

**HOUSING NEEDS AND MARKETS
IN ROCHESTER AND OLMSTED COUNTY**

**Summary of a report to the
Rochester/Olmsted Community Housing Partnership, Inc.**

Barbara Lukermann

Edward G. Goetz

Patricia Beech

Steven Capistrant

Denise Rogers

Barbara Sporlein

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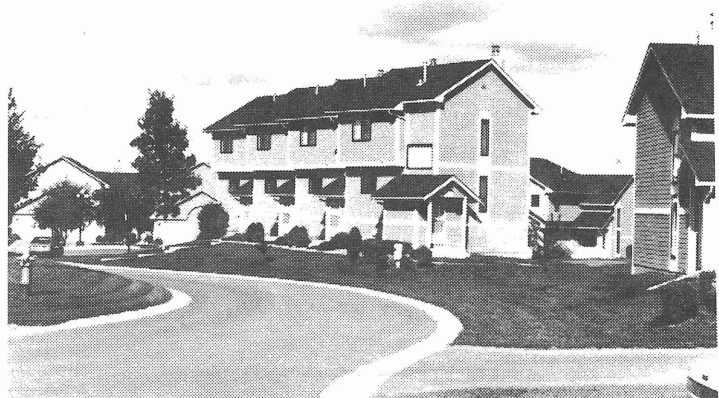
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THE OLD AND THE NEW:

Older single-family homes in Rochester.

New townhouse development in Rochester.



SUMMARY OF HOUSING NEEDS AND MARKET STUDY

Purpose and Scope of the Study

The study on housing needs and markets in Rochester and Olmsted County is designed to:

- Provide a data base that describes and quantifies the unmet housing needs of low and moderate income households in Olmsted County.
- Identify a market niche that the Rochester/Olmsted Community Housing Partnership, Inc. (ROCHP) can fill in addressing those unmet needs in the future.
- Provide an information base that can be periodically updated and become part of the county's housing plan and from which the public and private sector can work cooperatively to maintain and expand the supply of affordable housing.

Organization of the Report

The study findings are organized into seven sections dealing with the following topics:

- Community goals for housing as elaborated by provider agencies, community leaders, and business representatives. Housing supply in the county provided through a profile of the 1989 housing stock including number of units by type, tenure, age, quality, and value.
- Housing needs in the county as indicated by responses to a survey of 1,008 households, focus group interviews and interviews with provider agencies.
- Market report for housing in the county that integrates the housing needs and supply data with community goals to identify critical unmet needs for target population groups and options for future action.

- Successful housing programs undertaken by nonprofit housing agencies and the critical issues for organization and program building faced by nonprofit housing groups.
- Key findings and critical issues for ROCHP to focus upon to achieve the goal of an expanded supply of affordable housing.
- Target population groups where housing needs are particularly acute.
- Suggested action strategies to fill the housing gap for low and moderate income households.

Methodology

The study was conducted from June through December 1989. A variety of approaches were used to provide data for this project. The primary data source was obtained from a random sample survey of 1,008 households in the county. The survey collected information on household characteristics, attitudes, housing needs and housing conditions. These data were complemented with information obtained through interviews with various community leaders and key informants, and with data supplied by cooperating agencies.

Housing stock and conditions data were supplied by the Olmsted County Assessor's Office. These data provided up-to-date information on the type of housing units in the county, their age, size, value and condition.

The supply of and demand for housing is analyzed by four geographic subareas of the county: the City of Rochester, small cities in the county, suburban townships surrounding Rochester, and the outlying rural townships. This facilitates comparisons of housing needs and characteristics throughout the county.

Community Goals and Housing Supply

Community Goals

Personal interviews with community leaders focused on the housing problems facing the county and the preferred roles of the public and private sectors in dealing with the problems.

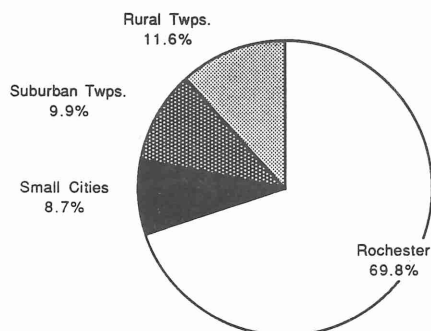
These interviews produced the following findings:

- There is consensus agreement among community leaders and housing service providers that Olmsted County is facing a significant problem with the availability of affordable housing for low income households.
- The provision or production of affordable housing has not been a public policy priority in the past in Olmsted County nor in the City of Rochester. A higher priority should be given to this issue in the future.
- There is confusion over what roles City of Rochester and Olmsted County agencies are now taking, and should take in the future regarding low income housing.

Housing Supply

There are currently 38,375 housing units in Olmsted County. Building in the county has been strong over the past decade, averaging 592 units per year for an increase in units of 11.9 percent since 1980. However, rental units are losing ground in the county, down from 38 percent to 34 percent of all units. The geographic distribution of housing units in the county (see Figure 1) has not changed since 1980.

FIGURE 1
HOUSING IN OLMSTED COUNTY, 1989
(All Housing Units - 38,375)



The housing stock in Olmsted County is dominated by single-family homes--as Table 1 demonstrates. Rochester has the highest percentage of multi-family units, and mobile homes are concentrated outside of Rochester.

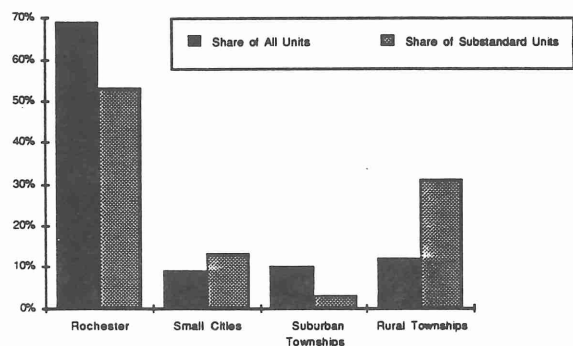
Table 1. TYPE OF HOUSING UNIT

Type	Percent of County Units
Single-family homes	62.6
Plexes and multi-family homes	22.5
Farms	8.0
Mobile homes	5.6
Other	1.3

Substandard Housing

Only 7 percent of residential structures meet the criteria for substandard. However, almost one-third of all substandard units are in the rural areas of the county. These rural areas only account for 12 percent of the entire housing stock. The problem that does exist is thus concentrated in rural areas where there is no housing code (see Figure 2).

FIGURE 2
DISTRIBUTION OF SUBSTANDARD HOUSING UNITS
(Compared to Distribution of All Housing Units)



Subsidized Housing

The amount of subsidized housing in the county has increased dramatically in the past nine years from 795 units in 1980 to 1,624 units in 1989. However, the supply remains small (only 4 percent of the entire housing stock) and inadequate to meet the demand, especially for larger (three or more bedrooms) units. Almost half of the subsidized housing (44 percent) is targeted to the elderly, although only 18 percent of the county's households have persons over 60 years of age.

Housing Needs Assessment

Survey Data Base

A telephone survey of households reached people in seventeen different categories—stratified by geographical area, by renters and owners, by type of housing unit and by income. Each group was proportional to their overall representation in the county so that housing needs of special target groups could be highlighted—the elderly, single-parent families, lower income households and those households spending excessively large amounts of total income just for shelter. The needs assessment, however, focused on households meeting the HUD criteria of low income, and particularly the 17 percent of county households that earned less than 50 percent of the median family income for the metropolitan area, and the 26 percent earning less than 80 percent. These households are categorized as “very low” and “lower” income households respectively.



Elderly high rise housing.

General Findings

The survey findings indicate that lower income households have multiple housing problems. They are more likely to occupy units with physical deficiencies, spend more than a third of their income for shelter, less likely to feel they can become home owners in the future, and more likely to feel a lack of security in their housing situation.

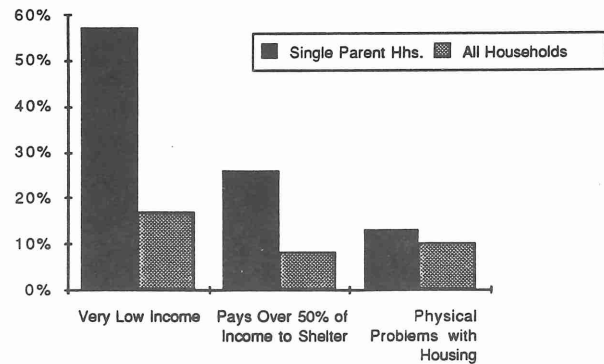
- Thirty percent of households earning under \$45,000 per year pay over a third of their income for shelter.
- Few express dissatisfaction with current housing, but lower income households are more likely to be dissatisfied and half of those who pay over half their income for housing are dissatisfied.
- Those wishing to buy a home find the lack of money for a downpayment to be their greatest impediment.
- Almost 60 percent of those who looked for housing in the last two years said they had trouble finding it.
- High rents and lack of rental units for large families is a particularly acute problem in Rochester.
- There is more subsidized housing available for elderly households, but 13 percent are still paying over half of their income for shelter.

Housing Needs Assessment

Very Low Income Households

- A third of the very low income households have at least one child in the family. Just over 20 percent pay more than half their income for housing; 57 percent rent their home (as compared to 28 percent in the county as a whole).
- Just over 90 percent of very low income households do not receive any government assistance for housing, although they potentially qualify for assistance based on their household size and income.

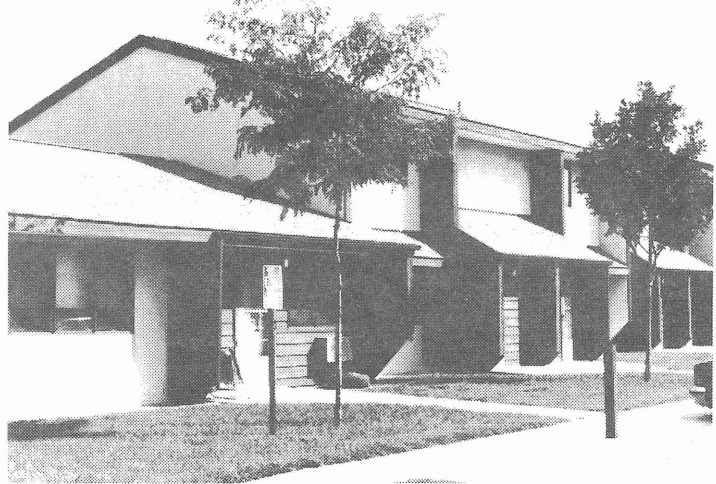
FIGURE 3
HOUSING NEEDS OF SINGLE-PARENT HOUSEHOLDS
COMPARED TO ALL HOUSEHOLDS
(For Households Earning Under \$45,000)



Single-Parent Households

- Eight percent of all households are single-parent families, and just under half of them are renters. Almost 100 percent of the renters want to become home owners but recognize this is not likely to occur within the next two years.
- Over a quarter of all single-parent households are paying more than half of their income for shelter, although they are more likely to be receiving housing assistance through public housing or Section 8 certificates than other groups (see Figure 3).

HOUSING RESOURCES FOR LOWER INCOME HOUSEHOLDS:



Public housing for families.



HRA tri-plex for single persons.

Market Report

Housing Vacancy Rates

Vacancy rates in Olmsted County are very low and the rental market is particularly tight, with an estimated need for an additional 432 units to stabilize the market. Just under 5 percent of existing, older homes were on the market last year (1,745) through the Multiple Listing Service, with the average time on the market less than three months.

Table 2. VACANCY RATES FOR 1988

Single-family units	1.1%
Multiple-family units	3.3
All units	1.9

Source: Federal Home Loan Bank of Des Moines.

Rental Market/Affordability

The tight rental market and the high cost of rental housing create severe difficulties for lower income households. Households receiving different forms of public assistance are particularly burdened. General Assistance recipients must pay between 84 and 142 percent of their monthly cash grant for housing, given the average rents in the county. AFDC recipients must pay between two-thirds and 100 percent of their check to cover typical rents in the county. The alternatives are to share housing, live in substandard units or have below-market rent housing.

During a four-week period in the summer of 1989, only five three-bedroom apartments were

advertised for rent. Average rents by type of unit are listed in Table 3.

A household needing at least four bedrooms would, on average, have to earn approximately \$31,000 to rent a house in Olmsted County. The larger units are more likely to be available in smaller cities outside of Rochester.

Four sub-groups (single-parents, single-person households, singles living together and couples) see themselves as long-term renters, primarily because of low income and low expectations of getting into the ownership market.

Home Ownership Market

A new single-family home in Olmsted County averaged \$115,600 in 1989. Resale homes averaged \$79,649 and sold rapidly, with sales prices rising 12 percent in the last two years. Almost 200 older three-bedroom homes located outside of Rochester sold for under \$60,000—a resource for many lower income families with four or more persons. Only 47 percent of surveyed households who want to buy homes feel it is likely they will be able to do so in the next two years. Respondents give a number of reasons for believing they will be unable to buy a house in Olmsted County (Table 4).

Table 4. OBSTACLES TO HOMEOWNERSHIP

Lack of downpayment	75%
Monthly payments	40
Uncertain job future	10

Table 3. AVERAGE RENTS IN OLMSTED COUNTY

Number of Bedrooms	Apartments	Houses	Plexes	Rooms	Shared
Efficiency	\$195	—	—	\$170	—
One	287	\$246	\$285	—	\$184
Two	420	527	433	—	200
Three	587	604	425	—	—
Four or more	—	777	—	—	—

Source: Rochester Post Bulletin Classified Adds, July 28-August 19, 1989.

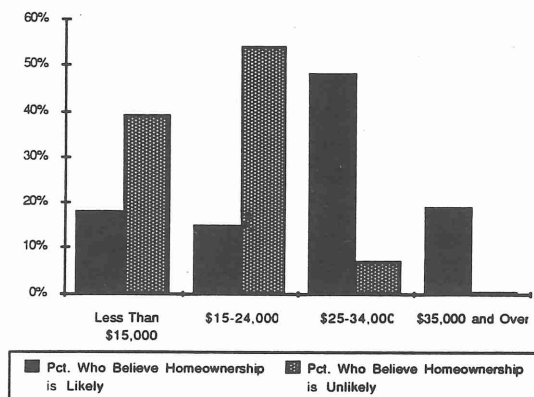
Market Report

Effective Demand for Ownership

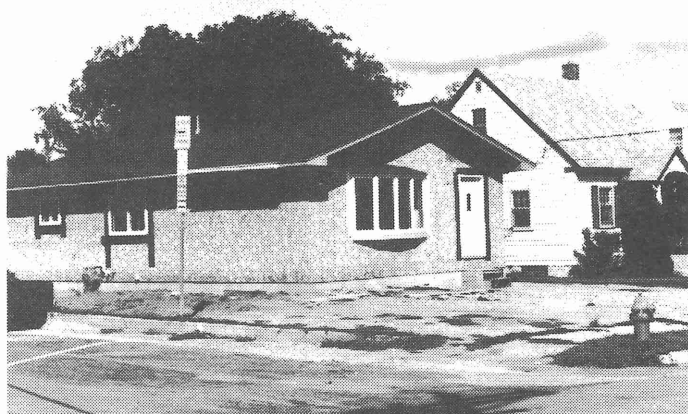
Most of the renters who feel it is likely they will own homes in the future have incomes above \$25,000. Thus, the longer range rental market will be increasingly characterized by lower income households, which correspondingly increases the need for more affordable rental units in the county. The need for additional subsidized housing, so that many of these households are able to afford shelter, is critical.

The long term renter population will not be in a position to pay the current average housing costs of \$497 a month (for households earning less than \$45,000 per year). See Figure 4.

FIGURE 4
HOMEOWNERSHIP OUTLOOK AMONG RENTERS OF
SELECTED INCOME RANGES



Prospects for ownership: modest-cost single-family housing.



Successful Housing Programs and Nonprofits

There is currently no entity in the county producing affordable housing for low income households.

Despite the fact that no two nonprofit housing corporations are alike, several factors are identified as important for the success of nonprofit programs. First, the skills of the organization's membership and board of directors are very important. Second, a wide funding base is conducive to greater activity and longevity. The ability of these groups to rely on federal government support has been reduced due to govern-

ment cutbacks. Additionally, nonprofit groups must tailor the scope and extent of their activity to local conditions. Completion of a needs assessment such as this is the first step to meeting that condition. Clearly defined goals and plans help in fundraising efforts. Responsibility for program implementation can be successfully shared with a larger, more experienced partner. Finally, in the initial stages at least, organizational objectives should be limited to what can reasonably be achieved given local conditions of need and support.

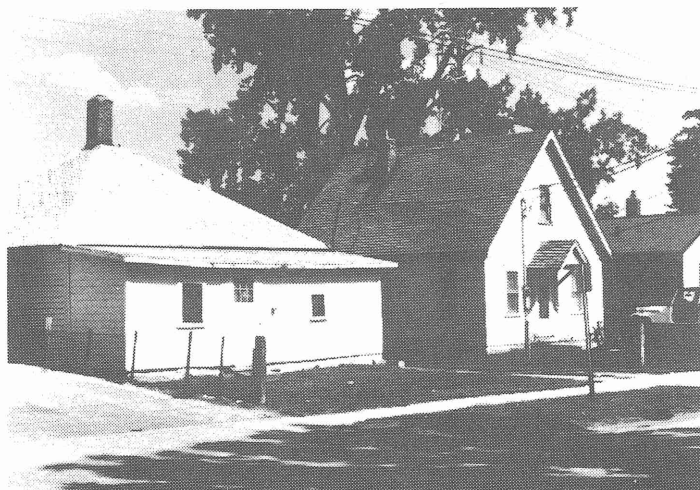
Key Findings and Critical Issues

Some of the critical issues raised by the market study relate to unmet housing needs of specific target populations; other issues point to the need for a different type of partnership between the public agencies, the private financial institutions, the real estate brokers and nonprofit organizations. The most obvious conclusion from our analysis is that neither the private nor the public sector alone has the resources or the know-how to fill significant gaps in the market.

- Market findings confirm the community leaders' perceptions of a large unmet need to expand the supply of affordable housing for low income households—17 percent of all households in the county have incomes that qualify as very low according to HUD definitions. Thirty percent of households earning less than \$45,000 pay over a third of their income for shelter; 8 percent pay over half their income for shelter.
- An extremely tight and high priced rental market makes the search for affordable and decent quality housing extremely difficult all over the county. Twenty-eight percent of all households rent, and the lack of three- and four-bedroom rentals is particularly acute. There is a critical lack of family-sized units renting for less than \$400 per month.
- Housing quality is generally good, but poorer quality units are disproportionately concentrated in the rural areas (including rental farm homes) and in the "plexes" within Rochester. Only 7 percent of the housing stock is graded as poor quality, but 31 percent of these units are in the rural townships where there are no housing codes to require reinvestment in the units. The poorer quality

units are occupied more often by lower income households, both renters and owners, and by the refugees.

- Given the concentration of substandard units in rural areas, renovation may result in price increases. There is thus a need for a program to improve the quality of rural housing while keeping the units affordable.
- A truth-in-housing program is needed to help buyers make informed choices and give information about hazards of housing in the flood plain and about structural defects in housing.
- Less than 10 percent of all households indicate they are dissatisfied with their current housing, but for households spending more than half their income on shelter, 50 percent express dissatisfaction. Dissatisfaction is concentrated with those having the highest shelter burdens. Additional affordable units in both Rochester and in the smaller cities would fill a need felt by these households.
- The Rochester Housing and Redevelopment Agency is to be commended for doubling the inventory of public and subsidized housing in the 1980s but the inventory of around 1,700 units is still far below the goal of 3,900 units set in 1981. The 260 households on the HRA waiting lists for one of the 307 units are likely to wait for twelve to eighteen months before any unit can be offered.



Older, lower quality housing.

Key Findings and Critical Issues



Subsidized multi-family units.

- The shortage of subsidized housing for households who qualify on an income basis is an extremely serious problem. Ninety-one percent of households with a very low income (below 50 percent of the area median family income) do not have any housing assistance. Little opportunity is seen for federal funds to fill this gap. Other strategies must be pursued concurrently with the acquisition of additional Section 8 housing vouchers and certificates.
- The community could be faced with the threat of some losses in the existing supply of subsidized housing as building owners become eligible to opt out of their contracts with the federal government. Cooperative efforts between the public and private sectors should begin soon to find ways to keep these units affordable to lower income households.
- Multiple incomes in a household do not necessarily bring the members out of low income status. Forty percent of households earning less than 80 percent of median family income, and 15 percent of households earning less than 50 percent, have two or more persons earning income. This limits opportunity for these households to move to better or more appropriate housing. The “double income working poor” is a longer term issue for the Olmsted County market.

- Many lower income households express interest in becoming homeowners. The majority who feel it is likely that they will do so in the next two years have incomes over \$25,000—which may make them eligible to participate in the MHFA first time buyer program. The lack of downpayment funds, however, is a crucial impediment for many who wish to shift into homeownership.
- The county’s HRA is presently dormant. There is essentially no agency with the institutional objective of providing affordable housing to county residents. Nor is there an operating nonprofit group in the area to take on that role. This vacuum has led to a situation in which housing has failed to become a public policy priority in Olmsted County.

Transient housing.



Target Population Groups

The following target population groups were identified by community leaders and the needs assessment study as those most in need of more affordable housing. Each priority target population is described below.

Large families (with three or more children)



Opportunities for ownership are limited because of income constraints, but support for additional scattered site public housing in Rochester is needed. Many of the rural larger houses that are for rent are not in sound condition. Some are owned by older persons and resale and upgrading could reduce the supply. Programs that provide incentives for renovation and preservation of these units for lower income families could fill a special market niche. This housing resource should be protected and upgraded.

Single parents



Both rental and ownership options are needed, dependent upon the size of the family and their income. Many in this category are eligible for subsidized housing, but the supply of certificates and vouchers is much smaller than needed. The "eligible but without assistance household" is an especially needy group. Mobile homes are not a good solution for many of these families for two reasons: loss of resale value and high utility costs since older mobile homes are poorly insulated.

Public assistance clients



This is a special sub-group of single persons and also single parents that have particularly high shelter burdens. Some require support services found in transitional housing, but others need low cost single-room occupancy units or lower priced rentals. The lack of a reliable car does not seem to restrict their housing choices, but convenience to services and jobs tends to focus demand in Rochester itself. Information on the available pool of lower priced rentals is needed to make the housing search less traumatic.

Refugee households



Large families, low income, and some forms of discrimination have limited housing choices for this population. This group overlaps with the "large family" target group described above.

Elderly households with low income and relatively large homes



For the 30 percent of lower income elderly who have three- and four-bedrooms and not more than two persons in the household, opportunity exists to expand the shared-home program.

Handicapped persons



Four percent of the households have persons who find it difficult to get around the home and 1 percent state that they would prefer a handicapped accessible unit. Existing units in the subsidized housing stock are evidently not fulfilling the total demand for such units. Loan programs exist through the MHFA for retrofitting homes to meet these needs.

Action Strategies

Part of the private subsidized housing stock is in danger of being lost by prepayment of government loans and expiration of subsidies. The public and private sectors must work together to design acceptable programs to maintain these units for long term affordability. Strategies to rehabilitate substandard units, particularly in the rural areas, must also consider ways to keep the upgraded stock affordable for lower income households.



Preserving the subsidized stock

Some refugee, public assistance, and low income households experience discrimination in the housing market. Open discussion is needed among landlords, property managers, and the populations above. An advocate for these groups is needed within the public sector.



Eliminating housing discrimination

Political support for additional scattered-site public housing for large families is a high priority need. Easing the rental squeeze on lower income households will require innovative financing and new forms of tenant participation. An expanded role for the nonprofit sector in housing should include producing units and providing access to financing for affordable housing.



Creating affordable housing

Marketing of and participation in state initiated programs for first-time buyers is already underway and can be further developed. Strategies can include "truth in housing" legislation and technical assistance to prospective buyers to help avoid inappropriate decisions such as buying within the flood plain and not being able to cover additional insurance costs. A revolving loan fund to help lower income families cover downpayment funds has been identified as a particularly desirable strategy.



Facilitating home ownership for lower income households

Meeting the housing gap for low income households cannot be accomplished by either the public or private sector alone. Private financial institutions, private corporations, labor unions, developer in-kind contributions, and the Rochester/Olmsted Community Housing Partnership, Inc. (ROCHP) must collaborate together and with the Rochester Housing and Redevelopment Authority. Public purpose powers and joint commitments are the prerequisites for achieving the community goals of providing acceptable and affordable housing for an increasing proportion of Olmsted County's low income households during the 1990s.



Expanding public and private cooperation

Rochester/Olmsted Community Housing Partnership, Inc.
P.O. Box 1144
Rochester, MN 55903

(507) 287-2149