

Southern Region

The Southern region is the second most populous region in the state with 289,850 households in 20 counties. As the regional economic hub, the Rochester metropolitan area is home to nearly 30 percent of the region's households. By 2035, the population is projected to increase by one percent, gaining approximately 9,250 individuals. A notable housing trend in the Southern region is the lack of affordable housing in rural counties¹, which we define as any county outside of the Rochester, Mankato or La Crosse metropolitan areas. From 2000 to 2017, four rural counties saw some of the sharpest declines in median renter income, yet housing costs continued to rise. The convergence of low renter incomes and growing housing costs forces nearly half of all renter households to pay more than they can afford for their home. In the Southern region, the annual cost of living ranges from \$45,500 to \$49,330, and housing accounts for 20 percent of a household's annual spending².

Top 5 Facts



The Southern region accounts for half of the 10 Minnesota counties with the greatest declines in renter incomes from 2000 to 2017. All but one are outside of the Rochester metro area.



The Southern region also includes three of the 10 counties with the highest rates of severe cost burden – renter households paying more than half of their income on housing.



The Southern region has the second largest population of people of color and Indigenous households (25,933). Yet, less than half of POCI households of color own their homes in the region.



The region contains half of the 10 counties statewide that saw the smallest or no increase in median home value from 2000 to 2017, with Freeborn County containing the largest value decline in the state.

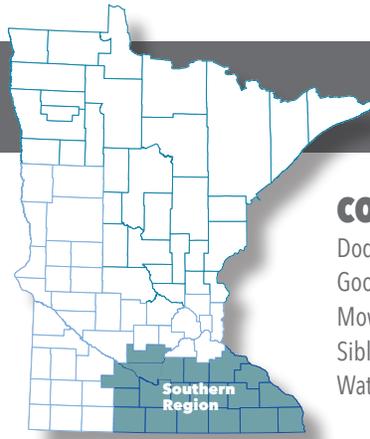


In 2017, the region permitted 910 new multifamily units for construction. However, despite the need in rural areas, 75 percent of that housing was located in the Rochester metro area.

1 Blue Earth, Dodge, Fillmore, Houston, Nicollet, Olmsted, and Wabasha counties

2 Estimate for one full time, one part time worker and one child

SOUTHERN REGION



COUNTIES: Blue Earth, Brown, Dodge, Faribault, Fillmore, Freeborn, Goodhue, Houston, Le Sueur, Martin, Mower, Nicollet, Olmsted, Rice, Sibley, Steele, Wabasha, Waseca, Watonwan, Winona

Rental Housing

With 74,410 renter households, the Southern region has the second largest population of renter households in the state. For renters in rural counties, wage depreciation has made it increasingly difficult to afford the rising cost of housing.

From 2000 to 2017, median renter income decreased in 75 percent of the counties in the Southern region, with declines ranging from 4 to 34 percent. Waseca County saw the steepest decline in median renter income in the state, dropping 34 percent over that time span. Rice, Steele, Fillmore and Brown counties also saw declines that ranked among the top 10 in the state. In total, the Southern region accounts for half of the 10 Minnesota counties with the greatest declines in renter incomes, all but one outside of the Rochester metro area.

While renter household income dropped across the region, housing costs climbed from 4 percent (Brown County) to 30 percent (Mower County), with median gross rents

rising to a range of \$585 (Faribault County) to \$884 (Olmsted County).

The growing gap between renter incomes and housing costs has resulted in more than 1 in 4 renter households experiencing cost burden — spending more than 30 percent of their income on housing. The Southern region also includes three of the 10 counties with the highest rates of severe cost burden — renter households paying more than half of their income on housing. In Winona, Blue Earth, and Rice counties, nearly half of all renter households are cost burdened and more than a quarter are severely cost burdened.



The Southern region includes three of the 10 counties with the **highest rates of severe cost burden**. In Winona, Blue Earth, and Rice counties, nearly half of renter households are cost burdened and more than 25% are severely cost burdened.

County	State rank	Increase in rent	Decrease in income
Waseca	4	+7%	-34%
Mower	5	+30%	-9%
Fillmore	7	+22%	-16%
Rice	12	+8%	-26%
Le Sueur	14	+27%	-5%
Steele	15	+13%	-18%
Goodhue	20	+15%	-13%

The Southern region contains seven of the 20 counties statewide that saw the **widest gap between rising rent and declining renter income** from 2000 to 2017.

Homeownership

In the Southern region, there are more than 215,430 owner households, which account for 74 percent of total households. Three of the four counties within the Rochester MSA have homeownership rates of 80 percent or more – significantly above the state ownership rate of 72 percent.

In the region, median value homes currently range from \$86,500 in Faribault County to \$188,400 in Rice County. In many counties, the value of homes has increased only minimally, suggesting that rehabilitation may be needed in the region to maintain housing quality. In total, the region contains half of the top 10 counties that saw little or no increase in value from 2000 to 2017, with Freeborn County containing the largest value decline in the state.

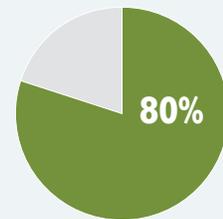
The region has the second lowest rate of owner cost burden with 18 percent of homeowners paying more than 30 percent and just 6 percent paying more than 50 percent of their income on housing.

The Southern region has the second largest population of households of color, with 25,933 households. Yet, less than half of households of color own their homes in the region. In 2017, the homeownership gap, or gap in ownership rates of white households

CITY SPOTLIGHT: Rochester

The Southern region contains the Rochester metropolitan statistical area (MSA), which spans Dodge, Fillmore, Olmsted and Wabasha counties. The city of Rochester is the third most populous in the state, after Minneapolis and Saint Paul, and includes more than 45,000 households, growing by 32 percent from 2000 to 2017. Compared to other major cities, the rate of homeownership is significantly higher in Rochester, at 69 percent. Rochester has the lowest rate of owner cost burden in the state, of the MSAs, at 15 percent, perhaps related to an overall high median income of owners in the city (\$84,918). However, Rochester also has the second highest median gross rent of all MSAs, after the Twin Cities, rising 12 percent from 2000 to 2017.

Three of the four counties within the Rochester MSA have homeownership rates of 80 percent or more – significantly higher than the state ownership rate of 72 percent.



versus people of color and Indigenous (POCI) households, was 32 percent in the region. While 77 percent of white households owned their home, homeownership for POCI households of color was only 45 percent.

The Southern region includes half of the top 10 counties that saw **little or no increase in median home value** from 2000 to 2017



While 77% of white households own their home, 45% of people of color and Indigenous (POCI) households are homeowners.

Southern Spotlight: Red Wing tackles housing needs with Affordable Housing Trust Fund

For more than five years, Sarah kept a mailbox as she moved from place to place. Her apartments were adequate, but she wanted a home of her own, to plant her mailbox in the ground and fulfill her son's dream of a yard and dog.

For two years, Sarah and her son, Nick, searched for a home they could afford in Red Wing so she could halve her daily 90-minute commute. Thanks to a \$9,000 homebuyer assistance loan from Red Wing's Affordable Housing Trust Fund (AHTF), and Sarah's persistence, Sarah closed on a home in April 2018. "This old charming place just felt like home, especially the open porch with the columns," she said. "It's just like where I grew up."

Sarah is the first to benefit from Red Wing's AHTF, established in 2015 with the leadership of Red Wing Housing and Redevelopment Authority (HRA) Director Randal Hemmerlin. Sarah's \$9,000 loan leveraged \$109,000 from Red Wing's Merchants Bank.

Like many communities across Minnesota's Southern Region, Red Wing is growing. And for working families — like Sarah and her son — there's a widening gap between what's available and what's affordable. "We would not have been able to get a home of our own without that program," she says.

Local housing research in 2009 and 2014 made it evident to local leaders and employers that they had to address Red Wing's inadequate supply of affordable homes. Single-family

construction had dropped from 80-90 units before 2000 to 18 units in 2014. And from 2011 to 2014, the median sale price for a single-family home rose from \$119,600 to \$133,450.

"Because Red Wing has a strong manufacturing base, 6,600 people commute in every day for work," explains Hemmerlin. "But young professionals tire of the commute, look for a job elsewhere, and we lose talent. Red Wing Shoe, Bic, Excel Energy, Mayo Clinic, Capital Safety — these are some strong companies that hire smart people. But because housing is so tight, it's hard for employees to find affordable homes."



Hemmerlin worked with local leaders and the City Council to establish Red Wing's AHTF in 2014. Funded through the HRA levy, the AHTF has accumulated to more than \$300,000 today — with only a \$15 per year impact on the 7,500 housing units taxed. The AHTF is aimed at creating housing for working people at a range of incomes. Already, five families have

received homebuyer assistance loans from the AHTF.

"Across the state, the rising cost of living just doesn't match up with wages," Sarah says. "People just don't have that 20 percent to put down, especially with the way home prices are. To put 20 percent down, you'd need \$50,000 or more. People don't have that, and they'll never get it if they continually have to pay the high cost of rent."

Senior Housing

By 2035, the senior population in the Southern region is projected to increase by 59 percent, gaining an additional 72,193 senior individuals for a total of 195,958 residents over the age of 65. At this level, the Southern region will have the third largest senior population in the state.

While all counties will see an increase in their senior populations, two of the four counties (Dodge and Olmsted) in the Rochester metro area are expected to see their senior population increase by 82 to 93%. With the senior population on the rise, the Southern region will have to address widespread senior housing cost burden, especially among seniors who rent.

In 2017, 52 percent of all senior renters were cost burdened in the region, with four counties (Blue Earth, Martin, Mower and Nicollet) seeing rates as high as 59 percent. While lower than the state average of 24 percent, 20 percent of senior homeowners are experiencing cost burden in the region. Several counties, including Faribault and Martin, have rates as low as 14 percent and 15 percent respectively.



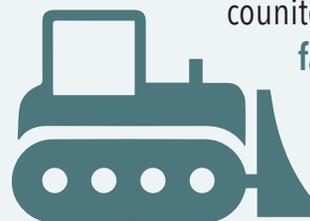
In the Southern region, more than half of **senior renter households** pay more than they can afford for housing.

Housing Development and Subsidized Housing

In the Southern region, 34 percent of the rental housing stock was built prior to 1960. In Watonwan, Mower, and Wabasha, more than half of the rental housing stock was built prior to 1960, the highest of any counties in the state. In 2017, the region permitted 910 new multifamily units for construction, the second highest amount after the Twin Cities region. However, despite the need in rural areas, 75 percent of all multi-family housing was located in the Rochester metro area.

Owner occupied homes in the Southern region are also aging. In 2017, 38 percent of owners lived in a home built prior to 1960. That same year, the region permitted 1,843 new single family homes for construction, the third highest regional number in the state.

In 2017, there were 11,003 subsidized units in the Southern region, the second highest amount after the Twin Cities region. These units accounted for 12% of the total subsidized units in the state.



Despite the need in rural counties, **75% of multi-family housing permits** in 2017 were in the Rochester metro.

Housing Affordability by Occupation

In the Southern region, median-income renter households can only afford monthly rent ranging from \$586 in Waseca County to \$904 in Dodge County. At these levels, median-income renters can afford the rent for a modest two-bedroom apartment in just half of the counties in the Southern region.

In 2017, the top five in-demand jobs in the region included registered nurses, personal care aides, food preparation and serving workers, retail salespersons, and cashiers. The median annual incomes for these top occupations range from \$21,796 (food preparation and serving workers) to \$76,708 (registered nurses), leaving a range of \$545 to \$1,918 for these positions to spend on housing. The majority of employees filling

these positions are unable to meet the amount needed to rent a two-bedroom apartment (\$697 to \$829) and are even further from reaching the income needed to afford a median-value home in the region, which ranges from \$25,950 in Faribault County to \$57,420 in Goodhue County.

The vast majority of these projected job openings are for relatively low-wage jobs including retail salespersons, cashiers, food preparation, and home health aides. Four of the five jobs with the largest projected number of openings have median salaries of just \$21,932 to \$26,093.

WAGES AND HOUSING AFFORDABILITY IN RICE COUNTY

