



# City of Duluth 2018 Housing Indicator Report

JULY 2019

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Planning & Economic  
Development Department



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# Executive Summary

Each year, the City of Duluth produces a Housing Indicator Report to track data trends from a variety of sources that include the U.S. Census, American Community Survey, St. Louis County, Minnesota Department of Employment and Economic Development, Duluth Area Realtors' Association, and the City of Duluth. This report provides information regarding market trends and demand, details regarding market fluctuation during the past year, and details to better understand new construction and rehabilitation needs in Duluth.

## Key Findings

Trends from 2018 continue to show growth in the number of housing sales, annual median income, in addition to a widening gap for Duluth residents facing cost-burdens due to increasing rents. Duluth single-family home sales continue to be driven by a "sellers' market" during 2018. The average median single-family home sale price was \$173,500 in 2018. This was a 1.3% increase from the 2017 price. The total number of homes sold in 2018 was 1,202, up from 1,155 in 2017.

Average market rent increased in every unit size. Four-bedroom units saw an increase of 13% in average market rent. In 2018, average market rent remained unaffordable and posed a cost-burden to over 54% of Duluth's population. While Duluth's population decreased by 793 people from 2017, the city only gained 181 more units.

Without the assistance of the City's partners, this report would not be possible. This report continues to provide an important basis for evaluation between the City of Duluth and St. Louis County when considering housing trends and the needs for new and rehabilitated housing for all citizens, regardless of income.

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## I. DEMOGRAPHICS

### Household Trends

Duluth's population in 2018 is estimated to be 86,066. This was a decrease of 793 people since 2017, when the last American Community Survey was conducted. While the overall population dropped, it should be noted that the number of households in Duluth grew in 2018, by 274 from 2017.

**Table 1: Historical Population**

	1960	1970	1980	1990	2000	2010	2014	2017	2018
Population	106,884	100,578	92,811	85,493	86,319	86,265	86,239	86,174	86,066
Households	34,491	33,384	35,363	34,646	35,500	37,705	38,150	35,729	36,003

Source: U.S. Census Bureau Decennial Census, 2013-2017 American Community Survey

Note: 2018 numbers are a projection from the American Community Survey

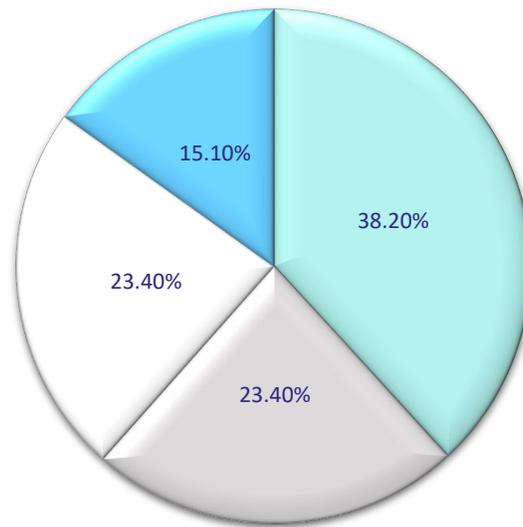
**Table 2: Demographic Shifts in the City of Duluth**

	1980	1990	2000	2010	2014	2017	2018
Population	92,811	85,493	86,319	86,265	86,239	86,174	86,066
Person >65	14,367	18,504	13,147	11,866	12,333	12,638	12,996
Number of Households	35,363	34,646	35,500	37,705	38,150	35,729	36,003
Average Household Size	2.51	2.36	2.26	2.23	2.24	2.23	2.21
Number of Housing Units	37,090	36,022	36,994	38,208	38,150	38,262	38,461
Owner Occupied Units	22,816	22,275	22,773	21,569	21,255	21,484	21,540
For Sale Only	N/A	N/A	230	424	258	1,255	535
Renter Occupied Units	12,547	12,228	12,727	14,136	14,293	14,245	14,463
Vacant	N/A	N/A	454	896	580	630	670
Occupied Housing Units	35,636	34,563	35,500	35,705	38,150	35,729	36,003

Source: U.S. Census Bureau Decennial Census, 2013-2017 American Community Survey

The median age of Duluth residents is 33.8 years, according to the American Community Survey, with slightly more females (50.8%) than males. Duluth's median age of 33.8 years was lower overall than both Minnesota (36.8) and the U.S. (37.8). There are 36,003 households in Duluth, with an average household size of 2.21.

## Duluth Age Breakdown



■ Under 25 Years   ■ 25 to 44 Years   ■ 45 to 64 Years   ■ 65 Years and Older

Source: 2013-2017 American Community Survey

### Poverty

Poverty levels in Duluth have remained consistent for the last decade. In 2018, approximately 20% of people in Duluth lived below the federal poverty line. Additionally, 37% of Duluthians lived below 200% of the poverty level. This was a 2% decrease from 2017. Fifteen percent of adults between the ages of 25-34 fell below poverty guidelines in 2018, and 14% of 35-44 year-olds fell below the same line. In 2018, a single individual making \$15,000 or less was considered to be below the poverty level.

In 2018, the median household income in Duluth was \$47,227. This is an increase of \$1,227 (2.7%) since 2017. Approximately 48% of Duluthians made \$50,000 or more in 2018 according to the American Community Survey, which indicates that 52% of the community makes less than the median household income.

Duluth Public Schools report that 40% of students in pre-kindergarten to 12<sup>th</sup> grade were eligible for free or reduced lunches in 2018. This was a two-percent decrease from 2017. Free and reduced lunch is a program that households qualify for based on income qualification. To be eligible for free lunches, households must earn less than 30% of the annual median income; for reduced price lunch, households can make up to 200% of the poverty level. This was the first year in four years that the school district saw a decrease among students that enroll in free and reduced price lunches.

**Table 3: 2018 Duluth Household Income**

Income	Total Households: 36,003	Percentage 100%
Less than \$35,000	13,612	38%
\$35,000- \$49,999	5,236	15%
\$50,000 – \$74,999	6,424	18%
\$75,000- \$99,999	4,046	11%
\$100,000 or more	6,685	18%

Source: 2013-2017 American Community Survey

### Homelessness

The City of Duluth receives federal funds that are awarded to local non-profit organizations for assisting people experiencing homelessness. One funding source, the Emergency Solutions Grant program, provides funding for shelter operation and emergency assistance funds for individuals and families facing eviction, in need of assistance paying a rental deposit, and accessing housing. The goal of the emergency assistance funds in 2018 was to assist 50 individuals or families, 108 people were served.

Duluth’s three emergency shelters provided over 1,546 individuals with a bed in 2018. For the third year in a row, shelter usage exceeded established goals, including 2018, where the goal had been to serve 1,535 individuals. In 2018, Duluth’s only street outreach program identified and assisted 237 homeless adults and engaged them with services. This was an increase of 83 individuals or 45% from 2017.

Duluth Public Schools began tracking homeless students in 2010 as a part of the Minnesota Department of Education requirements, and for services that are provided through the McKinney-Vento Act. In 2018, 320 students were identified as homeless. This was a decrease from 2017, by 19% or 75 students (Minnesota Automated Reporting Student System). This was the second year in a row that the number of homeless students has decreased, and is consistent with the rest of the state’s data. In 2018, the Wilder Foundation reported that Minnesota homeless families dropped by five percent in 2018, while homeless individuals increased by ten percent.

**Table 4: Homeless Sheltered in Duluth**

	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Emergency Shelters</b>	1,835	1,788	2,137	2,137	1,551	1,482	1,856	1,829	1,546
<b>Transitional Housing</b>	363	299	338	355	473	420	379	330	255
<b>TOTALS</b>	<b>2,198</b>	<b>2,087</b>	<b>2,475</b>	<b>2,492</b>	<b>2,024</b>	<b>1,902</b>	<b>2,235</b>	<b>2,159</b>	<b>1,801</b>

Source: City of Duluth Consolidated Annual Performance and Evaluation Report

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## **Role of Coordinated Entry**

Coordinated Entry (CE) is a process for assessing the needs of people experiencing a housing crisis, and connecting them to local resources. This process is required for communities who receive Continuum of Care (CoC) grants through the U.S. Department of Housing and Urban Development. The St. Louis County CoC, which includes Duluth, receives on average \$3.2 million from this federal grant annually. Under the St. Louis County CoC, individuals and families who are experiencing a housing crisis call 2-1-1 and have their situation assessed. At the end of this process, clients are added to a prioritized waiting list and can be referred to housing units as they become available.

In 2018, there were 1,454 households assessed for having a housing crisis in Duluth. This was an increase of 60 households from 2017. The largest trend in this data continues to be found in the number of households with evaluation scores in a range that could require permanent supportive housing. In 2018, the number that scored in this range was 1,022, which was a 20% increase from 2017, and 62% increase from 2016. In 2017 and 2018, the St. Louis County Housing Inventory Count reported Duluth having 494 units of permanent housing that are specifically for the Continuum of Care program.

## **Public Housing and Housing Choice Vouchers**

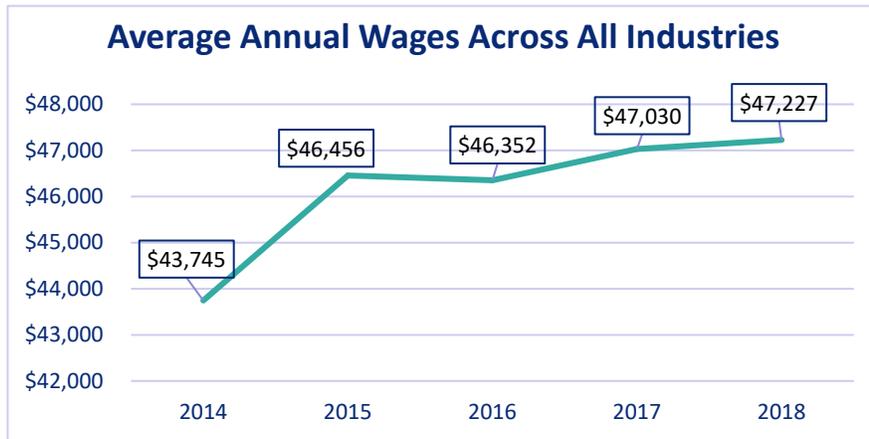
Of the 1,849 total households (both in Duluth and those living within St. Louis County) on the Coordinated Entry waiting list for housing, many are also on two other local housing waiting lists. The Public Housing waiting list that is maintained by the Duluth Housing and Redevelopment Authority (HRA) has 2,213 households on the list, and estimates that it take more than 12 months before families or individuals were placed into housing. The HRA's Housing Choice Voucher waiting list includes 3,460 households, with an estimated wait time of 18-23 months for families or individuals to be placed. Individuals and families apply for these two waiting lists directly with the HRA.



## II. EMPLOYMENT TRENDS

### Wages

Duluth’s average annual wage of workers has steadily increased over the last decade. Between 2005 and 2018, the average wage increased by 35.7%, rising from \$34,944 to \$47,227 respectively. In 2018, the average hourly wage was approximately \$22.81 an hour. The average wage in Duluth increased by \$197 since 2017.



Duluth has experienced an approximate 14.93% gain in its average annual wage over the past eight years. Duluth’s annual wage is above average in comparison to other large cities in Minnesota. Only St. Paul and Minneapolis had higher average annual wages than Duluth. Statewide, the average annual wage was \$65,699 in 2018.

Source: Minnesota Department of Employment and Economic Development (DEED)

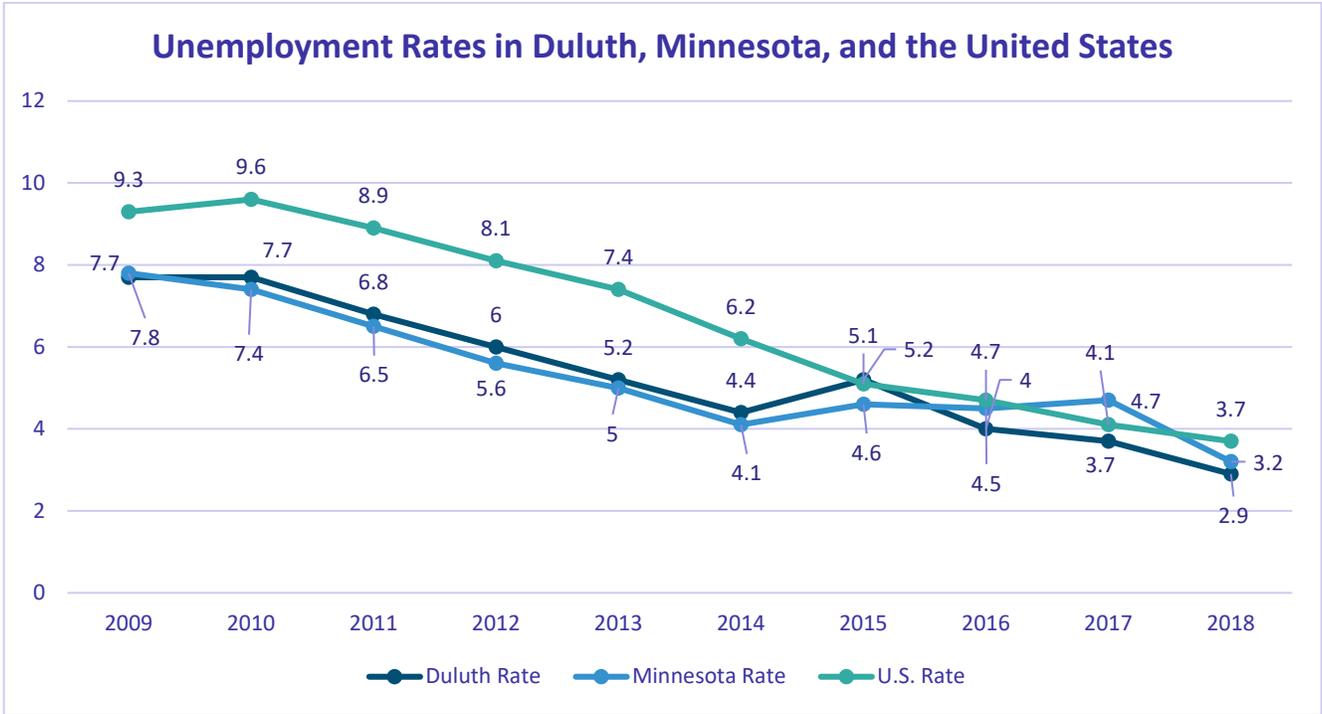
**Table 5. Average Wage Gains for Other Locations**

Annual Average Wage	2010	2018	Change
City of Duluth	\$41,092	\$47,227	14.93%
City of Minneapolis	\$46,075	\$55,720	20.93%
City of St. Paul	\$45,439	\$52,841	16.29%
City of St. Cloud	\$39,149	\$46,601	19.03%
City of Mankato	\$40,190	\$45,035	12.06%
St. Louis County	\$44,941	\$50,936	13.34%
State of Minnesota	\$57,243	\$65,699	14.77%
United States	\$51,941	\$57,652	11.00%

Source: American Community Survey

### Labor Force and Unemployment

In 2018, Duluth had an unemployment rate of 2.9%, the lowest level in nearly two decades. This broke the previous low set in 2017 of 3.7%. Duluth’s unemployment rate is higher than the Twin Cities Metro (2.7%), but is lower than the Duluth-Superior Metropolitan Area (3.9%) as well as the State of Minnesota (3.2%) and the national average (3.7%).



Source: Minnesota Department of Employment and Economic Development (DEED)

According to the Minnesota Department of Employment and Economic Development, Duluth’s labor force has remained consistent over the last decade with 45,554 workers. The last time Duluth had over 46,000 workers was in 2010. The U.S. suffered a high unemployment rate in 2009 (9.3%) during the national recession, but it has since dropped to 3.7%.

Across Minnesota, and the U.S. baby boomers are retiring in record numbers, leaving positions that have been filled for decades. Employers across the state, including Duluth have had to be creative in attracting and retaining employees by not only competitive benefits packages, and flexibility within the workplace. Companies are offering free workout classes, and other health and wellness opportunities during the workday to create a pleasant environment, and improve retention rates.

Students moving to Duluth for higher education want not only an education, but employment after graduation. Enrollment numbers at Lake Superior College have seen a drastic increase in their manufacturing and skilled trades programs as a direct tie to job openings within the area, and the need for tradespeople within this labor force.

**Table 6. Duluth Labor Force and Unemployment 2009-2018 Comparisons**

Year	Duluth Labor Force	Duluth Unemployment	Duluth Rate	Duluth Superior MSA Unemployment Rate	Twin Cities Metro Unemployment Rate	Minnesota Rate	U.S. Rate
2018	45,554	1,334	2.9	3.9	2.8	3.2	3.7
2017	44,529	2,040	3.7	4.8	3.3	4.7	4.1
2016	44,389	1,764	4	5.7	3.6	4.5	4.7
2015	45,459	2,364	5.2	7.1	4	4.6	5.1
2014	45,607	2,004	4.4	5.2	3.9	4.1	6.2
2013	45,804	2,393	5.2	6.1	4.8	5	7.4
2012	45,758	2,733	6	6.6	5.5	5.6	8.1
2011	45,936	3,137	6.8	7.4	6.3	6.5	8.9
2010	46,522	3,563	7.7	8.2	7.3	7.4	9.6
2009	45,514	3,492	7.7	8.9	7.7	7.8	9.3

Source: Minnesota Department of Employment and Economic Development (DEED)

In 2018, the City of Duluth saw a slight decline in its employment base with a total decrease of 425 jobs. However, industries like construction, manufacturing, and leisure and hospitality saw gains in employment.

Table eight, summarizes Duluth's current wage levels by all sector occupation classification from the last five years. In the last year, only five of the eleven industries increased their wages. Increases were seen in trade, transportation and utilities, information, education and health services, leisure and hospitality and other services. The other six industry's wages decreased by an average of \$2,488.

**Table 7. All Industry Employment in Duluth**

Industry	2014	2015	2016	2017	2018
Construction	2,235	2,407	1,972	1,896	2,083
Manufacturing	2,587	2,761	2,804	2,895	3,141
Trade, Transportation and Utilities	9,817	9,827	9,432	9,492	9,119
Financial Activities	2,960	2,706	2,679	2,659	2,472
Information	978	971	946	842	762
Professional and Business Services	5,264	5,102	4,895	4,692	4,502
Education and Health Services	22,876	23,124	23,455	23,872	23,382
Natural Resources and Mining	30	33	27	26	35
Leisure and Hospitality	7,226	6,890	6,785	7,049	7,495
Other Services	2,043	2,087	2,101	2,097	2,100
Public Administration	3,667	3,657	3,505	3,582	3,586
<b>Total, All Industries</b>	<b>59,683</b>	<b>59,565</b>	<b>58,601</b>	<b>59,102</b>	<b>58,677</b>

Source: Minnesota Department of Employment and Economic Development (DEED), Labor Market

**Table 8. Annual Wages by Industry in Duluth**

Industry	2014	2015	2016	2017	2018
Construction	\$57,301	\$63,245	\$62,689	\$62,011	\$61,932
Manufacturing	\$56,519	\$56,050	\$57,823	\$58,188	\$57,460
Trade, Transportation and Utilities	\$37,123	\$38,010	\$38,844	\$38,948	\$39,312
Financial Activities	\$43,224	\$50,680	\$50,419	\$54,225	\$54,132
Information	\$50,367	\$49,585	\$49,950	\$51,618	\$52,468
Professional and Business Services	\$52,452	\$55,633	\$55,320	\$57,041	\$55,588
Education and Health Services	\$50,210	\$53,443	\$52,400	\$53,078	\$56,836
Natural Resources and Mining	\$40,460	\$43,224	\$44,249	\$49,063	\$48,412
Leisure and Hospitality	\$15,068	\$16,371	\$17,571	\$17,779	\$19,032
Other Services	\$22,003	\$22,524	\$22,576	\$24,714	\$26,260
Public Administration	\$59,995	\$61,003	\$61,629	\$62,463	\$50,528
<b>Total, All Industries</b>	<b>\$43,745</b>	<b>\$46,456</b>	<b>\$46,352</b>	<b>\$47,030</b>	<b>\$47,227</b>

Source: Minnesota Department of Employment and Economic Development (DEED), Labor Market

The four largest industries in Duluth continue to be health care, public administration, educational services, and manufacturing. Health care and social assistance are approximately 11,400 staff, making Duluth the largest medical hub in Northern Minnesota. Only eight of the eleven industries in Duluth offer annual wages above the estimated cost of living for an average family in the region. The average ages of trade, transportation/utilities, leisure/housing, and other are below the estimated cost of a living wage.

**Table 9. Major Employers in the Duluth Area 2018**

Name of Employer	Function	Number of Employees
Essentia Health	Health Care and Social Assistance	6,569
St. Luke's	Health Care and Social Assistance	2,348
St. Louis County	Public Administration	1,956
University of Minnesota Duluth	Educational Services	1,635
Duluth Public Schools	Educational Services	1,426
ALLETE	Utilities	1,314
Duluth Air National Guard Base	Public Administration	1,068
Cirrus Aircraft	Manufacturing	1,000

Source: Business North

### III. HOMEOWNERSHIP TRENDS

According to the American Community Survey, in 2017 there were 21,540 (59.8%) homesteaded and 14,463 (40.2%) non-homesteaded units in Duluth, for a total of 36,003 units. Of those units, 2,458 units, or 6.4%, were vacant, which was a decrease of 75 units from 2017. Homestead status continues to be in flux due to homeowners deciding to rent their properties. The data below shows a snapshot of housing and homeownership trends within Duluth.

**Table 10: Number of Owner Occupied vs. Renter Occupied**

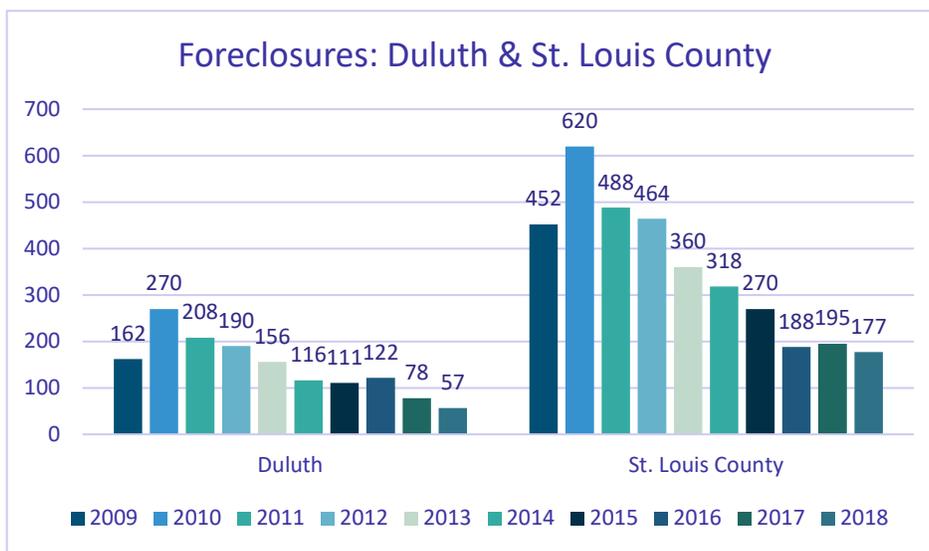
	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Total Owner Occupied</b>	22,788	22,029	21,502	21,380	21,324	21,255	21,320	21,484	21,540
<b>Total Renter Occupied</b>	15,073	14,453	14,823	14,163	14,293	14,090	14,245	14,245	14,463
<b>Total Owner and Renter Occupied Units</b>	37,861	36,482	36,325	35,862	35,487	35,548	35,410	35,729	36,003

Source: 2013-2017 American Community Survey

#### Home Foreclosure in Duluth

In 2018, Duluth had 57 foreclosures (4.7%), which was the lowest number in a decade (26% less than in 2017). This continues to follow statewide trends, with foreclosures at the lowest number in a decade at just 0.02% of all Minnesota homeowners impacted by foreclosures in 2018, according to CoreLogic. The national average for 2018 was 0.04%.

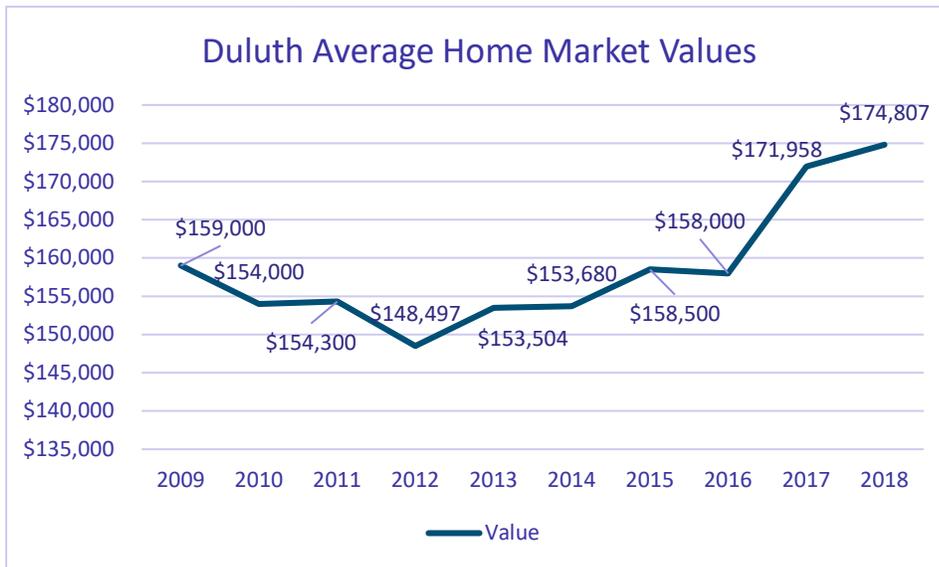
**Table 11: Foreclosures in Duluth & St. Louis County**



In 2018, Duluth homeowners continued a trend of stability, with 19% of owner households being cost-burdened. This was in comparison to 18.1% of Minnesotan and 22.5% national homeowner cost-burdened averages. Fifty-four percent of Duluth renters were cost-burdened in 2018, compared to 46% of Minnesotan and 47.4% throughout the U.S.

Source: St. Louis County Recorder's Office

**Table 12: Duluth Average Home Market Value**



**Single Family Home Sales in Duluth**

From 2010 to 2018, the median sales price increased by approximately 26% from \$137,850 to \$173,500. The total number of valid sales increased from 2017 to 2018 by 47 homes (4%); the highest total number of single-family homes sold in a single year in the last decade.

Source: St. Louis County Assessor’s Office

The average price of single-family homes increased by \$5,319 between 2017 to 2018. The median price increased by \$2,300 from 2017 to 2018. The number of single-family homes that sold in 2018 is consistent with sale trends in 2017.

**Table 13: Single Family Home Sales of Homestead Properties**

Single Family Homes	2012	2013	2014	2015	2016	2017	2018
No. Valid Sales	763	920	915	918	1,153	1,155	1,202
Average Price	\$172,846	\$177,726	\$174,078	\$189,646	\$191,562	\$196,476	\$201,795
Median Price	\$140,000	\$144,950	\$147,700	\$158,500	\$158,000	\$171,200	\$173,500

Source: St. Louis County Assessor’s Office

\*Data collected does not include reject sales with extenuating circumstances (e.g. family sales, short sales, forced sales and gift sales)

**Lake Superior Area Realtors’ Associations**

The Lake Superior Area Realtors’ Association (LSAR) tracks sales and statistics for Duluth. According to LSAR, the number of days that properties are on the market helps to illustrate the story of the market in each community. In 2018, the average days on the market for properties in Duluth was 31 days. This was a decrease of 37 days in 2017 (68 days) due to a very limited number of inventory on the market throughout the year. LSAR reported homes that were over \$250,000 were on the market longer than properties that sold for under \$200,000. Homes that were priced between \$100,000 to \$200,000 were more likely to sell within the first week on the market with multiple offers.

Duluth continues to follow, state and national trends of increasing home sales prices. The average price for duplexes increased to \$106,500, which was an increase of \$5,500, in addition to triplexes, which also increased by \$26,250 in 2018 for an average sales price of \$188,750. There were 1,090 single-family sales in 2018, 53 duplex sales, and 26 triplex sales. Average days on the market was 31 days for a single-family, 62 days for a duplex and 44 days for a triplex.

Similar to 2017, LSAR reported that homes continued to end in a bidding war that were typically in the \$100,000 - \$225,000 range. Bidding wars and a lower number of homes on the market in 2018, this typically indicates a sellers' market. This was the fourth year consecutively that Duluth has been a sellers' market. LSAR's representatives reported that many homes sold on the same day that they entered the market, especially if they were priced well and in good condition. Duluth also saw an increase in buying foreclosed and vacant homes, which would account for the number of vacant units decreasing in the past four years.

**Table 14: 2018 Home Sales & Days on the Market**

	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Home Sales</b>	642	536	763	920	915	1,153	1,153	1,155	1,202
<b>Days on the Market</b>	73	83	73	105	83	55	48	68	37

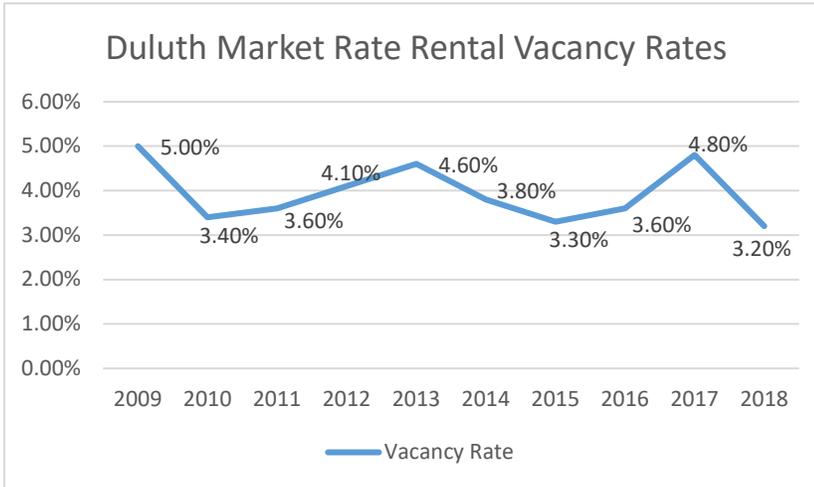
Source: Lake Superior Realtors' Association & St. Louis County Assessor's Office



## IV. RENTAL HOUSING INDICATORS

### Rental Vacancy Rate

According to the 2018 Duluth Rental Survey, the overall vacancy rate in the City of Duluth is 3.2%. This was a 1.6% drop from 2017, which was the highest rate the city had seen since 2009. The rate in 2018 was the lowest in a decade.



This graph represents the average rental vacancy rates over the last ten years. In 2018, there were 3,028 units surveyed and 96 of those were reported vacant, which is a 3.2% vacancy rate. Citywide vacancy rates dropped from 4.8% in 2017, to 3.2% in 2018. This year's rate was the lowest since 2002 when the overall vacancy rate was 2.9%. Vacancy rates have continued to stay below 5% since 2009 when the rate was 7.8%.

Source: City of Duluth Rental Survey

**Table 15: Change in Housing from 2000 to 2018**

	2000 Census	2008-2012 American Community Survey	2012- 2016 American Community Survey	2013-2017 American Community Survey
<b>Total Rental Housing Units</b>	13,181	14,761	14,164	14,463
<b>Renter-Occupied Housing Units</b>	12,727	14,163	14,090	14,114
<b>Vacant</b>	454	598	74	349
<b>Average Household Size of Renter-Occupied Units</b>	1.91	1.99	2.02	1.99

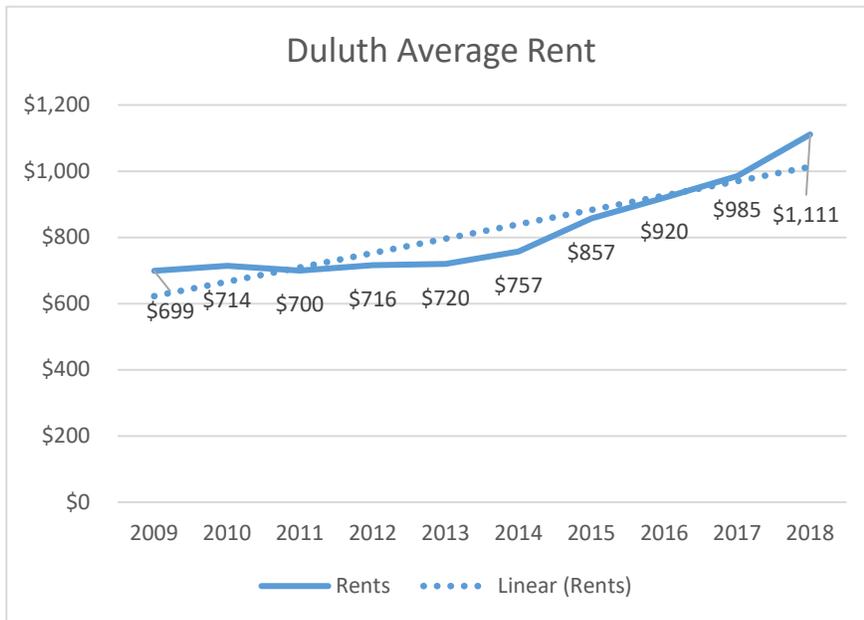
Source: U.S. Census & American Community Survey

### Market Rate Rental Survey

The City of Duluth conducts an annual market rate rental survey. This survey was gathered from property managers and rental properties within Duluth. Owners and managers are asked a series of questions about rental and vacancy rates for their properties. The data is aggregated and the results are calculated by bedroom type, rent range, and neighborhood location. There were approximately 3,000 responses in the 2018 survey, or 21% of the total market rental units in Duluth.

The survey provides data on all ten of Duluth’s neighborhood districts. Types of rentals include studio apartments, one-bedroom, two-bedroom, three-bedroom, four-bedroom, as well as other rental types. In addition to information on total rents, the data includes information about total price per square foot.

The average monthly rent in 2018 for private residential housing units was \$1,111 per month. This represents an 11% increase from 2017, when the average rent was \$985 per month. This continues an upward trend, as the average rental price per month has risen 63% over the past decade.

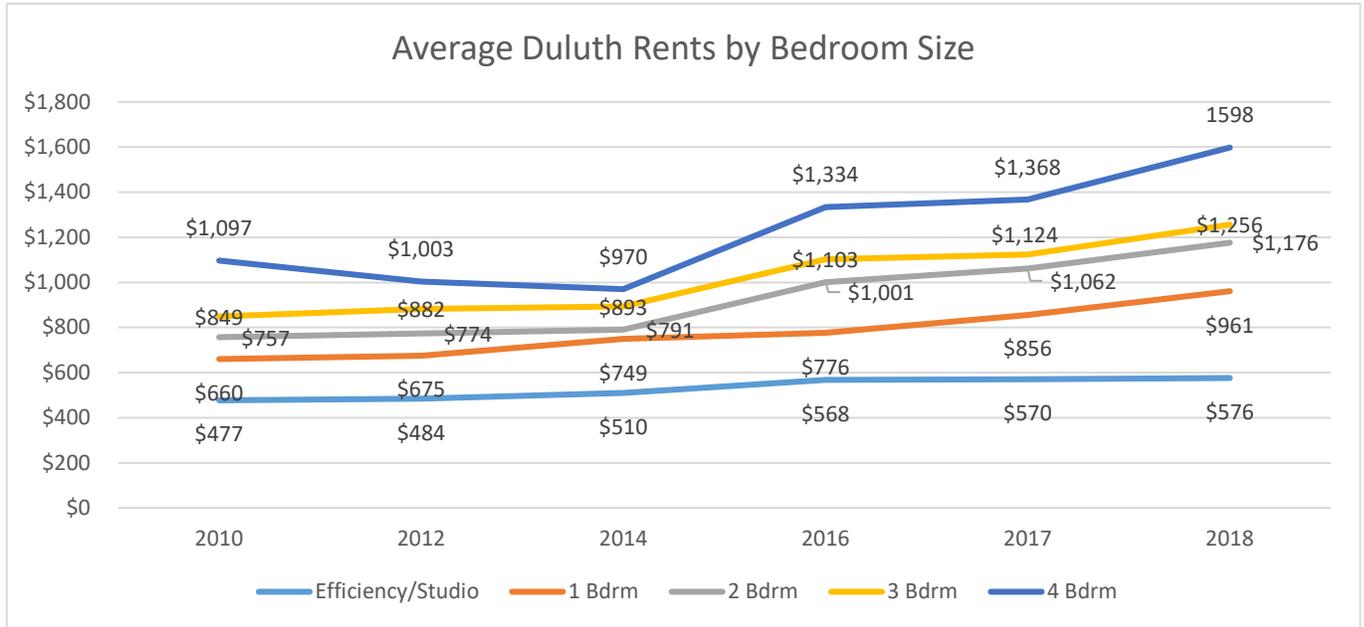


The data breaks down the average rent based on the number of bedrooms and changes over the past 10 years. In 2018, every unit type increased from 2017. The lowest increase was for a studio/efficiency unit which increased by \$6 per month. The largest increase was for a four-bedroom which increased by \$212 (13%).

Source: 2018 City of Duluth Rental Survey

According to data from the U.S. Department of Housing and Urban Development (HUD), a household should pay no more than 30% of its gross income on housing. Fifty-four percent of Duluth renters have reported being cost burdened, which has not changed from years past. While new housing continues to be built each year, the majority of recent construction has been market rate developments and have not favored those that are making less than \$47,227, Duluth’s average annual wage in 2018. According to the 2018 Duluth Rental Survey, the citywide average of \$1,111 would be affordable for those making the average annual wage in 2018.

**Table 16. Rent and Number of Bedrooms**



Source: City of Duluth Rental Survey

**Table 17. Cost of Housing**

	Studio Apartment	1 Bedroom	2 Bedroom	3 Bedroom
<b>Avg. Monthly Costs</b>	\$576	\$961	\$1,176	\$1,256
<b>Income to Afford</b>	\$23,040	\$38,440	\$47,040	\$50,240
<b>Hourly Wage to Afford (40 hours/week)</b>	\$11.07	\$18.48	\$22.61	\$24.15
<b>Hours/ Week at Minimum Wage (\$9.65)</b>	46	76	94	100
<b>Hours/Week at Minimum Wage (\$7.87)</b>	56	93	115	123

Source: City of Duluth Rental Survey

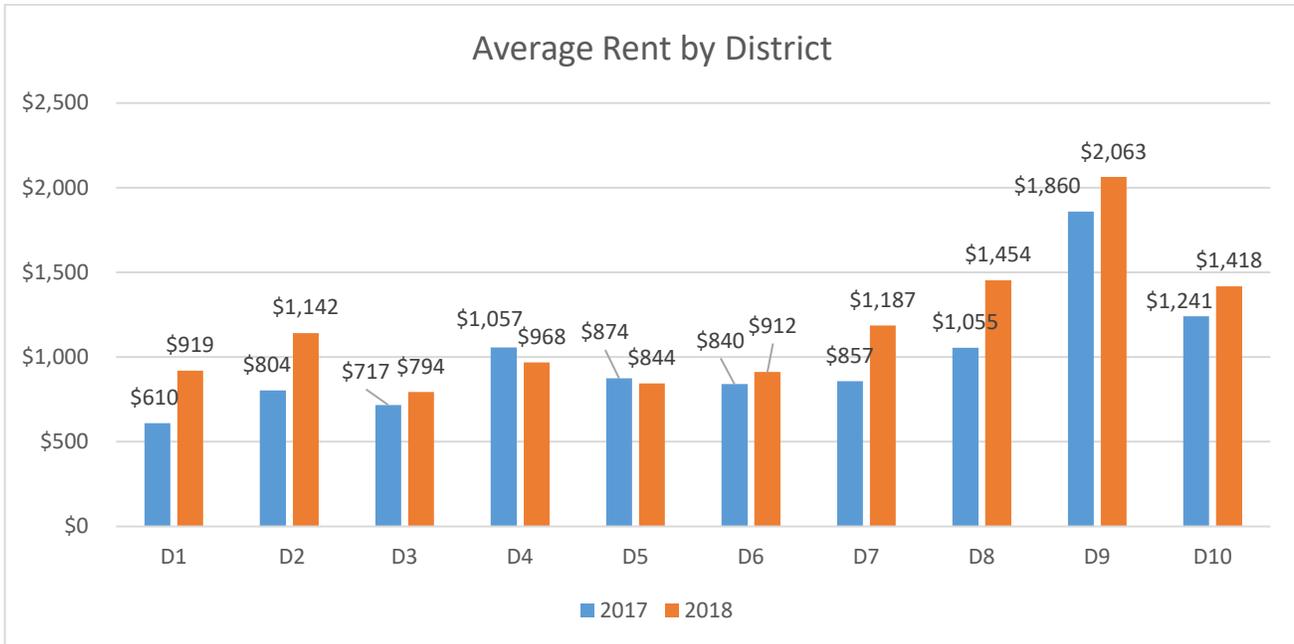
**Table 18. Rent by who pays utilities**

Unit Type	Utilities Paid By	Total Units	Average Rent	Vacancy Rate	Difference in Owner vs. Renter Paid Utilities
Studio/ Efficiency	Owner Paid Utilities	89	\$572	1.10%	\$7
	Renter Paid Utilities	111	\$579	0%	
1 Bedroom	Owner Paid Utilities	585	\$982	4.80%	\$41
	Renter Paid Utilities	579	\$941	2.60%	
2 Bedroom	Owner Paid Utilities	475	\$1,125	6.10%	\$10
	Renter Paid Utilities	591	\$1,135	2.00%	
3 Bedroom	Owner Paid Utilities	68	\$1,255	5.90%	\$1
	Renter Paid Utilities	282	\$1,256	3.20%	
4 Bedroom	Owner Paid Utilities	*	\$1,478	*	\$139
	Renter Paid Utilities	152	\$1,615	3.90%	
Other	Owner Paid Utilities	*	\$2,110	*	\$7
	Renter Paid Utilities	69	\$2,117	1.40%	

Source: City of Duluth Rental Survey \* Indicates too low of a response rate to include data

**Neighborhood Analysis**

Although the citywide 2018 average rental rate was \$1,111 a month and the vacancy rate was 3.2%, this number varies across the city. According to the 2018 City of Duluth Rental Survey, the lowest rent paid was in District 3 (Lincoln Park) with an average rent of \$794 per month. In contrast, the highest average rent costs was District 9 (Lakeside, Lester Park & North Shore) at \$2,063 per month. A map of the neighborhood districts is included in the appendix of this document.



Source: City of Duluth Rental Survey \* See neighborhood districts map in the appendix

### Student Enrollment and Trends

In the fall of 2018, Duluth had 21,393 undergraduate college students studying at the University of Minnesota Duluth (UMD), The College of St. Scholastica (CSS) and Lake Superior College (LSC). This number increased by 2,933 students in 2017. Of those 21,393 students, only 19% live on campus in student housing. Most of the new and large apartment buildings near UMD and CSS continue to have higher rents and lower vacancy rates compared to the rest of the housing market. Both UMD and LSC have announced that they will be building student housing by 2020.

**Table 19: Student Enrollment in Duluth**

Name of School	Student Enrollment Undergraduate	Number of Students Living on Campus	Students Living Off Campus
University of MN Duluth	11,040	3,014	8,026
College of St. Scholastica	2,479	981	1,194
Lake Superior College	7,874	0	7,874
<b>TOTAL:</b>	<b>21,393</b>	<b>3,995</b>	<b>17,094</b>

Source: The University of Minnesota Duluth, Lake Superior College and The College of St. Scholastica.

### Public Housing and Housing Choice Voucher Trends

The Housing and Redevelopment Authority of Duluth (HRA) owns and manages 1,154 public housing units. Public housing was created under President Roosevelt’s New Deal as a part of the United States Housing Act of 1937. It wasn’t until the late 1970s when Section 8, now called the Housing Choice Voucher (HCV) Program, was created as an additional resource to house those in need of low-income housing. The HCV Program allows for both project-based and tenant-based vouchers. With project-based vouchers, the affordability remains with the housing unit. For tenant-based vouchers, tenants directly receive a rent voucher that can be used at any available rental unit found in the private housing market.

Since the creation of the HCV Program, waitlists and the total amount of time of wait for a unit to become available can be lengthy. Duluth has been consistent in having 1-3% vacancy rate for public housing units. In

the past decade, the vacancy rate has hovered between one and two percent respectively. Nationally, in 2018 the average wait time for the HCV Program was two years.

The HCV Program generally has a higher number of households on the waiting list compared to the Public Housing wait list due to the program’s availability to allow people to choose a home and neighborhood. In 2018, the number of households on the waiting list grew by 755 or 22% from 2017. According to the HRA, this could be due to a variety of factors, such as higher rent, lower paying jobs, or an increase of households moving into the area that are currently living “doubled up” with friends or family members.

**Table 20: Public Housing Waiting Lists & Vacancy Rates**

	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Public Housing Vacancy %</b>	1.3%	1.0%	3.0%	2.0%	2.0%	1.6%	2.2%	3.1%	4.4%
<b>Public Housing Avg. Waiting List</b>	153	974	1,014	802	635	995	1,155	1,646	2,213
<b>Housing Choice Voucher (Unused)</b>	0%	1.0%	1.0%	2.0%	7.0%	0%	1.9%	2.4%	5.8%
<b>Housing Choice Voucher Avg. Waiting List</b>	1,623	1,800	2,376	1,477	1,464	1,320	1,820	2,705	3,460

Source: Housing & Redevelopment Authority of Duluth

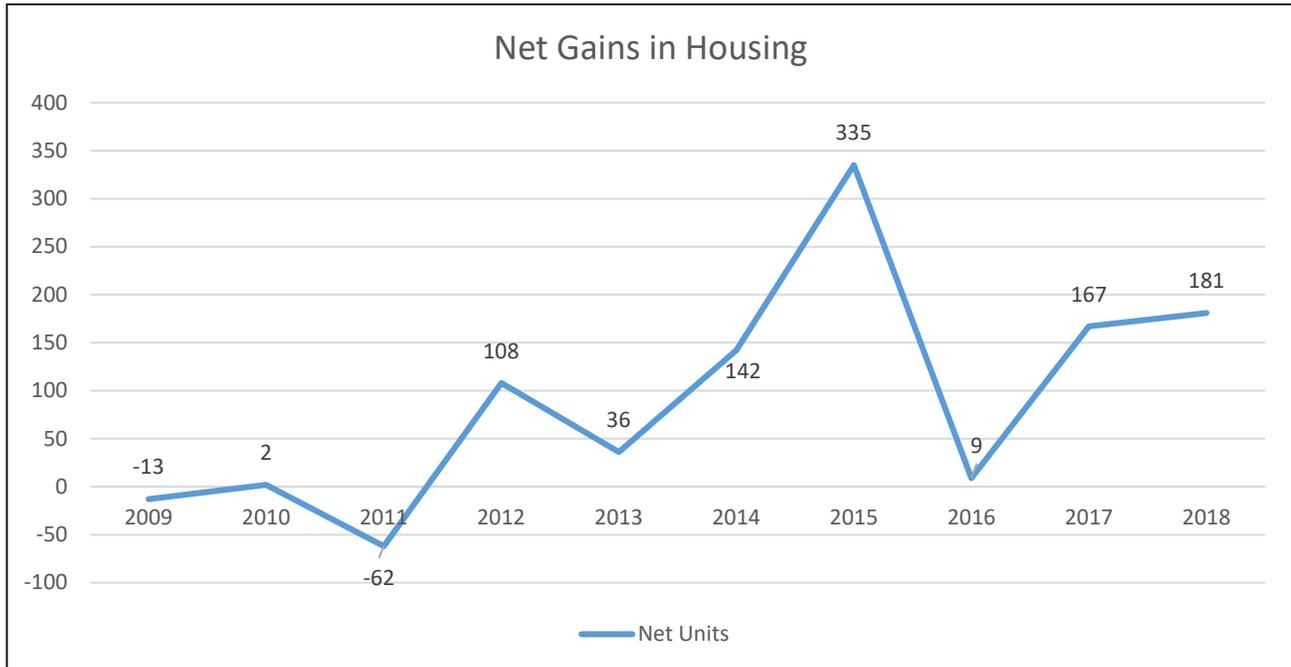
When reviewing other public housing programs across Minnesota, a 2% vacancy rate is common. It is also common within other Housing Authorities to have large waiting lists with a year or longer to be moved into a unit. Many cities like Duluth are dealing with a shortage in affordable housing, in addition to having an older housing stock that requires rehabilitation to be brought up to current building code standards.

**Table 21: HUD’s Housing Choice Voucher Program**

By Bedroom Size	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>Studio/Efficiency</b>	\$433	\$433	\$504	\$481	\$481	\$536	\$543	\$543	\$600
<b>1 Bedrooms</b>	\$528	\$528	\$607	\$579	\$579	\$627	\$627	\$627	\$650
<b>2 Bedrooms</b>	\$666	\$666	\$725	\$725	\$725	\$755	\$792	\$792	\$835
<b>3 Bedrooms</b>	\$836	\$836	\$945	\$945	\$945	\$945	\$984	\$1,020	\$1,065
<b>4 Bedrooms</b>	\$1,064	\$1,064	\$1,099	\$1,099	\$1,099	\$1,099	\$1,180	\$1,180	\$1,325
<b>5 Bedrooms</b>	\$1,224	\$1,224	\$1,264	\$1,264	\$1,264	\$1,264	\$1,356	\$1,413	\$1,525

Source: Housing & Redevelopment Authority of Duluth

## V. HOUSING PRODUCTION



Source: City of Duluth Construction Services Division

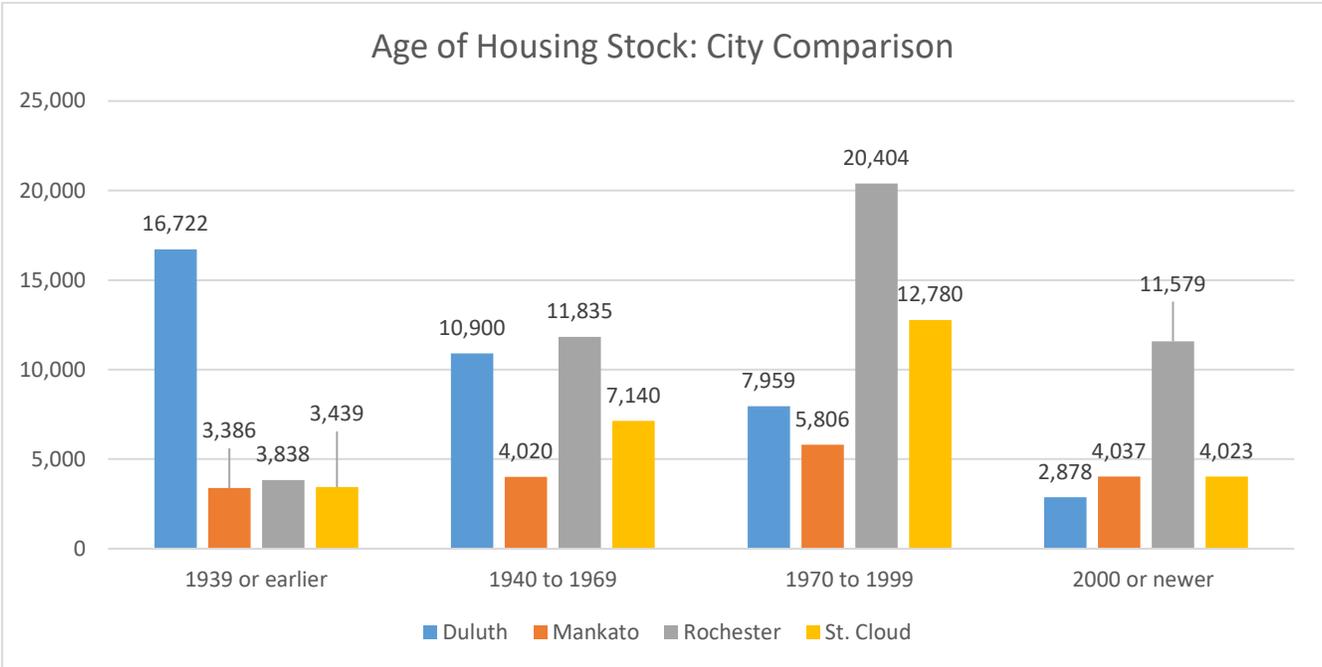
### Age of Housing Stock

According to HUD, without significant annual maintenance the average lifespan of a single family home is 40-50 years. In the American Community Survey (2013-2017), of the 38,461 total housing units in Duluth, 43.5% of Duluth's units were built before 1940. Minnesota has 16% of its total housing stock that was built before 1940 compared to 15% nationally.

Duluth is similar to many other Minnesota cities with large percent of its housing stock over 50 years old. Duluth's oldest housing stock is located in the older, core neighborhoods where 100-year-old homes are very common. With so many hundred-year-old homes still in existence, the question remains of quality and habitability. With industry standards changing, and the cost to have old homes meet those standards increasing, lack of upkeep and significant annual maintenance continues to decrease according to the U.S. Homebuilders Association.

In 2017, there was a large increase of residential building permits. Two hundred and fourteen new housing units were applied for (mostly made up of five or more units), while 31 were demolished. This created a net gain of 181 units, which was an increase of approximately 8% from 2017. Duluth has seen an increase in the total net gain of housing units since 2012 when the city experienced a major flood

The graph on the next page shows the large differences of aging homes in Duluth compared to other cities in Minnesota. The percentage of homes built prior to 1940 is more than four times higher than Mankato and Rochester. While 43.5% of Duluth's (16,722 housing units) were built before 1940, over 64.3% of Duluth's homes are over 50 years old. This was a decrease of 6.7% since 2017.



Source: City of Duluth Construction Services Division

### Alteration Permits

Alteration permits are required when constructing or changing the use of a building, with most permits being used to renovate an old home, or create an addition to the original structure. Alteration permit trends often reflect the economy, among other influences. From 2016 - 2018, alteration permits have significantly decreased from 2012-2015 when permits ranged from 1,037 - 1,794. Regardless, in order for almost half of the housing in units in Duluth to remain habitable, these properties need to be properly maintained to stay habitable.



**Table 22. Residential Housing Permits**

	2010	2011	2012	2013	2014	2015	2016	2017	2018
<b>New Residential Permits</b>									
<b>New permits (residential)</b>	55	25	35	41	58	32	44	49	59
<b>Units of 1 family dwellings</b>	36	21	33	39	44	29	40	46	40
<b>Units of 2 family dwellings</b>	17	4	2	2	4	0	1	0	16
<b>Units of 3 or 4 family dwellings</b>	2	0	0	0	16	0	1	0	4
<b>Units of 5 or more family dwellings</b>	0	16	106	60	126	381	2	3	154
<b>Number of Units Created</b>	<b>57</b>	<b>41</b>	<b>141</b>	<b>101</b>	<b>190</b>	<b>410</b>	<b>104</b>	<b>199</b>	<b>214</b>
<b>Alterations and Additions</b>									
<b>Alteration permits (residential)</b>	855	471	1,794	1,514	1,436	1,037	248	258	353
<b>Addition permits (residential)</b>	65	55	54	38	40	48	30	51	35
<b>Demolitions</b>									
<b>Single family demolitions</b>	45	32	31	52	44	45	39	24	31
<b>Multi-family units demolished</b>	8	71	0	11	4	29	0	8	2
<b>Number of Units Demolished</b>	53	103	31	63	48	74	39	32	33
<b>Net Gain</b>									
<b>Net Gain Single Family</b>	-9	-11	2	-13	0	-17	5	22	9
<b>Net Production Multi-family Units</b>	11	-51	106	49	142	352	4	145	172
<b>Net Gain Units (Total)</b>	<b>2</b>	<b>-62</b>	<b>108</b>	<b>36</b>	<b>142</b>	<b>335</b>	<b>9</b>	<b>167</b>	<b>181</b>

Source: City of Duluth Construction Services Division

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## VI. HOUSING AFFORDABILITY ANALYSIS

### Rent and Homeownership Analysis

The demographics of those who own or rent their homes may help us to better understand the barriers to affordable housing in Duluth. The gap between homeowners' incomes and renters' incomes appear to be increasing. While homeowners' incomes have steadily increased, renters' incomes have remained stagnant. A household in Duluth would need to make \$52,442 annually to afford a \$174,807 home - the 2018 average home value of an owner occupied single-family home in Duluth.

In 2018, the median selling price for a single-family home in Duluth was \$173,500, which equates to an approximate \$1,118 monthly payment. This mortgage payment in this example is based on a 30-year mortgage with 5% down, 4.5% interest rate, taxes and estimated insurance. According to table 23 on the following page, only a family with a low-moderate median income of \$57,100 could afford to buy a home at this price.

In the rental market, an individual must earn \$47,040 to afford the average two-bedroom apartment at \$1,176 per month. To afford an average three-bedroom apartment at \$1,256, a household would need to earn \$50,240. In this example alone, in one year a three-bedroom apartment saw an 11% increase from 2017 when a three-bedroom apartment cost \$1,124 a month. For the three-bedroom apartment to be considered affordable, the household would require an income of \$50,240, which is \$3,013 more than the median household income.

Another example of housing affordability in Duluth can be based on the area median income that is calculated and updated annually by HUD for the City of Duluth. The Duluth area median income for a family of four in 2018 was \$57,100. The median divides the household income distribution into two equal parts: one-half falling below the median household income and one-half falling above the median income. According to HUD, an income that is 60% of the Section 8 very-low income standard is considered extremely low-income, and 50-80% of the median income is considered low-income.

In the table below, the median income for a family of four is listed in each category, from the extremely low-income category to the low-income category. The affordable housing payment has then been compared to the actual cost a household could expect to pay from an average two or three-bedroom apartment, in addition to a mortgage payment. The table indicates that households that are the top end of the low-income (50-80% of the median income) would be able to afford housing, but with that household in the two brackets below that would not be able to afford any standard housing. With 54% of Duluth households being recognized as cost burdened by the American Community Survey, we know that a large portion of Duluth's households are not able to afford market rate housing.

**Table 23: Affordability Based on Duluth's 2018 Median Income**

2018 HUD Income Definitions	Maximum Affordable Housing Payment	Average Rent 2/ Bedroom	Average Rent 3/ Bedroom	Payment for Median Income Cost of a Home	Affordability Gap
<b>Extremely Low</b> 60% of the Sect. 8 very low income \$25,100	\$627.50	<b>\$1,176</b>	<b>\$1,256</b>	<b>\$1,211</b>	<b>At least \$548.50</b>
<b>Low</b> 50% of Median Income \$35,700	\$892.50	<b>\$1,176</b>	<b>\$1,256</b>	<b>\$1,211</b>	<b>At least \$283.50</b>
<b>Low-Moderate</b> 80% of Median Income \$57,100	\$1,427.50	\$1,176	\$1,256	\$1,211	No gap

Source: City of Duluth Median Family Income based on a family of four, HUD Guidelines & ACS

The affordability gap is measured by taking the highest income level of each category, its equivalent maximum affordable housing payment (30% of income), and then comparing that to the expected housing payment.



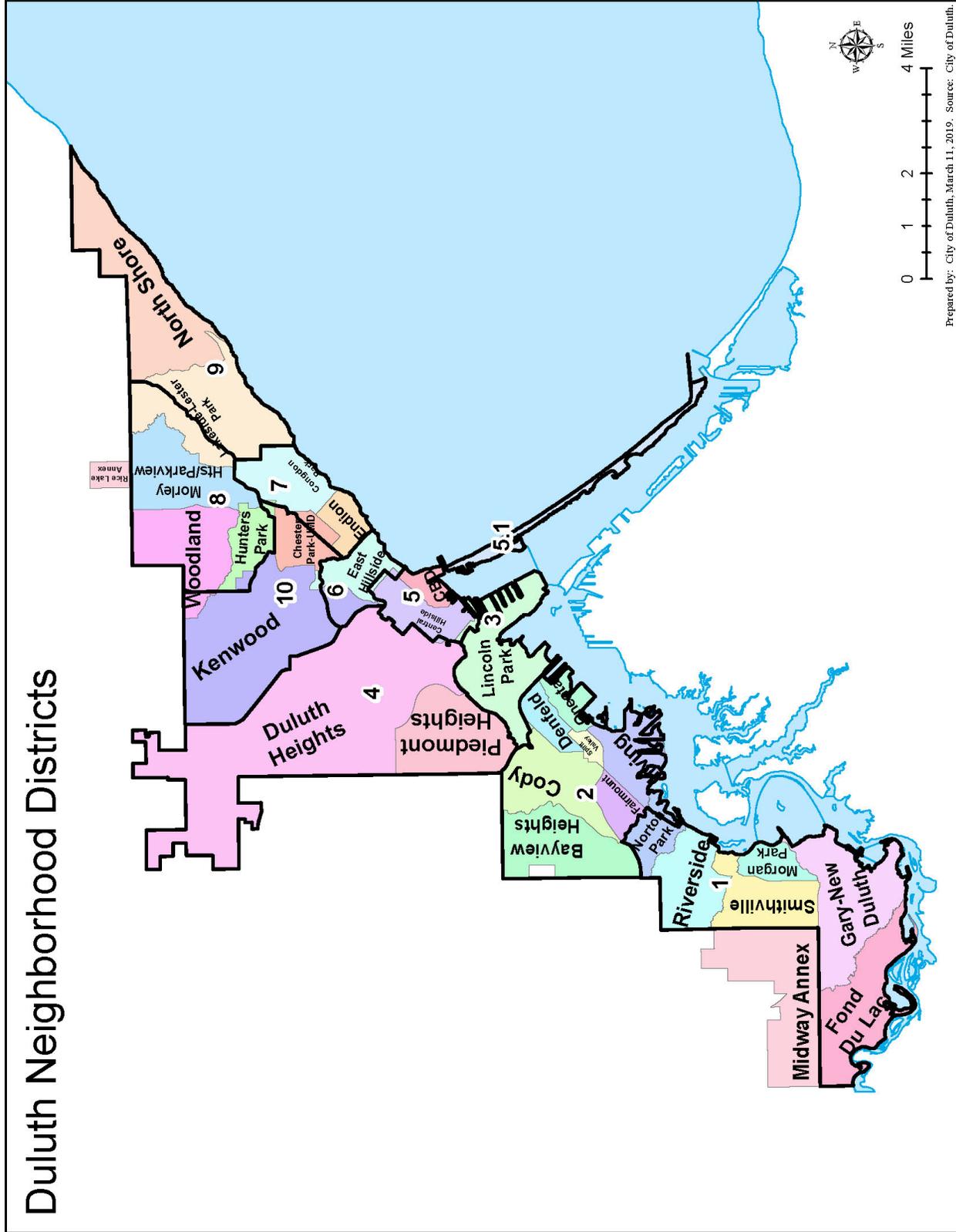


**VII. APPENDIX**

A. MAP: NEIGHBORHOOD DISTRICTS.....27  
B. 2018 RENTAL SURVEY RESULTS.....28



# Duluth Neighborhood Districts



Prepared by: City of Duluth, March 11, 2019. Source: City of Duluth.

## 2018 City of Duluth Rental Survey Results – Citywide

Unit Type	Units Surveyed	Vacancy Rate	Average Rent	Average Square Feet	Average Rent/Square Foot
<b>Studio/ Efficiency</b>	200		<b>\$576</b>	<b>235</b>	<b>\$2.44</b>
Owner Paid	89		\$572	241	\$2.37
Renter Paid	111		\$579	231	\$2.50
<b>1 Bedroom</b>	1,164		<b>\$961</b>	<b>491</b>	<b>\$1.79</b>
Owner Paid	585		\$982	595	\$1.55
Renter Paid	579		\$941	387	\$2.13
<b>2 Bedroom</b>	1,066		<b>\$1,146</b>	<b>717</b>	<b>\$1.64</b>
Owner Paid	475		\$1,225	874	\$1.40
Renter Paid	591		\$1,135	590	\$1.92
<b>3 Bedroom</b>	350		<b>\$1,256</b>	<b>1,057</b>	<b>\$1.19</b>
Owner Paid	68		\$1,255	1,101	\$1.14
Renter Paid	282		\$1,256	1,046	\$1.20
<b>4 Bedroom</b>	172		<b>\$1,598</b>	<b>1,441</b>	<b>\$1.11</b>
Owner Paid	20		\$1,476	1,509	\$0.98
Renter Paid	152		\$1,615	1,432	\$1.13
<b>Other</b>	76		<b>\$2,117</b>	<b>1,488</b>	<b>\$1.42</b>
Owner Paid	7		\$2,120	845	\$2.50
Renter Paid	69		\$2,117	1,554	\$1.36
<b>Total</b>	<b>3,028</b>	<b>3.20%</b>	<b>\$1,111</b>	<b>716</b>	<b>\$1.55</b>

Source: City of Duluth 2018 Rental Survey

There are 14,463 rental units in Duluth according to the American Community Survey. The City of Duluth Rental Survey was sent by email and by mail to rental owners in Duluth. While this collection is simply a snapshot of the rental market, it has been helpful to identify trends within the market for partners to understand.