40.9%</u>
Total	1,705	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

The market-driven tenure ratio of approximately 47 percent rental/53 percent ownership is weighted slightly more towards ownership units than the current tenure ratio in the city of approximately 46 percent rental/54 percent ownership.

The 1,705 households that represent the potential market for new and existing housing units in the city have been segmented by income, based on the Chippewa County median family income (AMI), which, for fiscal year 2014 is \$56,500 for a family of four, as follows:

- Households with incomes below 30 percent AMI (the majority of these households typically qualify only for public housing or older existing units);
- Households with incomes between 30 and 50 percent of AMI (these households typically qualify for new affordable rental housing or heavily subsidized ownership housing);

- Households with incomes between 50 and 80 percent of AMI (these households typically qualify for new workforce or affordable rental housing or subsidized ownership housing);
- Households with incomes between 80 and 100 percent AMI (these households typically qualify for existing rentals or workforce or affordable for-sale housing); and
- Households with incomes above 100 percent AMI (these households generally have sufficient incomes to rent or purchase market-rate housing).

The segmentation by income of the 1,705 target households is shown on the following table:

Tenure/Housing Type Propensities by Income
Annual Average Market Potential
For New and Existing Housing Units
The City of Sault Ste. Marie, Chippewa County, Michigan

HOUSING TYPE HOUSEHOLDS	
	NUMBER	PERCENT
Multi-family for-rent (lofts/apartments, leaseholder)	<u>805</u>	<u>100.0%</u>
< 30% AMI	169	21.0%
30% to 50% AMI	122	15.2%
50% to 80% AMI	159	19.7%
80% to 100% AMI	81	10.1%
> 100% AMI	274	34.0%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	<u>66</u>	<u>100.0%</u>
< 30% AMI	16	24.2%
30% to 50% AMI	11	16.7%
50% to 80% AMI	13	19.7%
80% to 100% AMI	7	10.6%
> 100% AMI	19	28.8%
Single-family attached for-sale (townhouses, fee-simple ownership)	<u>137</u>	<u>100.0%</u>
< 30% AMI	24	17.5%
30% to 50% AMI	17	12.4%
50% to 80% AMI	28	20.4%
80% to 100% AMI	15	11.0%
> 100% AMI	53	38.7%

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HOUSING TYPE HOUSEHOLDS	
	NUMBER	PERCENT
Single-family detached for-sale	<u>697</u>	<u>100.0%</u>
(houses, fee-simple ownership)		
< 30% AMI	97	13.9%
30% to 50% AMI	80	11.5%
50% to 80% AMI	122	17.5%
80% to 100% AMI	69	9.9%
> 100% AMI	329	47.2%
Total	1,705	

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Based on the incomes and financial capabilities of the 1,705 target households that represent the annual potential market for new and existing units in the city, 17.9 percent (306 households) have incomes at 30 percent or less than the AMI; 13.5 percent (230 households) have incomes between 30 and 50 percent AMI; 18.9 percent (322 households) have incomes between 50 and 80 percent AMI; 10.1 percent (172 households) have incomes between 80 and 100 percent AMI; and 39.6 percent (675 households) have incomes above 100 percent AMI.

Because of the significant subsidies required to enable households with incomes below 80 percent AMI to rent or own newly-constructed housing, those households have not been included in the more detailed analysis of the potential market. Limited to households with incomes at 80 percent or above the Area Median Family Income, then, the annual potential market for new and existing housing units is shown on the following page.

**Annual Average Market Potential
 For New and Existing Housing Units
 Households with Incomes At or Above 80 Percent AMI
*The City of Sault Ste. Marie, Chippewa County, Michigan***

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent (lofts/apartments, leaseholder)	355	41.9%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	26	3.1%
Single-family attached for-sale (townhouses, fee-simple ownership)	68	8.0%
Single-family detached for-sale (houses, fee-simple ownership)	<u>398</u>	<u>47.0%</u>
Total	847	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

The emphasis of this study is urban housing in Downtown Sault Ste. Marie and the in-town neighborhoods that surround it. Therefore, the market for single-family detached houses has been reduced to focus only on those households with preferences for urban detached units. The target residential mix of new housing units would therefore be as follows:

**Target Residential Mix
 New Urban Housing Units
 Households with Incomes At or Above 80 Percent AMI
 DOWNTOWN AND IN-TOWN NEIGHBORHOODS
*The City of Sault Ste. Marie, Chippewa County, Michigan***

HOUSING TYPE	NUMBER OF HOUSEHOLDS	PERCENT OF TOTAL
Multi-family for-rent (lofts/apartments, leaseholder)	355	56.4%
Multi-family for-sale (lofts/apartments, condo/co-op ownership)	26	4.2%
Single-family attached for-sale (townhouses, fee-simple ownership)	68	10.8%
Single-family detached for-sale (houses, fee-simple ownership)	<u>180</u>	<u>28.6%</u>
Total	629	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Table 1

Annual Potential Market For New Housing Units

Distribution Of Annual Average Number Of Draw Area Households With The Potential
To Move Within/To The City Of Sault Ste. Marie Each Year Over The Next Five Years
Based On Housing Preferences And Income Levels

The City of Sault Ste. Marie

Chippewa County, Michigan

*City of Sault Ste. Marie; Balance of Chippewa County; Mackinac County;
Wayne and Kent Counties, Michigan; Balance of the United States
Draw Areas*

Annual Number Of Target Market Households
With Potential To Rent/Purchase Within/To
The City of Sault Ste. Marie 1,705

Annual Market Potential

	<i>Below 30% AMI</i>	<i>30% to 50% AMI</i>	<i>50% to 80% AMI</i>	<i>80% to 100% AMI</i>	<i>Above 100% AMI</i>	<i>Subtotal</i>
<i>Multi-Family For-Rent:</i>	169	122	159	81	274	805
<i>Multi-Family For-Sale:</i>	16	11	13	7	19	66
<i>Single-Family Attached For-Sale:</i>	24	17	28	15	53	137
<i>Single-Family Detached For-Sale:</i>	97	80	122	69	329	697
<i>Total:</i>	306	230	322	172	675	1,705
<i>Percent:</i>	17.9%	13.5%	18.9%	10.1%	39.6%	100.0%

Note: For fiscal year 2014, the Chippewa County Median Family Income for a family of four is \$56,500.

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

TARGET MARKETS

The protracted ownership housing slump since 2008 has led to a measurable shift in market preferences from home ownership to rental dwelling units, particularly among younger households, yielding a higher share of consumer preference for multi-family rentals even among relatively affluent consumers than would have been typical less than a decade ago. At the same time, there has been a significant shift in preferences from suburban subdivisions toward mixed-use, walkable urban neighborhoods.

From the demographic perspective, this shift has been driven by the convergence of the preferences of the two largest generations in the history of America: the Baby Boomers (currently estimated at 77 million), born between 1946 and 1964, and the estimated 78 million Millennials, who were born from 1977 to 1996 and, in 2010, surpassed the Boomers in population. The convergence of two generations of this size—simultaneously reaching a point when urban housing in walkable neighborhoods matches their life stage—is unprecedented.

In addition to their shared preference for walkable urban living, the Boomers and Millennials are changing housing markets in multiple ways. In contrast to the traditional family (married couples with children) that comprised the typical post-war American household, Boomers and Millennials are households of predominantly singles and couples. As a result, the 21st Century home-buying market now contains more than 63 percent one- and two-person households, and the 37 percent of the homebuyers that could be categorized as family households are equally likely to be non-traditional (*e.g.*—single parents or unrelated couples of the same sex with one or more children, adults caring for younger siblings, to grandparents with custody of grandchildren) as traditional families. A major consequence of this evolution is that mixed-income development is now more likely to succeed than when suburban preferences dominated the housing market.

As determined by the target market analysis, then, and reflective of these national trends, the annual potential market—delineated by lifestage—for new housing units within the City of Sault Ste. Marie can be characterized by general household type as follows (*see also* Table 2):

- Younger singles and childless couples—including, among others, academic and hospital affiliates, including students at Lake Superior State University and employees of the War Memorial Hospital, office workers, junior executives, craftspeople, and retail and service employees (42 percent);
- A range of urban families (34 percent), some single-parent, some two-parent families, employed in both blue- and white-collar jobs; and
- Empty nesters and retirees, over two-thirds of whom would be moving from one residence to another within the city (24 percent).

The largest segment (42 percent) of the annual potential market is younger singles and couples. This generation—the Millennials—is the first to have been largely raised in the suburbs where cul-de-sacs substituted for neighborhoods, malls took the place of downtowns, and driver's license became a necessity of life. In far greater numbers than predecessor generations, Millennials are moving to downtown and in-town neighborhoods. Younger households typically choose to live in neighborhoods that contain a diverse mix of people, housing types, and uses. For the most part, younger households tend to be “risk-tolerant,” and will move into areas or neighborhoods that would not be considered acceptable for most families or older couples.

Family-oriented households represent 34 percent of the market for new and existing units within the city. In the 1980s, when the majority of the Baby Boomers were in the full-nest lifestage, the “traditional family household” (married couple with one or more children) comprised more than 45 percent of all American households. That demographic has now fallen to less than 22 percent of all American households (approximately 14 percent in Sault Ste. Marie), and the subset of the one wage-earner traditional family has fallen to less than 10 percent of all American households. In addition to reflecting the aging of the Baby Boomers into the empty-nest lifestage, households with children are now increasingly diverse and in some areas are largely non-traditional families.

At 24 percent, the empty nester and retiree segment comprises a smaller than typical share of the potential market, in part because of their inability to sell—or reluctance to sell at a perceived loss—their existing residences. These households—for the most part, the Baby Boom generation—have been moving from the full-nest to the empty-nest life stage at an accelerating

pace that will peak sometime in this decade and continue beyond 2020. Since the first Boomer turned 50 in 1996, empty-nesters have had a substantial impact on downtown and in-town housing. After fueling the diffusion of the population into ever-lower-density exurbs for nearly three decades, many Boomers are moving back to urban neighborhoods. A significant percentage of these households are retirees, with incomes from social security; some also have pensions, very few have savings or investments. Many of the empty nest households are still employed.

The full spectrum of household groups (including households that have incomes below 80 per cent AMI) that represent the market for new and existing housing units in the city, their estimated median incomes and estimated median home values in 2014, are shown on the following table:

Primary Target Groups
(In Order of Median Income)
The City of Sault Ste. Marie, Chippewa County, Michigan

HOUSEHOLD TYPE	MEDIAN INCOME	MEDIAN HOME VALUE (IF OWNED)
Empty Nesters & Retirees		
<i>Urban Establishment</i>	\$117,000	\$337,200
<i>Small-Town Establishment</i>	\$111,900	\$270,600
<i>New Empty Nesters</i>	\$96,600	\$187,100
<i>RV Retirees</i>	\$74,800	\$151,700
<i>Blue-Collar Empty Nesters</i>	\$72,900	\$125,100
<i>Middle-Class Move-Downs</i>	\$70,200	\$136,100
<i>No-Nest Suburbanites</i>	\$68,600	\$129,600
<i>Heartland Empty Nesters</i>	\$59,000	\$100,400
<i>Small-Town Seniors</i>	\$58,700	\$111,600
<i>Country Couples</i>	\$58,400	\$95,300
<i>Exurban Suburbanites</i>	\$58,300	\$101,000
<i>Blue-Collar Retirees</i>	\$53,400	\$98,300
<i>Back Country Seniors</i>	\$43,700	\$72,400
<i>Rural Singles</i>	\$43,500	\$70,600
<i>Rural Seniors</i>	\$42,900	\$82,800
<i>Struggling Retirees</i>	\$41,500	\$77,600
<i>Hometown Retirees</i>	\$36,400	\$58,900
<i>Multi-Ethnic Seniors</i>	\$33,700	\$82,000
<i>Second City Seniors</i>	\$32,000	\$85,300

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HOUSEHOLD TYPE	MEDIAN INCOME	MEDIAN HOME VALUE (IF OWNED)
Traditional & Non-Traditional Families		
<i>Nouveau Money</i>	\$133,500	\$276,500
<i>Ex-Urban Elite</i>	\$127,700	\$202,300
<i>Unibox Transferees</i>	\$113,500	\$209,500
<i>Full-Nest Exurbanites</i>	\$100,700	\$185,300
<i>Full-Nest Suburbanites</i>	\$97,600	\$174,300
<i>Full-Nest Urbanites</i>	\$77,000	\$190,200
<i>New-Town Families</i>	\$76,200	\$133,900
<i>Small-Town Families</i>	\$75,400	\$127,500
<i>Multi-Ethnic Families</i>	\$70,300	\$134,700
<i>Blue-Collar Button-Downs</i>	\$68,700	\$123,600
<i>Kids 'r' Us</i>	\$57,200	\$97,200
<i>Rustic Families</i>	\$56,800	\$90,200
<i>Multi-Cultural Families</i>	\$52,600	\$104,600
<i>Working-Class Families</i>	\$45,700	\$79,700
<i>Inner-City Families</i>	\$42,600	\$108,600
<i>In-Town Families</i>	\$39,900	\$89,100
<i>Subsistence Families</i>	\$37,400	\$63,000
<i>Single-Parent Families</i>	\$33,100	\$93,800
Younger Singles & Couples		
<i>The Entrepreneurs</i>	\$125,800	\$247,600
<i>e-Types</i>	\$116,100	\$241,700
<i>Ex-Urban Power Couples</i>	\$113,900	\$240,000
<i>Fast-Track Professionals</i>	\$100,300	\$239,800
<i>The VIPs</i>	\$98,300	\$219,600
<i>Upscale Suburban Couples</i>	\$92,500	\$193,100
<i>Cross-Training Couples</i>	\$77,800	\$165,000
<i>New Bohemians</i>	\$73,400	\$217,600
<i>Twentysomethings</i>	\$68,600	\$154,900
<i>Suburban Achievers</i>	\$66,700	\$161,300
<i>Small-City Singles</i>	\$54,000	\$99,000
<i>Urban Achievers</i>	\$48,200	\$156,200
<i>Small-Town Singles</i>	\$43,700	\$94,400
<i>Working-Class Singles</i>	\$42,400	\$104,800
<i>Blue-Collar Singles</i>	\$38,800	\$72,400
<i>Soul-City Singles</i>	\$31,300	\$98,200

NOTE: The names and descriptions of the market groups summarize each group's tendencies—as determined through geo-demographic cluster analysis—rather than their absolute composition. Hence, every group could contain “anomalous” households, such as empty-nester households within a “full-nest” category.

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Detailed descriptions of each target market group are provided in a separate document: APPENDIX
THREE, TARGET MARKET DESCRIPTIONS

Table 2

Annual Market Potential By Household Type

Distribution Of Annual Average Number Of Draw Area Households With The Potential
To Move Within/To The City Of Sault Ste. Marie Each Year Over The Next Five Years
Based On Housing Preferences And Income Levels

The City of Sault Ste. Marie

Chippewa County, Michigan

Number of Households:	Total	Below 30% AMI	30% to 50% AMI	50% to 80% AMI	80% to 100% AMI	Above 100% AMI
	1,705	306	230	322	172	675
Empty Nesters & Retirees	24%	20%	21%	22%	24%	29%
Traditional & Non-Traditional Families	34%	38%	39%	36%	35%	28%
Younger Singles & Couples	42%	42%	40%	42%	41%	43%
	100%	100%	100%	100%	100%	100%

Note: For fiscal year 2014, the Chippewa County Median Family Income for a family of four is \$56,500.

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

THE MARKET CONTEXT

—MULTI-FAMILY RENTAL PROPERTIES—

With the exception of West Pier Place, Woodfield Terrace, Avery Square, and Bridge Village, most of the rental properties in Sault Ste. Marie have fewer than 50 units. (*Reference Table 3.*) Many of the properties are income-restricted, and nearly all will accept Section 8 vouchers, or other subsidized rentals. Approximately 200 units, including apartments above retail, are located in the downtown. Nearly all properties are at functional full occupancy—95 percent or higher.

—One-Bedroom Units—

- Rents for one-bedroom units start at \$425 per month at 546 Ashmun.
- The highest one-bedroom rent is \$695 per month at Bingham Apartments on Bingham Avenue.
- One-bedroom units range in size from approximately 500 square feet to just under 1,000 square feet.
- One-bedroom rents per square foot fall between \$0.63 and \$1.08.

—Two-Bedroom Units—

- Rents for two-bedroom units start at \$525 per month at 2006 Ashmun.
- The highest two-bedroom rent is \$770 per month at Woodfield Terrace on South Woodfield Boulevard.
- Two-bedroom units range in size from approximately 860 square feet to 1,056 square feet, also at Woodfield Terrace. Some of the income-restricted two-bedroom apartments contain up to 1,233 square feet.
- Two-bedroom rents per square foot fall between \$0.64 and \$0.86.

West Pier Place on West Pier Drive, the newest property in the city, is also renting 660-square-foot studio apartments for \$525 per month (\$0.80 per square foot) and 1,168-square-foot three-bedroom units for \$875 to \$905 per month (\$0.75 to \$0.77 per square foot).

Summary Of Selected Rental Properties
City of Sault Ste. Marie, Chippewa County, Michigan
January, 2014

<u>Property (Year Built)</u> <u>Address</u>	<u>Number of Units</u>	<u>Reported Base Rent</u>	<u>Reported Unit Size</u>	<u>Rent per Sq. Ft.</u>	<u>Additional Information</u>
. Downtown or Near Downtown					
546 Ashmun (1900) 66 Glenbrook Road	1 1br/1ba	\$425			Vacant Heat and water included.
West Pier Place (2005) 300 W. Pier Drive	218 Studio/1ba 1br/1ba 2br/2ba 3br/2ba	\$525 \$565 \$715 to \$765 \$875 to \$905	660 725 936 1,168	\$0.80 \$0.78 \$0.76 to \$0.82 \$0.75 to \$0.77	99% occupancy Water included. Exercise facility; basketball court; pet park.
Court Apartments (1990) 615 Court Street	8 2br/1ba	\$635 to \$650	860 to 1,008	\$0.74 to \$0.64	100% occupancy Water included. Laundry facility.
Bingham Apartments (1989) 616 Bingham Avenue	4 1br/1ba 2br/1ba	\$695 \$740	806 864 to 1,008	\$0.86 \$0.73 to \$0.86	100% occupancy Water included.
J.L. Lipsett House (1901) 315 E. Spruce Street	5 3br/1ba Rooms (1 with bath)	\$750	1,200 175 to 225	\$0.63	100% occupancy Heat, water & electric included.
Hillside Student Apts. (1991) 315 E. Spruce Street	11 4br/1 -1.5ba 4 person maximum \$600 per apt. for summer months	\$2,520 pp for school year	1,250		88% occupancy Heat, water & electric included. Free internet.
. Other Sault Ste. Marie					
2006 Ashmun Street (1960) 2006 Ashmun Street	4 1br/1ba 2br/2ba	\$475 \$525			50% occupancy Heat and water included.
Woodfield Terrace (1994-2009) South Woodfield Boulevard	128 1br/1ba 2br/1.5-2ba	\$565 to \$625 \$705 to \$770	525 to 585 1,056	\$1.07 to \$1.08 \$0.67 to \$0.73	94% occupancy Water included. Laundry facility.

SOURCE: Zimmerman/Volk Associates, Inc.

Summary Of Selected Rental Properties
City of Sault Ste. Marie, Chippewa County, Michigan
January, 2014

<u>Property (Date Opened)</u> <u>Address</u>	<u>Number of Units</u>	<u>Reported Base Rent</u>	<u>Reported Unit Size</u>	<u>Rent per Sq. Ft.</u>	<u>Additional Information</u>
. Downtown or Near Downtown {Income-Restricted}.					
Avery Square (1997)	57				100% occupancy
510 Ashmun	1br/1ba		705	\$0.00	Exercise facility;
Seniors Apartments	2br/1ba		863	\$0.00	Heat and water included.
29 income-restricted					
Park Place City Center (2011)	24				88% occupancy
416 Ashmun	1br/1ba		to 572 to	\$0.00 to	Water included.
			982	\$0.00	
	2br/1ba	\$489 to	771 to	\$0.49 to	
		\$600	1,233	\$0.63	
	3br/1ba				
West Bridge (2004)	28				100% occupancy
633 W. Portage	1br/1ba		500	\$0.00	Waiting list.
	2br/1ba		685	\$0.00	Heat and water included.
	3br/1ba		795	\$0.00	Computer lab.
. Other Sault Ste. Marie {Income-Restricted}.					
Wood Creek (1987; renovated 2010)	48				96% occupancy
1708 Meridian Street	1br/1ba		661		Heat and water included.
All income-restricted	2br/1ba		760 to		
			805		
WoodCreek Manor (renovated 2012)	32	Seniors Only			94% occupancy
1606 Meridian Street	1br/1ba	\$476	660	\$0.72	Heat and water included.
All income-restricted					Community room.
Bridge Village (1976)	100				95% occupancy
591 Myrtle Elliott Circle	1br/1ba		570		Heat and water included.
All income-restricted	2br/1ba		864		Playground.
	2br/1.5ba TH		1,058		
	3br/1.5ba TH		1,150		

—MULTI-FAMILY AND SINGLE-FAMILY ATTACHED AND DETACHED FOR-SALE PROPERTIES—

Condominium development (multi-family for-sale) has been limited in Sault Ste. Marie. At the time of the survey, only two condominium units were on the market—a 900-square-foot one-bedroom and a 1,198-square-foot two-bedroom apartment at Waterfront Place. (*Reference* Table 4.) The asking price of these two units is \$95,000 and \$114,500, respectively (\$106 and \$96 per square foot). Waterfront Place is the condominium conversion of the Pitsch Apartments, located on the St. Mary's River.

Since the collapse of the housing market in 2008, 15 new houses have been built in the city. Fewer than 70 existing houses in the city and surrounding Chippewa County with asking prices above \$100,000 were on the market as of January, 2014. The majority contain three bedrooms and two or two-and-a-half baths, with asking prices ranging between \$104,000 and \$485,000 (between \$45 and \$256 per square foot, with the highest prices generally for properties with a considerable amount of acreage, and the highest per square foot prices for properties located on Riverside Drive).

**Summary of Existing Dwelling Units Currently For Sale
Single-Family Houses Price Above \$100,000**

City of Sault Ste. Marie and Chippewa County, Michigan

January, 2014

<i>Property Location</i>	<i>Year Built</i>	<i>Lot Size</i>	<i>Asking Price</i>	<i>Unit Size</i>	<i>Price psf</i>	<i>Configuration</i>
<i>..... Condominiums</i>						
Waterfront Place	1989	n/a	\$95,000	900	\$106	1br/1ba
	1990	n/a	\$114,500	1,198	\$96	2br/2ba
<i>..... Single-Family Detached Houses</i>						
West 20th Street	2007	n/a	\$485,000	5,174	\$94	5br/3ba
S M 129	1900	137 acres	\$475,000	1,855	\$256	3br/2ba
Cedar Drive	2005	0.5 acre	\$369,000	2,465	\$150	3br/2.5ba
Masta Bay Road	1991	4.24 acres	\$359,000	2,650	\$135	2br/2.5ba
S. Rocky Bottom Cree	2005	19 acres	\$359,000	3,200	\$112	3br/2.5ba
18 Mile Road	1977	40 acres	\$359,000	3,200	\$112	5br/3ba
Dillon Street	1950	70 x 125	\$349,900	4,600	\$76	4br/3.5ba
7 Mile Road	2001	13.3 acres	\$329,199	3,900	\$84	5br/3ba
Lakeshore Drive	2004	100 x 200	\$299,000	2,300	\$130	5br/3ba
Riverside Drive	1969	.99 acre	\$299,000	2,226	\$134	3br/3ba
S. Nicolet Road	1974	100 x 500	\$279,900	2,000	\$140	4br/2ba
W. 8th Avenue	1991	5 acres	\$269,900	1,944	\$139	3br/2ba
S. Nicolet Road	2012	10.03 acres	\$269,000	2,200	\$122	3br/2.5ba
Riverside Drive	1995	.25 acre	\$264,900	1,057	\$251	3br/2.5ba
Riverside Drive	2004	9 acres	\$254,000	2,672	\$95	4br/2.5ba
W. 14th Street	2000	.23 acre	\$249,900	2,436	\$103	4br/3.5ba
W M 80	1994	160 acres	\$249,900	1,296	\$193	1br/1.5ba
Parnell Street	1935	0.25 acre	\$243,000	2,662	\$91	6br/2.5ba
S M 129	1962	500 x 330	\$225,000	1,215	\$185	3br/1ba
E 14 Mile Road	2004	17 acres	\$219,900	1,750	\$126	4br/2.5ba
Bermuda Avenue	1986	250 x 200	\$219,500	1,209	\$182	2br/2ba
S. Nicolet Road	1960	1.15 acres	\$215,000	3,544	\$61	5br/2.5ba
Mccandless St.	1959	122 x 173	\$215,000	2,048	\$105	3br/2.5ba
W. 14th Street	1992	6 acres	\$215,000	2,200	\$98	3br/3.5ba
S. Nicolet Road	2007	2.22 acres	\$214,900	1,860	\$116	3br/2.5ba
S. Nicolet Road	1996	10 acres	\$210,000	1,800	\$117	3br/2.5ba
Minneapolis Street	1977	300 x 346	\$205,000	2,912	\$70	5br/2.5ba
Cedar Drive	1993	125 x 220	\$200,850	1,564	\$128	3br/2ba
Shunk Road	1990	137 x 200	\$199,900	2,376	\$84	4br/2.5ba
Johnston Street	1916	125 x 158	\$189,900	3,234	\$59	5br/2ba
Tweed Street	1968	124 x 152	\$179,900	1,798	\$100	4br/2ba
Riverside Drive	1950	100 x 818	\$179,000	832	\$215	2br/1ba

SOURCE: Multiple Listing Service;
Zimmerman/Volk Associates, Inc.

Summary of Existing Dwelling Units Currently For Sale
Single-Family Houses Price Above \$100,000
City of Sault Ste. Marie and Chippewa County, Michigan
January, 2014

<i>Property Location</i>	<i>Year Built</i>	<i>Lot Size</i>	<i>Asking Price</i>	<i>Unit Size</i>	<i>Price psf</i>	<i>Configuration</i>
..... Single-Family Detached Houses {continued}						
Mann Drive	2002	0.39 acre	\$174,600	1,452	\$120	3br/2.5ba
Ryan Avenue	1951	87 x 160	\$169,900	2,016	\$84	3br/2ba
Scenic Drive	1970	0.52 acre	\$169,900	1,536	\$111	2br/1ba
E. 11th Avenue	1996	164 x 125	\$169,500	2,474	\$69	3br/2ba
Riverside Drive	1952	85 x 112	\$164,900	800	\$206	2br/1ba
Sherman Park Drive	1950	0.61 acre	\$164,500	1,622	\$101	3br/2ba
E. Northshore Drive	1973	2 acres	\$159,900	1,134	\$141	3br/2ba
Sun Glo Drive	1977	0.91 acre	\$154,900	1,456	\$106	3br/2ba
Dillon Street	1980	62 x 125	\$152,500	1,936	\$79	3br/2.5ba
Mission Road	1977	100 x 120	\$149,500	1,932	\$77	3br/2ba
Dillon Street	1952	100 x 145	\$149,000	2,600	\$57	3br/2ba
S M 129	1993	45.43 acres	\$144,900	1,344	\$108	3br/2ba
E. 9 Mile Road	1973	n/a	\$139,900	1,064	\$131	3br/1ba
John Street	1900	92 x 162	\$137,500	2,240	\$61	5br/2.5ba
Seymour Road	1994	5 acres	\$134,800	2,000	\$67	3br/2ba
W. 14th Street	1987	4.7 acres	\$130,500	2,100	\$62	3br/2ba
Scenic Drive	1980	100 x 250	\$130,000	984	\$132	2br/1ba
S. Nicolet Road	1978	2.5 acres	\$129,900	1,752	\$74	4br/2ba
N. Ravine Street	1905	149 x 148	\$124,900	1,372	\$91	4br/2ba
W. 8th Avenue	2006	0.42 acres	\$122,900	1,290	\$95	2br/2ba
Bingham Avenue	1909	128 x 60	\$122,900	1,946	\$63	5br/2.5ba
S. Nicolet Road	1975	2.5 acres	\$121,000	1,752	\$69	3br/1ba
Sherman Park Drive	1967	140 x 169	\$119,000	1,724	\$69	3br/2ba
Maple Street	1920	76 x 124	\$119,000	2,158	\$55	6br/2ba
E 4 Mile Road	2007	10 acres	\$118,900	1,276	\$93	3br/2ba
E 12 Mile Road	1908	1 acre	\$118,777	1,206	\$98	2br/1ba
Dillon Street	1940	40 x 123	\$115,000	1,320	\$87	3br/2ba
W 6th Street	1947	110 x 268	\$110,000	2,397	\$46	3br/2ba
E Easterday Avenue	n/a	70 x 90	\$110,000	1,599	\$69	3br/2ba
S Lower Hay	1988	10.3 acres	\$110,000	1,232	\$89	3br/2ba
S Reynolds Lane	1958	100 x 130	\$109,900	1,541	\$71	4br/2ba
W 3 Mile Road	2000	16.89 acres	\$109,000	2,400	\$45	3br/.52ba
Ryan Avenue	1964	40 x 125	\$109,000	1,144	\$95	3br/2ba
W. 14th Street	1960	60 x 135	\$107,500	1,736	\$62	3br/2ba
S Reynolds Lane	1958	75 x 265	\$105,500	1,254	\$84	3br/2ba
E Maleport Drive	1971	100 x 300	\$104,000	1,700	\$61	3br/2ba

SOURCE: Multiple Listing Service;
 Zimmerman/Volk Associates, Inc.

SENSE OF PLACE

Establishing, reviving or enhancing a sense of place in a neighborhood depends on a number of inter-related elements that emphasize diversity, connectivity and choice.

- **Connectivity.** A well-defined sense of place includes a diversity of land uses—housing, office, retail, civic and public uses—that are connected by a street network as seamlessly as possible.
- **Housing Choice.** A well-defined sense of place includes a diversity of housing types that meet the preferences and financial capabilities of a wide range of potential renters and buyers.
- **Transportation Choice.** A well-defined sense of place includes a street network that allows for many transportation options: walking, biking and public transportation, as well as the automobile.
- **Open Spaces.** A well-defined sense of place includes public open spaces, whether formal or informal, that are usually fronted by buildings, often across a public right-of-way.
- **Public Realm.** A well-defined sense of place includes a quality public realm, interconnected by pedestrian-ways, sidewalks, and public streets, that is fronted by private or public uses, not parking lots and garage doors.
- **Preservation.** A well-defined sense of place retains and maintains its iconic historic buildings, infrastructure, or streetscapes, enhancing a neighborhood's authenticity and uniqueness.

Downtown and in-town Sault Ste. Marie already contain many of the elements that create a well-defined sense of place.

- **Connectivity.** The island on which the core Downtown is located contains a fairly regular street grid, which provides multiple routes from one place to another on the island itself. However, the island's connectivity to the rest of the city is constrained by the limited number of bridges that cross the Power Canal, which, when it was constructed between 1898 and 1902, interrupted the existing street grid, leaving multiple stub streets, and separating the core of the Downtown from the rest of the city.
- **Housing Choice.** The housing choices available to residents of the Downtown and in-town neighborhoods include apartments above retail, a variety of income-restricted lofts and apartments, and single-family detached houses dating primarily from the 1900s to the 1940s. The only condominiums in the city are located on the riverfront at some distance from Downtown. Few townhouses are located in the city except those associated with Lake Superior State University.
- **Transportation Choice.** For the pedestrian, the sidewalks are comfortably wide in the Downtown core, and crosswalks on Ashmun Street—the “Main Street” of Downtown—and its intersections with cross streets are clearly defined. A Downtown walking route takes the pedestrian past many of the highlights of Downtown, including the Soo Locks and several museums. The streets of the adjacent in-town single-family in-town neighborhoods are also lined with sidewalks.

A bicycle route has been established on Water Street, which connects to Portage Avenue, and crosses the canal into the rest of the city. There is even a snowmobile trail which ends in Downtown.

There are limited public transportation options available. The principle means of public transportation within the city is Dial-A-Ride, which is a demand-response type bus system. Greyhound and Indian Trails provides inter-city bus service from Sault Ste. Marie; the Eastern Upper Peninsula Transportation Authority operates three local vehicle and passenger ferries to Sugar, Neebish, and Drummond Islands,

as well as a rural public busing system with scheduled runs to and from Sault Ste. Marie

- **Open Spaces.** Brady Park is a public park located on Water Street in Downtown with views of the Soo Locks and the St. Mary's River. Just outside of the core Downtown is Soo Locks Park, on Portage Street. There are few pocket parks, although the neighborhood streets have a significant tree canopy.
- **Public Realm.** As noted above, the Downtown and in-town neighborhoods have a well-defined street grid. However, on Ashmun Street and Portage Avenue, there are several open parking lots, as well as a large vacant parcel on Portage Avenue, that detract from the pedestrian experience. A vacant parcel on Ashmun Street is used as a farmers' market, with related infrastructure.
- **Preservation.** As in most American cities, many of Sault Ste. Marie's historic buildings no longer exist. However, the Downtown core still retains a significant number of its older buildings, including commercial two- and three-story buildings on Ashmun, churches, the Soo Theatre, and the Courthouse, among others.

OPTIMUM MARKET POSITION

The rents and price points for new market-rate housing units that could be developed in Sault Ste. Marie's Downtown and in-town neighborhoods are derived from the income and financial capabilities of those target households with incomes at or above 80 percent of AMI. Households with incomes below that threshold typically qualify for income-restricted units. The majority of the units already located in Downtown are either income- or age-restricted, limiting the choices available for a significant segment of the market.

—RENTAL DISTRIBUTION BY RENT RANGE—

Based on the incomes and assets of the 355 households—with incomes above 80 percent of the AMI (*as shown on* Table 5)—that represent the target markets for new market-rate rental units, the distribution of annual market potential by rent range would be summarized as follows:

Distribution by Rent Range
Target Groups for New Multi-Family For Rent
Households with Incomes At or Above 80 Percent AMI
DOWNTOWN AND IN-TOWN NEIGHBORHOODS
The City of Sault Ste. Marie, Chippewa County, Michigan

MONTHLY RENT RANGE	UNITS PER YEAR	PERCENTAGE
\$600–\$750	65	18.3%
\$750–\$900	80	22.5%
\$900–\$1,050	78	22.0%
\$1,050–\$1,200	68	19.2%
\$1,200 and up	<u>64</u>	<u>18.0%</u>
Total:	355	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Target Groups For New Multi-Family Rental Units
City of Sault Ste. Marie
Chippewa County, Michigan

..... Number of Households

Empty Nesters & Retirees†	<i>80% to 100% AMI</i>	<i>Above 100% AMI</i>	<i>Total</i>	<i>Percent of Total</i>
RV Retirees	0	4	4	1.1%
Blue-Collar Empty Nesters	1	10	11	3.1%
Middle-Class Move-Downs	1	3	4	1.1%
Heartland Empty Nesters	1	1	2	0.6%
Country Couples	1	5	6	1.7%
Exurban Suburbanites	1	1	2	0.6%
Blue-Collar Retirees	1	1	2	0.6%
Back Country Seniors	0	2	2	0.6%
Rural Singles	1	4	5	1.4%
Rural Seniors	1	1	2	0.6%
Multi-Ethnic Seniors	1	2	3	0.8%
Struggling Retirees	1	3	4	1.1%
Second City Seniors	3	10	13	3.7%
Subtotal:	13	47	60	16.9%

Traditional & Non-Traditional Families††				
New-Town Families	1	5	6	1.7%
Small-Town Families	1	2	3	0.8%
Multi-Ethnic Families	1	2	3	0.8%
Kids 'r' Us	3	8	11	3.1%
Rustic Families	1	4	5	1.4%
Multi-Cultural Families	1	1	2	0.6%
Inner-City Families	1	2	3	0.8%
In-Town Families	9	19	28	7.9%
Subsistence Families	3	9	12	3.4%
Single-Parent Families	2	3	5	1.4%
Subtotal:	23	55	78	22.0%

† 1- and 2-person households

†† 3- to 5-person households

NOTE: For fiscal year 2014, the Chippewa County Median Family Income for a family of four is \$56,500.

SOURCE: The Nielsen Company;
 Zimmerman/Volk Associates, Inc.

Target Groups For New Multi-Family Rental Units
City of Sault Ste. Marie
Chippewa County, Michigan

..... Number of Households				
Younger Singles & Couplest	<u>80% to 100% AMI</u>	<u>Above 100% AMI</u>	<u>Total</u>	<u>Percent of Total</u>
e-Types	0	5	5	1.4%
The VIPs	0	5	5	1.4%
Upscale Suburban Couples	0	5	5	1.4%
New Bohemians	1	6	7	2.0%
Twentysomethings	1	6	7	2.0%
Suburban Achievers	2	9	11	3.1%
Small-City Singles	6	21	27	7.6%
Urban Achievers	1	4	5	1.4%
Small-Town Singles	9	35	44	12.4%
Working-Class Singles	2	7	9	2.5%
Blue-Collar Singles	12	40	52	14.6%
Soul City Singles	11	29	40	11.3%
Subtotal:	45	172	217	61.1%
Total All Households:	81	274	355	100.0%
Percent of Total:	22.8%	77.2%	100.0%	

† 1- and 2-person households

NOTE: For fiscal year 2014, the Chippewa County Median Family Income for a family of four is \$56,500.

SOURCE: The Nielsen Company;
 Zimmerman/Volk Associates, Inc.

- Empty nesters and retirees represent just under 17 percent of the market for new market-rate rental units, and over a third of them could pay rents no greater than \$900 per month. Forty percent of this market segment are able to afford rents above \$1,200 per month. The remaining 23 percent represent the market for new units with rents between \$900 and \$1,200 per month.
- Traditional and non-traditional families comprise 22 percent of the market for new market-rate rental units. Over 61 percent would require rents below \$900 per month; 23 percent can afford rents between \$900 and \$1,200 per month, and only 15 percent can afford rents above \$1,200 per month.
- The largest group of renters are younger singles and couples at 61 percent of the market. Approximately 13 percent would be able to afford rents at or above \$1,200 per month, almost 53 percent of these households represent the market for units with rents between \$900 and \$1,200 per month; and another third would require rents below \$900 per month.

—FOR-SALE DISTRIBUTION BY PRICE RANGE—

The realization of the full market potential for ownership units may continue to be challenging over the short-term, given restrictive development financing and mortgage underwriting by financial institutions, the disinterest on the part of many younger households in becoming owners, the fact that many otherwise-qualified households, particularly current renters, lack the funds for a down payment, and the inability of many owner households to sell their existing single-family units even at reduced prices, or their reluctance to sell at a perceived loss of value.

As a result, over the next five years, there is only a very small market for new condominiums in Sault Ste. Marie. Based on the incomes and assets of the 26 households—those with incomes above 80 percent of the AMI (*as shown on* Table 6)—that represent the target markets for new market-rate multi-family for-sale (condominium) units, the distribution of annual market potential by price range is summarized on the table following this page:

Distribution by Price Range
Target Groups for New Multi-Family For Sale
Households with Incomes At or Above 80 Percent AMI
DOWNTOWN AND IN-TOWN NEIGHBORHOODS
The City of Sault Ste. Marie, Chippewa County, Michigan

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$75,000–\$100,000	4	15.4%
\$100,000–\$125,000	11	42.3%
\$125,000–\$150,000	7	26.9%
\$150,000 and up	<u>4</u>	<u>15.4%</u>
Total:	26	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

- Younger singles and couples are also the largest segment of the market for new multi-family for-sale units (condominiums), at just over 69 percent of the market. However, only 11 percent would be able to purchase a new condominium with base prices at or above \$150,000, and 11 percent would only be able to afford a unit priced between \$75,000 and \$100,000. The heart of this segment—78 percent—are younger households with the capacity to purchase condominiums priced between \$100,000 and \$150,000.
- At just over 23 percent, family households—predominantly non-traditional families—represent the next largest segment of the market for new multi-family for-sale units; a third would be in the market for new condominiums with base prices at or above \$150,000, and the remaining two-thirds could afford condominiums priced between \$100,000 and \$125,000.
- The smallest group, empty nesters and retirees, comprise just 7.7 percent of the market for this housing type. All of them would be limited to condominium units priced between \$75,000 and \$100,000.

Table 6

Target Groups For New Multi-Family For-Sale Units
City of Sault Ste. Marie
Chippewa County, Michigan

..... Number of Households				
Empty Nesters & Retirees†	<i>80% to 100% AMI</i>	<i>Above 100% AMI</i>	<i>Total</i>	<i>Percent of Total</i>
Second City Seniors	0	2	2	7.7%
Subtotal:	0	2	2	7.7%
Traditional & Non-Traditional Families††				
Kids 'r' Us	1	1	2	7.7%
In-Town Families	1	2	3	11.5%
Subsistence Families	0	1	1	3.8%
Subtotal:	2	4	6	23.1%
Younger Singles & Couples†				
Small-City Singles	1	1	2	7.7%
Urban Achievers	1	1	2	7.7%
Small-Town Singles	1	4	5	19.2%
Blue-Collar Singles	2	5	7	26.9%
Soul City Singles	0	2	2	7.7%
Subtotal:	5	13	18	69.2%
Total Households:	7	19	26	100.0%
Percent of Total:	26.9%	73.1%	100.0%	

† 1- and 2-person households

†† 3- to 5-person households

NOTE: For fiscal year 2014, the Chippewa County Median Family Income for a family of four is \$56,500.

SOURCE: The Nielsen Company;
 Zimmerman/Volk Associates, Inc.

The Sault Ste. Marie market for new townhouses is approximately two-and-a-half times the size of the market for new condominiums, even though, as a housing type, townhouses have not been developed within the city. Based on the incomes and assets of the 68 households—those with incomes above 80 percent of the AMI (*as shown on Table 7*)—that represent the target markets for new market-rate single-family attached for-sale (townhouse) units, the distribution of annual market potential by price range would be summarized as follows:

Distribution by Price Range
Target Groups for New Single-Family Attached For Sale
Households with Incomes At or Above 80 Percent AMI
DOWNTOWN AND IN-TOWN NEIGHBORHOODS
The City of Sault Ste. Marie, Chippewa County, Michigan

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$100,000–\$125,000	18	26.5%
\$125,000–\$150,000	16	23.5%
\$150,000–\$175,000	16	23.5%
\$175,000–\$200,000	10	14.7%
\$200,000 and up	<u>8</u>	<u>11.8%</u>
Total:	68	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

- Younger singles and couples again comprise the largest market segment, in this case just over 54 percent of the market for new single-family attached for-sale units (townhouses). Just eight percent would be able to purchase a new townhouse with base prices at or above \$200,000, two-thirds would be able to afford a unit priced between \$125,000 and \$200,000, and 24 percent could only afford a new townhouse priced below \$125,000.
- At just over 32 percent, traditional and non-traditional families comprise the next largest segment of the market for new single-family attached for-sale units; almost 60 percent would be in the market for new townhouses with base prices between \$125,000 and \$200,000. Only nine percent would be able to purchase a new townhouse with a base price above \$200,000, whereas nearly 32 percent would require units priced below \$125,000.

Table 7

Target Groups For New Single-Family Attached For-Sale Units
City of Sault Ste. Marie
Chippewa County, Michigan

..... Number of Households

Empty Nesters & Retirees†	<i>80% to 100% AMI</i>	<i>Above 100% AMI</i>	<i>Total</i>	<i>Percent of Total</i>
Blue-Collar Empty Nesters	0	5	5	7.4%
Exurban Suburbanites	1	1	2	2.9%
Second City Seniors	1	1	2	2.9%
Subtotal:	2	7	9	13.2%
Traditional & Non-Traditional Families††				
New-Town Families	1	3	4	5.9%
Kids 'r' Us	1	4	5	7.4%
Multi-Cultural Families	0	2	2	2.9%
In-Town Families	2	6	8	11.8%
Subsistence Families	1	2	3	4.4%
Subtotal:	5	17	22	32.4%
Younger Singles & Couples†				
The VIPs	1	5	6	8.8%
Small-City Singles	1	5	6	8.8%
Small-Town Singles	2	8	10	14.7%
Blue-Collar Singles	3	9	12	17.6%
Soul City Singles	1	2	3	4.4%
Subtotal:	8	29	37	54.4%
Total Households:	15	53	68	100.0%
Percent of Total:	22.1%	77.9%	100.0%	

† 1- and 2-person households

†† 3- to 5-person households

NOTE: For fiscal year 2014, the Chippewa County Median Family Income for
a family of four is \$56,500.

SOURCE: The Nielsen Company;
Zimmerman/Volk Associates, Inc.

- Empty nesters and retirees represent just over 13 percent of the market for new townhouses, of which a third would be able to purchase townhouses priced above \$200,000, 44 percent would be in the market for units priced between \$150,000 and \$200,000, and the remaining 22 percent could only afford townhouses priced below \$125,000.

Over the next five years, there is a growing market for new urban detached houses in Sault Ste. Marie. Based on the incomes and assets of the 180 households—those with incomes above 80 percent of the AMI (*as shown on* Table 8)—that represent the target markets for new market-rate for-sale urban single-family detached houses, the distribution of annual market potential by price range would be summarized as follows:

Distribution by Price Range
Target Groups for New Urban Single-Family Detached For Sale
Households with Incomes At or Above 80 Percent AMI
DOWNTOWN AND IN-TOWN NEIGHBORHOODS
The City of Sault Ste. Marie, Chippewa County, Michigan

PRICE RANGE	HOUSEHOLDS PER YEAR	PERCENTAGE
\$125,000–\$150,000	20	11.1%
\$150,000–\$175,000	31	17.2%
\$175,000–\$200,000	33	18.3%
\$200,000–\$225,000	38	21.2%
\$225,000–\$250,000	33	18.3%
\$250,000 and up	<u>25</u>	<u>13.9%</u>
Total:	180	100.0%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

- At nearly 39 percent of the annual market, empty nesters and retirees represent the largest market segment for new urban detached houses. Just over 24 percent could only afford new urban detached houses priced below \$175,000, 37 percent would be able to purchase urban houses priced between \$175,000 and \$225,000, and the remaining 38.6 percent could pay base prices of \$225,000 or more.

Target Groups For New Urban Single-Family Detached For-Sale Units
City of Sault Ste. Marie
Chippewa County, Michigan

..... *Number of Households*

Empty Nesters & Retirees†	<i>80% to 100% AMI</i>	<i>Above 100% AMI</i>	<i>Total</i>	<i>Percent of Total</i>
Urban Establishment	0	5	5	2.8%
Small-Town Establishment	0	5	5	2.8%
New Empty Nesters	1	11	12	6.7%
Blue-Collar Empty Nesters	5	34	39	21.7%
Middle-Class Move-Downs	1	3	4	2.2%
Small-Town Seniors	1	1	2	1.1%
Second City Seniors	1	2	3	1.7%
Subtotal:	9	61	70	38.9%
Traditional & Non-Traditional Families††				
Unibox Transferees	1	8	9	5.0%
Full-Nest Urbanites	1	1	2	1.1%
New-Town Families	2	10	12	6.7%
Small-Town Families	4	18	22	12.2%
Multi-Ethnic Families	1	5	6	3.3%
Blue-Collar Button-Downs	1	1	2	1.1%
Multi-Cultural Families	1	1	2	1.1%
Working-Class Families	1	1	2	1.1%
Inner-City Families	0	2	2	1.1%
In-Town Families	2	5	7	3.9%
Single-Parent Families	0	1	1	0.6%
Subtotal:	14	53	67	37.2%

† 1- and 2-person households

†† 3- to 5-person households

NOTE: For fiscal year 2014, the Chippewa County Median Family Income for a family of four is \$56,500.

SOURCE: The Nielsen Company;
 Zimmerman/Volk Associates, Inc.

Target Groups For New Urban Single-Family Detached For-Sale Units
City of Sault Ste. Marie
Chippewa County, Michigan

Younger Singles & Couplet†	<i>..... Number of Households</i>			
	<i>80% to 100% AMI</i>	<i>Above 100% AMI</i>	<i>Total</i>	<i>Percent of Total</i>
The Entrepreneurs	0	5	5	2.8%
e-Types	0	5	5	2.8%
Fast-Track Professionals	0	5	5	2.8%
The VIPs	0	5	5	2.8%
Upscale Suburban Couples	0	5	5	2.8%
Twentysomethings	1	3	4	2.2%
Suburban Achievers	1	3	4	2.2%
Small-City Singles	2	6	8	4.4%
Working-Class Singles	1	1	2	1.1%
Subtotal:	5	38	43	23.9%
Total All Households:	28	152	180	100.0%
Percent of Total:	15.6%	84.4%	100.0%	

† 1- and 2-person households

NOTE: For fiscal year 2014, the Chippewa County Median Family Income for a family of four is \$56,500.

SOURCE: The Nielsen Company;
 Zimmerman/Volk Associates, Inc.

- Traditional and non-traditional families, at just over 37 percent, comprise the next largest segment of the market for new urban single-family detached for-sale units; over 31 percent would be in the market for new urban houses with base prices at \$225,000 and up. Another 30 percent would only be able to purchase a new urban house with a base price of no more than \$175,000, whereas 39 percent could purchase new units priced between \$175,000 and \$225,000.
- In this case, as might be expected, younger singles and couples are the smallest market segment, representing just under 24 percent of the market for new urban single-family detached for-sale units. Approximately 23 percent would be able to purchase a new urban house with base prices at or above \$225,000, 44 percent would be able to afford a unit priced between \$175,000 and \$225,000, and a third could only afford urban houses priced below \$175,000.

—SAULT STE. MARIE ASSETS AND CHALLENGES—

From a market perspective, the assets of the Downtown and in-town Sault Ste. Marie neighborhoods are considerable, including:

- Historic buildings: A large number of buildings, architecturally and historically significant, provide a historic identity for the city, both in the downtown core and the in-town neighborhoods.
- Employment: Downtown is a regional employment center, with over 5,000 employees associated with multiple federal, county, and city government offices, the War Memorial Hospital, numerous small business, shops, and restaurants.
- Culture: The Soo Theatre, River of History Museum, and the library are located in the core Downtown.
- Walkability: Downtown is compact enough to walk from one end to the other, although, due to the number of open parking lots, the quality of the pedestrian experience could be improved.
- Tourism: The Soo Locks bring in thousands of visitors a year, fueling retail and restaurant activity, particularly in the summer months.

- The St. Mary's Riverfront: Ashmun Street, Downtown Sault Ste. Marie's principal thoroughfare, terminates at Water Street at the edge of Brady Park, the waterfront park providing marvelous views of the river and the locks.

From a market perspective, the current challenges of the Downtown and in-town Sault Ste. Marie neighborhoods include:

- Location and Access: Although Downtown is well positioned within a street grid, it is the core of a small city that is fairly isolated on Michigan's Upper Peninsula. The closest city is Sault Ste. Marie, Ontario, across the St. Mary's River in Canada.
- Low real estate values vis-à-vis construction costs: Values and appreciation of existing housing stock within the city limits are low; construction costs could range between \$100 and \$130 per square foot, making project feasibility an issue.
- Aging housing stock: Houses in the in-town neighborhoods are 80 to 90 years old and many require upgrading to modern standards (closets, new kitchens and baths, wiring, furnaces) to make them marketable; renovation costs are often not recovered at resale.
- Small developer community: There are very few development entities located in the city with the capacity and/or vision to undertake new urban projects within the constraints of an existing neighborhood. It will therefore likely be necessary to attract experienced developers from out of town, entailing a formal request for proposal (RFP) process and the likelihood of additional costs of development.

—OPTIMUM MARKET POSITION—

As established above under MARKET POTENTIAL FOR THE CITY OF SAULT STE. MARIE, based on the housing preferences of the 629 target households with preferences for urban housing and with incomes at or above 80 percent of the area median income, the overall target mix of new units should include approximately 56.4 percent multi-family for-rent (355 households); and just under 44 percent for-sale housing units (274 households), which includes 4.2 percent multi-family for-sale (26 households), 10.8 percent single-family attached for-sale (68 households), and 28.6 percent single-family detached for-sale (180 households).

The urban unit and housing types that would be appropriate for construction in the Downtown and in-town Sault Ste. Marie neighborhoods consist of rental and for-sale (condominium) lofts and apartments developed in the upper floors of Downtown multi-story buildings, as well as new construction multi-family apartment buildings, including small-scale mansion apartment buildings (two over two) and maisonette buildings; and new construction infill for-sale townhouse and urban detached houses. (*For greater detail, see URBAN UNIT AND BUILDING TYPES below.*)

The optimum market position for new market-rate housing units in the Downtown and in-town Sault Ste. Marie neighborhoods has been established based on a variety of factors, including but not limited to:

- The tenure and housing preferences of draw area households and their income and equity levels;
- The lifestages of the target households;
- Sault Ste. Marie's established sense of place;
- The physical and locational assets and challenges of the Downtown and in-town Sault Ste. Marie neighborhoods; and
- Current residential market dynamics in the Sault Ste. Marie market area.

Based on the above, the optimum market position for new rental and for-sale housing within the Downtown and in-town neighborhoods is summarized on the following table (*see also Table 9 for further detail*):

**Base Rent, Price and Size Ranges
 New and Renovated Housing Units
 DOWNTOWN AND IN-TOWN NEIGHBORHOODS
*The City of Sault Ste. Marie, Chippewa County, Michigan***

HOUSING TYPE	RENT/PRICE RANGE	SIZE RANGE	RENT/PRICE PER SQ. FT.
FOR-RENT (MULTI-FAMILY)—			
Soft Lofts/Apartments	\$650–\$1,400/month	450–1,100 sf	\$1.27–\$1.44 psf
FOR-SALE (MULTI-FAMILY)—			
Soft Lofts/Apartments	\$115,000–\$175,000	750–1,200 sf	\$146–\$153 psf
FOR-SALE (SINGLE-FAMILY ATTACHED)—			
Townhouses	\$145,000–\$195,000	1,000–1,300 sf	\$145–\$150 psf
FOR-SALE (SINGLE-FAMILY DETACHED)—			
Urban Cottages	\$155,500–\$215,000	1,050–1,400 sf	\$148–\$154 psf
Urban Houses	\$200,000–\$250,000	1,350–1,650 sf	\$148–\$152 psf

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

Multi-floor commercial building owners should be encouraged to convert their upper floors to residential units. These upper-floor units could potentially enhance the feasibility of new construction, and could contribute to street vitality when more people live “above the store.”

The upper floors of smaller buildings are usually suitable for conversion to apartments; however, many of the owners of these buildings have no experience with residential and are therefore reluctant to commit to residential conversion. Several cities have upper-floor programs to assist in these conversions. A very successful example is the Pittsburgh Vacant Upper Floors Program that provides free pre-development consultation and schematic drawings for building owners considering renovation of their upper floors, as well as gap financing to owners of buildings with up to eight floors of potential residential development.

Table 9

**Optimum Market Position: 200 Dwelling Units
Downtown and In-Town Sault Ste. Marie**

City of Sault Ste. Marie, Chippewa County, Michigan

February, 2014

<i>Percent/ Number of Units</i>	<i>Housing and Unit Type</i>	<i>Base Rent/Price Range*</i>	<i>Base Unit Size Range</i>	<i>Base Rent/Price Per Sq. Ft.*</i>	<i>Annual Market Capture</i>
56.4%	Multi-Family For-Rent				
113	Soft Lofts/ Apartments <i>Studios to Two-Bedrooms</i>	\$650 to \$1,400	450 to 1,100	\$1.27 to \$1.44	36 - 54 units
4.2%	Multi-Family For-Sale				
8	Soft Lofts/ Condominiums <i>One- and Two-Bedrooms</i>	\$115,000 to \$175,000	750 to 1,200	\$146 to \$153	3 - 4 units
10.8%	Single-Family Attached For-Sale				
22	Townhouses <i>Two- and Three-Bedrooms</i>	\$145,000 to \$195,000	1,000 to 1,300	\$145 to \$150	3 - 5 units
28.6%	Single-Family Detached For-Sale				
57	Urban Cottages <i>Two- and Three-Bedrooms</i>	\$155,000 to \$215,000	1,050 to 1,400	\$148 to \$154	5 - 8 units
	Urban Houses <i>Three- and Four-Bedrooms</i>	\$200,000 to \$250,000	1,350 to 1,650	\$148 to \$152	4 - 6 units
100.0%					
200	Dwelling Units				51 - 77 units 15 - 23 for-sale units

NOTE: Base rents/prices in year 2014 dollars and exclude floor and view premiums, options and upgrades.

SOURCE: Zimmerman/Volk Associates, Inc.

New dwelling units should also be an integral part of new mixed-use buildings, for example, those planned for the proposed Moloney Alley development, the 6.4-acre site bordered by Ridge Street to the south, Ashmun Street to the east, Governor Osborn Boulevard to the west, and West Portage Avenue to the north. Since the buildings are proposed to be mixed-use, the most appropriate residential use would be rental apartments, as these will absorb at a considerably faster pace than condominiums, thereby having a greater impact on the retail market potential.

A large vacant lot on West Portage Avenue and River Street also represents an important opportunity for mixed-use development, as the block between Osborn Boulevard and Ashmun Street is a key block in Downtown, representing the change from tourist-oriented retail to more typical uses found in a healthy, mixed-use downtown.

Once most of the upper floors are occupied, and these two projects have been successfully completed and occupied, it is likely that the Downtown will become a highly-sought-after neighborhood, particularly for younger people.

–BUILDING AND IN-UNIT AMENITIES–

Building façades should reflect traditional proportions and designs, such as shutters scaled to match windows, and single-height entries. Traditional elevations are typically more efficient to build, since they do not require any articulation other than a portico or porch. Brick or stucco façades should be encouraged, with fiber-cement side and rear elevations.

To meet the expectations of potential residents, all units should be wired for cable television and high-speed internet. Lighting fixtures should be capable of accommodating compact fluorescent or LED bulbs.

Rental units should incorporate contemporary, durable finishes appropriate to urban living, as opposed to the “beige” interiors of suburban multi-family housing. Smaller apartments should be designed without interior walls, with the exception of the bathroom, and as much closet and storage space as possible. Larger apartments should include individual bedrooms.

In the kitchens of the for-sale apartments, countertops should be a durable, non-traditional material, with integral or undermount sinks, mid-scale appliances, and plain-front European-style cabinetry. Bathrooms should have a standard contemporary finish package, including vessel-style sinks, and shower and/or tub enclosures. All fixtures, faucets and lighting should be clean, minimalist and contemporary.

The townhouses and detached houses should provide a choice of traditional finishes (such as crown molding, chair rails, five-panel interior doors) or modern minimal finishes (wood flat-panel doors, stainless hardware, etc.). These units should have carpeted bedroom floors, carpet or hardwood in living and dining areas and tile in the kitchens and baths. Kitchen countertops should be hard surface or, at minimum, color-through laminate, with integral or undermount stainless sinks and appliances and a choice of European or traditional cabinets. Bathrooms should have ceramic tile floors and traditional fixtures.

—COMMUNITY AMENITIES—

New development in the Downtown and in-town neighborhoods should always convey the pedestrian orientation of an urban, rather than suburban neighborhood—an aspect of community typically lacking in new conventional subdivisions. Small parks, with gardens or other special plantings, similar to those already created on Ashmun Street, along with retail and civic uses, function as the principal amenities of the Downtown. One of these parks could be specialized, such as a “Bark Park,” where residents can take their dogs, or a small children’s playground, but including seating for adults that is shaded by trees and protected from wind.

Retail uses may not initially be feasible on the Moloney Alley Development site. However, until such uses are viable, the ground floor spaces of mixed-use buildings could be occupied by community uses, such as a management office, a business center, and, potentially, a fitness or wellness center. Some buildings could also be configured with ground floors that can initially be used as residences, but capable of conversion to retail or office use when those uses become feasible.

—ABSORPTION FORECASTS—

As noted in the INTRODUCTION, although showing signs of recovery, the housing market continues to be weak by historical measures, and uncertainty concerning housing values continues to hold some potential homebuyers out of the market in many metro areas. Partly as a result of the weak ownership housing market, there has been a significant shift in market preferences from home ownership to rental units, particularly among younger households.

Given current economic conditions, which are likely to improve gradually for new for-sale housing over the near term, Zimmerman/Volk Associates has determined that an annual average absorption of three to four new urban condominiums, three to five new urban fee-simple townhouses, and nine to 14 new urban detached houses within the Downtown and in-town neighborhoods could be achievable over the five years.

In contrast to the constrained for-sale housing conditions, Zimmerman/Volk Associates has determined that for new multi-family rentals, an annual absorption of 36 to 53 units is likely to be achievable within Downtown each year over the next five years.

Average annual absorption is summarized on the following table (*see again* Table 9):

Average Annual Absorption New Urban Housing Units DOWNTOWN AND IN-TOWN NEIGHBORHOODS <i>The City of Sault Ste. Marie, Chippewa County, Michigan</i>	
Multi-family for-rent Soft lofts and apartments	36 to 54 units
Multi-family for-sale Soft lofts and apartments	3 to 4 units
Single-family attached for-sale Townhouses (fee simple)	3 to 5 units
Single-family detached for-sale Houses	<u>9 to 14</u> units
Total	51 to 77 units

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

At the forecast absorption of an average of 51 to 77 rental and for-sale units per year, new residential development within Downtown and in-town neighborhoods would require a capture rate of 8.1 to 12.2 percent of the 629 households—identified through target market analysis and with incomes at or above 80 percent AMI—that have the potential to rent or purchase new urban housing units each year over the next five years—a rate that is well within the target market methodology’s parameters of feasibility.

The annual absorption forecasts indicate the specific capture rates of those households that represent the potential market for each housing type within the Downtown and in-town neighborhoods, as shown on the following table:

**Capture of the Potential Market
Based on Absorption Forecasts
New Urban Housing Units
DOWNTOWN AND IN-TOWN NEIGHBORHOODS
*The City of Sault Ste. Marie, Chippewa County, Michigan***

HOUSING TYPE	ANNUAL MARKET POTENTIAL (HHs)	AVERAGE ANNUAL ABSORPTION (UNITS)	CAPTURE RATE
Multi-family for-rent	355	36 to 54	10.1% to 15.2%
Multi-family for-sale	26	3 to 4	11.5% to 15.4%
Single-family attached for-sale	68	3 to 5	4.4% to 7.4%
Single-family detached for-sale	180	9 to 14	5.0% to 7.8%

SOURCE: Zimmerman/Volk Associates, Inc., 2014.

These housing type-specific capture rates are well within the parameters required for feasible development. For a study area of this size and scale, there is a high degree of confidence in a capture rate of approximately 15 percent for new multi-family rental and for-sale development and up to 10 percent for new single-family attached and detached for-sale development.

NOTE: The target market capture rates of the potential purchaser or renter pool are a unique and highly-refined measure of feasibility. Target market capture rates are *not* equivalent to—and should not be confused with—penetration rates or traffic conversion rates.

The **target market capture rate** represents the *annual* forecast absorption—in aggregate and by housing type—as a percentage of the number of households that have the potential to purchase or rent new housing within a specified area *in a given year*.

The **penetration rate** represents the *total* number of dwelling units planned for a property as a percentage of the *total* number of draw area households, sometimes qualified by income.

The **traffic conversion rate** represents the *total* number of buyers or renters as a percentage of the *total* number of prospects that have visited a site.

Because the prospective market for a property is more precisely defined using target market methodology, a substantially smaller number of households are qualified; as a result, target market capture rates are higher than the more grossly-derived penetration rates. The resulting higher capture rates remain within the range of feasibility.

URBAN UNIT AND BUILDING TYPES

Urban unit and building types most appropriate for the Downtown and in-town neighborhoods include:

—MULTI-FAMILY UNITS—

- Open Loft: Unit interiors typically have high ceilings and commercial windows and are minimally finished (with minimal room delineations such as columns and fin walls), or unfinished (with no interior partitions except those for bathrooms).



Open Loft

- Soft Loft: Unit interiors typically have high ceilings, are fully finished and partitioned into individual rooms. Units may also contain architectural elements reminiscent of “hard lofts,” such as exposed ceiling beams and ductwork, concrete floors and industrial finishes, particularly if the building is an adaptive re-use of an existing industrial structure.



Soft Loft

- Luxury Apartment: A more conventionally-finished apartment unit, typically with completely-partitioned rooms.—trim, interior doors, kitchens and baths are fitted out with higher-end finishes and fixtures.



Luxury Apartment

—MULTI-FAMILY—

- Maisonette Apartment Building: A three-story building with an elevation that resembles a row of townhouses; the interior, however, combines single-level and two-level apartments. Each unit has its own street entrance and attached garage, accessed from the rear of the building.



Maisonette apartment buildings

- Mansion Apartment Building: A two- to three-story flexible-use structure with a street façade resembling a large detached or attached house (hence, “mansion”). The attached version of the mansion, typically built to a sidewalk on the front lot line, is most appropriate for downtown locations. The building can accommodate a variety of uses—from rental or for-sale apartments, professional offices, any of these uses over ground-floor retail, a bed and breakfast inn, or a large single-family detached house—and its physical structure complements other buildings within a neighborhood.



Mansion apartment building

- Mixed-Use Building: A pedestrian-oriented building, either attached or free-standing, with apartments and/or offices over flexible ground floor uses that can range from retail to office to residential.



Mixed-use buildings

—SINGLE-FAMILY ATTACHED—

- Townhouse: Similar in form to a conventional suburban townhouse except that the garage—either attached or detached—is located to the rear of the unit and accessed from an alley or auto court. Unlike conventional townhouses, urban townhouses conform to the pattern of streets, typically with shallow front-yard setbacks.



Townhouses

- Duplex: A two-unit townhouse with the garage—either attached or detached—located to the rear of the unit. Like the rowhouse, urban duplexes conform to the pattern of streets, typically with shallow front-yard setbacks. In a corner location, the units can each front a different street.



Corner duplex

—SINGLE-FAMILY DETACHED—

- Cottage: A small one-, one-and-a-half- or two-story single-family detached house on a small lot, often with alley-loaded parking.



Cottage

- Urban House Type 1: A one-and-a-half- or two-story single-family detached house on a small lot, often with alley-loaded parking with attached, detached, or open parking—whether alley-loaded or not—set well back from the front façade; in many instances, the garage is framed by a porte-cochère.



Urban house with porte-cochère carport



Urban house with porte-cochère and garage

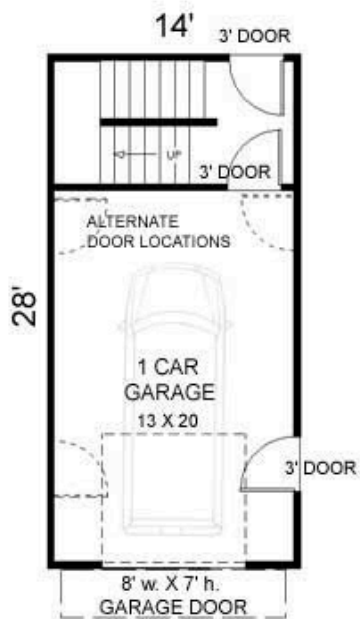
- Urban House Type 2: A two- or three-story single-family detached house relatively close to the street with attached, detached, or open parking—whether alley-loaded or not—set well back from the front façade; in many instances, the garage is framed by a porte-cochère.



Urban house with porte-cochère and garage

—MISCELLANEOUS BUILDING TYPES—

- Accessory Unit: A secondary dwelling unit associated with a principal residence on a single lot. An accessory unit is typically located over the garage, attached or detached, of a rowhouse or detached house. Also known as “garage apartment,” “ancillary apartment,” “accessory apartment,” “granny flat,” “outbuilding” when detached, and “backbuilding” when attached to the principal residence.



336 SF LIVING AREA (EXCL. STAIR)



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Research & Strategic Analysis

ASSUMPTIONS AND LIMITATIONS—

Every effort has been made to insure the accuracy of the data contained within this analysis. Demographic and economic estimates and projections have been obtained from government agencies at the national, state, and county levels. Market information has been obtained from sources presumed to be reliable, including developers, owners, and/or sales agents. However, this information cannot be warranted by Zimmerman/Volk Associates, Inc. While the methodology employed in this analysis allows for a margin of error in base data, it is assumed that the market data and government estimates and projections are substantially accurate.

Absorption scenarios are based upon the assumption that a normal economic environment will prevail in a relatively steady state during development of the subject property. Absorption paces are likely to be slower during recessionary periods and faster during periods of recovery and high growth. Absorption scenarios are also predicated on the assumption that the product recommendations will be implemented generally as outlined in this report and that the developer will apply high-caliber design, construction, marketing, and management techniques to the development of the property.

Recommendations are subject to compliance with all applicable regulations. Relevant accounting, tax, and legal matters should be substantiated by appropriate counsel.



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Research & Strategic Analysis

RIGHTS AND STUDY OWNERSHIP—

Zimmerman/Volk Associates, Inc. retains all rights, title and interest in the methodology and target market descriptions contained within this study. The specific findings of the analysis are the property of the client and can be distributed at the client's discretion.

