

Section Table of Contents

	Page
Demographic Data Overview	A-2
Population Estimates and Trends	A-3
Population Projections	A-4
Projected Population by Age - 2010	A-5
Households Estimates and Trends	A-6
Average Household Size	A-7
Household Projections	A-8
Projected Households by Age of Householder	A-9
Household Characteristics - 2000	A-11
Tenure by Age of Household - 2000	A-12
Income Data - 2000 and 2007	A-13
Existing Housing Inventory	A-14
Estimated Market Value	A-15
Countywide Home Sales	A-16
Housing Condition	A-17
Rental Housing Inventory	A-18
Findings and Recommendations	A-19

City of Avoca

Demographic Data Overview

Sources of Data

The following pages contain demographic data obtained from a variety of local, state and national sources. The primary sources for this information are the Minnesota State Demographer's Office, the U.S. Census Bureau, and Claritas, Inc., a private data reporting service.

Murray County Demographics

In addition to demographic data for the City of Avoca, we have also provided data for all of Murray County.

Population Estimates and Trends

Table 1 Population Trends - 1980-2006						
	1980 Population	1990 Population	% Change 1980-1990	2000 Population	% Change 1990-2000	2006 Population
Avoca	201	150	-25.4%	146	-2.7%	123
Murray County	11,507	9,660	-16.1%	9,165	-5.1%	8,777

Source: U.S. Census Bureau; Minnesota State Demographer; Community Partners Research, Inc.

- ▶ Both the Minnesota State Demographer and the U.S. Census Bureau release annual population estimates. The most recent official estimates are for the year 2006. The State Demographer estimates that the City's population on April 1, 2006, was 123 people. The Census Bureau estimate, effective July 1, 2006, was 138 people.
- ▶ Both of the available estimates show a population loss for Avoca between 2000 and 2006. The Demographer's estimate shows a decline of 23 people, while the Census Bureau's shows a loss of eight people. Where differences in estimates exist, we generally place the greatest confidence in those generated by the State Demographer. The procedure used by the Demographer allows the individual jurisdiction the opportunity to contest the estimate before it is finalized.
- ▶ According to the Demographer's 2006 estimate, the City of Avoca has lost approximately 39% of its population over the last 26 years.
- ▶ The two 2006 estimates for all of Murray County were nearly identical. According to both, the County population has declined since 2000. The Demographer's estimate was 8,777, a loss of 388 people, while the Census's estimate was 8,778, or a decline of 387 people.

Population Projections

The following table presents population level projections using two different sources. The six-year growth trend is based on the rate of change between 2000 and 2006, using the 2000 Census and the 2006 estimate from the State Demographer, and projects this rate of change forward between 2006 and 2010, and between 2006 and 2015. The State Demographer’s Office has also prepared a 2015 projection.

Table 2 Population Projections Through 2015				
	2006 Population Estimate	2010 Projection from six-year growth trends	2015 Projection from six-year growth trends	2015 State Demographer
Avoca	123	110	94	130
Murray County	8,777	8,529	8,220	8,650

Source: Community Partners Research, Inc.; State Demographer

- ▶ Our population projections, calculated from the six-year growth rates for Avoca, expect that the City will lose 13 people over the next four years and 29 people over the next nine years. On an average annual basis, this equates to a decline of three residents per year from 2006 to 2015.

- ▶ A projection from the State Demographer is also available. The starting point for this projection is 2000. During this 15-year time period the Demographer projects that the City will lose 16 people, or approximately one person in an average year. However, based on the most recent estimate for 2006, the City has already lost 23 residents since 2000. This shows that Avoca is losing people at a faster rate than had previously been projected by the Demographer’s Office.

- ▶ Our projection for all of Murray County expects a population decrease of 248 people over the next four years and a loss of 557 residents over the next nine years, or an average decrease of 62 people per year. When compared to the 2000 base data, the Demographer’s projection expects a decline of 515 residents over the 15-year time period, or an average loss of 34 people per year. However, the County has already lost 388 people since 2000.

Projected Population by Age - 2010

The State Demographer's Office has issued population projections by age for each of the State's Counties. The following table identifies the County's population in each age range from the 2000 Census, and from the 2005 and 2010 Demographer's projections. The table also shows the projected change in population between 2005 and 2010 by age group from the projections.

Table 3 Murray County Projected Persons by Age - 2000 - 2010				
Age	2000	2005	2010	Change - 2005-2010
0-19	2,478	2,160	1,970	-190/-8.8%
20-24	348	440	410	-30/-6.8%
25-34	846	770	880	110/14.3%
35-44	1,285	1,050	850	-200/-19.0%
45-54	1,279	1,410	1,350	-60/-4.3%
55-64	982	1,140	1,300	160/14.0%
65-74	948	880	900	20/2.3%
75-84	700	720	740	20/2.3%
85+	299	300	310	10/3.3%
Total	9,165	8,870	8,710	-160/-1.8%

Source: U.S. Census; Minnesota State Demographer; Community Partners Research, Inc.

- ▶ Projections issued by the State Demographer's Office expected a population decline in Murray County between 2000 and 2005 and between 2005 and 2010.
- ▶ The largest numeric change is expected among 35 to 44 year old adults. This range is expected to decline significantly over the remainder of the decade, losing 200 people between 2005 and 2010. There is also a projected decline of 190 people age 19 and younger.
- ▶ The largest numeric growth is expected among 55 to 64 year old adults. This range is expected to increase by 160 people through the remainder of the decade. This largely represents the age migration of the "baby boom" generation. There is also significant growth projected among adults, age 25 to 34 years old.
- ▶ All of the defined senior age ranges are expected to continue to grow.

Household Estimates and Trends

Table 4 Household Trends - 1980-2006						
	1980 Households	1990 Households	% Change 1980-1990	2000 Households	% Change 1990-2000	2006 Estimate
Avoca	81	67	-17.3	67	0%	58
Murray County	4,036	3,758	-6.9%	3,722	-1.0%	3,717

Source: U.S. Census Bureau; Minnesota State Demographer; Community Partners Research, Inc.

- ▶ The most recent official household estimate for the City of Avoca is from the Minnesota State Demographer’s Office and is for April 1, 2006. This estimate placed the City’s household count at 58, which shows a decline of nine households since the 2000 Census.
- ▶ The Demographer’s 2006 estimate for all of Murray County was 3,717 households, a decline of five total households from the 2000 Census.
- ▶ The U.S. Census Bureau only issues population estimates, so no household information is available from this source.

Average Household Size

The following table provides U.S. Census Bureau information on average household size. The 2006 estimate is from the State Demographer’s Office.

Table 5 Average Number of Persons Per Household 1980-2006				
	1980 Census	1990 Census	2000 Census	2006 Estimate
Avoca	2.48	2.24	2.18	2.12
Murray County	2.81	2.53	2.42	2.31

Source: U.S. Census; MN State Demographer

- ▶ Household formation has been occurring at a different rate than population change in recent decades due to a steady decrease in average household size for most jurisdictions. This has been due to household composition changes, such as more single parent families, more senior households due to longer life spans, etc.
- ▶ The City of Avoca has seen a gradual decrease in the average household size over the last 26 years. The State Demographer’s estimate of 2.12 persons per household in 2006 is lower than the 2.48 persons per household reported in the 1980 Census.
- ▶ The average household size for Murray County has also decreased over the last 26 years.

Household Projections

The following table presents household projections using two different methods. The six-year growth trend is based on the rate of change between 2000 and 2006. The State Demographer’s Office has issued household projections for the year 2015 at the County level only. The State Demographer’s 2015 projection for the City has been extrapolated by Community Partners Research using population projections from the State Demographer’s Office. In making these calculations, we have assumed that there will be only minor changes in average household size.

Table 6 Household Projections Through 2015				
	2006 Household Estimate	2010 Projection from six-year trends	2015 Projection from six-year trends	2015 Projection from State Demographer Data
Avoca	58	53	46	63
Murray County	3,717	3,714	3,710	3,700

Source: State Demographer; Community Partners Research, Inc.

- ▶ Our projection for household growth in the City of Avoca shows the expected loss of five households over the next four years and 12 households over the next nine years.

- ▶ Although the State Demographer has not issued household projections at the City level, we have converted their population projection into a household count, using assumptions on future household size. This calculation shows the projected loss of approximately four households between 2000 and 2015. However, this projection is much more optimistic than recent trends. Since 2000, the City has already lost nine households.

- ▶ Our projection for all of Murray County shows the probable loss of three households over the next four years and seven households over the next nine years. The State Demographer’s Office did issue household projections at the County level. Their projection for Murray County is 3,700 total households. When compared to the 2000 Census total, the Demographer’s projection expects a decrease of 22 households County-wide during the 15-year span.

Projected Households by Age - 2005 to 2015

The Minnesota State Demographer's Office has issued population projections by age for each of Minnesota's Counties. The following table uses the Murray County data to project households by age for the years 2005, 2010 and 2015. These calculations have been prepared by Community Partners Research, Inc., and assume that household formation in the future will be relatively consistent with past trends by age group. While these projections have been calculated by Community Partners Research, they have been reconciled with overall household projections from the State Demographer through 2015.

Age	2000 Census	2005 Estimate	2010 Projection	2015 Projection	Change 2005-2015
15-24	142	146	131	113	-33
25-34	419	384	433	456	72
35-44	667	549	438	406	-143
45-54	690	765	725	603	-162
55-64	545	636	717	789	153
65-74	577	539	544	626	87
75-84	497	515	522	499	-16
85+	185	187	190	208	21
Total	3,722	3,721	3,700	3,700	-21

Source: U.S. Census; Community Partners Research, Inc.

- ▶ Projections based on households by age of householder show distinct trends. These projections reflect both the movement of existing residents through the aging cycle and also the probable age distribution of households that move into or out of the area. Regionally and Statewide, many of these same age progression patterns exist, so the movement of households between Counties would tend to reflect these same patterns.
- ▶ The strongest household growth is projected in the age range between 55 and 64 years old through the 10-year projection period. Relatively strong growth is also projected among older adult households, age 65 to 74 years old and younger adults, age 25 to 34 years old. While growth is projected for younger households in the 25 to 34 year old age group, overall there is a projected decrease in the total number of younger adult households under age 55. All of the net household growth for the County is projected to occur from households age 55 and older.
- ▶ Almost no change is projected among older senior households, age 75 and older. Within

the older senior groups, there should be some minor increase among seniors age 85 and older, but minor losses among senior households in the 75 to 84 year old range.

Household Characteristics

The following table presents data on household characteristics from the 2000 Census. Data has been presented as percentages of the total households to allow for comparative analysis between the City of Avoca, Murray County, and the State of Minnesota.

Table 8 Households by Type - 2000								
	Married Couple Family		Male Householder No Wife Present		Female Householder No Husband Present		Non-Family Household	
	With Related Children	W/O Related Children	With Related Children	W/O Related Children	With Related Children	W/O Related Children	1 Person Household	Non-Family Household
Avoca	19.4%	28.4%	1.5%	1.5%	2.9%	4.5%	37.3%	4.5%
Murray County	24.8%	37.7%	1.9%	0.9%	3.1%	1.5%	27.1%	3.0%
Minnesota	25.8%	28.0%	2.1%	1.4%	6.3%	2.6%	26.9%	6.9%

Source: 2000 Census; Community Partners Research, Inc.

- ▶ Avoca had a below-average percentage of married couples with children, when compared to the State of Minnesota. The City also had a significantly above-average percentage of one person households in 2000. This is probably due to a large senior population.
- ▶ For the entire County, there was an above-average percentage of married couples without children, when compared to Minnesota.

Tenure by Age

The following table identifies home ownership or renter status by age of householder in the year 2000. Information is provided for the City of Avoca and for Murray County.

Table 9 Household Tenure by Age - 2000				
Age of Householder	City of Avoca		Murray County	
	Owners	Renters	Owners	Renters
15 - 24	0/0%	0/0%	61/43.0%	81/57.0%
25 - 34	5/71.4%	2/28.6%	302/72.1%	117/27.9%
35 - 44	14/93.3%	1/6.7%	566/84.9%	101/15.1%
45 - 54	13/76.5%	4/23.5%	624/90.4%	66/9.6%
55 - 64	11/100%	0/0%	502/92.1%	43/7.9%
65 - 74	8/100%	0/0%	534/92.5%	43/7.5%
75-84	6/75.0%	2/25.0%	421/84.7%	76/15.3%
85+	1/100%	0/0%	125/67.6%	60/32.4%

Source: U.S. Census; Community Partners Research, Inc.

- ▶ Household tenure by age patterns in Avoca show a preference for home ownership in all of the defined age ranges.
- ▶ Home ownership rates were 71.4% or higher among each of the age ranges 25 years old and older.
- ▶ Tenure patterns in the County also showed a strong preference for home ownership in most of the age ranges.

Murray County Income Data - 2000 to 2007

Claritas, Inc., a private data reporting service, has generated household income estimates for the year 2007. These estimates are for all of Murray County. Information from 2000 is provided for comparison. The Claritas estimates are based on a different total household estimate for the County. In 2006, the Minnesota State Demographer estimated that Murray County had 3,717 households compared to the 2007 estimate of 3,619 households from Claritas.

Table 10 Murray County Estimated Household Income - 2007			
Household Income	Number of Households 2000	Number of Households 2007 Estimate	Change
\$0 - \$14,999	591	444	-147
\$15,000 - \$24,999	667	487	-180
\$25,000 - \$34,999	602	475	-127
\$35,000 - \$49,999	854	763	-91
\$50,000 - \$74,999	696	860	164
\$75,000 - \$99,999	152	339	187
\$100,000 - \$149,999	111	172	61
\$150,000+	43	79	36
Total	3,716	3,619	-97

Source: Claritas, Inc.; Community Partners Research, Inc.

- ▶ According to income estimates for 2007, household incomes have generally improved in Murray County. Claritas believes that the number of households with annual incomes of \$50,000 or more has increased over the last seven years, while the number of households with incomes less than \$50,000 has decreased.
- ▶ According to Claritas, the median household income in 2007 is \$42,932, compared to \$34,959 in 2000, an increase of approximately 22.8%.
- ▶ A commonly used standard for affordable housing is that a household can apply 30% of gross income for housing expenses. The County's median household income in 2007 translates into \$1,073 per month based on 30% of income. The 2000 median household income translated into \$874 per month.
- ▶ Although the number of lower income households has been declining, there are still 444 households in 2007 with an annual income below \$15,000. These households can only afford \$375 per month or less for housing costs, without experiencing a cost burden.

Existing Housing Inventory

Table 11 Occupied Housing Units by Year Built - (owner/renter)							
	1939 and Earlier	1940-1959	1960-1969	1970-1979	1980-1989	1990-2000*	2000-2007
Avoca	31/8	16/2	0/0	1/0	5/2	2/0	8/0

Source: 2000 Census; City Building Permits

* The Census reported units constructed through March of 2000. Because of weather conditions, it is assumed that permits for housing that was occupied in March/April 2000 would have been issued in 1999.

- ▶ At the time of the 2000 Census, the age of the owner occupied housing stock in Avoca was older than average. The Census identified approximately 56% of all owner occupied housing units as pre-1940 construction. This was well above the State-wide average for pre-1940 housing of approximately 21%. The City’s rental stock was also older than average, with approximately 83% of the rental housing units constructed prior to 1960, compared to 39% State-wide.

Table 12 Occupied Housing Units by Number of Units in Structure						
	Owner Occupied 2000	Renter Occupied 2000	Vacant Units 2000	Total Units 2000	New Units 2000-2007	Estimated Total 2007
1 Unit Detached	55	10	4	69	8	77
1 Unit Attached	0	0	0	0	0	0
2 Units	0	0	0	0	0	0
3-4 Units	0	2	0	2	0	2
5+ Units	0	0	0	0	0	0
Mobile Home	0	0	1	1	0	1
Total	55	12	5	72	8	80

Source: U.S. Census; Building Permits

- ▶ There have been approximately eight homes constructed in Avoca since 2000.
- ▶ The table above does not reflect demolition activity that may have occurred since 2000.

Estimated Market Value

In smaller Cities such as Avoca, where the number of sales is very limited, we have analyzed estimated market value data from the Murray County Assessor to determine the market value of single family homes.

Table 13 Median Estimated Market Value - Residential Property - 2007		
	Median Estimated Market Value	Estimated Highest Valued House
2007	\$20,600	\$177,100

Source: Community Partners Research, Inc.; Murray County Assessor

- ▶ The median estimated market value for single family homes in Avoca is \$20,600. The highest value is \$177,100 and the lowest value is \$6,600.
- ▶ Although the median estimated market value in Avoca is low, there are 12 homes valued over \$70,000.
- ▶ Avoca has the second-lowest median estimated market value of all Murray County Cities.
- ▶ Avoca’s median estimated market value is based on 74 home values.
- ▶ Estimated market values under \$5,000 were not included in our calculations.

Countywide Home Sales - Historical Data

The Minnesota Demographer’s Office has compiled County-level data on median home sales prices since 1984 to analyze price trends for single family houses. This data is only available at the County level. The median sales price has been obtained from sales ratio reports submitted by the County Assessor’s Office to the Minnesota Department of Revenue. It is important to note that houses sold in a given year may not be a statistically valid sample of all home values in the County. However, this annual sample does provide insight into home values over a number of years and information on those units that are turning-over in the County.

Table 14 Median Value of Residential Sales - 1984/85 to 2002/2003								
	Median Sale Price						Percent Change 1990- 2000	Percent Change 2001- 2003
	1984- 1985	1989- 1990	1995- 1996	1999- 2000	2000- 2001	2002- 2003		
Murray Co.	\$33,500	\$23,750	\$35,750	\$44,000	\$45,500	\$54,500	85.3%	19.8%
Minnesota	\$64,000	\$70,000	\$87,500	\$124,500	\$139,550	\$169,900	77.9%	21.7%

Source: Minnesota State Demographer; Community Partners Research, Inc.

- ▶ The median sales price in Murray County has been increasing over the 18-year time period reviewed. During this time, the median home sales price has increased by nearly 63%.

- ▶ Although the County has experienced a substantial increase in home values, the County’s median sales price in 2003 was less than one-third of the median home sales price Statewide.

- ▶ Between 2001 and 2003, the median home sales price increased by \$9,000, or 19.8%. Statewide, the median sale price increased by \$30,350, or nearly 22% during this same time.

- ▶ Between the 1990 Census and the 2000 Census, the County’s median household income level increased by approximately 54%. During this same time, the median home sales price in the County increased by 85%.

Housing Condition

Community Partners Research, Inc. representatives conducted a visual ‘windshield’ survey of 71 single family/duplex houses in Avoca. Houses that appeared to contain three or more units were excluded from the survey.

Houses were rated in one of four levels of physical condition, as defined below. The visual survey analyzed only the physical condition of the visible exterior of each structure. Exterior condition is assumed to be a reasonable indicator of the structure’s interior quality. Dilapidated houses are generally considered beyond repair. Major Repair houses need multiple major improvements such as roof, windows, sidings, structural/foundation, etc. Houses in this condition category may or may not be economically feasible to rehabilitate. Minor Repair houses are judged to be generally in good condition and require less extensive repair, such as one major improvement. Houses in this condition category will generally be good candidates for rehabilitation programs because they are in a salable price range and are economically feasible to repair. Sound houses are judged to be in good, ‘move-in’ condition. Sound houses may contain minor code violations and still be considered Sound.

Table 15 Windshield Survey Condition Estimate - 2007					
	Sound	Minor Repair	Major Repair	Dilapidated	Total
Avoca	23 (32.4%)	19 (26.8%)	25 (35.2%)	4 (5.6%)	71

Source: Community Partners Research, Inc.

- ▶ The existing housing stock in the City is in fair condition. Approximately 32% of the houses were rated as Sound, while approximately 27% of the houses were judged to be in need of Minor Repair and 35% need Major Repair.

- ▶ Four homes in the City were rated as Dilapidated and possibly beyond repair. These houses may be suitable for demolition and clearance.

Rental Housing

U.S. Census Inventory

According to the 2000 U.S. Census, there were nine occupied rental housing units in Avoca in April 2000. There were no vacant units, for a total rental housing inventory of nine units in the City in 2000.

At the time of the 1990 Census, the City had eight occupied rental units and three vacant units. There were two additional vacant units in the City that were not identified as either rental or owner housing, but it would appear that the total rental unit inventory was 11 units in Avoca in 1990. Between the 1990 Census and the 2000 Census, the City's total rental inventory decreased by two units. No rental units have been constructed in Avoca since 2000.

Rental Housing Survey

As part of this housing study, a telephone survey was conducted of multifamily rental buildings in Murray County. The survey focused on larger rental projects with four or more units. No multifamily projects with four or more units exist in Avoca.

The Cities of Slayton and Fulda provide most of the rental opportunities for Murray County.

Findings on Growth Trends

Growth patterns for the City of Avoca show a trend of ongoing population and household losses. Our review of demographic trends dates to 1980. Between 1980 and 1990, Avoca's population decreased substantially by 51 people and the City lost 14 households. During the 1990s, the City's population decreased slightly by four people and Avoca's number of households did not change.

Since the 2000 Census, Avoca's population and household counts have continued to decrease. The State Demographer's Office estimates that the City's population has decreased by 23 people and the City has lost nine households between 2000 and 2006.

All of Murray County has experienced population and household losses since 1980. From 1980 to 1990, Murray County lost 1,847 people and 278 households. Between 1990 and 2000, Murray County's population and household losses continued, but did slow down with the loss of 495 people and 36 households. From 2000 to 2006, Murray County's population has decreased by 388 people, however, the County's household count has only decreased by five.

In their County population estimates, the Census Bureau provides the components of population change. The Murray County population has decreased since 2000. The County has lost population through out migration and the number of deaths has exceeded births during that same period resulting in a decline in overall population. Although the population has decreased significantly, the County has lost only five households since 2000.

With an older than average population in both Avoca and the County, it is doubtful that there will be substantial population gains based on a natural increase. For the population to substantially increase, it will require increased in migration from domestic or international locations.

Findings on Growth Projections

As part of this Study, we have used household projections to the year 2015. These projections have either been calculated by Community Partners Research, Inc., or have been taken from other reliable sources, such as the State Demographer's Office.

The projections for the City of Avoca would expect a decrease in the number of households. Our projections show the probable loss of five households by 2010 and a loss of 12 households by 2015. These projections could change if homes for permanent residents are constructed on the available lots in Avoca. Approximately 28 lots, many of which are lakeshore lots, are for sale in the City.

It is important to note that all projections are calculated from past trends. As a result, the following projections for Murray County reflect the trends of population and household losses since the 1990s.

The available projections for all of Murray County show the probable loss of between 7 and 17 households per year through the year 2015. Based on our projections, which are calculated from past trends, the County's population is expected to decrease by 557 people by 2015, or an average annual loss of 62 people. The State Demographer estimated a loss of 34 people per year from 2000 to 2015, but this forecast may be overly optimistic as Murray County averaged a loss of 65 people annually from 2000 to 2006.

Findings on Growth Projections by Age Group

We have used age-based population projections prepared by the State Demographer to generate household by age projections. These projections partly reflect growth from new households that will be formed, or that will move into the County. The projections also reflect the aging-in-place of the existing households during the decade. Projections by age can be very informative for calculating future housing demand, as strong preferences in tenure, style, price and features are evident within defined age ranges.

Our projections assume that within defined age groups, household formation and average household size will remain relatively consistent throughout the decade. On the page that follows, we have used these household by age projections to form projections on future demand by tenure.

The projections and changes by age range are for all of Murray County between the year 2005 and the year 2015. It is very important to note that these age-based projections represent an informed prediction of future growth. Actual market activity and economic growth could substantially alter these expectations.

The age-based projections for Murray County, as generated by Community Partners Research, Inc., are nearly identical to the projections from the Minnesota State Demographer.

<u>Age Range</u>	<u>Projected Change in Households 2005 to 2015</u>
24 and Younger	-33
25 to 34	+73
35 to 44	-142
45 to 54	-161
55 to 64	+156
65 to 74	+89
75 to 84	-15
85 and Older	+22

Findings on Housing Unit Demand and Tenure

Comparing the projected age-based household changes through the 10-year projection period with past tenure preferences results in a forecast of the tenure mix that will be needed for new housing unit demand between 2005 and 2015. Our calculations are based largely on the tenure preferences by age group that were evident in the 2000 Census, with some adjustment for a greater acceptance of certain housing types as people become more familiar with newer housing options.

Calculations for total future housing need are largely based on three demand generators, household growth, replacement of lost housing units, and pent-up, or existing demand for units that already exists but is not being served.

Demand from Growth - The best available projections do not expect any growth generated demand for housing. Through the year 2015, it is probable that the County will see a small net loss of households. Our projections would expect no net change in demand for owner-occupancy housing units. There should be a minor decrease in demand for renter-occupancy housing over the ten-year projection period.

Replacement of Lost Rental Units - It is often difficult to quantify the number of units that are lost from the housing stock on an annual basis. Unit losses may be caused by demolition activity, losses to fire or natural disasters, and to causes such as deterioration or obsolescence. It is also probable that some rental unit losses have also occurred due to conversion, as single family houses once used for renter occupancy have been sold and are now owner occupied housing. Comparing Census data from 1990 to 2000, it appears that Avoca has lost two rental units in the 1990s.

Replacement of Lost Owner Occupancy Units - While some owner occupied units may be lost, we generally believe that owner occupancy unit losses are limited. However, the individual Cities may have demolished some substandard homes in the recent past.

Pent-Up Demand - The third primary demand-generator for new housing is caused by current, unmet demand from existing households, referred to as pent-up demand. Certain demographic segments of the market are growing, such as the number of households age 55 and older. As a result, housing options that are age-appropriate for “empty-nester” and senior households may be in short supply. Our estimates of pent-up demand will be addressed in the specific recommendations that follow.

Findings on Unit Demand by Type of Housing

Findings: Based on the household by age projections presented earlier, the changing age composition of the region's population through the remainder of the decade will have an impact on demand for housing. We have examined the projected changes by age group in Murray County in the descriptions that follow.

Age 24 and Younger - The projections used for this Study expect a small decrease in the number of younger households in the County through the year 2015. Past tenure patterns indicate that as many as 57% of these households will rent their housing. Households in this age range tend to have a median income that is well below the overall median. A small decrease in households in this age range should mean that rental demand from younger households will decrease, but only slightly, for the remainder of the decade.

25 to 34 Years Old - The projections show a relatively strong numeric increase in this age cohort, with an expected addition of 73 households in the County by 2015. Within this age range younger adult households often move from rental to ownership housing. The ownership rate among these households was approximately 72% in 2000, compared to a home ownership rate of only 43% for younger households, under age 25. The projected increase within this age range will generate additional demand for both first-time home buyer opportunities, and to a lesser extent for rental housing.

35 to 44 Years Old - This 10-year age cohort is expected to decrease in size through the year 2015. The projections show a probable loss of 142 households in the County between 2005 and 2015. It is important to note that this loss of households does not necessarily mean that these younger households are moving out of the area. This age group represents the "baby bust" generation that followed behind the "baby boomers". This age group represents a much smaller segment of the population than immediately older age ranges. As aging patterns progress, there are fewer of these households following behind the aging baby boomers. In the past, this age group has had a high rate of home ownership, at approximately 85%. Households within this range often represent both first-time buyers or households looking to trade-up in housing, selling their starter home for a more expensive house. Lowered demand from this age cohort will have some impact on overall demand for owner occupancy housing.

45 to 54 Years Old - By the end of this decade, this age cohort will represent the tail-end of the large, "baby boom" generation. However, our projections show a substantial decrease of 161 households in the County between 2005 and 2015. This age group historically has had a high rate of home ownership, at approximately 90% in 2000, and will often look for trade-up housing opportunities. Fewer households in this age range will limit demand for home ownership and trade-up housing.

55 to 64 Years Old - The leading edge of the baby boom generation will be in this age cohort by the end of the decade. The projections show an expected increase of 156 additional households in this 10-year age range in the County by the year 2015. This is the largest growth of any 10-year age cohort in the County. This age range has traditionally had a very high rate of home

ownership, at more than 92%. Attached housing construction, such as town houses or twin homes, is often well suited to the life-cycle preferences of this age group, as no maintenance/low maintenance housing has become a popular option for empty-nesters. Trade-up housing will also appeal to this age group, as they will generally have equity from the sale of their previous home, as well as higher incomes and asset accumulation.

65 to 74 Years Old - Strong growth is also expected within this age range by the year 2015, with the expected addition of approximately 89 households. Households in this younger senior range will typically begin moving to other life-cycle housing options as they age. However, younger seniors are still predominantly home owners. At the time of the 2000 Census, this age group had a home ownership rate of approximately 93%. Once again, ownership preferences for low maintenance housing, such as town house units, should grow, although this will primarily be from increased market share as these types of units gain greater acceptance within the marketplace.

75 to 84 Years Old - A modest household loss is expected to occur within this age range, with a projected decrease of 15 households in the County between 2005 and 2015. Losses within this age group will be more than offset by the gains among younger seniors and older seniors, resulting in a net gain from senior households County-wide. In the past, households within this 10-year age range have had a high rate of home ownership, at approximately 85%. In most cases, income levels for senior households have been improving, as people have done better retirement planning. As a result, households in this age range may have fewer cost limitations for housing choices than previous generations of seniors.

85 Years and Older - Only minor growth is expected in the number of older senior households, with the possible addition of 22 households in the County. Historic home ownership rates in this age group have been relatively low, at approximately 67% in 2000. Senior housing with services options in the area will help to address the needs of this population of older seniors.

These demographic trends will be incorporated into the recommendations that follow.

Strengths for Housing Development

The following City of Avoca strengths were identified through statistical data, local interviews, research and on-site review of the local housing stock.

- ▶ **Avoca is located within commuting distance of Slayton, Fulda, Pipestone and Worthington** - Although Avoca does not have a large number of employment opportunities, the City is located within commuting distance of Slayton, Fulda, Pipestone and Worthington, all of which have employment, service, commercial and entertainment opportunities.
- ▶ **Affordable existing housing stock** - The City has a stock of affordable, existing houses. Our analysis shows that the City's median home value is approximately \$20,600. This existing housing stock, when available for sale, provides an affordable option for home ownership.
- ▶ **Small town atmosphere** - Avoca is a small town with the real and perceived amenities of a small town. This small town living is attractive to some households.
- ▶ **Water and Sewer Systems** - The City's municipal sewer and water systems are in good condition. The City has recently installed a new municipal sewer system.
- ▶ **Available lots** - Approximately 28 lots are available in the City of Avoca. Most of these lots are lake lots.
- ▶ **Natural Amenities** - Avoca is located on a lake, which provides lake lots and recreational opportunities.
- ▶ **Housing Agencies** - Several housing agencies have the capacity to provide financing and administrative services for housing projects and programs in the City of Avoca.

Barriers or Limitations to Housing Activities

Our research identified the following barriers, or limitations, that hinder or prevent certain housing activities in the City of Avoca.

- ▶ **Competition with Slayton, Fulda, Pipestone and Worthington-** Avoca is within commuting distance of Slayton, Fulda, Pipestone and Worthington, all of which have more employment, services and housing opportunities. The amenities the larger cities have to offer will remain the preference of most households.
- ▶ **Lack of support services** - Avoca has only limited support for certain types of housing. Support services are simply not available for individuals and households that need them.
- ▶ **Lower incomes limit housing choices** - Household and family incomes in Avoca and Murray County are lower than the Statewide medians. Murray County's estimated median household income for 2007 is \$42,932, which translates into an approximate housing affordability level of \$1,073 per month. While this income level matches up well with prices for lower valued existing houses and rental housing in the City of Avoca, it is not as well matched to the prices for new housing construction.
- ▶ **Value gap deters new owner-occupied construction** - We estimate that the median priced home in Avoca is valued at \$20,600. This is well below the comparable cost for new housing construction, which will generally be above \$175,000 for a stick built home with commonly expected amenities. This creates a significant value gap between new construction and existing homes. This can be a disincentive for speculative building and can also deter customized construction.
- ▶ **Employment Opportunities** - Avoca does not have many employment opportunities.
- ▶ **Lack of a Commercial Business District** - The commercial/retail opportunities in Avoca are very limited and do not support new housing development.
- ▶ **Condition of the Existing Housing Stock** - Many Avoca homes are substandard and need rehabilitation.
- ▶ **Population and households losses** - Since 1980, the City's population and number of households has decreased. This trend is projected to continue.

Recommendations, Strategies and Housing Market Opportunities

Based on the research contained in this study, and the housing strengths and barriers identified above, we believe that the following recommendations are realistic options for the City of Avoca. They are based on the following strategies.

- ▶ **Protect the City's existing housing stock** - As primarily a bedroom community, the future of Avoca will be heavily dependent on the City's appeal as a residential location. The condition of the existing housing stock is a major factor in determining the City's long term viability. The existing housing stock is in fair condition, and there are a substantial number of houses in Avoca that need rehabilitation, thus, a concentrated effort is needed to preserve and upgrade the City's housing stock.
- ▶ **Be realistic in expectations for housing development** - Strong residential growth has not occurred in the recent past and is not likely to occur in the near future. The scale of activities proposed for the future should be compatible with the City's limited potential for growth.
- ▶ **Develop a realistic action plan with goals and time lines** - The City should prioritize its housing issues and establish goals and time lines to achieve success in addressing its housing needs.
- ▶ **Access all available resources for housing** - In addition to the local efforts, the City has other resources to draw on including the Murray County EDA, the Southwest Minnesota Housing Partnership, the Western Community Action Agency, the Southwest Minnesota Opportunity Council, Inc., the Worthington HRA and the local Rural Development Office. These resources should be accessed as needed to assist with housing activities.
- ▶ **Proactive Public Involvement** - The preservation and rehabilitation of the existing housing stock and the construction of new housing will only occur if there is public support and public funding.

Rental Housing Recommendations

1. Insufficient Demand for Rental Housing Construction

Findings: The City of Avoca is a small community, with only 123 people living in 58 households, according to the most recent official estimates. Due to its small size, the City is primarily an owner occupied residential community. At the time of the 2000 Census, only nine housing units in the City were renter occupied, and all of these units were single family houses. There is no multifamily rental housing in Avoca.

The nine renter households represented approximately 13% of all households in the City at the time of the Census. This percentage of renter-occupancy housing was well below the rental tenure rate for all of Minnesota. However, Avoca does not have the retail, service and employment opportunities that typically exist in a larger incorporated city, and as a result, has never attracted any rental housing development.

Our growth projections for Avoca do not expect any future rental demand to address household growth and given the City's small size, pent-up demand and demand caused by unit replacement are negligible.

Recommendation: We would not recommend the construction of any new rental housing in Avoca. The Cities of Slayton and Fulda provide most of the rental opportunities for Murray County.

2. Apply for Housing Choice Vouchers/Section 8 Existing Program allocations from HUD

Findings: The Housing Choice Voucher Program provides portable, tenant-based rent assistance to lower income renter households. The program requires participating households to contribute from 30% to 40% of their adjusted income for rent, with the rent subsidy payment making up the difference. Tenants may lease any suitable rental unit in the community, provided that it passes a Housing Quality Standards inspection, and has a reasonable gross rent when compared to prevailing rents in the community. Although the federal government provides almost no funding for subsidized housing construction, it has provided new Housing Choice Voucher allocations over the last two decades.

The Housing Choice Voucher Program is a popular form of subsidized housing. Because of the flexibility offered through the program, eligible households often prefer the portable rent assistance to other forms of subsidized housing that are project-based, and can only be accessed by living in a specific rental development.

The Housing Choice Voucher Program in Murray County is administered by the Worthington HRA. Currently, there are nine Murray County households utilizing the Voucher Program.

Recommendation: From a practical standpoint, the Housing Choice Voucher Program is the single best way that Avoca can provide affordable housing. HUD does not make new incremental assistance available every year, but when new allocations are authorized, we would encourage the Community and the County to work with the Worthington HRA, to continue to apply for additional vouchers. With the number of renter households paying more than 30% of their income for housing, there is an ongoing demand for vouchers.

Also, the Worthington HRA should be encouraged to publicize the Housing Choice Voucher Program in Murray County to assure that Murray County households are receiving their fair share of vouchers.

Home Ownership Recommendation

Findings: Expanding home ownership opportunities is one of the primary goals for most cities. High rates of home ownership promote stable communities and strengthen the local tax base.

The median owner-occupied home value in Avoca is estimated to be \$20,600, thus, the City has an excellent market for first time home buyers and households seeking moderately priced homes. The affordable price of Avoca homes, is very attractive, when compared to prices in some of the larger cities within commuting distance of Avoca.

Our analysis of Murray County demographic trends shows an increasing population of households in the traditionally strong home ownership age ranges between 55 and 74 years old. While most households in these age ranges already own their housing, this group represents a strong potential market for 'trade-up' housing. Increasingly, the older age ranges within this group look for lower maintenance housing options, such as twin homes or town house developments. Some older households may eventually move out of Avoca to move into other housing options in larger communities, which will open up homes to younger households.

Also, the number of households in the 25 to 34 age range is expected to increase in Murray County. Households in these age ranges are typically first-time home buyers. While some of these households already own their housing, those households that have not been able to achieve the goal of home ownership may need the assistance of special programs to help them purchase their first home and will be seeking affordable homes such as the homes in Avoca.

To assist in promoting the goal of home ownership, the following activities are recommended:

3. Utilize and promote all programs that assist with home ownership

Findings: We believe that affordable home ownership is one of the issues facing Murray County. Home ownership is generally the preferred housing option for most households and most communities. As discussed previously, the demographic make-up of Avoca is conducive to the promotion of home ownership opportunities. There are a number of strategies and programs that can be used to promote home ownership in Avoca. The area's housing agencies and financial institutions can assist with this effort.

First time home buyer assistance, down payment assistance, low interest loans, gap financing and home ownership training programs help to address affordable housing issues. With the City's median home value at \$20,600, virtually all of the existing housing stock is valued under purchase price limits for first-time home buyer assistance programs.

Home ownership counseling and training programs can also play a significant role in helping marginal buyers achieve home ownership. The Southwest Minnesota Housing Partnership has been offering the Home Stretch Home Buyer Training Program in the Region.

While these individual home ownership assistance programs may not generate a large volume of new ownership activity, the combination of below market mortgage money, home ownership training, credit counseling, and down payment assistance may be the mix of incentives that moves a potential home buyer into home ownership.

Recommendation: Avoca and area housing agencies should utilize all available home ownership assistance programs to promote home ownership. The City, in coordination with other Murray County Cities should also explore the possibility of obtaining specific program set-asides from some of the home ownership programs offered through the Minnesota Housing Finance Agency. Specific set-asides will offer multiple advantages, including a dedicated pool of funds, the opportunity for higher participation limits for income and purchase price, and the flexibility for more local design and control. Mortgage programs should also be developed that include all households and not just first time home buyers to encourage trade-up housing activity.

The City should work with the area's housing agencies to develop programs that provide financial assistance for households to purchase a home and to assure the City of Avoca is receiving its share of resources that are available in the Region. Local financial institutions should also have a significant role in assisting households with purchasing a home.

Funding sources for home ownership programs include Rural Development, the Minnesota Housing Finance Agency, Fannie Mae, the Greater Minnesota Housing Fund and the Minnesota Small Cities Development Program.

Housing Rehabilitation

Findings: Avoca has an asset in its existing housing stock. Existing units, both now and into the future, will represent the large majority of the affordable housing opportunities. Existing units generally sell at a discount to their replacement value. Units that are not maintained and improved may slip into disrepair and be lost from the housing stock. Efforts and investment in housing rehabilitation activities will be critical to offering affordable housing opportunities.

Housing options for households will largely be met by the existing, more affordable housing stock. As this existing stock ages, more maintenance and repair is required. Without rehabilitation assistance, the affordable stock will shrink, creating an even more difficult affordability situation.

The following specific recommendations are made to address the housing rehabilitation needs.

4. Promote rental housing rehabilitation programs

Findings: According to U.S. Census data and our estimates, the City of Avoca has nine rental units. The rental units are all single family homes. Several of these rental structures could benefit from rehabilitation.

It is often difficult for rental property owners to rehabilitate and maintain their rental properties while keeping the rents affordable for the tenants. The rehabilitation of older rental units can be one of the most effective ways to produce decent, safe and sanitary affordable housing.

Recommendation: The City of Avoca and area housing agencies should seek Small Cities Development Program (SCDP) grant funds that allow for program design flexibility and makes a rental rehabilitation program workable. The SCDP program provides funds for a rental rehabilitation program that is structured by the community.

Also, the Southwest Minnesota Housing Partnership administers the HOME Program in Murray County. The HOME Program provides funds for rental rehabilitation. However, to be cost effective several single family homes would need to be rehabilitated at part of a coordinated project. Possibly, single family homes in several cities could be part of a HOME rehabilitation project.

5. Promote ongoing owner-occupied housing rehabilitation efforts

Findings: The affordability of the existing housing stock in Avoca will continue to be the major attraction for families that are seeking housing in the area. Investment in owner occupied housing rehabilitation activities will be critical to offering affordable housing opportunities.

Our housing condition survey rated the 71 houses in Avoca. Our survey found that 19 homes need minor repairs and 25 homes need major repairs. Without rehabilitation assistance, there is the potential that the affordable housing stock will shrink in the City of Avoca.

The Minnesota Small Cities Development Program (SCDP) continues to be the major source of funding for housing rehabilitation. The Minnesota Housing Finance Agency also provides funding for housing rehabilitation. The Southwest Opportunity Council, Inc. administers the housing rehabilitation programs for Avoca, including the MHFA Home Improvement Program and the Fix-Up Fund. The Southwest Opportunity Council, Inc. also administers the Weatherization Program.

Recommendation: We recommend that the City of Avoca and area housing agencies continue to apply for SCDP funds to rehabilitate homes. The SCDP Program currently has a maximum of \$600,000 for Single Purpose applications and \$1.4 million for Comprehensive applications that address several of the City's needs. It may be advantageous for the City to apply for SCDP funds with other Murray County Cities as multi-city applications are a priority with the Department of Employment and Economic Development (DEED).

We also recommend that the City of Avoca and area housing agencies continue to seek other local, state and federal funds to assist in financing housing rehabilitation programs.

Other Recommendations

6. Consider the submission of an application for Minnesota Small Cities Development Program funds

Findings: The Minnesota Small Cities Development Program (SCDP) is administered by the Minnesota Department of Employment and Economic development (DEED). There is an annual competition for grant funds to assist communities with housing projects, downtown rehabilitation, public facilities projects, or combined, comprehensive projects. The application process is very competitive and is based on the strength of the project activities, the local financial contribution, the percentage of low and moderate income people in the community and other rating factors. The City of Avoca has utilized SCDP funds in the past to address housing needs.

Community Partners Research, Inc. staff surveyed the housing conditions of the 71 homes in Avoca. Approximately 44 of the homes need minor or major housing rehabilitation. Four homes was identified as dilapidated. Additionally, public facilities improvements, commercial rehabilitation and new affordable housing construction are eligible activities for SCDP funding.

Recommendation: With the housing rehabilitation needs in Avoca and in other Murray County Cities we recommend the preparation and submission of ongoing SCDP applications. The City should be part of ongoing Countywide applications that specifically address substandard owner occupied homes and rental units, as well as dilapidated structures in Murray County Cities. New owner occupied housing development and commercial rehabilitation could also be funded as part of SCDP applications.

7. Acquire and demolish dilapidated structures

Findings: Our housing condition survey identified four houses in Avoca that are dilapidated and too deteriorated to rehabilitate. However, we identified 25 homes as needing major repair and several of these homes may also be too dilapidated to rehabilitate.

Recommendation: We recommend that the City of Avoca in coordination with area housing agencies take an aggressive approach to demolishing severely dilapidated structures. The City is enhanced when blighted and dilapidated structures are removed. Also, some of the cleared lots can possibly be utilized for the construction of new affordable housing units.

The City could also develop partnerships with housing agencies and private developers to construct new housing on cleared parcels. Tax increment financing, MHFA funds, SCDP funds and Greater Minnesota Housing Funds are potential funding sources for this initiative.

8. Create a plan and develop coordination among housing agencies

Findings: Avoca needs staff resources in addition to existing City staff to plan and implement many of the housing recommendations advanced in this Study. The City has access to the Murray County EDA, the Southwest Minnesota Housing Partnership, the Western Community Action Agency, the Southwest Minnesota Opportunity Council, the Worthington HRA and the local Rural Development Office. These agencies all have experience with housing and community development programs.

Recommendation: The City of Avoca is fortunate to have access to several agencies that can address housing needs. It is our recommendation that the City work with the housing agencies to prioritize the recommendations of this Study and to develop a plan to address the City's housing needs. The Plan should include strategies, time lines and the responsibilities of each agency. While there has traditionally been a degree of staff interaction between these agencies, it will be important that a coordinated approach be used to prioritize and assign responsibility for housing programs.

It will also be important for the City to look for opportunities to work cooperatively with other Murray County Cities to address housing issues. With the number of small cities in the County, and limited staff capacity at both the City and County level, cooperative efforts may be the only way to accomplish certain projects. Cooperative efforts will not only make housing projects more practical, but they will often be more cost-effective and competitive.

9. Promotion of lot sales

Findings: As part of this Study, we have attempted to identify the residential lots available for single family housing construction in Avoca. Sylvia Lake is located in Avoca. Twenty-six lots were developed on the north side of the lake, some of which are out of the City limits. Twenty-five lots have been developed on the south side of the lake. All but three of the lots on the north side of the lake have been sold. No lots on the south side of the lake have sold. Thus, approximately 28 lots are available in Avoca. The majority of the lots are lake lots with the remaining lots across the street from the lake.

The lake lots are for sale in the \$30,000 to \$40,000 range. The 25 lots on the south side of the lake have been for sale since 2003.

Eight homes have been constructed in Avoca since 2000, an average of approximately one new home per year.

Recommendation: It is our opinion that for the available lots to sell in Avoca, public involvement will be necessary. The City and area housing agencies should proactively assist with the sale of these lots and the construction of homes on these lots.

Tax increment financing, SCDP, MHFA and Rural Development funds are possible funding sources.

Assistance could include the write down of lot costs, down payment assistance, gap financing, low interest mortgage loans, etc. An area housing agency, such as the Southwest Minnesota Housing Partnership, or the Murray County EDA may also consider the purchase of all or some of the 25 lots on the south side of the lake to be utilized for affordable housing development.

10. Promote Commercial Rehabilitation

Findings: There are several substandard commercial buildings in Avoca.

When households are selecting a City to purchase a home in, they often determine if the City's commercial sector is sufficient to serve their daily needs. A viable commercial district is an important factor in their decision making process.

Recommendation: We recommend that the City of Avoca coordinate with the Murray County EDA to work with commercial property and business owners to rehabilitate their buildings. New businesses should also be encouraged to locate in Avoca.

The Murray County EDA and area housing agencies should be encouraged to apply for SCDP funds and seek other funding sources to rehabilitate commercial buildings. A goal of one commercial rehab project every two years in each of the very small Murray County Cities would be a realistic goal.