

RESIDENTIAL DEMAND ANALYSIS

HERMANN DOWNTOWN MARKET AREA

CITY OF HERMANN, MISSOURI
GASCONADE COUNTY

April 22, 2008



D·R·E·A·M
I N I T I A T I V E

ACKNOWLEDGMENTS



DOWNTOWN REVITALIZATION AND ECONOMIC ASSISTANCE FOR
MISSOURI (DREAM) PROGRAM SPONSORS:



PLANNING CONSULTANT



PREPARED BY
MISSOURI HOUSING DEVELOPMENT COMMISSION

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USPAP REQUIRED INFORMATION

The following information is required to comply with the Uniform Standards of Professional Appraisal Practice (USPAP).

Intended Use of Report

The intent of this report is to assist the community of Hermann in its effort to revitalize its downtown area through the DREAM Initiative by analyzing the possible demand for housing that would support that effort.

Intended Users of Report

The intended users of this report are Missouri Housing Development Commission (Employer), the City of Hermann, Peckham, Guyton, Albers & Viets, Missouri Development Finance Board, and Missouri Department of Economic Development.

Analysis, Recommendation, or Opinion to be Developed

The analysis, recommendations, or opinions will include the following:

- A review of previous housing market studies or consumer surveys;
- Identification of Primary and Secondary Market Areas
- Identification of existing housing inventory and competitive locations;
- Demographic analysis for the area;
- Economic profile of the market;
- Opinion of present and future housing demands;
- Recommendations regarding the size of the residential demand pool for residential units in the Downtown Market Area of Hermann that could complement the downtown revitalization efforts.

Effective Date of the Report

The effective date of the report is April 22, 2008.

Physical, Legal, and Economic Characteristics of the Market Area

The physical, legal, and economic characteristics of the market area are as described in the DREAM application submitted by the community and as further delineated in this report.

Extraordinary Assumptions

In preparing this report the appraiser has relied on various physical, economic, and demographic data and information from various sources, including market studies submitted to MHDC from other analysts, and believes the information to be to be credible, reliable, and critical to the preparation of this report.

Scope of Work

The scope of work necessary to prepare this report is as follows:

- Physical survey of the area that is the subject of the report;
- Physical survey of existing housing options in the market;
- Economic survey and competitive analysis of existing housing options in the market;
- Obtain and review general and historical information about the market;
- Obtain and review any housing related studies prepared for the market;
- Obtain and review any current information regarding activities in the market that could affect the marketability of housing;
- Obtain and analyze demographic information for the primary and secondary market areas;
- Estimate the current and future household demand in the primary market area that would be attracted to housing options in the downtown Hermann market area;
- Prepare a target market analysis for affordable, market rate, and for-sale housing in the primary market area for family and senior households;

SECTION I

EXECUTIVE SUMMARY

The purpose of this market study is to quantify the potential residential demand in downtown Hermann, Missouri that would complement the overall revitalization efforts of the downtown area. The analysis will consider the projected change in the number of households in the market, migration patterns of new households to the market, mobility patterns of existing households, and the profile of households that would be the likely target group for residential units in the downtown area.

Some of the conclusions of the report are as follows:

- A baseline assessment of the current residential conditions in the downtown revitalization area of Hermann is that at the present time housing options for local residents are limited. Hermann is a tourist destination in Missouri because of its numerous wineries and old world charm. Much of the land use in the downtown area is dedicated to the tourist industry. In addition to the various shops many commercial and residential buildings have been converted to bed and breakfast establishments to serve the tourists and visitors. The high density of bed and breakfast facilities in the downtown area has limited the amount of residential space available to local residents.
- The current residential uses in the downtown area for local residents consists of single family homes, small multifamily buildings, owner/tenant occupied space on the upper floors of some commercial buildings, and a newer condo/loft style dwelling on east Second Street near Shiller Avenue.
- Hermann's downtown area appears to be stable and improving, but there is vacant commercial space that could be utilized for new businesses. In addition to the vacant street level commercial space much of the upper floor space of the commercial buildings in the downtown area appear to be vacant.
- After surveying the downtown market area of Hermann it is the opinion of the analyst that an increase in the number of residential units in the downtown area for local residents could complement the downtown revitalization efforts and the community as a whole for the following reasons:
 - It would make use of some of the vacant or underutilized land and building space in the downtown area.
 - It would add permanent residents that would help to support and increase businesses in the downtown area that are targeted to the local community.
 - It would help businesses in the downtown area justify extending their business hours by increasing the consumer traffic of the area.

- It would increase the density and movement of people, which will give the downtown area a year round energy versus the ebb and flow that currently occurs during peak tourist season.
 - It would help to increase real estate values and the tax base of the downtown area as the demand for housing and commercial space increases.
 - It would create unique housing options that currently do not exist in the community, some of which could take advantage of the community's natural asset, which is the spectacular river views.
 - It would help the downtown area grow its art community by providing housing options for artists who may be attracted to live/work housing situations in the downtown area.
- Average age of the residents is increasing at a rate higher than the state and surrounding communities, which indicate that the community is not retaining its young citizens. There could be many reasons for this, but the lack of a available and affordable rental housing units more conducive to younger lifestyles could be a contributing factor. Young households between the ages of 18 to 25 prefer the medium and high density housing of an apartment community versus low density single family rentals.
 - The estimated median age of the population in Hermann in 2007 is 44.94 years as compared to 41.85 for Gasconade County and 37.60 for the State of Missouri. The median age of Hermann is also higher than the surrounding communities of New Haven, Washington, Union, McKittrick, Rhineland, Gasconade, and New Florence. Median age is the age that divides a population into two numerically equal groups; that is, half the people are younger than this age and half are older. It is a single index that summarizes the age distribution of a population. One of the adverse implications of Hermann's age structure is a limited young workforce.
 - Hermann may be handicapped in its ability to compete for new jobs and industry because of a lack of quality, affordable workforce housing. The availability of housing for the workforce is a major factor in the overall site selection process for prospective businesses. Also, it is important that the housing is located within a relative close proximity to the business to establish a stable workforce. If workers are forced into long commutes for their job it contributes to high job turnover as many will eventually seek other employment that does not require the inconvenience and the fuel cost involved with the commute.
 - The city should consider reviewing its zoning and building codes to try and ensure that they don't present barriers to residential production in the downtown market area. Building codes should not require existing building renovations to meet standards for new construction and zoning should allow more high density residential developments.

- The city should consider requiring owners of commercial buildings in the downtown area to provide window treatment on the upper floor windows to eliminate the detrimental “vacant unit look”.
- Some things the city could consider in order to help with downtown residential development are to donate land or make it available below market value, use its powers of eminent domain, assist developers with land assemblage, provide parking for downtown residential developments, consider special districts for sales and income tax waivers, real estate tax abatement, consider reducing or waiving construction related fees, consider fast tracking the permit approval process, consider assisting developers with demolition and remediation costs, if necessary, and consider forming public/private partnerships with developers as a catalyst for downtown residential development.
- The quantitative analysis that is a part of this report is based on the premise that there could be a demand for the various housing types (homeownership, market rate rental, affordable senior, and affordable family) in the City of Hermann and in particular the downtown area, from households within the Primary Market Area, which includes Gasconade, Warren, and Montgomery Counties, and parts of Franklin, Osage, and Callaway Counties. It also assumes that a small percentage of household demand for housing in Hermann could come from an area slightly larger than the Primary Market Area, which is known as the Secondary Market Area.
- A quantitative analysis indicates that the downtown area of Hermann could have a potential current demand from approximately 4 moderate-income, small households for ownership units in the downtown area within a price range of \$85,000 to \$140,000 for condo/loft/townhouse style units. This conclusion is based on the target market’s possible attraction to the type of ownership units that currently do not exist in the market, including ownership units with views of the Missouri River, and the analysts opinion that more permanent residents in the downtown area would complement the revitalization efforts.
- A quantitative analysis indicates that the City of Hermann could have a potential current demand from 48 moderate income households for market rate rental housing and that the downtown market area in particular could have a current demand from 9 moderate income households for market rate rental housing. This conclusion is based on the fact that there are very few available rental units in the community, there appears to be vacant and underutilized land and building space on the upper floors some of the commercial buildings, and the analyst’s opinion that more permanent residents in the downtown area would complement the revitalization efforts.
- A quantitative analysis indicates that the City of Hermann could have a potential current demand from 71 senior households (age 62+) for affordable senior rental housing and that the downtown market area in particular could have a current demand from 50 senior households for affordable senior rental housing. This conclusion is based on the fact that there are very few available senior rental units in the City of Hermann and the larger primary market area, there appears to be vacant and underutilized land and building space that could be used, and the analyst’s opinion that more permanent residents would complement the revitalization efforts.

- A quantitative analysis indicates that the City of Hermann could have a potential current demand from 61 limited income households for affordable rental housing, but that there does not appear to be enough land or building space to accommodate an affordable family rental housing development in the downtown market area. Affordable family housing requires qualified and attentive property management and maintenance that would only be possible with a development large enough to afford the required staff. There are indications that there could be a demand for affordable housing in the city, including the lack of any available affordable rental housing in the city and the high occupancy rates of affordable housing developments in the multi-county region.

Family rental developments tend to be of horizontal construction and generally have a larger footprint than rental developments for seniors, which can be constructed vertically. There does not appear to be enough available vacant land in the downtown area to accommodate a large family development.

SECTION II AREA OF STUDY

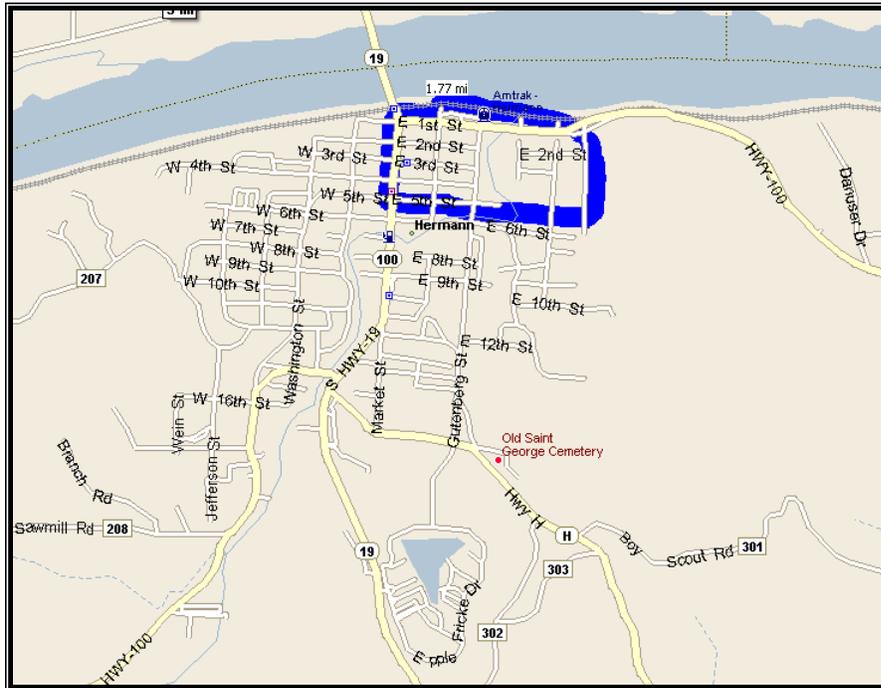
The area of study is the downtown area of Hermann, Gasconade County, Missouri. The following maps show the location of the city within the state and the specific boundaries of the downtown market area within the city that is the subject of this report.



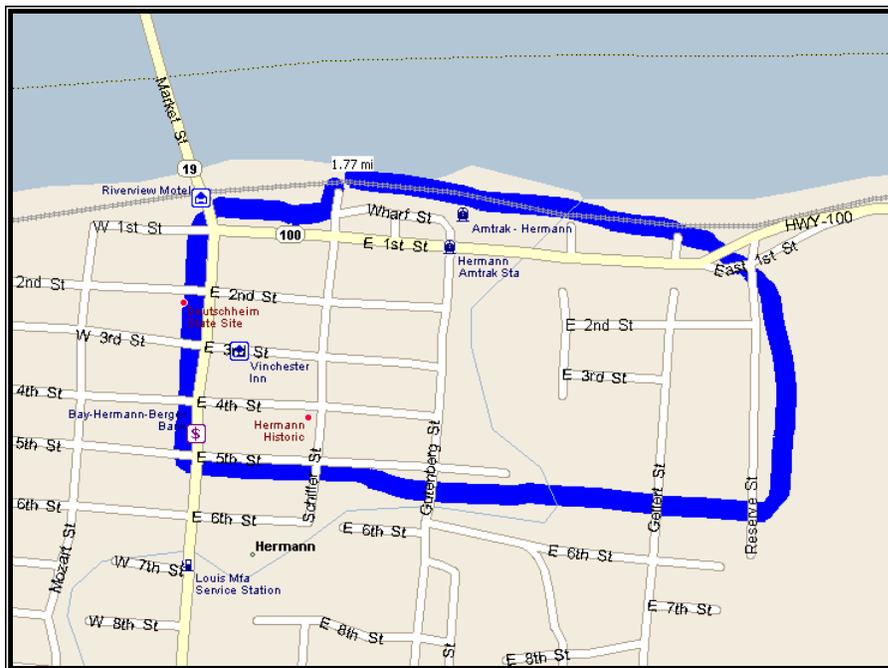
Hermann is located approximately 80 miles west of St. Louis and approximately 15 miles south of I-70.

Hermann City Limits





The highlighted areas of the maps for purposes of this report are considered to be the downtown market area of Hermann, Missouri.



The city of Hermann is located in the northern section of Gasconade County, along the Missouri River, approximately 15 miles south of Interstate 70 Highway. It is a relatively small community with a German heritage that is known as the “wine country of Missouri” because of the concentration of local wineries in the area. The wineries, the old world charm of the city, the majestic river views, and the large number of bed and breakfast lodging facilities have made Hermann one of the significant tourist destinations in the state.

The downtown area of Hermann is located at the northern edge of the community, bordering the Missouri River. The boundaries for purposes of this report are generally considered to be the Missouri River on the north, 5th Street to the south, Reserve Street on the east, and Market Street to the west.

Like many downtown areas, Hermann’s was the center of government. Today city hall is no longer located in downtown, but the Gasconade County Courthouse is located downtown on a hill that overlooks the Missouri River. The building that used to contain the city hall now contains rental units.

The northern boundary of the downtown area and the community of Hermann are bounded by the Missouri River. At the river is the Hermann Riverfront, which has a boat ramp, a large parking surface, a recreation area, and a pavilion. Wharf Street, which is the most northerly east/west traffic artery in the city provides the entrance into the riverfront area and contains buildings that are used for apartments, bed and breakfast lodging, and restaurants.

An active train track that carries freight and Amtrak passenger trains runs parallel to Wharf Street. Local residents indicate that the train is not necessarily a nuisance to local residents, but that there are concerns for tourists because the area has a large number of tourists during peak season.

The majority of the land uses in the downtown area appear to support the tourist industry. The area has a high concentration of bed and breakfasts, and a number of art, antique, and gift shops. There are also some single family homes in the downtown area, but they are surrounded by the B&B’s. Unlike many downtown areas that have lost businesses important to local residents the downtown of Hermann has a grocer located along First Street.

One of the primary streets in the downtown area is Market Street, which is a north/south traffic artery that begins on the north at the newly constructed bridge across the Missouri River from Highway 19. Market Street is a very wide thoroughfare that was built to be an impressive entry into the community. Another major north/south traffic artery is Guttenberg. The major east/west traffic artery through the downtown area is 1st Street, which is the location of the county courthouse, and the grocer, in addition to many of the businesses that cater to the tourist industry.

Overall the downtown area appears to be very stable and there are signs, particularly along the Guttenberg Corridor, that things are still improving.

Following are pictures of the downtown market area of Hermann:



Hermann Riverfront

Looking north towards the Missouri River From 2nd Street





The new Tin Mill Brewery
near 1st. and Guttenberg

Looking east down 1st Street from near
Shiller Avenue



Looking east down Wharf Street
from near Shiller



Gasconade County
Courthouse on 1st. Street

Looking north down Shiller Avenue from
near 5th Street



Looking north down Market
Street from near 5th Street



View of the Missouri River from near
2nd and Franklin

Looking West at downtown Hermann from near
2nd and Franklin



Looking at buildings on the north side
of 1st Street from Guttenberg Avenue

Bed and Breakfast lodging facilities in downtown Hermann



Bed and Breakfast lodging facilities in downtown Hermann

Bed and Breakfast lodging in downtown Hermann



Bed and Breakfast lodging in downtown Hermann



Bed and Breakfast lodging in downtown Hermann

Wine Valley Inn at 4th and Market



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SECTION III

REVIEW OF PREVIOUS HOUSING MARKET STUDIES

Following are points from downtown studies or reports that were prepared for the city of Hermann that may relate to housing in the downtown market area:

*City of Hermann Downtown Redevelopment Plan
December, 2005*

- *“Actively pursue artisans and craftsmen to locate in the downtown, pursuing the theme of arts and culture in the historic downtown.”*

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SECTION IV

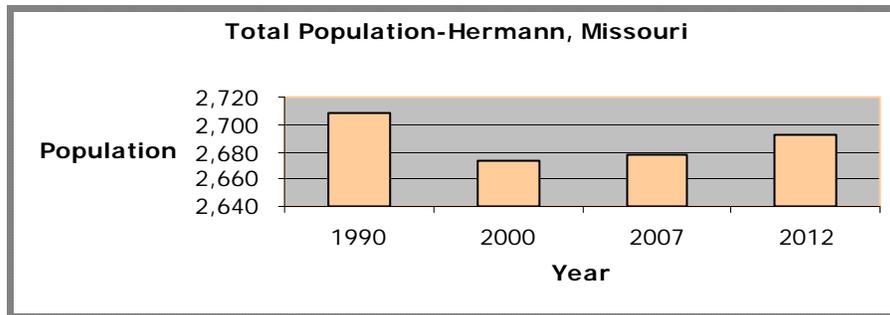
DEMOGRAPHIC OVERVIEW

In this section of the report is population, household, income, and housing demographic data in the market area of Hermann, Missouri. The following information was obtained from the United States Census Bureau, U.S. Department of Agriculture, the Mid America Regional Information System, and several national proprietary data providers, including Applied Geographic Solutions, and Claritas.

Total Population

Total Population						
Year	Hermann	Annual Change %	Gasconade County	Annual Change %	Missouri	Annual Change %
1990	2,709		14,004		5,117,083	
2000	2,674	-0.1%	15,342	1.0%	5,595,211	0.9%
2007	2,678	0.0%	15,751	0.4%	5,877,928	0.8%
2012	2,692	0.1%	16,059	0.4%	6,071,973	0.7%

Source: Applied Geographic Solutions, MHDC

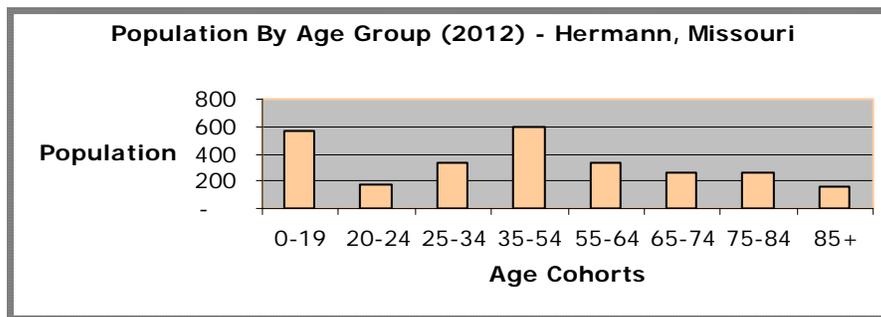
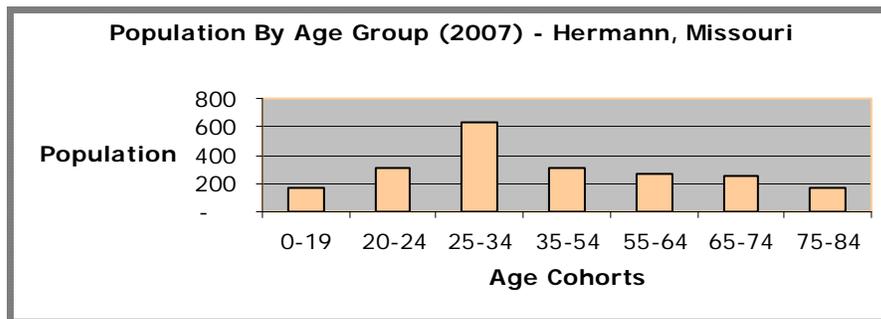


The population of Hermann decreased slightly from 1990 to 2000. It is projected to remain stable from 2000 to 2012. Both the City of Hermann and Gasconade County are projected to grow in population at a percentage rate lower than the state. The lack of population growth in Hermann could be attributed to a lack of jobs and housing.

Population by Age

Population By Age Group Hermann, Missouri								
Age Cohort	1990	Percent	2000	Percent	2007	Percent	2012	Percent
0-19	630	23%	665	25%	581	22%	562	21%
20-24	136	5%	114	4%	163	6%	169	6%
25-34	396	15%	276	10%	313	12%	334	12%
35-54	534	20%	668	25%	637	24%	595	22%
55-64	256	9%	274	10%	307	11%	341	13%
65-74	338	12%	257	10%	260	10%	268	10%
75-84	283	10%	257	10%	248	9%	256	10%
85+	139	5%	165	6%	168	6%	166	6%

Source: Applied Geographic Solutions,
MHDC



The tables indicate that the largest age cohorts in the community are 0-19 years of age and 35-54 years of age. These age groups are expected to remain the largest through 2012.

Median Age of Population

Total Population Median Age	
Hermann, Missouri	
Year	
1990	41.1
2000	42.9
2007	44.9
2012	45.9

Source: Applied Geographic Solutions, MHDC

Total Population Median Age	
State of Missouri	
Year	
1990	33.5
2000	36.1
2007	37.6
2012	38.3

Source: Applied Geographic Solutions, MHDC

The tables illustrate that the median age of the population of Hermann is significantly older than for the state as a whole. One of the implications of an older populace is a declining workforce, particularly in the service industry.

Population by Gender

Population By Gender								
Hermann, Missouri								
Gender	1990	Percent	2000	Percent	2007	Percent	2012	Percent
Male	1,262	47%	1,237	46%	1,254	47%	1,272	47%
Female	1,447	53%	1,437	54%	1,424	53%	1,420	53%

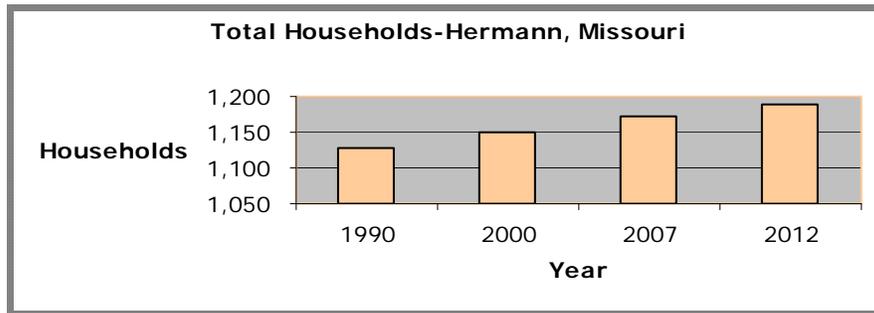
Source: Applied Geographic Solutions, MHDC

The table illustrates that the past population gender distribution that included a majority of females is expected to remain the same through 2012.

Total Households

Total Households				
Hermann, Missouri				
Year	Hermann	Annual Change %	Gasconade County	Annual Change %
1990	1,127		5,542	
2000	1,149	0.2%	6,171	1.1%
2007	1,171	0.3%	6,441	0.7%
2012	1,190	0.3%	6,638	0.6%

Source: Applied Geographic Solutions, MHDC



The tables indicate that between 1990 and 2000 the number of households in Hermann increased slightly and that the projection is for a continued slight increase in households through 2012. Household growth in Gasconade County is occurring at higher rate than the City of Hermann. This could be due to a lack of jobs and housing in Hermann, or it could be due to a lifestyle choice of households who are drawn to rural open country living on a small homestead.

Average Household Size

Average Household Size	
Hermann, Missouri	
Year	Average
1990	2.29
2000	2.22
2006	2.18
2011	2.16

Source: Applied Geographic Solutions, MHDC

Average household size is a statistical average calculated by dividing the number of persons living in households by the number of households (which is the same as occupied housing units). The table illustrates that the average size of households in the city has been on a decline since 1990 and is projected to continue to decline through 2012.

Households by Size

Households By Size								
Hermann, Missouri								
	1990		2000		2007		2012	
Household Size	Number	Percent	Number	Percent	Number	Percent	Number	Percent
1 Person	338	30.0%	404	35.2%	416	35.5%	424	35.6%
2 Persons	420	37.2%	384	33.4%	414	35.3%	425	35.7%
3 Persons	163	14.5%	144	12.5%	135	11.5%	139	11.7%
4 Persons	133	11.8%	152	13.2%	143	12.2%	144	12.1%
5 Persons	54	4.8%	42	3.7%	40	3.4%	40	3.4%
6 Persons	15	1.3%	17	1.5%	13	1.1%	12	1.0%
7+ Persons	5	0.4%	5	0.4%	11	0.9%	6	0.5%
Total	1,128	100.0%	1,148	100%	1,172	100%	1,190	100%

Source: Applied Geographic Solutions, MHDC

The table indicates that there has not been a significant change in the distribution of households in Hermann based on the size of the household. The projections through 2012 are the same.

Tenure by Number of Households

Tenure Patterns By Households				
Hermann, Missouri				
	Owner Occupied Units		Renter Occupied Units	
Year	Number	Percent	Number	Percent
1990	825	73%	303	27%
2000	820	71%	329	29%
2007	822	70%	349	30%
2012	827	69%	363	31%

Source: Applied Geographic Solutions, MHDC

The table illustrates that the tenure patterns of the community have been changing over time to an increase in renter occupied units and a decline in owner occupied units.

Tenure by Household Size (Owner)

Tenure By Household Size					
Owner Occupied Housing Units					
Hermann, Missouri					
Household Size	1990	Percent	2000	Percent	% Change 90-2000
1 Person	194	23.4%	232	28.7%	19.6%
2 Persons	354	42.7%	287	35.5%	-18.9%
3 Persons	102	12.3%	106	13.1%	3.9%
4 Persons	108	13.0%	136	16.8%	25.9%
5 Persons	43	5.2%	33	4.1%	-23.3%
6 Persons	13	1.6%	12	1.5%	-7.7%
7+ Persons	15	1.8%	3	0.4%	-80.0%

Source: U.S. Census Bureau

The table indicates that the largest percentage of owner occupied housing units is by small households.

Tenure by Household Size (Renter)

Tenure By Household Size					
Renter Occupied Housing Units					
Hermann, Missouri					
Household Size	1990	Percent	2000	Percent	% Change 90-2000
1 Person	160	51.1%	178	52.0%	11.3%
2 Persons	72	23.0%	89	26.0%	23.6%
3 Persons	60	19.2%	44	12.9%	-26.7%
4 Persons	21	6.7%	19	5.6%	-9.5%
5 Persons	0	0.0%	5	1.5%	N/A
6 Persons	0	0.0%	7	2.0%	N/A
7+ Persons	-	0.0%	-	0.0%	N/A

Source: U.S. Census Bureau

The table indicates that the largest percentage of renter occupied housing units has been one-person households.

Tenure by Age of Householder (Owner)

Tenure by Age of Householder					
Owner Occupied Housing Units					
Hermann, Missouri					
Age	1990	Percent	2000	Percent	% Change 90-2000
15-24	7	0.8%	13	1.6%	85.7%
25-34	121	14.6%	86	10.6%	-28.9%
35-44	152	18.3%	145	17.9%	-4.6%
45-54	103	12.4%	139	17.2%	35.0%
55-64	132	15.9%	122	15.1%	-7.6%
65-74	146	17.6%	120	14.8%	-17.8%
75+	168	20.3%	184	22.7%	9.5%

Source: U.S. Census Bureau

The table shows that the community has a fair distribution of homeowners at all ages above 25 years old.

Tenure by Age of Householder (Renter)

Tenure By Age Of Householder					
Renter Occupied Housing Units					
Hermann, Missouri					
Age	1990	Percent	2000	Percent	% change 90-2000
15-24	29	9.3%	31	9.1%	6.9%
25-34	106	33.9%	74	21.6%	-30.2%
35-44	26	8.3%	38	11.1%	46.2%
45-54	18	5.8%	47	13.7%	161.1%
55-64	20	6.4%	26	7.6%	30.0%
65-74	48	15.3%	45	13.2%	-6.3%
75+	66	21.1%	81	23.7%	22.7%

Source: u.s. Census bureau

One of the significant points from the table above is the significant increase in the percentage of renter households between the ages of 45 and 54, which generally is an age cohort which favors home ownership. Another significant point is the decline in the renter age cohort of young households 25-34.

Tenure by Bedrooms (Owner Occupied)

Tenure By Bedrooms (2000)		
Owner Occupied		
Hermann, Missouri		
Bedrooms	Households	Percentage
No BR.	-	0.0%
1	42	5.2%
2	157	19.4%
3	434	53.6%
4	148	18.3%
5 or more	28	3.5%

Source: U.S. Census Bureau

The table above indicates that the majority of the owner occupied homes in Hermann were three bedroom homes.

Tenure by Bedrooms (Renter Occupied)

Tenure By Bedrooms (2000)		
Renter Occupied		
Hermann, Missouri		
Bedrooms	Households	Percentage
No BR.	9	2.6%
1	108	31.6%
2	148	43.3%
3	72	21.1%
4	5	1.5%
5 or more	-	0.0%

Source: U.S. Census Bureau

The table above indicates that the distribution of rental units by bedrooms size is typical in that there are more two-bedroom units, followed by one-bedroom units, and then three-bedroom units. The large number of one bedroom units can be attributed to the significant number of senior rental units in the community.

Female Head of Household with Children

Female Head of Household with Children	
Hermann, Missouri	
Year	Number
1990	48
2000	65
2007	131
2012	141

Source: Applied Geographic Solutions, MHDC

The table indicates that in Hermann there is projected to be a significant increase in the number of households headed by females with children and that the number of households is projected to continue to grow through 2012.

Hispanic Households

Hispanic Households	
Hermann, Missouri	
Year	Number
2000	3
2007	13
2012	16

Source: Applied Geographic Solutions, MHDC

The table indicates that in Hermann there are not many Hispanic households, but the number has increased since 1990.

Households by Income Distribution

Household Income Distribution								
Hermann, Missouri								
Income Cohort	1990		2000		2007		2012	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
< than \$10,000	238	21.1%	124	10.8%	113	9.6%	106	8.9%
\$10,000-\$14,999	113	10.0%	74	6.4%	60	5.1%	54	4.5%
\$15,000-\$19,999	130	11.5%	79	6.9%	64	5.5%	60	5.0%
\$20,000-\$24,999	103	9.1%	98	8.5%	73	6.2%	66	5.5%
\$25,000-\$29,999	128	11.4%	114	9.9%	87	7.4%	64	5.4%
\$30,000-\$34,999	55	4.9%	54	4.7%	93	7.9%	82	6.9%
\$35,000-\$39,999	108	9.6%	102	8.9%	49	4.2%	86	7.2%
\$40,000-\$49,999	134	11.9%	161	14.0%	148	12.6%	105	8.8%
\$50,000-\$59,999	50	4.4%	110	9.6%	137	11.7%	144	12.1%
\$60,000-\$74,999	56	5.0%	90	7.8%	124	10.6%	146	12.3%
\$75,000-\$99,999	7	0.6%	68	5.9%	99	8.5%	119	10.0%
\$100,000 +	5	0.4%	74	6.4%	124	10.6%	158	13.3%
Total	1,127	100.0%	1,148	100.0%	1,171	100.0%	1,190	100.0%

Source: Applied Geographic Solutions, MHDC

The table indicates that there is a wide distribution of households at various income levels in Hermann. The number of households with incomes of \$60,000 or more is projected to increase by approximately 22% between 2007 and 2012.

Cost Burdened Households (Hermann)

The following table illustrates the percentage of cost burdened households as of the last census (2000). A household is cost burdened if their total housing cost exceeds 30% of their income and severely cost burdened if their total housing cost exceeds 50% of their income.

Cost Burdened Households (2000) - Hermann			
	Renter	Owner	Renter & Owner
Total	347	1,162	1,509
Cost Burdened >30%	22.8%	11.4%	14.0%
Severely Cost Burdened >50%	11.5%	4.5%	6.1%
Elderly 1 & 2 Persons	138	312	450
Cost Burdened >30%	21.7%	7.7%	12.0%
Severely Cost Burdened >50%	13.0%	2.6%	5.8%
Single Person Non-Elderly	85	71	156
Cost Burdened >30%	25.9%	25.4%	25.7%
Severely Cost Burdened >50%	16.5%	5.6%	11.5%
Small Fam 2-4 Persons	112	376	488
Cost Burdened >30%	20.5%	2.1%	6.3%
Severely Cost Burdened >50%	7.1%	0.0%	1.6%
Large Fam 5+ Persons	12	56	68
Cost Burdened >30%	33.3%	7.1%	11.7%
Severely Cost Burdened >50%	0.0%	0.0%	0.0%

Source: 2000 Chas Data

Cost Burdened Households (Missouri)

Cost Burdened Households (2000) - Missouri			
	Renter	Owner	Renter & Owner
Total	651,909	1,542,305	2,194,214
Cost Burdened >30%	30.9%	16.7%	20.9%
Severely Cost Burdened >50%	14.8%	6.2%	8.8%
Elderly 1 & 2 Persons	112905	423495	536,400
Cost Burdened >30%	39.4%	17.4%	22.0%
Severely Cost Burdened >50%	18.4%	7.3%	9.6%
Single Person Non-Elderly	248083	201663	449,746
Cost Burdened >30%	31.5%	26.3%	29.2%
Severely Cost Burdened >50%	15.7%	10.6%	13.4%
Small Fam 2-4 Persons	244194	771,144	1,015,338
Cost Burdened >30%	27.1%	14.0%	17.2%
Severely Cost Burdened >50%	12.7%	4.6%	6.5%
Large Fam 5+ Persons	46727	146003	192,730
Cost Burdened >30%	26.4%	15.7%	18.3%
Severely Cost Burdened >50%	12.6%	5.1%	6.9%

Source: 2000 Chas Data

A comparison of the preceding tables indicates that Hermann has a much lower number of housing cost-burdened households than the state as a whole.

Housing Units

Housing Units			
Hermann, Missouri			
Year	2000	2007	2012
Housing Units	1,281	1,304	1,326
Occupied Housing Units	1,149	1,171	1,190
Vacant Housing Units	133	133	136
Owner Occ. Housing Units	820	822	827
Renter Occ. Housing Units	329	349	363
% Owner Occ. Housing Units	63.99%	63.03%	62.40%
% Renter Occ. Housing Units	25.67%	26.76%	27.37%
% Vacant Housing Units	10.34%	10.21%	10.23%

Source: Applied Geographic Solutions, MHDC

The table indicates that the number of housing units in the city is estimated to increase by approximately 22 units between 2007 and 2012, that approximately 10% of the housing stock is vacant, and that the projected trend in the city is a decline in the percentage of owner occupied units.

Units in Structure

Units in Structure (2000)		
Hermann, Missouri		
Type	Number	Percentage
1, attached	870	67.9%
1, detached	39	3.0%
2	89	6.9%
3 or 4	96	7.5%
5 to 9	82	6.4%
10 to 19	9	0.7%
20 or more	5	0.4%
Mobile Home	92	7.2%
Total	1,282	100.0%

Source: U.S. Census Bureau

The table shows that as of the last census 71% of the units in Hermann were single unit structures. The balance of the units was spread across the other residential construction types, including 7.2% mobile homes.

Year Structure Built

Year Structure Built (2000)		
Hermann, Missouri		
Year	Number	Percentage
1999 to March 2000	21	1.6%
1995 to 1998	66	5.1%
1990 to 1994	49	3.8%
1980 to 1989	126	9.8%
1970 to 1979	185	14.4%
1960 to 1969	143	11.2%
1950 to 1959	144	11.2%
1940 to 1949	111	8.7%
1939 or earlier	437	34.1%

Source: U.S. Census Bureau

The table shows that as of the last census 90% of the structures in Hermann were built prior to 1990.

Affordable Housing Program Maximum Incomes and Rents

The table below illustrates the maximum income and rents for the HOME and Housing Tax Credit programs for Gasconade County

Maximum Income and Rents for HOME and Housing Tax Credit Programs												
Gasconade County, Missouri												
2007 Median Income	Income %	Maximum Incomes						HOME/LIHTC Rents				
		Persons in Household						Bedroom Sizes				
		1	2	3	4	5	6	0Br	1Br	2Br	3Br	4Br
\$48,000	50%	18,100	20,700	23,250	25,850	27,900	30,000	452	485	581	671	750
	60%	21,720	24,840	27,900	31,020	33,480	36,000	543	582	697	806	900
								HUD Fair Market Rents				
								356	387	501	627	798

Source: HUD, IRS, MHDC

Gross Rent as a Percentage of Monthly Household Income

Gross Rent as % of Monthly HH Income (2000)	
Hermann, Missouri	
Status	Percentage
Less than 15 percent	23%
15 to 19 percent	21%
20 to 24 percent	17%
25 to 29 percent	8%
30 to 34 percent	4%
35 percent or more	18%
Not computed	10%

Source: U.S. Census Bureau

The table shows that as of the last census only 22% of the renter households in Hermann had gross rent that was more than 30% of their income. Households are considered rent burdened if their gross rent exceeds 30% of their income.

Educational Attainment (Pop. 25+ Age)

Educational Attainment (Pop. 25+ Age)			
Hermann, Missouri			
Level	1990	2000	2007
9th to 12th grade, no diploma	13.3%	9.6%	8.7%
Associate Degree	5.6%	5.5%	6.2%
Bachelors Degree	6.6%	11.0%	11.5%
College No Degree	15.2%	18.0%	18.6%
Graduate Degree	2.4%	6.3%	7.0%
High School Diploma	33.4%	35.2%	36.5%
Less than 9th grade	23.5%	14.0%	11.7%

Source: Applied Geographic Solutions, MHDC

The table indicates that the educational attainment level has been increasing.

Marital Status (Pop. 15+ Age)

Marital Status (Pop. 15+ Age)			
Hermann, Missouri			
Status	1990	2000	2007
Divorced	6.6%	7.9%	7.8%
Never Married	16.1%	17.5%	17.3%
Now Married	61.1%	54.4%	54.4%
Separated	1.7%	6.6%	6.7%
Widowed	14.5%	13.7%	13.7%

Source: Applied Geographic Solutions,
MHDC

The table indicates consistent marital trends in Hermann between 2000 and 2007.

IRS Migration Data

Taxpayer migration data is a very helpful tool in tracking the movement of households into and out of the market area. The data is maintained at the county level by the Internal Revenue Service and provides a clear representation of migration patterns. Following are tables that show the migration patterns for Gasconade County.

The migration tables that follow indicate that Gasconade County attracts more than 400 new households annually, but it also loses close to 400 households annually. Between 2003 and 2005 the net migration statistics for Gasconade County were slightly positive, but in 2006 the county lost as many households as it gained.

The tables also indicate that most of the household gains in Gasconade County were from Franklin County, but that in 2006 the trend was reversed and Gasconade County had a net loss of households to Franklin County. The tables also indicate that Gasconade County has always had a positive migration trend with St. Louis County.

The migration data is only available at the county level, but since Hermann is the largest city in Gasconade County it can be assumed that the migration patterns of the county may be reflective of the migration patterns of Hermann.

Gasconade County In-Migration

Gross Annual Household In-Migration								
Gasconade County, Missouri								
County of Origin	2003		2004		2005		2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Total In-Migration	405	100%	412	100%	438	100%	411	100%
Total In-Migration Same State	327	81%	341	83%	347	79%	336	82%
Total In-Migration Out of State	78	19%	71	17%	91	21%	75	18%
Franklin County, MO	115	28%	122	30%	131	30%	122	30%
St. Louis County, MO	31	8%	34	8%	42	10%	30	7%
Maries County, MO	29	7%	15	4%	16	4%	25	6%
Osage County, MO	9	2%	20	5%	13	3%	18	4%
Crawford County, MO	16	4%	15	4%	23	5%	16	4%
Montgomery County, MO	11	3%	14	3%	15	3%	16	4%
St Charles County, MO	9	2%	15	4%	16	4%	15	4%
St Louis City, MO	10	2%	9	2%	0	0%	13	3%
Jefferson County, MO	10	2%	13	3%	11	3%	12	3%
All Other Counties	165	41%	155	38%	171	39%	144	35%

Source:Internal Revenue Service

Gasconade County Out-Migration

Gross Annual Household Out-Migration								
Gasconade County, Missouri								
Destination County	2003		2004		2005		2006	
	Number	Percent	Number	Percent	Number	Percent	Number	Percent
Total Out-Migration	384	100%	408	100%	373	100%	411	100%
Total Out-Migration Same State	312	81%	345	85%	306	82%	336	82%
Total Out-Migration Out of State	72	19%	63	15%	67	18%	75	18%
Franklin County, MO	89	23%	95	23%	82	22%	128	31%
St. Louis County, MO	21	5%	29	7%	19	5%	21	5%
Maries County, MO	12	3%	27	7%	25	7%	25	6%
Osage County, MO	20	5%	11	3%	21	6%	16	4%
Crawford County, MO	23	6%	22	5%	11	3%	13	3%
Montgomery County, MO	10	3%	15	4%	19	5%	23	6%
St Charles County, MO	12	3%	9	2%	12	3%	9	2%
St Louis City, MO	9	2%	10	2%	9	2%	13	3%
Jefferson County, MO	9	2%	9	2%	9	2%	12	3%
All Other Counties	179	47%	181	44%	166	45%	151	37%

Source:Internal Revenue Service

Gasconade County Net-Migration

Net Annual Household Migration				
Gasconade County, Missouri				
County	2003	2004	2005	2006
	Number	Number	Number	Number
Franklin County, MO	26	27	49	-6
St. Louis County, MO	10	5	23	9
Maries County, MO	17	-12	-9	0
Osage County, MO	-11	9	-8	2
Crawford County, MO	-7	-7	12	3
Montgomery County,MO	1	-1	-4	-7
St Charles County, MO	-3	6	4	6
St Louis City, MO	1	-1	-9	0
Jefferson County, MO	1	4	2	0
All Other Counties	-14	-26	5	-7
Net Migration	21	4	65	0

Source:Internal Revenue Service

SECTION V

ECONOMIC OVERVIEW

The following section includes an analysis of the economy of the market area. The analysis will focus on employment by industry, the major employers, and the area employment, unemployment, and labor force trends.

MHDC has obtained economic information from the Missouri Department of Economic Development, Bureau of Labor Statistics, U.S. Census Bureau, and the Hermann, Missouri Chamber of Commerce.

Local Area Employment

Employment/ Unemployment

Local Area Employment - Gasconade County					
Year	Labor Force	Employment	Unemployment	Unemployment Rate	Missouri Unemployment Rate
2002	7,617	7,189	428	5.6%	5.2%
2003	7,498	7,028	470	6.3%	5.6%
2004	7,571	7,102	469	6.2%	5.8%
2005	7,674	7,240	434	5.7%	5.3%
2006	7,984	7,543	441	5.5%	4.8%
2007	8,073	7,626	447	5.5%	5.0%

Source: Department of Economic Development

The preceding table indicates that unemployment rates in Gasconade County have been improving from 2004 to 2007, but has consistently been higher than the state unemployment rate.

Hermann Area Major Employers

Major Employers - Hermann Area		
Employers	Type of Business	Employees
Pretium Packaging	Manufacturing	125
Stone Hill Winery	Manufacturing	85
Laser Light Technology	Manufacturing	50
Lennertson Sample Co.	Manufacturing	50
Moore Gear	Manufacturing	50
Home, Inc.	Manufacturing	10
CFV Plastics	Manufacturing	50
Hermann Area Hospital	Healthcare	160
Hemannoff Winery	Manufacturing	30
Frene Valley Health Center	Healthcare	120
Public School District	Education	150
Tri-County Trucking	Transportation	50

Source: Hermann Chamber of Commerce

Area Employment by Industry

The following table details the average employment by industry and monthly wages for Gasconade County, Missouri.

Average Employment and Wages - Gasconade County, Missouri								
Industry	2007*		2006		2005		2004	
	Avg. Employment	Avg. Mthly. Wages						
11 - Agriculture, Etc.	?	\$996	?	\$1,115	?	\$1,018	17	\$1,063
21 - Mining	?	\$3,632	?	\$6,966	?	\$13,307	6	\$8,046
22 - Utilities	?	\$441	?	\$527	?	\$438	?	\$399
23 - Construction	206	\$2,097	218	\$2,238	222	\$2,073	238	\$2,182
31 - Manufacturing	1,762	\$2,790	1774	\$2,884	1523	\$2,864	1470	\$2,800
42 - Wholesale trade	182	\$2,907	194	\$2,913	317	\$5,480	283	\$4,941
44 - Retail Trade	660	\$1,628	667	\$1,600	824	\$1,770	787	\$1,736
48 - Transportation and warehousing	195	\$2,971	180	\$3,061	180	\$2,905	240	\$2,728
51 - Information	46	\$1,824	47	\$1,927	45	\$1,914	45	\$1,915
52 - Finance & Ins.	134	\$2,342	128	\$2,153	117	\$2,182	107	\$2,141
53 - Real estate	41	\$1,774	37	\$1,929	43	\$1,513	31	\$1,695
54 - Professional and technical services	107	\$1,751	103	\$1,833	91	\$1,775	89	\$1,733
55 - Mgmt. (companies)	0	\$1,354	?	\$1,520	?	\$1,564	?	\$1,591
56 - Administrative, etc.	252	\$571	306	\$622	248	\$637	151	\$545
61 - Educational	477	\$1,897	423	\$1,951	422	\$1,851	401	\$1,856
62 - Health care, social	759	\$2,146	718	\$2,101	680	\$1,985	650	\$1,941
71 - Arts, etc.	112	\$1,151	125	\$1,183	126	\$1,327	118	\$1,363
72 - Accom. & food svcs	475	\$923	469	\$1,025	467	\$1,153	475	\$1,108
81 - Other services	154	\$1,312	159	\$1,350	171	\$1,343	145	\$1,314
Public Administration	194	\$2,073	230	\$2,031	202	\$1,979	193	\$1,910

*Information available to date

Source:U.S. Census Bureau

The table indicates that the most predominate job sector in Gasconade County is manufacturing. According to the statistics the manufacturing sector had been gaining a significant number of jobs in the county over the last few years, but last a small number between 2006 and 2007. Wages in the counties largest job sector have been stable, but also showed a slight decline between 2006 and 2007.

The counties ability to maintain and increase its level of manufacturing jobs will be impacted by its ability to attract and retain its workforce.

Hermann has an industrial park that is home to many of the manufacturing businesses in the county, but a large share of its economy is based on tourism. The area is known as the Heart of Missouri Wine Country because of its large number of local wineries. The wineries and the old world charm of the city, attract tourists from all parts of the country and the world who enjoy being able to step back into an old world village. The area boasts of over 75 bed and breakfast Inns and generally has a festival at least every month.

Following is an economic update that was provided by the Economic Development office of Hermann:

February 13, 2008

ECONOMIC DEVELOPMENT UP-DATE

This information is based upon the efforts of the Economic Development Office since it was established in May 2005. The developments of this office are a part of a team effort from the Mayor, Aldermen, City staff, City Administrator, Meramec Regional Planning Commission, City Engineer, both civil and electric, the State of Missouri, Federal Government, and various boards within the City.

Industrial Park:

All buildings are currently sold and are operating.

Employees in Industrial Park-Several companies have seasonal business and are up and down. Two of the companies have openings today.

Over the last two years, we have been able to-

- a. Help with the Moore Gear expansion, which has increased their employment opportunities. An investment of \$250,000.00 or more. A gain of ten new jobs.
- b. Assisted with expansion (new equipment) at DamHorst Toys. Total investment of improvements \$25,000.00 or more. A gain of five new jobs.
- c. Promotion and sale of Steven's Toy to First Bank Service Center. Total Investment of estimated two million dollars. Gain of seventy new jobs.
- d. Sale of the Leather Tech building to First Bank Service Center. New jobs to come as soon as building is renovated. Estimated improvements one to two million dollars
- e. Morrison Apparel, new apparel factory. Estimated improvements, four hundred thousand dollars. A gain of twenty new jobs.

- f. 1 Soy food grade soybean processing plant. Estimated cost five million dollars. Will be built in 2008 and 2009. A gain of thirty-one new jobs.
- g. One lot is left in the park and efforts are underway to develop more lots across from the concrete plant in the Industrial Park. Cost expected to be twenty-five to 50,000.00 dollars.
- h. No plants have currently closed in the park. By filling the empty buildings and the remodeling of existing business, we have a gain of 136 new jobs.

Pretium packaging is outside of the Industrial Park and has done an extensive up-grade of their electrical system. This has enabled them to move towards the future with a source of energy they can depend on. The City was a participant in their remodeling efforts. Estimated cost of improvements four hundred thousand dollars.

Retail: Village Plaza

- a. In the Village Plaza Shopping Center, a Pharmacy was added a gain of six new jobs.
- b. A Health and Fitness Club was added in the same center with five new jobs.
- c. A Pizza Hut Restaurant was added with ten new jobs.
- d. Doctors Office was added with four new jobs.

These jobs in this area are not all replacement jobs since the business was not here before. Cost estimate for these new retail shops eight hundred thousand dollars.

Bavarian Hills:

- a. Orscheln Farm and Home was added to our retail mix. Investment two to three million dollars. A gain of twenty new jobs.
- b. ALCO will start construction soon with twenty-five new jobs. Project cost two to three million dollars.
- c. Talks are underway for more retail locations at this site that will be developed in 2008 and 2009. Cost to complete center from retail investment five to six million dollars.

Business that has relocated:

- a. M.F.A Feed Store expanded to Highway 100 West and added clothing, hardware, and farm supplies to their operation. The jobs were here and transferred to the new location. Cost for the new unit and inventory seven hundred fifty thousand dollars.

Hermann Hospital:

- a. The new addition, which will be completed in April 2008, cost fourteen million dollars and has 20,000 square feet. The overall Hospital size will be 60,000 square feet. This asset for Hermann is irreplaceable for continued development, which the City supports any way possible.

Hermann Schools, Public, and Private:

- a. The State of the Art school system we have is like the Hospital. It is a true asset for continued progress in Hermann. The City is and continues to support these valuable assets.

Downtown:

Businesses are seasonal in this area, so I will discuss the new business that have opened and are open all year.

- a. Trappers Grill, a fine dining restaurant with twelve new jobs.
- b. Wings A' Blazing, another fine restaurant with eight new jobs.
- c. A Time for Pie, pie and coffee shop with four new jobs.
- d. The Junction Coffee Haus and Gift Shops with eight new jobs.
- e. The Hermann Fitness Source with seven new jobs

It is difficult to determine loss of jobs on old businesses because the buildings were empty for a long time. Total investment for the businesses eight hundred thousand dollars.

Bed And Breakfast:

It is difficult to find out exactly what the job situation was in this area. However, with all the new B & B's best guess is an increase in jobs in the fifty range. I cannot say for sure, but with the tourism tax up fifteen to twenty per cent range, this would indicate real growth. The Hermann Village Cottages and Wedding Chapel overlooking the Missouri River and Rhineland Valley are spectacular. An estimated five million dollar investment in Hermann.

Historic Buildings Downtown:

There are five buildings in different stages of redevelopment using the State and Federal Tax Credits. At this point, I cannot say for sure how many employees these new retailers will be hiring. My best guess is fifteen to twenty new jobs. The main point is the buildings will be put to use. Cost of improving these buildings two million dollars.

Dierbergs East Side Development:

- a. The Tin Mill Brewery has been open a year and a half. The Tin Mill is a Micro Brewery and is open all year. It has filled a void for German style brews.
- b. The European Style Bed & Breakfast above the Fest Hall.
- c. Improvements to the Fest Hall.
- d. The Garten Area for crafts and vendors on Gutenberg.
- e. The Cottages above Hermannhof Winery built from stones out of old farmhouses from the Hermann area.
- f. Rehab of the old Missouri, Power, and Light building, The former Coke warehouse, and the former Harvey's Body Shop
- g. The Creamery to be built and completed in 2008.
- h. The Tin Mill Restaurant to be completed by early 2009.
- i. The Living History Farm completion date 2009-2010.
- j. Infrastructure improvements to Gutenberg Street and area 2008-2009.

Total cost of all Dierberg projects estimated at Fifty Million Dollars.

Amphitheater:

- a. Clara Eitmann Messsmer Donation for a facility with state of the art sound for musical productions. It is located on Gutenberg Street within the Historic District.

Total donation estimated \$500,000.00.

Grants Received or in the Process:

1. Community Development Block Grants
 - a. Morrison Apparel, \$100,000.00 for extending infrastructure to their site in the industrial park. (completed)
 - b. !Soy, \$310,000.00 extending infrastructure to their site in the industrial park.
 - c. Hermann Creamery, \$110,000.00 improving drainage and street improvements on Reserve Street.
 - d. First and Market Street improvements \$399,600.00.

2. Downtown Revitalization Enhancement Grants:

- a. First and Market Streets and the new Amtrak Station \$475,000.00.
- b. Gutenberg Street, \$400,000.00. (Application is being worked on now.)
- c. Safe Routes to School, \$72,360.00. Elementary School to Washington/Highway 100.
- d. Safe Routes to School, \$196,500.00. Washington/100 to Middle School.
- e. Safe Routes to School, estimated \$150,000.00. Replacing steps on West 5th Street and extending sidewalk up to sidewalk on 4th Street. (In application process).
- f. Reviewing other potential trail grants to extend hiking biking trails throughout Hermann. (estimated cost \$400,000.00)

SECTION VI

EXISTING RENTAL HOUSING OPTIONS

An attempt was made to document the rental housing inventory in Hermann. Usually this type of report would contain more detail regarding the rental developments, but because most of the developments are small and had no contact information posted it was not possible to gather detailed information. Also, the analyst was able to contact some of the landlords in the community, and although they indicated they did not have any units available for rent, none were willing to provide any other details regarding their rental housing inventory.

The largest rental development in the city is a subsidized senior apartment development. It maintains good occupancy. There are no subsidized rental developments in the city for families. Hermann is one of the few cities in Missouri with a population of 2,000 persons or more that does not have any subsidized rental housing for limited income family households.

In terms of market rate rental housing there are a few small rental developments of no more than six units and what is reported to be quite a few single family homes that are for rent. Landlords were reluctant to provide specific information about their units but did indicate that the typical rent range is from a low of \$350 to a high of \$600 for two and three bedroom rental units.

The real estate section of the local newspaper only contained ads for a couple of rental properties that were being advertised in the city of Hermann. A check of several local real estate brokers did not yield any information regarding available rental units.

The analyst did learn that there were a couple of units on the upper floors of the Wine Valley Inn at 4th and Market that have been available since they were completed several months ago. They have never been occupied. The units are upper income rentals with rents that exceed \$900.

It also was reported to the analyst that the upper floors of the former City Hall on Shilling, near 2nd Street, has been converted to residential use and has been rented to senior households, age 55+. The rent for the units was reported to be in excess of \$600.

Following are photos of most of the multi-unit rental options in Hermann:



Apartments near 6th and Mozart



Apartments near 6th and Mozart



Apartments on W. 10th Street

Apartments in downtown area on 4th Street



Duplex units near 16th and Jefferson

Apartments near 5th and Goethe





Apartments on W. 16th Street

Duplex on West 16th Street



Former City Hall near 2nd and Shilling now has apartments on upper floors

Herman Manor Senior Apartments (one of three phases)



Apartments on W. 16th Street

Apartments on 3rd and Goethe





Apartments near 11th and Schieffer's
Branch Road

Trailer Park at W. 27th Street



Trailers near 6th and Jefferson

Apartments on upper Floor of Wine
Valley Inn at 4th and Market



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SECTION VII

EXISTING HOME OWNERSHIP MARKET

This section includes brief information regarding the Hermann home ownership market. It is intended to provide information regarding home ownership opportunities in the city of Hermann in order to assess the feasibility of home ownership options in the downtown area of Hermann.

Information available on Realtor.com, a site that lists homes currently for sale by Realtors in the Hermann market, shows that the price range of habitable homes currently for sale in Hermann are from approximately \$40,000 to \$900,000. The largest number of homes currently for sale in the Hermann market seems to be within a range of \$80,000 to \$140,000. The site indicates that there are currently 58 homes listed for sale through Realtors in the Hermann market. That total does not include homes being offered for sale by owners, which could total another 20 to 30 homes for sale.

The following table contains actual sales information over a number of years that was provided by the local multiple listing service.

Multiple Listing Service Sales Statistics

Real Estate Sales Statistics - City of Hermann		
Residential Detached and Attached		
Year	Number	Avg. Price
2007	54	\$ 129,642
2006	44	\$ 138,049
2005	71	\$ 122,062
2004	44	\$ 131,108
2003	26	\$ 111,773

Source: MARIS

The preceding real estate sales information was obtained from the Mid America Regional Information System. The data indicates that sales increased significantly in 2005, but dropped in 2006 and 2007. The average sale price of the homes seems to show an inconsistent pattern over the last few years and took a significant drop between 2006 and 2007. The price fluctuations could be explained by the relatively small size of the community and small number of sales. The price range of upper end homes that may sell in different numbers from year to year could strongly influence the sales price averages.

The data shows that there have not been many documented sales of attached ownership housing in the market. This would include townhouses, condos, and lofts, which are the types of unique ownership units that could be marketable in the downtown market area. The following table illustrates the number of residential housing permits issued in Hermann between 2003 and 2006.

Building Permits

Building Permits - Hermann				
Units in Bldg.	Units			
	2006	2005	2004	2003
1	13	24	11	5
2	0	0	0	0
3 to 4	0	0	0	0
5+	0	0	0	0
Total	13	24	11	5

Source: U.S. Census Bureau

There were a few new homes that were under construction in the city around the lake at the south end of the city. There also is a new subdivision located near 6th and Gellert, but at this time there is no construction activity. Hermann, like many other parts of the country could be feeling the affects of the sub-prime mortgage situation, which has slowed down the real estate industry.

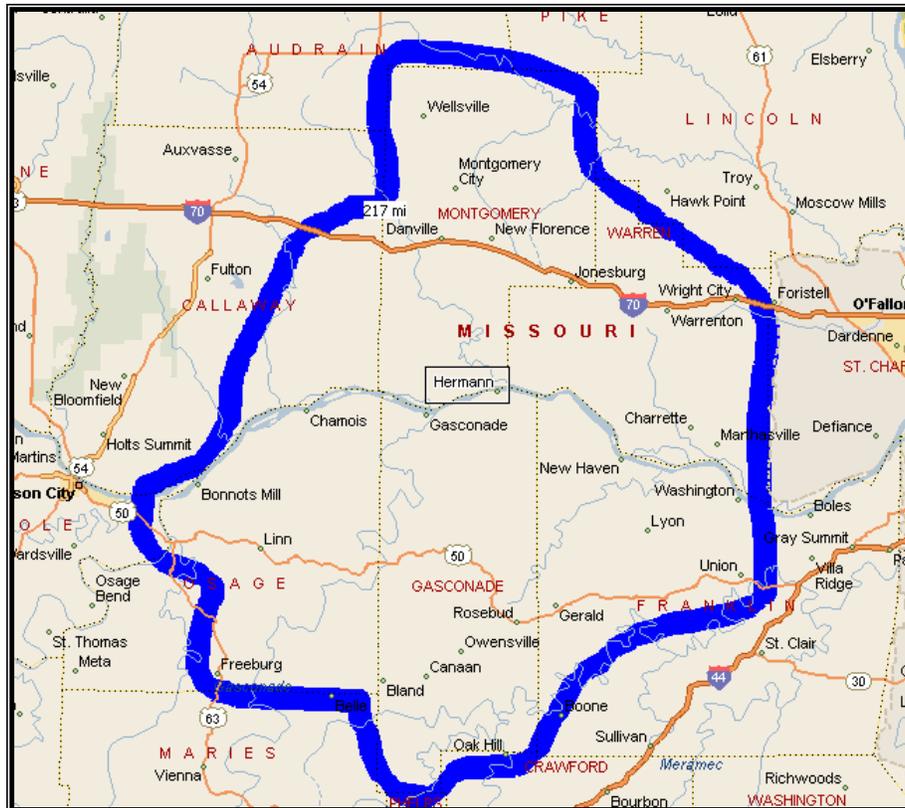
In terms of the downtown revitalization not much competition was noted in other parts of the city for any new ownership units that could be produced in the downtown market area.

SECTION VIII

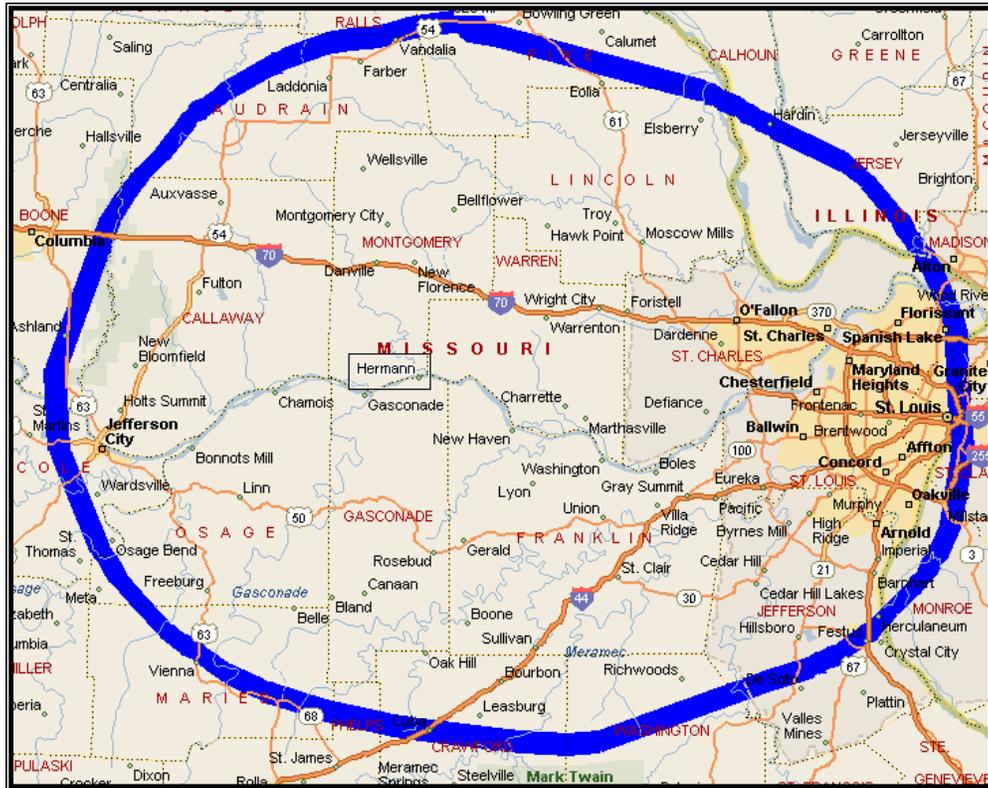
IDENTIFICATION OF PRIMARY AND SECONDARY MARKET AREAS

The primary market area is considered to be the area in which approximately 80% or more of the potential households for new housing in Hermann are expected to come from. Demographic data indicates that approximately 17% of the households living in Hermann move to another residence each year. Local real estate professionals in the market also indicate that many of their clients are residents of the city, but many are also from the surrounding communities. Based on the opinions of the informed participants in the market and the demographic data it is the opinion of the analyst that the primary market area for residential units in the city of Hermann is generally all of Gasconade, Warren and Montgomery Counties and parts of Callaway, Franklin, and Osage Counties.

The following map shows the area that is considered to be the primary market area for purposes of this report.



The secondary market area of Hermann is the area outside of the primary market area that also contains households that could be attracted to residential housing in the city of Hermann. The number of households attracted to residential units in Hermann will be a lot less in number than in the primary market area, but the interest from the secondary market area is consistent. Based on the opinions of the markets real estate participants and considering migration patterns, it is the opinion of the analyst that the secondary market area for Hermann is as shown on the following map.



HISTA Demographic Data

Claritas, Inc., a leading national demographic data provider, working with another company, Ribbon Demographics, has recently developed a unique data product that is designed specifically for housing analysis. The product is called HISTA. HISTA breaks households down by income, household size, tenure and broad age groups. It is a custom four-way cross tabulation of household data; not extrapolations of SF3 data. It eliminates the need for the analyst to perform various extrapolation steps, which is not as accurate as cross tabulation.

Following are the HISTA tables for the Primary Market Area for 2007 and 2012. They will be used for the rental housing demand analysis. The tables contain current household estimates for the Primary Market Area by tenure (renter or homeowner), income, and household size, for age groups 18-54, 55-61, and aged 62+. The same type of tables is shown based on year 2012 household projections. The differences in the number of households in each of the categories provide a good indication of future potential residential growth or decline.

PMA Owner Households (Under Age 55 Years) - 2007 Estimates

Owner Households Under Age 55 Years <i>Current Year Estimates - 2007</i>						
	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	223	84	54	29	31	421
\$10,000-20,000	355	174	184	140	81	934
\$20,000-30,000	605	320	299	228	178	1,630
\$30,000-40,000	472	517	476	426	218	2,109
\$40,000-50,000	277	617	603	602	426	2,525
\$50,000-60,000	220	648	578	758	448	2,652
\$60,000+	223	2,476	2,481	3,169	2,234	10,583
Total	2,375	4,836	4,675	5,352	3,616	20,854

Source: Claritas, Ribbon Demographics

PMA Owner Households (Aged 55-61) - 2007 Estimates

Owner Households Aged 55-61 Years <i>Current Year Estimates - 2007</i>						
	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	140	78	6	4	0	228
\$10,000-20,000	129	94	28	5	4	260
\$20,000-30,000	167	192	45	11	11	426
\$30,000-40,000	154	287	69	11	22	543
\$40,000-50,000	36	428	67	35	15	581
\$50,000-60,000	26	440	122	24	7	619
\$60,000+	127	1,226	417	223	147	2,140
Total	779	2,745	754	313	206	4,797

Source: Claritas, Ribbon Demographic

PMA Owner Households (Aged 62+) - 2007 Estimates

Owner Households Aged 62+ Years <i>Current Year Estimates - 2007</i>						
	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	831	125	5	0	0	961
\$10,000-20,000	1,073	559	15	11	0	1,658
\$20,000-30,000	873	1,088	77	32	12	2,082
\$30,000-40,000	281	1,044	176	17	11	1,529
\$40,000-50,000	226	1,055	131	28	18	1,458
\$50,000-60,000	110	688	56	36	5	895
\$60,000+	266	1,290	375	114	127	2,172
Total	3,660	5,849	835	238	173	10,755

Source: Claritas, Ribbon Demographic

PMA Renter Households (Under Age 55 Years) - 2007 Estimates

Renter Households Under Age 55 Years <i>Current Year Estimates - 2007</i>						
	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	373	140	137	69	46	765
\$10,000-20,000	457	277	187	82	50	1,053
\$20,000-30,000	549	256	184	165	106	1,260
\$30,000-40,000	268	392	207	160	180	1,207
\$40,000-50,000	219	210	166	116	110	821
\$50,000-60,000	99	102	157	103	79	540
\$60,000+	85	202	234	192	206	919
Total	2,050	1,579	1,272	887	777	6,565

Source: Claritas, Ribbon Demographics

PMA Renter Households (Aged 55-61) - 2007 Estimates

Renter Households						
Aged 55-61 Years						
Current Year Estimates - 2007						
	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	144	10	0	0	0	154
\$10,000-20,000	40	35	7	4	3	89
\$20,000-30,000	55	24	6	12	1	98
\$30,000-40,000	26	74	3	0	0	103
\$40,000-50,000	0	11	2	13	1	27
\$50,000-60,000	0	42	15	0	0	57
\$60,000+	<u>59</u>	<u>22</u>	<u>8</u>	<u>0</u>	<u>8</u>	<u>97</u>
Total	324	218	41	29	13	625

Source: Claritas, Ribbon Demographics

PMA Renter Households (Aged 62+) - 2007 Estimates

Renter Households						
Aged 62+ Years						
Current Year Estimates - 2007						
	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	583	8	3	0	0	594
\$10,000-20,000	499	62	7	0	0	568
\$20,000-30,000	183	130	0	6	3	322
\$30,000-40,000	63	84	17	0	7	171
\$40,000-50,000	22	28	4	0	0	54
\$50,000-60,000	0	15	0	0	0	15
\$60,000+	<u>71</u>	<u>67</u>	<u>11</u>	<u>12</u>	<u>10</u>	<u>171</u>
Total	1,421	394	42	18	20	1,895

Source: Claritas, Ribbon Demographics

PMA Owner Households (Under Age 55 Years) - 2012 Projections

Owner Households Under Age 55 Years <i>Five Year Projections - 2012</i>						
	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	201	70	45	24	22	362
\$10,000-20,000	318	136	151	107	67	779
\$20,000-30,000	531	241	237	181	147	1,337
\$30,000-40,000	443	426	423	363	183	1,838
\$40,000-50,000	282	515	556	546	371	2,270
\$50,000-60,000	228	585	528	717	420	2,478
\$60,000+	285	2,761	2,865	3,668	2,590	12,169
Total	2,288	4,734	4,805	5,606	3,800	21,233

Source: Claritas, Ribbon Demographics

PMA Owner Households (Aged 55-61) - 2012 Projections

Owner Households Aged 55-61 Years <i>Five Year Projections - 2012</i>						
	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	148	79	5	3	1	236
\$10,000-20,000	150	89	31	6	3	279
\$20,000-30,000	170	181	44	13	10	418
\$30,000-40,000	166	290	69	11	24	560
\$40,000-50,000	35	409	58	27	22	551
\$50,000-60,000	38	490	133	24	6	691
\$60,000+	181	1,630	597	309	211	2,928
Total	888	3,168	937	393	277	5,663

Source: Claritas, Ribbon Demographics

PMA Owner Households (Aged 62+) - 2012 Projections

Owner Households Aged 62+ Years <i>Five Year Projections - 2012</i>						
	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	789	102	6	0	0	897
\$10,000-20,000	1,026	472	16	10	0	1,524
\$20,000-30,000	962	1,040	77	39	13	2,131
\$30,000-40,000	352	1,150	214	18	12	1,746
\$40,000-50,000	291	1,141	148	31	22	1,633
\$50,000-60,000	145	949	77	47	9	1,227
\$60,000+	<u>404</u>	<u>1,767</u>	<u>546</u>	<u>167</u>	<u>181</u>	<u>3,065</u>
Total	3,969	6,621	1,084	312	237	12,223

Source: Claritas, Ribbon Demographics

PMA Renter Households (Under Age 55 Years) – 2012 Projections

Renter Households Under Age 55 Years <i>Five Year Projections - 2012</i>						
	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	389	125	132	65	43	754
\$10,000-20,000	452	244	168	76	44	984
\$20,000-30,000	525	219	164	154	93	1,155
\$30,000-40,000	276	362	194	157	169	1,158
\$40,000-50,000	241	206	166	114	115	842
\$50,000-60,000	104	98	163	99	92	556
\$60,000+	<u>126</u>	<u>256</u>	<u>305</u>	<u>243</u>	<u>260</u>	<u>1,190</u>
Total	2,113	1,510	1,292	908	816	6,639

Source: Claritas, Ribbon Demographics

PMA Renter Households (Aged 55-61) – 2012 Projections

Renter Households						
Aged 55-61 Years						
Five Year Projections - 2012						
	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	172	10	0	0	0	182
\$10,000-20,000	50	39	8	4	2	103
\$20,000-30,000	66	27	3	10	1	107
\$30,000-40,000	41	100	2	0	0	143
\$40,000-50,000	0	14	1	19	1	35
\$50,000-60,000	0	54	17	0	0	71
\$60,000+	99	32	14	0	11	156
Total	428	276	45	33	15	797

Source: Claritas, Ribbon Demographic

PMA Renter Households (Aged 62+) – 2012 Projections

Renter Households						
Aged 62+ Years						
Five Year Projections - 2012						
	1-Person Household	2-Person Household	3-Person Household	4-Person Household	5+-Person Household	Total
\$0-10,000	617	8	3	0	0	628
\$10,000-20,000	539	58	7	0	0	604
\$20,000-30,000	229	139	0	5	5	378
\$30,000-40,000	89	100	18	0	12	219
\$40,000-50,000	29	30	7	0	0	66
\$50,000-60,000	0	22	0	0	0	22
\$60,000+	113	92	18	20	17	260
Total	1,616	449	53	25	34	2,177

Source: Claritas, Ribbon Demographics

SECTION IX

POTENTIAL RESIDENTIAL DOWNTOWN HOUSING DEMAND

The purpose of this study is to determine if residential development would complement the downtown revitalization efforts, the household type(s) that would comprise the residential market, the type of housing that should be considered, and the approximate number of households that can be captured for residential units in the Hermann downtown market area.

In many cities a growing trend is walkable urban neighborhoods. Walkable urbanity is where people have convenient walking access to many of their typical daily destinations, such as a park, a grocery store, a movie theatre, employment, restaurants, shopping, nightlife and civic institutions. Hermann's downtown by its nature as a tourist based area is very walkable and work has already begun along Guttenberg and 1st Streets to expand its walkable urban village by creating more local and tourist venues.

The river and riverfront area that is a large part of downtown Hermann is one of the greatest assets of the community, but very few residential structures exist to allow residents to view the river from their own residence. An obvious residential opportunity that currently does not exist within the downtown area is residential units with the elevations that allow views of the river. Very few communities have such a tremendous natural asset. Vertical development in the downtown area should be considered to take advantage of the river's attraction.

From a market perspective the assets of the Hermann downtown area are significant. Some of them include the following:

- **Area attractions and tourism:** Hermann has a significant tourist draw in the area's many wineries. The wineries basically create an "open house" for the community.
- **Potential residential sites:** Empty or underutilized buildings, vacant or underutilized tracts of land, and depressed real estate prices are negative attributes in the downtown market, but they also present an opportunity for business and residential development.
- **Culture:** Hermann was settled by a German society and their culture and traditions are still a large part of the community. The area has recently started developing into an art district, with a growing number of small art venues.
- **Niche Shopping:** The downtown area contains a number of antique stores, gift shops, and specialty stores that cannot be found in many nearby communities.
- **Natural Asset:** The area is located along the Missouri River and has magnificent views of the river. The river views are very marketable and can provide the basis for unique housing opportunities.

- **Walkability:** The downtown area is compact with a friendly street pattern that allows for leisurely strolls.
- **Accessibility:** Access to and from the area is relatively easy in all directions.
- **Gathering place:** The riverfront in the downtown area is the site of many major community events.

From a market perspective, the current challenges of the downtown Hermann market area are also present. They include the following:

- **Lack of people presence:** The downtown area needs to attract more permanent residents to the area to help support and attract existing and new businesses and to give the area a 24 hour people presence.
- **Lack of housing opportunities:** The downtown area needs more good quality housing opportunities to attract permanent residents by marketing the unique types of housing experience that would only be possible in the downtown area.
- **Financial constraints:** The low median income in the area limits the amount of rent that can be charged and home prices that are affordable to a large part of the community.
- **Lack of community consensus:** It is the impression of the analyst that there are competing opinions in the community regarding whether to take the passive approach and keep things just the way they are, or to take aggressive steps to do things differently than in the past to try to grow economically and in terms of population.
- **Utility costs:** One of the concerns in the community that the analyst has become aware of is the perception that the utility costs in Hermann are appreciably higher than in comparable communities and that the high cost of the utilities is hurting the real estate market.

Potential market for housing in the Downtown Hermann Market Area

The downtown area of Hermann, Missouri is dominated by land uses that cater to the tourist industry. Hermann annually attracts thousands of tourists to their area, which is known as the heart of the wine country in Missouri. The Hermann area is home to at least seven wineries. A large percentage of the residential units in the downtown Hermann market area are Bed and Breakfast businesses. Many homes and commercial buildings have been transformed to living accommodations for the seasonal flow of tourists, which generally occurs between May and the end of October.

Mixed within the downtown market area are also a small number of residences that are occupied by local households. Most are in attached and detached homes and some are on the upper floors of some of the commercial buildings in the downtown area. Some are owned by the occupant and some are leased. Generally the homes in the downtown area that are owner occupied appear to range in value from \$50,000 to over \$300,000, depending on location and condition.

In downtown communities all across America there has been resurgence towards urban living in downtown areas driven in part by the increase in fuel costs and in part by lifestyle changes and choices. Transportation cost increases and traffic hassles have increased the marketability of housing in urban areas closer to major employment centers. Also, the convergence of the two largest generations in the history of America: the Baby Boomers born between 1946 and 1964, and the Millennials, who were born from 1977 to 1996, represent the emergence of a new lifestyle. Both groups are generally comprised of small households with no children, the prime demographic profile for downtown residential living.

Hermann is a small community, where it does not take long to get from one end to another, so it does not seem likely that savings in transportation costs would induce many households to move to downtown. But, what Hermann does have that most communities in Missouri do not have is the spectacular views of the Missouri River and the small town, old world charm that is present in Hermann. The river views and much of that charm is in the downtown area and has the possibility of drawing households to unique housing opportunities that are just not possible in other communities and are currently very limited in Hermann.

Baby Boomers, households between the ages of 44 and 62, generally create significant demand for new downtown units as they are undergoing lifestyle changes at this stage in their life and generally have sufficient net worth to make a new home purchase. Also called empty nesters because their children have left home, these households form the largest demographic group in the nation and carry considerable economic clout. In small communities like Hermann there generally are no suburbs that Baby Boomers would be moving from, as in most parts of the country, and many may be quite content in their neighborhood. But, there could be retiring Baby Boomers from outside of Hermann who would be interested in relocating to a small quaint community like Hermann.

There is a good possibility of downtown residential demand from Millennials, particularly between the ages of 18 and 31. Households between the ages of 18 and 31 are still in a very transient period in their life and are very open to new and different experiences. The type of housing that can be created in the downtown area of Hermann would be different than currently exists in the community and could have a strong demand from young households in Hermann and some of the surrounding communities.

In between the Baby Boomers and the Millennials is a smaller group known as Generation X, that were born between 1964 and 1977, and who would be approximately 31 to 44 years old. This group is a little mixed because even though they may not be quite as transient as the younger Millennials, they are more transient than the older Baby Boomers. Because they are further along in their careers than Millennials they tend to have more buying power. There could be some downtown residential demand from this group.

There also seems like there could be significant downtown residential demand from senior households who could be attracted to the area because of the services, amenities, and activities it could offer them. The walkability of the downtown area along with the existing tourist type shops already offers advantages for seniors to remain active and socialize. Their increasing presence in the area should also increase other types of businesses that they would support.

The current limited housing opportunities in Hermann means that there is most likely some pent up demand in the market for affordable, quality, and unique housing by both young and older households, and also by prospective renters and homebuyers. What that means is that any new housing options, of good quality, that is generally affordable and well located should enjoy good market demand.

Estimated number of households that could create residential housing demand in the Downtown Hermann Market area within the next few years

The demographic data that will be used for the analysis is a product by Claritas and Ribbon Demographics called HISTA. HISTA breaks households down by income, household size, tenure and broad age groups. It is a custom four-way cross tabulation of household data; not extrapolations of SF3 data. It eliminates the need for the analyst to perform various extrapolation steps, which is not as accurate as cross tabulation.

Following are the HISTA tables for the primary market area (PMA) for 2007 and 2012 and for owner households and renters. The PMA was defined in an earlier section of the report and generally covers all of Gasconade, Montgomery, and Warren Counties, and a portion of Callaway, Franklin, and Osage Counties. The tables contain 2007 household estimates for the PMA by tenure (renter or homeowner), income, and household size, for age groups 18-54, 55-61, and aged 62+. The same type of tables is shown based on year 2012 household projections. The differences in the number of households in each of the categories provide a good indication of future potential residential growth or housing demand. The annual growth potential added to the current years demand estimate provides a good indication of the current demand for the various housing types over the next few years.

The conclusions of the quantitative analysis in the following sections of this study are that currently the downtown Hermann market area could have estimated residential demand from households as follows:

Hermann, Missouri Downtown Residential Market Demand Estimate

<u>Type</u>	<u>Households</u>
Homeownership	4
Market Rate Family Rental Housing	9
Affordable Senior Rental Housing	50
Affordable Family Rental Housing	<u>0</u>
Total	63

Demand Capture Rate Methodology

The quantitative analysis is a capture rate analysis, that is an estimate of the number of qualified households in the primary market area that could create residential demand in the market area of Hermann, and in particularly the downtown area. The estimate is based on the premise that a portion, or percentage of the qualified households that have the propensity to move into, or within the primary market area could be attracted to residential units in the downtown market area of Hermann. A capture rate will be applied to the potential pool of qualified households to yield an estimate of the potential residential draw power of the downtown Hermann area. The capture rate estimate is determined by considering the size of the primary and secondary market areas, the current availability of residential units in the primary market area that would be considered competitive with residential units that could be developed in the downtown Hermann market area, and the market appeal of the downtown Hermann market area.

The Capture Rate Analysis that follows is not intended to be an estimate of the number of new units that should be developed, but as an estimate of the number of likely households within a particular demographic bracket that could be attracted to housing in the downtown market area of Hermann. With that information a developer could then consider how many units could be feasible to produce based on their closer interpretation of the market risk. The analysis includes conclusions by the analyst, but more importantly provides a framework for evaluation that can be considered and used by developers and other interested parties.

HOME OWNERSHIP HOUSING DEMAND ANALYSIS

This section will quantify the household demand for home ownership units in the downtown market area of Hermann. It not only considers the possible demand for housing in the downtown market based on demographic data and market demand methodology, but also considers the contributory value of the housing to the downtown revitalization efforts.

The conclusion of the analysis is that there could be a demand in the City of Hermann from approximately 13 households (1-3 persons, income of \$30K to \$50K) for ownership units (priced from \$85K to 140K), that approximately 4 of those households could be interested in ownership units in the downtown market area, and that the units could complement the downtown revitalization efforts.

Downtown Hermann, Missouri is a very charming area that attracts tourists because of its many wineries and old world charm. Many of the tourists stay in the bed and breakfast establishments in the downtown area. Although a large majority of the land use in downtown is bed and breakfast establishments there are also many permanent residents in single family homes and owners that occupy the upper floor space of commercial buildings where there businesses are located. Not many children were noted in the area, so it appears that most of the homeownership market in the downtown area is by small households, generally without children.

There are currently a few homes for sale in the downtown area. Most are homes that contain three bedrooms or more that are priced from approximately \$250,000 to slightly over \$300,000. These are older homes, some of historic or architectural significance. Also for sale in the downtown area are condominium units in a newer four unit condominium project at 134 E. 2nd Street. The owner indicated that two of the units were sold for slightly more than \$100,000, and that two are currently being marketed, although he indicated that he may hold one of the units for his own use. The owner indicated that the units have been on the market for an extended period of time and that in his opinion the downtown Hermann market area is not ready for loft/condo style home ownership. That same opinion was shared by a few other real estate brokers in the community.

After considering the opinions of the real estate community in Hermann and surveying the downtown area the analyst believes that although at this time there does not appear to be an active home ownership market, that the downtown area has so many positive attributes, including its old world charm, increasing entertainment and shopping venues, the improvements along the Guttenberg Corridor, the amphitheater, the neighborhood grocer and close proximity of other essential neighborhood services and amenities, easy access to rapid transportation routes, and the spectacular views of the Missouri River, that it is possible that there could be a demand for ownership units that are unique and currently not available in the market.

Units that would be considered unique and are not presently being marketed in the downtown area include lofts or condos that take advantage of the spectacular river views, and newer townhouse style units with at least two bedrooms, an enclosed garage, with exterior maintenance provided. These types of units should appeal to empty nesters looking to downsize and relieve themselves of the home maintenance responsibility, or younger households looking for a hip and unique housing situation.

The addition of more permanent housing in the downtown market area would help give the area a year round people presence, which would help to support existing and new businesses that could serve the local population. Many businesses in the downtown area are closed in the evenings and all day early in the week. An increase in the customer base could induce many of the businesses to extend their business hours, which would not only benefit the residents of the downtown area, but the community as well.

It is the opinion of the analyst that increasing the density of residential unit ownership in the downtown market area will complement the downtown revitalization efforts.

Following is the analysis:

\$85,000 - \$140,000 Home Ownership Potential Demand Analysis	
1	Owner Occupied Units (2007) 822
2	Estimated Annual Owner Unit Turnover Rate 4%

3	Existing Homeowner Turnover	33
4	First Time Homebuyers (40% of market)	22
5	Total Estimated Homebuyers	55
6	Estimated Age, Size, and Income Qualified HH (2007)	13
7	Owner Occupied Units (2012)	827
8	Estimated Annual Owner Unit Turnover Rate	4%
9	Existing Homeowner Turnover	33
10	First Time Homebuyers (40% of market)	22
11	Total Estimated Homebuyers	55
12	Estimated Age, Size, and Income Qualified HH (2012)	12
13	Hermann Market Target HH Growth/Decline (2007-2012)	(1)
14	Hermann Market Target HH Current Demand	13
15	Hermann Downtown Market Estimated Capture Rate	33%
16	Hermann Downtown Market Home Ownership Demand*	4

*Based on target household income and size, and home price range

Line 6 is an estimate of the total number of target households in the primary market area in 2007 that was determined by considering the total number of occupied units, the estimated annual turnover rate of existing homeowners, the estimated number of first time homebuyers, and the profile of target households in the downtown area of Hermann. The target profile are small households (1-3 persons), with incomes from \$30,000 to \$50,000.

Line 12 is a projection of the total number of target households in the primary market area in 2012 that was determined by considering the total number of occupied units, the estimated annual turnover rate of existing homeowners, the estimated number of first time homebuyers, and the profile of target households in the downtown area of Hermann. The target profile are small households (1-3 persons), with incomes from \$30,000 to \$50,000.

Line 13 is the projected target household growth/decline in the primary market area from 2007 to 2012 that was determined by subtracting the total target households in 2007 from the target households in 2012.

Line 14 is the average annual target household potential demand (2007-2012) in the Hermann market area.

Line 15 is the estimated capture rate for the downtown market area. It is an estimate of the percentage of target households in the primary market area that would consider homeowner options in the downtown market area.

Line 16 is a current estimate of the number of target households that are expected to be in the primary market area between 2007 and 2012 that could be attracted to homeownership options in the downtown market area, based on the income and home price assumptions used in the analysis.

Following are some examples of the type of townhouse style units that could be developed in the downtown market area:





MARKET RATE RENTAL HOUSING DEMAND ANALYSIS

This section will quantify the household demand for market rate rental housing in the downtown market area of Hermann. It not only considers the possible demand for housing in the downtown market based on demographic data and market demand methodology, but also considers the contributory value of the housing to the downtown revitalization efforts.

The conclusion of the analysis is that there could be a demand in the City of Hermann from approximately 48 households for market rate family rental units, that approximately 9 of those households could be interested in rental units in the downtown market area, and that a few market rate rental units in the downtown market area could complement the downtown revitalization efforts.

At the present time the City of Hermann has very few available rental units in the rent range of \$450 to \$600. The analyst noted very few for rent signs in the community, very few listings for rental units in the local newspaper, contacted several real estate brokers who had no knowledge of available rentals, and spoke with several landlords, all of which indicated that they had no units currently available for rent. Two market rate rental units were available at the Wine Valley Inn at 4th and Market, but those units had an asking rent in excess of \$950. Based on the fact that there are few, if any, available market rate rental units for rent the need is apparent. It is the opinion of the analyst that the addition of market rate rental units in the community would be an asset by helping Hermann retain some of its young citizens and households and to stabilize and expand its available workforce.

In terms of downtown there could be enough available space and demand for approximately 9 to 10 market rate rental units. The downtown market rate rental units would be an asset to the revitalization efforts by adding permanent residents to the downtown market. Additional residents would help give the downtown a larger year-round people presence and provide a possible use for presently vacant and underutilized upper floor space of some of the commercial buildings in downtown. Rental units in the downtown area could be particularly attractive to the growing number of artists that are coming to the community, many of which exhibits their art in shops in downtown. Artists and other young households typically have been the type of households that are attracted to loft style living that is forming in many urban markets around the country. Hermann by contrast is a rural market, but the unique old world charm of its downtown should be attractive to households looking for unique living and housing options.

Following is the analysis:

Market Rate Family Rental Potential Demand Analysis				
PMA Qualified Household Demand (2007)				
		1BR	2BR	3BR
1	Gross Rent (includes utility costs paid by tenants)	\$ 525	\$ 575	\$ 675
2	Percentage of Income to Housing	25%	25%	25%
3	Minimum Income (Affordability)	\$ 25,200	\$ 27,600	\$ 32,400

4	Appropriate Sized (1-5 Person HH) , Income Qualified, Renter HH, Age 18-61 (2007)	1,641	1,399	1,087
5	Percentage of Annual Turnover of Existing HH	<u>25%</u>	<u>25%</u>	<u>20%</u>
	Number of Renter HH Turnover	410	350	217
6	Number of Non-Head of Household Potential Tenants	41	35	22
7	PMA Qualified Household Demand (2007)	451	385	239
8	SMA Qualified Household Demand (2007)	45	38	24
9	PMA and SMA Market Rate Rental Potential Household Demand (2007)	496	423	263
	PMA Qualified Households (2012)	1BR	2BR	3BR
10	Gross Rent (includes utility costs paid by tenants)	\$ 580	\$ 635	\$ 745
11	Percentage of Income to Housing	25%	25%	25%
12	Minimum Income (Affordability)	\$ 27,821	\$ 30,470	\$ 35,770
13	Appropriate Sized (1-5 Person HH) , Income Qualified, Renter HH, Age 18-61 (2012)	1,606	1,421	1,102
14	Percentage of Annual Turnover of Existing HH	<u>25%</u>	<u>25%</u>	<u>20%</u>
15	Number of Renter HH Turnover	402	355	220
16	Number of Non-Head of Household Potential Tenants	40	36	22
17	PMA Qualified Household Demand (2012)	442	391	242
18	SMA Qualified Household Demand (2012)	44	39	24
19	PMA and SMA Market Rate Rental Potential Household Demand (2012)	486	430	267
20	PMA and SMA Qualified Household Growth/Decline (2007-2012)	-11	7	4
21	PMA and SMA Average <i>Annual</i> Potential Demand (2007-2012)	494	425	264
22	Hermann Market Area Capture Rates	3%	3%	2%
		1BR	2BR	3BR
23	Hermann Market Rate Family Rental Demand	15	28	5

24	Downtown Hermann Market Area Capture Rates	20%	20%	0%
		1BR	2BR	3BR
25	Downtown Hermann Market Rate Family Rental Demand	3	6	0

Line 7 is a current estimate of the total number of existing households that form the potential market rate rental housing demand from the primary market area. The estimate was determined by considering the gross market rents (including utility costs), the level of income to housing costs, estimated annual turnover rate of renter households, estimated interest from new renter households, and the HISTA data.

Line 8 is a current estimate of the total number of households that form the potential market rate rental housing demand from the secondary market area. The estimate was made by considering that 15% to 20% of the demand for most rental housing developments typically comes from the secondary market area.

Line 9 is an estimate of the potential market rate rental housing demand from households from the primary and secondary market areas in 2007.

Line 17 is a projection of the total number of households that form the potential market rate rental housing demand from the primary market area. The projection was determined by considering the gross market rents (including utility costs), the level of income to housing costs, estimated annual turnover rate of renter households, estimated interest from new renter households, and the HISTA data.

Line 18 is a projection of the total number of households that form the potential market rate rental housing demand from the secondary market area. The projection was made by considering that 15% to 20% of the demand for most rental housing developments typically comes from the secondary market area.

Line 19 is a projection of the potential market rate rental housing demand from households from the primary and secondary market areas in 2012.

Line 20 is a projection of qualified household growth/decline between 2007 and 2012 and is calculated by subtracting the 2007 household demand estimate from the 2012 projection.

Line 21 is the potential demand that is calculated by considering the current demand in 2007 and the annual growth or decline between 2007 and 2012.

Line 22 is the estimated capture rates for the market area of Hermann, Missouri. These are very conservative estimates of the percentages of qualified households in the primary and secondary market areas that could consider market rate rental units in Hermann market area. The rates take into consideration the fact that there presently are very few available market rate rental units in the City of Hermann and the region as a whole and the drawing power of the community.

Line 23 is a current estimate of the number of qualified households that could be attracted to market rate rental units in the Hermann market area.

Line 24 is the estimated capture rates for the downtown market area of Hermann, Missouri. It is estimates of the percentages of qualified households in the Hermann market that could consider rental units in the downtown area. It is the opinion of the analyst that large family households would not create much demand in the downtown market area because of the lack of schools and play areas and other safety concerns in the area for children.

Line 25 is a current estimate of the number of qualified households that could be attracted to market rate rental units in the downtown Hermann market area.

AFFORDABLE SENIOR RENTAL HOUSING DEMAND ANALYSIS

This section will quantify the household demand for affordable senior rental housing in the downtown market area of Hermann. It not only considers the possible demand for housing in the downtown market based on demographic data and market demand methodology, but also considers the contributory value of the housing to the downtown revitalization efforts.

The conclusion of the analysis is that there could be a demand in the City of Hermann from approximately 71 senior households for affordable rental units, that approximately 50 of the senior households could be interested in rental housing in the downtown Hermann market, and that if a sufficient amount of land or building space were available an affordable senior housing development could complement the downtown revitalization efforts.

Currently the affordable senior developments in Hermann, and the multi-county region as a whole, have good occupancy and in many cases waiting list. The need for quality affordable housing for seniors in Hermann is a present need and a need that will continue to grow as a larger segment of the population everywhere in the United States grows older. Although many seniors are content to age in place, many are seeking to downsize from a larger housing situation and to free themselves from some of the responsibilities of home or farm ownership. Hermann's old world charm is the reason that many seniors would love to stay in their community of Hermann and also the reason that many senior households from outside the community could be drawn to it, if affordable and quality housing was available.

Another reason that new senior housing is necessary in the City of Hermann is because the majority of the existing developments for seniors only contain single bedroom units. There is a preference these days by many seniors, including those currently occupying units in the existing affordable rental housing developments in the community, for the space that a two bedroom unit would offer.

In terms of downtown the analysis concludes that for many reasons an affordable housing development for seniors in the downtown area could be feasible and a complement to the downtown revitalization efforts. The downtown market area of Hermann is a very

walkable area, with a variety of shops, which are desirable attributes to many senior households. It also contains a grocer and a pharmacy, which are two of the most important neighborhood businesses to seniors. And the downtown could have enough available land or building space for a vertical development in the downtown market area.

Following is the analysis:

Affordable Senior Rental Potential Demand Analysis		
PMA Qualified Household Demand (2007)		
		1BR/2BR
1	Gross Rent (includes utility costs paid by tenants)	\$ 500
2	Percentage of Income to Housing	50%
3	Minimum Income (Affordability)	\$ 12,000
4	Maximum Income (Tax Credit Limit)	\$ 23,010
5	Appropriate Sized, Income Qualified, Renter Households, Age 62+ (2007)	543
6	Percentage of Existing Senior Renter Households Likely to Move if New Affordable Housing Were Available	15%
7	Number of Existing Senior Renter Households Likely to Move if New Affordable Housing Were Available	81
8	Appropriate Sized, Income Qualified, <u>Owner</u> Households, Age 62+ (2007)	1,893
9	Percentage of Existing Senior <u>Owner</u> Households Likely to Move if New Affordable Rental Housing Were Available	5%
10	Number of Existing Senior <u>Owner</u> Households Likely to Move If New Affordable Rental Housing Were Available	95
11	Number of Existing Senior Non-Head of Households Likely to Move If New Affordable Rental Housing Were Available	18
12	PMA Qualified Household Demand (2007)	194
13	SMA Qualified Household Demand (2007)	39
14	PMA and SMA Affordable Senior Housing Potential Hsld Demand (2007)	232
PMA Projected Qualified Household Growth 2007-2012		
		1BR/2BR
15	Gross Rent (includes utility costs paid by tenants)	\$ 552
16	Percentage of Income to Housing	50%

17	Minimum Income (Affordability)	\$ 13,248
18	Maximum Income (Tax Credit Limit)	\$ 25,403
19	Appropriate Sized, Income Qualified, Renter Households, Age 62+ (2012)	605
20	Percentage of Projected Senior Renter Households Likely to Move if New Affordable Housing Were Available	15%
21	Number of Projected Senior Renter Households Likely to Move if New Affordable Housing Were Available	91
22	Appropriate Sized, Income Qualified, <u>Owner</u> Households, Age 62+ (2012)	2,100
23	Percentage of Projected Senior <u>Owner</u> Households Likely to Move if New Affordable Rental Housing Were Available	5%
24	Number of Projected Senior <u>Owner</u> Households Likely to Move If New Affordable Rental Housing Were Available	105
	Number of Projected Senior Non-Head of Households Likely to Move If New Affordable Rental Housing Were Available	20
25	PMA Qualified Household Demand (2012)	215
26	SMA Qualified Household Demand (2012)	43
27	PMA and SMA Affordable Senior Housing Potential Hsld Demand (2012)	258
28	PMA and SMA Qualified Household Growth/Decline (2007-2012)	26
29	PMA and SMA Average <i>Annual</i> Potential Demand (2007-2012)	238
30	Hermann Market Area Capture Rate	30%
31	Hermann Affordable Senior Rental Potential Demand	71
32	Downtown Hermann Market Area Capture Rate	70%
33	Downtown Market Area Affordable Senior Rental Potential Demand	50

Line 12 is a current estimate of the total number of existing senior households that forms the potential senior rental housing demand from the primary market area. The estimate was determined by considering the gross market rent (including utility costs), the level of income to housing costs, the maximum tax credit income limits, estimated annual turnover rate of existing senior renter households, estimated interest from senior homeowner households, estimated interest from current non-renter/owner seniors, and the HISTA data.

Line 13 is a current estimate of the total number of existing senior households that form the potential affordable rental housing demand from the secondary market area. The estimate was made by considering that 15% to 20% of the demand for most rental housing developments typically comes from the secondary market area.

Line 14 is an estimate of the potential affordable senior rental housing demand from households from the primary and secondary market area in 2007.

Line 25 is a projection of the total number of existing senior households that form the potential senior rental housing demand from the primary market area. The projection was determined by considering the gross market rent (including utility costs), the level of income to housing costs, the maximum tax credit income limits, estimated interest from current non-renter/owner seniors, estimated interest from senior homeowner households, and the HISTA data.

Line 26 is a projection of the total number of existing senior households that form the potential affordable rental housing demand from the secondary market area. The projection was made by considering that 15% to 20% of the demand for most rental housing developments typically comes from the secondary market area.

Line 27 is a projection of the potential affordable senior rental housing demand from households from the primary and secondary market areas in 2012.

Line 28 is a projection of qualified household growth/decline between 2007 and 2012 and is calculated by subtracting the 2007 household demand estimate from the 2012 projection.

Line 29 is the average annual potential demand that is calculated by considering the current demand in 2007 and the annual growth or decline between 2007 and 2012.

Line 30 is the estimated capture rate for the Hermann market area. It is an estimate of the percentage of qualified households in the primary and secondary market areas that would consider affordable senior rental units in Hermann. The capture rate selected reflects the fact that at the current time any affordable senior housing development that would be produced in the market area would have little competition and should attract a large share of the affordable senior housing market. Normally a capture rate at 30% would appear to be risky, but because the market is so limited in its choices a new development could be expected to attract a large portion of the pool of prospective tenants.

Line 31 is an estimate of the number of qualified households that are expected to be in the primary and secondary market areas between 2007 and 2012 that could be attracted to affordable senior rental units in Hermann.

Line 32 is the estimated capture rate for the downtown Hermann market area. It is an estimate of the percentage of qualified households in the Hermann market area that would consider affordable senior rental units in downtown Hermann. The capture rate selected reflects the fact that at the current time any affordable senior housing development that would be produced in the market area would have little competition and should attract a large share of the affordable senior housing market. Normally a capture rate at 70% would appear to be very risky, but because there are no units currently available in Hermann a new development could be expected to attract most of the pool of prospective tenants in the community.

Line 31 is an estimate of the number of qualified households that are expected to be in the Hermann market area between 2007 and 2012 that could be attracted to affordable senior rental units in downtown Hermann.

AFFORDABLE FAMILY RENTAL HOUSING DEMAND ANALYSIS

This section will quantify the household demand for affordable family rental housing in the downtown market area of Hermann. It not only considers the possible demand for housing in the downtown market based on demographic data and market demand methodology, but also considers the contributory value of the affordable housing to the downtown revitalization efforts.

The conclusion of the analysis is that there could be a demand in the City of Hermann from approximately 60 households for affordable family rental units, but it is the opinion of the analyst that a large affordable housing rental development for families would not complement the downtown revitalization efforts.

The City of Hermann is one of the few remaining communities in the State of Missouri with a population of 2,000 persons or more that does not have a rental development specifically set-aside for limited income households. It is possible that the private sector has been providing rental housing that was affordable to lower income households, but at the present time there are very few available rental units at all in the community. That is also true of the region as a whole. The availability of affordable housing will help the community retain its young individuals and households, many of which must seek housing in other communities, and help to stabilize and increase the workforce. A stable and expanding workforce would benefit the overall economy of the community by making the community more marketable to potential businesses looking to expand into the region and by increasing the potential personal property, business, real estate, and sales tax base.

An affordable housing development like any multifamily development has to be financed, built, and managed. In order to finance and manage it properly it must be large enough to attract equity investors and to afford qualified and diligent property management. Within the downtown revitalization area the analyst did not note any available land or buildings large enough to accommodate the footprint of a horizontal multi-family development. Also, most family rental developments generally have households with children. The downtown area does not have a school or play areas for children, and during peak tourist season the downtown generally will have a large amount of vehicular

and pedestrian traffic, which could pose safety concerns to any children living in the area. So while there could be a demand for affordable family housing in the city of Hermann it is the opinion of the analyst that the downtown area is not conducive to a large multifamily development and that a large rental development for families would not complement the downtown revitalization efforts.

Following is the analysis:

Affordable Family Rental Potential Demand Analysis				
PMA Qualified Household Demand (2007)				
		1BR	2BR	3BR
1	Gross Rent (includes utility costs paid by tenants)	\$ 475	\$ 525	\$ 625
2	Percentage of Income to Housing	35%	35%	35%
3	Minimum Income (Affordability)	\$ 16,286	\$ 18,000	\$ 21,429
4	Maximum Income (Tax Credit Limits)	\$ 23,280	\$ 27,900	\$ 33,480
5	Appropriate Sized (1-5 Person HH) , Income Qualified, Renter HH, Age 18-61 (2007)	487	330	362
6	Percentage of Annual Turnover of Existing HH	<u>25%</u>	<u>25%</u>	<u>20%</u>
7	Number of Renter HH Turnover	122	83	72
8	Number of Non-Head of Household Potential Tenants	37	25	22
9	PMA Qualified Household Demand (2007)	158	107	94
10	SMA Qualified Household Demand (2007)	32	21	19
11	PMA and SMA Affordable Family Rental Potential Hshld Demand (2007)	190	129	113
PMA Qualified Household Demand (2012)				
		1BR	2BR	3BR
12	Gross Rent (includes utility costs paid by tenants)	\$ 524	\$ 580	\$ 690
13	Percentage of Income to Housing	35%	35%	35%
14	Minimum Income (Affordability)	\$ 17,979	\$ 19,872	\$ 23,657
15	Maximum Income (Tax Credit Limits)	\$ 25,701	\$ 30,802	\$ 36,962
16	Appropriate Sized (1-5 Person HH) , Income Qualified, Renter HH, Age 18-61 (2012)	536	298	390
17	Percentage of Annual Turnover of Existing HH	<u>25%</u>	<u>25%</u>	<u>20%</u>
18	Number of Renter HH Turnover	134	75	78

19	Number of Non-Head of Household Potential Tenants	40	22	23
20	PMA Qualified Household Demand (2012)	174	97	101
21	SMA Qualified Household Demand (2012)	35	19	20
22	PMA and SMA Affordable Family Rental Potential Hshld Demand (2012)	209	116	122
23	PMA and SMA Qualified Household Growth/Decline (2007-2012)	19	-12	9
24	PMA and SMA Average Annual/Potential Demand (2007-2012)	194	126	115
25	Hermann Market Area Capture Rates	15%	15%	10%
		1BR	2BR	3BR
26	Hermann Affordable Family Rental Demand	30	20	11
27	Downtown Hermann Market Area Capture Rates	0%	0%	0%
		1BR	2BR	3BR
28	Downtown Hermann Affordable Family Rental Demand	0	0	0

Line 9 is a current estimate of the total number of existing limited income households that form the potential affordable rental housing demand from the primary market area. The estimate was determined by considering the gross market rents (including utility costs), the level of income to housing costs, the maximum tax credit income limits, estimated annual turnover rate of renter households, estimated interest from new potential renter households, and the HISTA data.

Line 10 is a current estimate of the total number of limited income households that form the potential affordable housing demand from the secondary market area. The estimate was made by considering that 15% to 20% of the demand for most rental housing developments typically comes from the secondary market area.

Line 11 is an estimate of the potential affordable housing demand from households from the primary and secondary market area in 2007.

Line 20 is a projection of the total number of limited income households that form the potential affordable rental housing demand from the primary market area. The projection was determined by considering the gross market rents (including utility costs), the level of income to housing costs, the maximum tax credit income limits, estimated annual turnover rate of renter households, estimated interest from new potential renter households, and the HISTA data.

Line 21 is a projection of the total number of limited income households that form the potential affordable housing demand from the secondary market area. The projection was made by considering that 15% to 20% of the demand for most rental housing developments typically comes from the secondary market area.

Line 22 is a projection of the potential affordable housing demand from households from the primary and secondary market areas in 2012.

Line 23 is a projection of qualified household growth/decline between 2007 and 2012 and is calculated by subtracting the 2007 household demand estimate from the 2012 projection.

Line 24 is the potential demand in the PMA that is calculated by considering the current demand in 2007 and the annual growth or decline between 2007 and 2012.

Line 25 is the estimated capture rates for the market area of Hermann, Missouri. It is estimates of the percentages of qualified households in the primary and secondary market areas that would consider affordable rental units in Hermann market area. The rates take into consideration the fact that there presently are very few available affordable family rental units in the City of Hermann and the region as a whole and the drawing power of the community.

Line 26 is a current estimate of the number of qualified households that could be attracted to affordable rental units in the Hermann market area.

Line 27 is the estimated capture rates for the downtown market area of Hermann, Missouri. It is estimates of the percentages of qualified households in the primary and secondary market areas that could form the demand for affordable rental units in the downtown Hermann market area. It is probable that many households would be attracted to affordable family units if they were to be developed in the Hermann downtown area, but since it is the opinion of the analyst that it would not be feasible to develop an affordable housing development the applicable capture rates are estimated as zeroes.

Line 28 is a current estimate of the number of qualified households that could be attracted to affordable rental units in the downtown Hermann market area. The estimate reflects the assumption previously mentioned that an affordable family housing development would not be feasible in the downtown area.

SECTION X

ASSUMPTIONS AND LIMITING CONDITIONS

1. The area description supplied to the appraiser is assumed to be correct;
2. No survey of the area has been made or reviewed by the appraiser, and no responsibility is assumed in connection with such matters. Illustrative material, including maps and plot plans, utilized in this report are included only to assist the reader in visualizing the property. Area dimensions and sizes are considered to be approximate;
3. No responsibility is assumed for matters of a legal nature affecting title to properties in the area, nor is any opinion of title rendered. Property titles are assumed to be good and merchantable unless otherwise stated;
4. Information furnished by others is believed to be true, correct, and reliable. However, no responsibility for its accuracy is assumed by the appraiser;
5. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report. The property in the area is assumed to be under responsible, financially sound ownership and competent management;
6. It is assumed that there are no hidden or unapparent conditions to the subsoil or structures which would render the properties more or less valuable. No responsibility is assumed for such conditions or for arranging for engineering studies which may be required to discover them;
7. Unless otherwise stated in this report, the existence of hazardous material, which may or may not be present in the area, was not observed by the appraiser.

However, the appraiser is not qualified to detect such substances. The presence of substances such as asbestos, urea-formaldehyde foam insulation or other potentially hazardous materials may affect the value of the property. The conclusions in this report are predicated on the assumption that there are no such materials on or in the area that would cause a loss of value. No responsibility is assumed for any such conditions, or for the expertise required to discover them. The client is urged to retain an expert in this field if desired. The analysis and demand conclusions in this report are null and void should any hazardous material be discovered;

8. Unless otherwise stated in this report, no environmental impact studies were either requested or made in conjunction with this report. The appraiser reserves the right to alter, amend, revise, or rescind any opinions of demand based upon any subsequent environmental impact studies, research, or investigation;
9. It is assumed that there is full compliance with all applicable federal, state. And local environmental regulations and laws unless noncompliance is specified, defined, and considered in this report;

10. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless non-conformity has been specified, defined and considered in this report;
11. It is assumed that all required licenses, certificates of occupancy, consents, or other legislative or administrative authority from any local, state, or federal governmental or private entity or organization have been or can be obtained or renewed for any use on which the demand estimate is based;
12. The appraiser will not be required to give testimony or appear in court because of having made this report, unless arrangements have previously been made;
13. Possession of this report, or a copy thereof, does not carry with it the right of publication. It may not be used for any purpose by any person other than the intended users without the written consent of the appraiser, and in any event, only with properly written qualification and only in its entirety;
14. The liability of the appraiser is limited to the intended users only. There is no accountability, obligation, or liability to any third party. If this report is placed in the hands of anyone other than the intended users, they shall make such party aware of all limiting conditions and assumptions of the assignment and related discussions;
15. Acceptance and/or use of this report constitutes acceptance of the foregoing assumptions and limiting conditions.

SECTION XI

APPRAISER'S CERTIFICATION

I certify that, to the best of my knowledge and belief:

- The statements of fact contained in this report are true and correct.
- The reported analyses, opinions, and conclusions are limited only by the reported assumptions and limiting conditions, and is my personal, impartial, and unbiased professional analyses, opinions, conclusions, and recommendations.
- I have no (or the specified) present or prospective interest in the market that is the subject of this report, and I have no (or the specified) personal interest with respect to the parties involved.
- I have no bias with respect to any property that is the within the market of this report or to the parties involved with this assignment.
- My engagement in this assignment was not contingent upon developing or reporting predetermined results.
- My compensation for completing this assignment is not contingent upon the development or reporting of a predetermined value or direction in value that favors the cause of the client, the amount of the value opinion, the attainment of a stipulated result, or the occurrence of a subsequent event directly related to the intended use of this appraisal consulting assignment.
- My analyses, opinions, and conclusions were developed, and this report has been prepared, in conformity with the *Uniform Standards of Professional Appraisal Practice*.
- I have made a personal inspection of the market that is the subject of this report.
- **Robert Odell** provided significant real property appraisal or appraisal consulting assistance to the person signing this certification.

By: **Steve Sillimon**-Certified General Real Estate Appraiser # RA003250
Missouri Housing Development Commission
April 22, 2008