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VERIFIED REBUTTAL TESTIMONY OF STEVE SMITH  
ON BEHALF OF GRANGER WATER UTILITY LLC

Cause No. 45568

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INTRODUCTION

1 1. Q PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

2 A My name is Steve Smith, and my business address is 4404 Technology Dr., South Bend,  
3 IN 46628.

4 2. Q BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

5 A I am the co-owner and managing broker of Irish Realty, a residential brokerage firm  
6 specializing in new construction and development.

7 3. Q PLEASE SUMMARIZE YOUR EDUCATIONAL AND PROFESSIONAL  
8 QUALIFICATIONS.

9 A I have a bachelor of science degree from Valparaiso University in Chemistry. I have been  
10 a board member of the St. Joe Valley Home Builder's Association from 2005-2014, as well  
11 as president in 2013. I have completed over +1,900 residential real estate transactions  
12 representing \$418,000,000 in volume since entering the business in 2005. I am the #1  
13 producing realtor in northern Indiana since 2018. I have also been an agent in more than  
14 200 new construction builds/sales in my career. My family has owned a land development

OFFICIAL  
EXHIBITS

1 company since 1992 called the Cooreman Real Estate Group and developed over 700  
2 homesites in northwest St. Joseph County and Eastern LaPorte County.

3 **4. Q DO YOU HAVE AN OWNERSHIP INTEREST IN GRANGER WATER**  
4 **UTILITY LLC ("PETITIONER" OR "GRANGER WATER") OR ANY OF ITS**  
5 **AFFILIATES?**

6 A No, I do not.

7 **5. Q WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS PROCEEDING?**

8 A I provide rebuttal testimony to the OUCC's witnesses, Carla Sullivan, Shawn Dellinger  
9 and James Parks, each of whose testimony I have reviewed, specifically refuting the  
10 OUCC's assertion that the customer growth projections presented by Granger are  
11 unreasonable and overly optimistic.

12  
13 **GRANGER, INDIANA**

14 **6. Q PLEASE DESCRIBE THE GRANGER AREA.**

15 A Granger is an unincorporated area located in the northeast corner of St. Joseph County,  
16 Indiana. The majority of the Granger area is located in Harris Township and is served by  
17 the Penn Harris Madison School Corporation ("Penn Harris Schools"). There are small  
18 parts of Granger that extend into areas served by Clay Township and South Bend  
19 Community School Corporations, as well as Elkhart County and Elkhart Community  
20 Schools. These areas are distinct and different from the Granger/Penn Harris Schools area.  
21 DeBartolo, a real estate developer, built the University Park Mall northeast of the

1 University of Notre Dame in corn fields annexed into northern Mishawaka in the 1970's,  
2 and a suburban housing boom followed. The largest developer, Adams Rd. Development  
3 run by then founder, Dave Eckrich, Sr., developed more than a dozen neighborhoods and  
4 several thousand homes beginning close to the mall in Granger/Clay Township centered  
5 around the Knollwood Country Club and two golf courses. The Knollwood neighborhoods  
6 then expanded east toward the Elkhart county line developing the vast majority of large  
7 farm tracts sandwiched between the 80/90 toll road and the Michigan State Line. These  
8 neighborhoods include but are not limited to: Knollwood, Knollwood West, Woodland  
9 Hills Estates, Springwood Estates, Quail Ridge South, Quail Ridge North, Quail Valley,  
10 Waterford Green, Brendon Hills, Covington Shores, Fox Chase, Saddlebrook, Northbrook  
11 Shores and Bradford Shores. All of these neighborhoods except Bradford Shores and  
12 Springwood Estates were developed on well and septic. The Granger area has no  
13 particularly large or important economic centers, infrastructure, hospitals, airports,  
14 commercial centers or employment centers. It is characterized by a large amount of  
15 sprawling single family subdivisions and a desirable public school system, which has made  
16 it one of the most sought after and competitive locations for housing in the region.

17 **7. Q PLEASE DESCRIBE THE TYPICAL HOMEBUYER IN THE GRANGER**  
18 **AREA.**

19 A The median household income level of homeowners in Granger is over \$100,000,  
20 contrasted with an approximate \$40,000 median household income in South Bend or  
21 \$43,000 in Mishawaka. The typical homebuyer in Granger is either looking to take  
22 advantage of the desirable public school system, the proximity to restaurants and retail in

1 the Grape Rd/Main St. Corridor or looking to make a smart investment in the superior  
2 resale and strong desirability of the area. This strong desire for Granger/Penn Harris  
3 Schools and now even further segmented down to Discovery Middle School as the only  
4 Blue Ribbon Middle School in the area is only growing. Many buyers in the market have  
5 a strong preference for Granger over Osceola, Mishawaka and South Bend though all have  
6 areas in Penn Harris Schools. The strong preference to be in Discovery Middle School  
7 district has also led to higher home prices and greater competition for this specific area.  
8 Many home prices are between \$200-\$600k+ in the Granger/Penn Harris Schools, which  
9 is significantly higher than the median housing price of \$167,000 in St. Joseph County.

10 **8. Q PLEASE DESCRIBE THE GRANGER RESIDENTIAL REAL ESTATE**  
11 **MARKET.**

12 A The Granger residential housing market is very desirable and competitive. The Granger  
13 area has experienced inventory shortages, and the residential real estate market has been  
14 particularly competitive in the Granger area. In 2021, I have seen clients seeking to buy a  
15 \$300-\$400k home in Granger/Penn Harris Schools area make offers \$25,000 over list price  
16 5 times within 2 weeks and lose every time in a highly competitive multi-offer situation.  
17 This experience has become typical rather than atypical with many houses selling above  
18 list price on average. We have seen 10-15% price appreciation in the Granger area in the  
19 past 12 months which is unheard of during my 16 years in the business and from other  
20 agents who've been active in the area 30+ years. A significant portion of the limited  
21 available land located north of the 80/90 toll road and south of the Michigan state line has  
22 been densely developed. Land south of the 80/90 toll road is zoned agriculturally and has

1 a high water table and heavy soils not conducive to basements which are in 90%+ of  
2 residential construction area and not able to be developed on well and septic, with  
3 Mishawaka, South Bend and Elkhart utilities are many miles away from servicing future  
4 development in the area. This lack of land, lack of water/sewer availability and lack of  
5 existing housing supply below 1.0 month's inventory throughout this past year has led to  
6 rapidly rising prices and many buyers being unable to secure a home in the area and settling  
7 for an apartment.

8 **THE HILLS AT ST. JOE FARM SUBDIVISION &**  
9 **CUSTOMER GROWTH PROJECTIONS**

10 9. Q ARE YOU FAMILIAR WITH THE HILLS AT ST. JOE FARMS ("THE HILLS")  
11 SUBDIVISION?

12 A Yes, I am.

13 10. Q ARE HOMEBUYERS INTERESTED IN PURCHASING HOMES IN THE  
14 HILLS?

15 A Yes. Homebuyers and the residential brokerage community have hailed The Hills as a long  
16 overdue and sorely needed addition to housing supply in Granger/Penn Harris  
17 Schools/Discovery Middle School areas. Prior to The Hills opening in 2021, it has been  
18 more than 15 years since a development with more than 100 homesites has been developed  
19 in this area. Demand in The Hills has been virtually unprecedented with my clients alone  
20 taking 15 reservations, of which 8 clients have signed purchase contracts prior to the  
21 opening of the model and the paving of the streets in May 2021. My clients now have 31  
22 reservations and/or contracts, and one of my clients became the first resident in late

1 September when the water and sewer systems came online. Phrases like "it's impossible to  
2 buy a home in Granger/Penn Harris Schools/Discovery Middle School" have now been  
3 mitigated with the new housing options offered by The Hills. The Hills also features a  
4 number amenities that are completely lacking in other developments in the area over the  
5 past 40 years including: sidewalks, a neighborhood park, urban farmhouse styling, tree  
6 lined streets and water and sewer utilities, which have alleviated one of the major concerns  
7 of residents -- the rising health concerns over too densely populated and aging septic  
8 systems throughout the area.

9 **11. Q WHAT IS YOUR OPINION ON WHETHER GRANGER WATER CAN ADD 38**  
10 **CUSTOMERS PER YEAR TO ITS SYSTEM THROUGH NEW HOMES BEING**  
11 **ADDED TO THE HILLS?**

12 **A** Based on my 16 years of experience in the residential real estate industry prior, during and  
13 after the great recession and my industry leading sales experience in residential home  
14 building, development and sales, I believe The Hills can add around 40 customers per year  
15 continuously for the remainder of the 229 subdivision currently contemplated. In the month  
16 of September alone, my clients signed 4 sales contracts and since opening the model home,  
17 momentum has only accelerated, and the pace of sales exceeds 38 homes per year. The  
18 home builder in The Hills is Capstone Builders. Capstone Builders have a dedicated site  
19 manager, many dedicated subcontractors, a fully furnished model home, and recently  
20 introduced a program with 5 rolling spec homes under construction. All of my clients'  
21 purchases thus far have been pre-sold buyers waiting 6-9+ months for delivery of their new

1 home. The addition of quick occupancy or move-in ready (spec) homes will only increase  
2 access to buyers who don't have the time or ability to wait for the building process.

3 There is significant demand for new housing in the St. Joseph County area due to limited  
4 supply. Permits have been steadily rising for the past several years from lows in the mid-  
5 100s/year in St. Joseph County, and I believe permits are headed back to the historic range  
6 of 800-1,000/year. I estimate demand for new homes in the Granger area to be in the 200-  
7 250/year range for the next 5-10+ years based on historic building permits, tight supply,  
8 and household/school preference. The Hills has been in planning since 2017 and enjoys a  
9 superior location, a unique advantage of water/sewer availability, and the strength and  
10 desirability of a large community with additional amenities. The absorption rate is already  
11 clear to see compared to other developments and there are no signs in the marketplace that  
12 this demand will be satisfied or saturated anytime soon. I believe Granger Water's  
13 customer growth of 38 customers per year is reasonable. I believe in a slow year, Granger  
14 Water might add 32-33 customers and in the strongest years, Granger Water could add up  
15 to 40-45 customers. I understand that plans are already underway to install the second phase  
16 of 42 lots in Spring 2022 to try and stay on pace with demonstrated demand.

17 **12. Q IN YOUR EXPERIENCE, ARE CONNECTIONS TO WATER AND SEWER**  
18 **UTILITIES A DESIRABLE FEATURE IN A HOME?**

19 A Yes. Growing up and living in the region for all of my life, I can remember when it seemed  
20 that half the homes in the area were on well and septic and half on water and sewer. At the  
21 time, this was "the way it was" and high property taxes "in the city" sometimes up to 3%  
22 of value annually compared to low taxes "in the county" usually closer to 1% of value

1 annually made a high incentive for homeowners to favor the low tax environment and  
2 assign only moderate value to water and sewer. HB 1001 passed in 2009, and the so called  
3 "circuit breaker" 1%/2%/3% property tax caps added to state law in 2019 brought St.  
4 Joseph County and Lake County in line with the property tax reform state wide. The circuit  
5 breaker eliminated this disincentive to live on water and sewer "in the city," Over the past  
6 decade, I have seen homebuyers exhibit a sharp increase in demand/preference for water  
7 and sewer as more and more home buyers consider it a deal breaker on a purchase and  
8 won't consider a home on well and septic. Increased knowledge and understanding of the  
9 health risks associated with ground water contamination and the high cost of replacing  
10 septic systems has also increased consumer awareness and demand for water and sewer.  
11 My father-in-law was an early adopter and proponent of the value of water and sewer. He  
12 developed two large neighborhoods in the City of South Bend in 2003 and 2004, saying at  
13 the time that water and sewer connections were going to become the standard. At the age  
14 of 22, I didn't see the demand preference at the time but have had a front row seat to watch  
15 it steadily change. I now sell over 300+ homes per year in the Michiana area giving me  
16 personally an approximately 5% market share in the residential housing market so I speak  
17 with potential homebuyers day in and day out about their preferences and can clearly see  
18 the trends changing over time toward home buyers requiring water and sewer service.

19 **13. Q WHAT IS YOUR IMPRESSION OF HOW BUYERS WOULD REACT TO A \$75**  
20 **MONTHLY WATER BILL?**

21 A As I indicated earlier, the price point for homes in The Hills (\$300-\$600k+) leads me to  
22 believe that homeowners buying in The Hills will find a \$75 monthly water bill to be



1 absolutely reasonable and will not depress the customer growth rate for Granger Water.

2 The \$75/mo. flat rate, in my opinion, will be readily accepted by the marketplace.

3 **14. Q WHAT IS THE AVAILABILITY OF BUILDABLE LOT INVENTORY IN THE**  
4 **AREA?**

5 A I understand The Hills currently has 14 contracts, 1 model home, and 5 spec homes. That  
6 leaves 20 lots (some are reserved) remaining in phase 1 (roughly a 6-8 month supply). The  
7 platting and infrastructure for 42 additional lots in phase 2 are already under way, and the  
8 developer plans to release these lots for sale and building when 80% or 32 of 40 lots in  
9 phase 1 are under contract or under construction (specs). There is availability for a total of  
10 229 lots in the current 76 acres owned by the developer estimated to be sufficient inventory  
11 for the next 5-7 years. Lot inventory outside of The Hills is virtually non-existent, which  
12 is a dramatic change that has occurred over the past 3 years. The Hills represents more than  
13 30% of the available lot inventory in Granger/Penn Harris Schools/Discovery Middle  
14 School area and closer to 50% of the inventory that can support homes under \$500,000.

15 **15. Q ARE YOU AWARE OF ANY COMPETITIVE BUILDABLE LOTS BECOMING**  
16 **AVAILABLE?**

17 A Place Builders has released a small phase (25 lots) at Pleasant Valley on well and mound  
18 septic systems off of Ash Rd. Legacy Builders is bringing roughly 30 lots to market off of  
19 Adams Rd. near SR 23. Northbridge Valley phases 4 & 5 (50 lots), currently under  
20 construction in Osceola/Penn Harris Schools is the closest competition, but has high  
21 tension electric lines, no significant water features, few trees, and few common amenities.

1 All of these developments combined are smaller than 229 lots proposed at The Hills and  
2 are insufficient to meet demand.

3 **16. Q DO YOU HAVE ANY ADDITIONAL INFORMATION ON THE**  
4 **DESIRABILITY OF THE GRANGER AREA FOR BUYERS.**

5 A I have spoken thoroughly and comprehensively about the desirability of the Granger area  
6 for buyers. When buyers look on Zillow and see Granger school ratings of 9 and 10  
7 compared to ratings of 1-4 in South Bend and other areas, many buyers view this an easy  
8 decision and the best and most desirable option. Granger's easy access to the 2 major  
9 hospital networks which are the 2<sup>nd</sup> and 3<sup>rd</sup> largest employers in the area satisfies many "on  
10 call" professionals need to live within 25 minutes of work. The Grape Rd./Main St. corridor  
11 is the second largest retail/restaurant corridor in the state second only to the Keystone  
12 Parkway area in Carmel/Indianapolis and provides ample dining, shopping and  
13 entertainment opportunities. Granger has easy access to the 80/90 toll road and South Bend  
14 International Airport. Granger provides a dense population of high value homes which  
15 create stability and desirability in enjoyment and resale value. The Penn Harris Schools is  
16 consistently one of the top in test scores, achievement, graduation rate and other key  
17 performance metrics for admission to college, for athletics, and for other extracurricular  
18 activities.

1 **17. Q HOW IS THE DEMAND FOR GRANGER PROPERTIES VERSUS OTHER**  
2 **AREAS OF ST. JOSEPH COUNTY?**

3 A Granger has a long standing and well documented demand that is superior to other areas of  
4 St. Joseph County due to desirable schools, access to retail, restaurants and entertainment  
5 and enjoyment/resale value. It remains the most desirable area for new construction  
6 housing and one of the most competitive areas to purchase existing housing due to the  
7 geographic limitations of available land within the school district. There is no sign of this  
8 demand waning or being eclipsed by other emerging areas of St. Joseph County in the next  
9 10-20+ years. Having water/sewer available for the first time in a neighborhood of scale in  
10 Granger/Penn Harris Schools is a game changer and buyers are responding with their  
11 buying decisions.

12 **18. Q IS THERE OTHER EVIDENCE OF THE STRONG HOUSING MARKET IN**  
13 **GRANGER?**

14 A Yes. The Wall Street Journal recently ran an article that identified the Elkhart market as  
15 the #1 location on The Wall Street Journal/Realtor.com Emerging Housing Markets Index.  
16 The referenced article is dated October 19, 2021, and is attached as Attachment SS-1. This  
17 is significant because some Granger residents work in Elkhart and Granger is seeing spill  
18 over demand from Elkhart. While the article is about Elkhart, it has applicability to the  
19 Granger market because the trends identified in the article apply to the Granger area and  
20 the Granger area is positively impacted by the Elkhart market.

1

**CONCLUSION**


2   19.   **Q   DOES THIS CONCLUDE YOUR REBUTTAL TESTIMONY AT THIS TIME?**

3       A   Yes, it does.

**VERIFICATION**

I hereby affirm, under the penalties for perjury, that the foregoing representations are true to the best of my knowledge, information, and belief.

Dated: 10/26/21

  
\_\_\_\_\_  
Steve Smith

**ATTACHMENT TO VERIFIED REBUTTAL TESTIMONY OF STEVE SMITH**

Attachment SS-1 – RV Capital of America Tops WSJ/Realtor.com Housing Index in Third Quarter, *Wall Street Journal*, October 19, 2021.

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<https://www.wsj.com/articles/rv-capital-of-america-tops-wsj-realtor-com-housing-index-in-third-quarter-11634635802>

◆ WSJ NEWS EXCLUSIVE | REAL ESTATE

# RV Capital of America Tops WSJ/Realtor.com Housing Index in Third Quarter

Index ranks cities for appreciating housing markets and lifestyle amenities



Elkhart, Ind., boasts an arts scene with community theaters and galleries, as well as a superhero museum and an RV hall of fame.

PHOTO: DAVID KASNIC FOR THE WALL STREET JOURNAL

By Nicole Friedman

Oct. 19, 2021 5:30 am ET

Small U.S. cities dominated The Wall Street Journal/Realtor.com Emerging Housing Markets Index in the third quarter, as high housing costs and remote-work opportunities drive many home buyers to seek out more living and outdoor space.

The housing boom sparked by Covid-19 has been widespread, with prices surging in major metro areas and small towns alike. While the number of home sales has moderated in recent months, demand continues to outpace the supply of homes on the market.

Many smaller metro areas around the U.S. benefited in the past year from inward migration, as residents of bigger cities took advantage of remote work to seek cheaper housing and a different lifestyle. Vacation destinations also boomed.

Elkhart, Ind., which bills itself as the RV capital of the world because its region is the country's leading manufacturer of recreational vehicles, topped the housing index this quarter, followed by Rapid City, S.D., Topeka, Kan., Raleigh, N.C., and Jefferson City, Mo.

The Elkhart area has about 206,000 residents, and the top 10 housing markets in the latest ranking have an average population size of about 330,000.

The index identifies the top metro areas for home buyers seeking an appreciating housing market and appealing lifestyle amenities.

The top-ranked markets this quarter had faster-growing populations and more shopping interest from shoppers outside their metro areas than the market as a whole, said Danielle Hale, chief economist at Realtor.com. News Corp, parent of The Wall Street Journal, operates Realtor.com.

### The WSJ/Realtor.com Emerging Housing Markets Index Fall 2021

Metro areas are ranked according to real-estate market data and economic health. Ranking is as of October 2021.

RANK	CHANGE	AREA	STATE
1	▲	Elkhart-Goshen	IN
2	▲	Rapid City	SD
3	▲	Topeka	KS
4	▲	Raleigh	NC
5	▲	Jefferson City	MO
6	▲	Burlington	NC
7	▼	Coeur D'Alene	ID
8	▲	Eureka-Arcata-Fortuna	CA
9	▼	Johnson City	TN
10		Huntsville	AL
<div> <span>&lt;</span> <span>1</span> <span>2</span> <span>3</span> <span>4</span> <span>5</span> <span>6</span> <span>7</span> <span>...</span> <span>30</span> <span>&gt;</span> </div> <div>10 ▼ entries per page</div>			

Showing 1 to 10 of 300 entries

#### How the Rankings are Calculated

"There's a lot of flux in the housing market because of the flexibility people have," said Ben Ayers, senior economist at Nationwide Insurance. "We've seen huge demand for homes in suburban and exurban areas, as many people decided they want to move out from the center cores."



The recreational-vehicle industry is a major player in Elkhart's economy. The Covid-19 pandemic spurred more RV demand, as households wanted to travel while keeping their distance from others. Wholesale RV shipments in the first eight months of 2021 rose 53.8% from the same period in 2020, according to the RV Industry Association.

Unemployment in the Elkhart area stood at 3% in August, compared with 5.1% on average for the 300 metro areas included in the index. Weekly average wages in Elkhart were \$1,118 in the first quarter, above the \$1,049 weekly average for all the metro areas in the index.

Elkhart sits at the junction of the St. Joseph and Elkhart rivers. The region's attractions include kayaking and canoeing, and an arts scene with community theaters and galleries. It also boasts both a superhero museum and an RV hall of fame.

The city of Elkhart, with a population of about 52,000, is more diverse than the broader metro area. Elkhart's population is about 26% Hispanic and 15% Black, according to census data.

Low mortgage-interest rates have fueled strong demand from first-time home buyers, said Patty Miller, president of the Elkhart County Board of Realtors.

The median home-sale price in Elkhart County rose 12.3% in August from a year earlier to \$209,900, according to the Indiana Association of Realtors. There were 163 homes for sale that month, down from 220 a year earlier.

Market activity has slowed slightly in recent weeks, but "anything under \$250,000 still goes very, very fast," Ms. Miller said. "Those are the hardest to come by and the fastest to sell."



A home for sale in Topeka, Kan., which ranked third on the list.

PHOTO: CHRISTOPHER SMITH FOR THE WALL STREET JOURNAL

About 65% of page views on Elkhart-area property listings came from outside the metro area in the second quarter, up from about 61% a year earlier, according to Realtor.com. The top metro areas for interest in Elkhart listings were Chicago, South Bend, Ind., and Detroit.

North Carolina had three metro areas in the top 20 of this quarter's ranking: Raleigh, Burlington and Durham-Chapel Hill.

Crystal and Richard Haynes moved from Connecticut to Durham about three years ago for a lower cost of living. They bought a four-bedroom house in Granville County, near Durham, in September for about \$223,000.

#### SHARE YOUR THOUGHTS

*What should home buyers look for in an emerging housing market? Join the conversation below.*

"I didn't know how hard it was going to be" to compete in the frenzied housing market this year, Ms. Haynes said. "I would see a house on the market, and the next day it would be pending."

The Wall Street Journal/Realtor.com Emerging Housing Markets Index ranks the 300 biggest metro areas in the U.S. In addition to housing-market indicators, the index incorporates economic and lifestyle data, including real-estate taxes, unemployment, wages, commute time and small-business loans.

Median listing prices in the top 20 markets in the index have risen 13.4% on average in the past year, outpacing a 6.6% rise for all 300 areas, Ms. Hale said. The top 20 markets had a

median price of \$392,800, higher than the overall market's \$359,100, she said.

Write to Nicole Friedman at [nicole.friedman@wsj.com](mailto:nicole.friedman@wsj.com)

## The Hot Housing Market

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