

**SUMMARY OF FINDINGS**  
**Housing Needs for Olmsted County**  
**Maxfield Research Report**  
**May 6, 2014**

*“The Olmsted County housing market is working well for market rate renters and homebuyers, but there is a crisis of need for people who are seeking affordable workforce rental or for-sale housing.”*

Housing Study Completed

Maxfield Research has completed a Comprehensive Housing Needs Assessment for the Olmsted County Market Area, which includes the rural townships in Olmsted County and the communities of:

- Rochester
- Byron
- Chatfield
- Dover
- Eyota
- Oronoco
- Pine Island
- St. Charles
- Stewartville

Maxfield Research analyzed growth, demographic changes, shifts in housing preferences, lingering effects of the national housing market collapse and the subsequent Great Recession of 2008-2009, and the supply of all types of housing to quantify projections from 2014 to 2030 for the demand for different types of housing throughout Olmsted County.

The report was funded jointly by a public-private partnership of Olmsted County, the Rochester Area Foundation, and the Mayo Clinic.

Key Study Findings

- Olmsted County is enjoying strong job growth, which is attracting individuals and families and increasing demand for all types of housing.
- The local housing market generally works well for households with middle and upper incomes, but not for people working in lower wage jobs.
- The for-sale housing market is experiencing robust production and increasing sales, but home prices are out of reach for many working families.
- There are significant needs for affordable workforce rental housing that require extensive planning and expanded public-private partnerships to adequately address.

Rochester describes itself as an inclusive community and an attractive place to live, work, and recreate whether you are still in school, in the workforce, or retired; whether you are well-off or of modest means; regardless of any disability; and whether you are a native Minnesotan or a new immigrant.

Communities are stronger when opportunities are available to everyone, including opportunities for jobs and housing. To this end, a diversity of housing choices is important. Housing must be available for people who want to buy a home or rent an apartment and live in the area. Otherwise, they will live elsewhere, local employers will have difficulty attracting workers, businesses will have difficulty selling their goods and services, and the economy will not be able to sustain the growth it has enjoyed.

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Olmsted County Growing

- The population of the Olmsted County Market Area has steadily increased over the past 20 years and is projected to continue growing at a similar rate over the next 20 years.
- In 2013, Olmsted County was the 7<sup>th</sup> most populous county in Minnesota. By 2020, the Olmsted County Market Area is projected to have a population of 175,435 people.
- Olmsted County added 20,910 jobs during the 1990s. Because of the Great Recession of 2008-2009, job growth increased at a much slower rate of 9.3% or 9,280 jobs from 2000 to 2010. However, job growth is projected to rebound strongly from 2010 to 2020 (an increase of 21,140 jobs or 19.4%) and from 2020 to 2030 (an increase of 30,490 jobs or 23.4%).
- The Education & Health Services sector has driven job growth in Olmsted County, comprising nearly 50% of all jobs. Rochester is the primary magnet for jobs and employment in Olmsted County, with over 90% of the jobs and over 70% of the workforce. The unemployment rate in Olmsted County was 4.2% in 2013, its lowest point since 2007.
- The vision of Destination Medical Center is reflected in the anticipated growth over the next 20 years, which is expected to exceed the growth that occurred over the past 20 years.

22,679 New Homes Needed by 2030

- Maxfield Research projects that the Olmsted County Market Area will need to add nearly 9,900 new homes from 2014 to 2020 and over 12,800 new homes from 2020 to 2030.
- To satisfy projected housing demand in the Olmsted County Market Area, production will need to average over 1,400 new homes per year from 2014 to 2020 and nearly 1,300 new homes per year from 2020 to 2030.
- Of the total projected demand from 2014 to 2030, rental housing comprises about 10,850 homes and for-sale housing comprises about 11,830 homes. Considering that approximately 75% of householders in the Olmsted County Market Area owned their housing in 2010, this roughly 50/50 split suggests that there is considerable pent-up demand for rental housing and that housing needs and preferences are shifting toward rental housing.

Rental Market

- Maxfield Research projects that by 2020, demand for **market rate rental housing** in the Olmsted County Market Area will be 1,169 units, or an average of 167 units per year from 2014 to 2020. From 2006 to 2012, an average of 117 market rate apartments were produced each year. In December 2013, market rate apartments had a vacancy rate of 4.3%, indicating that the supply is approaching optimal. ***This suggests that local developers and builders are responding to the***

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***demand for market rate apartments appropriately, without overbuilding, and given their capacity they should be able to continue to do so in the foreseeable future.***

- Maxfield Research projects that by 2020, demand for **affordable workforce rental housing** in the Olmsted County Market Area will be 1,725 units, or an average of 246 units per year from 2014 to 2020. From 2006 to 2012, an average of 20 affordable workforce apartments were constructed each year, or less than 10% of the projected volume of demand. In December 2013, affordable workforce apartments had a vacancy rate of only 1.2%, indicating that lower-income renters seeking affordable workforce housing are running out of options. ***If trends continue, renters seeking affordable workforce housing will be shut out of the market or forced to pay a burdensome amount for shelter.***
  
- Maxfield Research also projects strong demand in the Olmsted County Market Area for **senior rental housing** through 2020, including an average of 251 new market rate homes and 126 new affordable homes per year from 2014 to 2020. Comparatively, production reached only 16 new market rate homes and 8 new affordable homes per year from 2006 to 2012, or less than 7% of the projected volume of demand. Aging baby boomers are driving the growing need for senior housing. However, there is an acute shortage of affordable senior rental housing, as evidenced by a 0.8% vacancy rate in December 2013. Conversely, market rate senior rental housing had a relatively healthy vacancy rate of 4.6% in December 2013. ***It appears that local developers and builders have ramped up to serve seniors – particularly seniors with higher incomes who need support services. Unfortunately, seniors with lower incomes have limited options for affordable rental housing, and this will continue to be the case unless developers and builders respond to that market.***

For-Sale Market

- Maxfield Research projects strong demand in the Olmsted County Market Area for **for-sale housing** through 2020, including an average of 415 new single-family homes and 203 new multifamily homes per year from 2014 to 2020. From 2006 to 2012, an average of 394 new single-family homes and 7 new multifamily homes were built each year. Demand for multifamily homes has been limited but is expected to grow as the population ages and buyers explore alternatives to single-family homes. The number of listings and sales is increasing. There is a healthy three-year supply of buildable single-family and multifamily lots. ***This indicates that local developers and builders have produced an appropriate volume of for-sale homes in recent years, avoiding the peaks and valleys seen in other markets, and have the capacity to continue producing an appropriate volume of for-sale homes. However, the price point of many for-sale homes is a growing concern for many would-be buyers.***
  
- Maxfield Research projects that of the 618 new for-sale homes needed in the Olmsted County Market Area each year from 2014 to 2020, 446 of them should be targeted to households with higher incomes while 172 of them should serve households at or below the 2013 area median income of \$61,302 per year. However, many local jobs pay well below the area median income. All of these homes would need to be priced at \$225,000 or less. Many of these homes would

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need to be priced below \$150,000. *The average salaries for people in the workforce you probably interact with nearly every day – a retail clerk, a care assistant, a car mechanic, a carpenter, or a kindergarten teacher – fall well short of being able to afford the average home priced at just under \$200,000.*

Homelessness

- Olmsted County's shelters housed 70 people in January 2013. This included 41 children under age 18, or 58.6% of all sheltered persons. 92% of all homeless persons in Olmsted County's shelters are women and children under age 18.
- Homelessness in Southeast Minnesota affects more families and larger families than in other regions in Greater Minnesota. As identified by Wilder Research in 2013, of the 192 homeless persons in Southeast Minnesota, 36% were children under age 18, the second highest rate in Greater Minnesota. Among these children, the average family size of 2.41 children ranked highest in Greater Minnesota.
- Homelessness is a community issue. Children need stable homes to succeed in school, develop social relationships with peers and community, and eventually contribute to society as adults. Parents need stable homes to secure and maintain health and employment, without which they cannot support their families. Stable housing yields better educational outcomes for children, a stronger workforce now and in the future, increased public safety, better health, reduced health care costs, and reduced disparities among communities. ***Homelessness takes an enormous personal toll, but also has broad social and economic impacts on the community.***

Next Steps

- In 1999, Greater Minnesota Housing Fund completed a housing action plan for the Rochester Area. It was implemented with the goal of leveraging public-private partnerships and resources to create 875 new homes that would serve working individuals and families. This goal was exceeded as over 1,100 new homes were produced.
- Olmsted County, the Rochester Area Foundation, and the Mayo Clinic, with assistance from Greater Minnesota Housing Fund, anticipate convening a working group comprised of public and private organizations that will develop a new housing action plan in 2014.