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Demographic Data Overview

Sources of Data

The following pages contain demographic data obtained from a variety of local, state and national sources. For most demographic data, we have primarily relied on the U.S. Census Bureau information that has been released from the 2000 Census. We have also utilized some updated information from the Minnesota State Demographer's Office and the U.S. Census Bureau.

Market Area Definition

In addition to demographic data for the City of Hector, we have provided information for an aggregation of city and township jurisdictions that immediately surround the City. This market area, defined as the Eastern Renville Market Area, includes the Cities of Buffalo Lake and Hector and the Townships of Boon Lake, Brookfield, Hector, Martinsburg, and Preston Lake.

Because the Eastern Renville Market Area is an aggregation of political jurisdictions, we have not been able to include information for the Market Area on some of the demographic data included in this section.

For some demographic items we have included information for all of Renville County to provide for data comparison.

Population Estimates and Trends

Table 1 Population Trends - 1980-2002						
	1980 Population	1990 Population	% Change 1980-1990	2000 Population	% Change 1990-2000	2002 Estimate
Hector	1,252	1,145	-8.5%	1,166	1.8%	1,160
Eastern Renville	3,796	3,327	-12.4%	3,253	-2.2%	3,257
Renville County	20,401	17,673	-13.4%	17,154	-2.9%	17,076

Source: U.S. Census Bureau; MN State Demographer

- ▶ Both the Minnesota State Demographer and the U.S. Census Bureau have released population estimates for the year 2002. The State Demographer estimates that Hector's population was 1,160. The State Demographer's estimate represents the population on April 1, 2002. The U.S. Census Bureau estimate for Hector was 1,159. This estimate was for July 1, 2002. Both of these estimates show a slight decrease in population since the 2000 Census.
- ▶ The Demographer's 2002 estimate for the area defined as the Eastern Renville Market Area was 3,257. This estimate shows a minor population increase since 2000, reversing a trend of population losses that have existed since 1980.
- ▶ The Demographer's 2002 estimate for all of Renville County was 17,076. The Census Bureau's 2002 County estimate was 17,052. Both of these estimates show a slight loss of population since the 2000 Census.
- ▶ In their County estimates, the Census Bureau identifies the components of population growth or loss. For Renville County, there was some population increase attributed to births exceeding deaths, and some increase due to international in-migration. However, these increases were more than off-set by larger population losses due to domestic out-migration from the County.
- ▶ Population data from the 2000 U.S. Census shows that Hector's population increased by 21 people in the 1990's, which was a 1.8% gain. Hector's population decreased by 8.5% in the 1980's.
- ▶ The Eastern Renville Market Area had a population loss of 2.2% in the 1990's and a population loss in the 1980's of 12.4%.
- ▶ Renville County has had population losses in both decades. The County had a substantial population loss of 13.4% in the 1980's and a slight population loss of 2.9% in the 1990's.

Population Projections

The following table presents population level projections using three different sources. The 12 year growth trend is based on the rate of change between 1990 and 2002, using the 1990 Census and the 2002 estimate from the State Demographer, and projects this rate of growth forward between 2002 and 2007. The 22 year growth trend uses the same methodology, but calculates an annual growth rate from 1980 to 2002. The third projection is provided by the State Demographer for Renville County, and is for the year 2005. The State Demographer does not provide projections at the City or township level.

Table 2 Population Projections Through 2005/2007				
	2002 Population Estimate	2007 Projection from 12 year growth trends	2007 Projection from 22 year growth trends	2005 Projection State Demographer
Hector	1,160	1,166	1,141	N/A
Eastern Renville	3,257	3,228	3,152	N/A
Renville County	17,076	16,836	16,443	17,040

Source: Community Partners Research, Inc.; State Demographer

- ▶ Our population projections calculated from the 12 and 22 year growth rates for Hector provide a range of future population levels. The calculation based on the 22 year trend includes the population losses of the 1980's and projects a population loss of 19 people in Hector between 2002 and 2007. The 12 year trend projects a population increase of six people from 2002 to 2007. It is probable that neither of these provides a good indicator for the next five years. The opening of Prairie View of Hector in 2003 adds a substantial number of new housing units to the community. If these units achieve full occupancy without creating a significant level of vacancy in other housing, then the City's population growth should easily exceed the highest end of our projected range.
- ▶ Projections for the Eastern Renville Market Area show continued population losses, reflecting the trend of most of the last 22 years. These projections indicate that the area will lose between 29 and 105 people by 2007. The 12 year trend projection, that indicates a smaller population loss, is probably the best predictor of future population.
- ▶ Projections for all of Renville County indicate a population loss and 22 year growth projection calculations anticipate the County will lose between 240 and 633 people from 2002 to 2007. The 12 year calculation probably provides the best forecast, as the 22 year trend over-weights the significant losses in the 1980s.
- ▶ The State Demographer's Office has recently released population projections by County for the year 2005. The Demographer estimates that the County's population will be 17,040 in 2005, which is a projected loss of 36 people from the 2002 population estimate.

Population By Age

The following table compares populations by age in 1990 and 2000, along with the percentage changes. While this table examines the changes over the last 10 years, the table on the following page compares the City and the Eastern Renville Market Area with the State of Minnesota for population by age.

Table 3 Persons by Age - 1990 - 2000						
Age	City of Hector			Eastern Renville		
	1990	2000	% Change	1990	2000	% Change
0-19	311	323	3.9%	909	896	-1.4%
20-24	43	49	14.0%	161	126	-21.7%
25-34	157	139	-11.5%	459	375	-18.3%
35-44	137	167	21.9%	402	476	18.4%
45-54	102	150	47.1%	323	401	24.1%
55-64	98	102	4.1%	322	316	-1.9%
65-74	140	97	-30.7%	384	277	-27.9%
75-84	125	101	-19.2%	266	275	3.4%
85+	32	38	18.8%	101	111	9.9%
Total	1,145	1,166	1.8%	3,327	3,253	-2.2%

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

- ▶ Over the last decade there were some percentage changes in the age make-up of the population in the City of Hector. The largest numeric and percentage gain occurred among people age 45 to 54 years old. This age group increased by 48 people. The 35 to 44 age group experienced the next largest increase, up 30 people.
- ▶ While the City experienced population growth among several of the defined age ranges, three age groups did experience a loss. The largest numeric loss occurred in the 65-74 age range. This age group declined by 43 people. The next largest decrease occurred among people age 25 to 34 years old. This age group decreased by 24 people.
- ▶ For the Eastern Renville Market Area, there were decreases in five of the defined age ranges. As in Hector, the Market Area experienced significant population losses in the 25 to 34 and 65 to 74 age groups.
- ▶ The most significant population gains in the Eastern Renville Market Area were in the “baby boom” generation age ranges between 35 and 44 years old and 45 to 54 years old.

Population By Age - Comparison to Minnesota

The following table compares the City of Renville and the Eastern Renville Market Area populations by age in 2000 to State-wide age distribution patterns.

Table 4 Percentage Persons by Age - 2000			
	Hector	Eastern Renville	Minnesota
0-19	27.7%	27.5%	29.1%
20-24	4.2%	3.9%	6.6%
25-34	11.9%	11.5%	13.7%
35-44	14.3%	14.7%	16.8%
45-54	12.9%	12.3%	13.5%
55-64	8.7%	9.7%	8.2%
65-74	8.3%	8.5%	6.0%
75-84	8.7%	8.5%	4.3%
85+	3.3%	3.4%	1.7%
Total	100%	100%	100%

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

- ▶ The City of Hector has an above average population in the 55 and older age groups and a below average population in the 54 and younger age groups when compared to the State of Minnesota. The Eastern Renville Market Area has an above average population in the 55 and older age groups and a below average population in the 54 and younger age groups when compared to the State of Minnesota.

- ▶ In the senior age groups, age 65 and older, there was a relatively large share of the population. Over 20% of the City and the Market Area’s population was age 65 or older in 2000, compared to only 12% of the State-wide population in this age group, according to the Census.

- ▶ According to the 2000 Census, the median age in the City of Hector is 39.5 years old. The median age in Renville County is 39.7 years old. For the entire State of Minnesota, the median age is 35.4 years old.

Projected Population by Age - 2005

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

Table 5 Renville County Projected Persons by Age - 2000 - 2005			
Age	Renville County		
	2000	2005	Projected Change in Population
0-19	4,967	4,730	-4.8%
20-24	724	860	18.8%
25-34	1,763	1,720	-2.4%
35-44	2,571	2,170	-15.6%
45-54	2,185	2,490	14.0%
55-64	1,543	1,750	13.4%
65-74	1,558	1,440	-7.6%
75-84	1,285	1,240	-3.5%
85+	558	640	14.7%
Total	17,154	17,040	-0.7%

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

- ▶ Projections by age indicate that Renville County is expected to have an increased population in the 20-24, 45-64 and 85+ age groups between 2000 and 2005.
- ▶ The largest numeric gains will be made among people age 45 to 64 years old, reflecting the movement of the "baby boom" generation through the aging cycle. However, as this group ages, there is a much smaller "baby bust" generation that follows, resulting in projected losses of population in the 35 to 44 and 25 to 34 year old ranges.
- ▶ Continued losses are expected in the number of children, age 19 and younger, although there is an expected increase in the number of young adults, age 20 to 24 years old.
- ▶ Although the total population of seniors, age 65 and older, is expected to decrease County-wide, there is some increase in the number of older seniors, age 85 and above.

Household Estimates and Trends

Table 6 Household Trends - 1980-2002						
	1980 Households	1990 Households	% Change 1980-1990	2000 Households	% Change 1990-2000	2002 Estimate
Hector	515	491	-4.7%	509	3.7%	511
Eastern Renville	1,385	1,303	-5.9%	1,319	1.2%	1,335
Renville County	7,313	6,790	-7.2%	6,779	-0.2%	6,819

Source: U.S. Census; Minnesota State Demographer

- ▶ The Minnesota State Demographer has released household estimates for the year 2002. The State Demographer estimates that Hector had 511 households on April 1, 2002. Based on this estimate, the City has added 2 new households since the 2000 Census.

- ▶ The Eastern Renville Market Area had an estimated 2002 household level of 1,335, up 16 households since the 2000 Census.

- ▶ The State Demographer’s 2002 estimate for all of Renville County was 6,819 households, which was an increase of 40 households since the 2000 Census.

- ▶ Population data from the 2000 Census shows that the City of Hector lost 24 households in the 1980s and gained 18 households in the 1990s. After experiencing a household loss of 4.7% in the 1980s, the City’s households increased by 3.7% between 1990 and 2000.

- ▶ Household levels in the Eastern Renville Market Area decreased in the 1980s and increased in the 1990s. Between the 1990 Census and the 2000 Census, the household count in the Eastern Renville Market Area increased by 16 households.

- ▶ Renville County lost 11 households between 1990 and 2000, after losing 523 households between 1980 and 1990.

Average Household Size

The following table provides U.S. Census Bureau information on average household size. The 2002 estimate is from the State Demographer’s Office.

Table 7 Average Number of Persons Per Household 1980-2002				
	1980 Census	1990 Census	2000 Census	2002 Estimate
Hector	2.43	2.33	2.29	2.27
Eastern Renville	2.74	2.55	2.47	2.40
Renville Co.	2.79	2.60	2.48	2.45

Source: U.S. Census; State Demographer

- ▶ Household formation has been occurring at a faster rate than population growth in recent decades due to a steady decrease in average household size. This has been due to household composition changes, such as more single parent families, more senior households due to longer life spans, etc.
- ▶ The average Hector household size has decreased from 2.43 persons per household in 1980 to an estimated 2.27 persons per household in 2002.
- ▶ The average household size for all of Renville County has also continued to decrease, from 2.79 persons per household in 1980 to an estimated 2.45 persons in 2002.

Household Projections

The following table presents household projections using two different calculation methods. The 12 year growth trend is based on the rate of change between 1990 and 2002 using the Census and State Demographer estimates, and projects this rate of growth forward between 2002 and 2007. The 22 year growth trend uses the same methodology, but calculates an annual growth rate from 1980 to 2002.

Table 8 Household Projections Through 2007			
	2002 Household Estimate	2007 Projection from 12 year growth trends	2007 Projection from 22 year growth trends
Hector	511	520	510
Eastern Renville	1,335	1,349	1,324
Renville County	6,819	6,831	6,714

Source: State Demographer; Community Partners Research, Inc.

- ▶ Calculations for Hector based on 12 year trends and 22 year trends yield varying numbers for future household growth. The 22 year trend reflects household losses of the 1980s and projects a one household decrease in Hector from 2002 to 2007. The 12 year trend projects a nine household increase from 2002 to 2007. However, both of these projections are viewed as unreliable because of the potential impact of the 34 new housing units created at Prairie View of Hector. If this project achieves full occupancy, it is probable that household growth in the community will be between 25 and 35 new households by 2007.

- ▶ Calculations for the Eastern Renville Market Area anticipate a range of household levels, from the loss of 11 households to a gain of 14 new households. The 12 year trend calculation that shows the area adding households is viewed as the most reliable, but even this forecast may underestimate the rate of growth based on the trends of the last two years.

- ▶ For all of Renville County, the 12 and 22 year trends yield varying projections. The 12 year trend projects a household growth of 12 households between 2002 and 2007. The 22 year trend reflects the household losses of the 1980s and projects a household loss of 105 households between 2002 and 2007. We view the 12 year trend as the most reliable, and would expect a small amount of household growth in the County.

Households By Age of Householder

The following table compares households by age of householder in 1990 and 2000, along with the percentage changes.

Table 9 Households by Age - 1990 - 2000						
Age	City of Hector			Eastern Renville		
	1990	2000	% Change	1990	2000	% Change
15-24	20	19	-5.0%	49	48	-2.0%
25-34	77	77	0%	223	189	-15.2%
35-44	72	94	30.6%	219	262	19.6%
45-54	55	85	54.5%	164	226	37.8%
55-64	60	58	-3.3%	181	171	-5.5%
65-74	88	64	-27.3%	225	170	-24.4%
75+	119	112	-5.9%	242	253	4.5%
Total	491	509	3.7%	1,303	1,319	1.2%

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

- ▶ Census data shows that Hector added households in two of the defined age ranges, and lost households in four age ranges. The largest numeric and percentage gain occurred in the age range between 45 and 54 years old, which added 30 households. There was also a significant increase of 22 households in the 35 to 44 age range.

- ▶ The largest numeric and percentage loss of households occurred in the 65 to 74 year old age range, which decreased by 22 households. There was also a loss of households in the 0 to 19, 55 to 64 and 75+ age ranges.

- ▶ For the Eastern Renville Market Area, four age ranges lost households and three added households between 1990 and 2000. The largest household increases were in the 35 to 54 age ranges and the largest decreases were in the 25 to 34 and 65 to 74 age ranges.

Households By Age - Comparison to Minnesota

The following table compares the City and Market Area households by age of householder in 2000 to State-wide householder by age distribution patterns.

Table 10 Households by Age of Householder - 2000					
Age	Hector		Eastern Renville		Minnesota
	Number	Percent	Number	Percent	Percent
15-24	19	3.7%	48	3.6%	5.7%
25-34	77	15.1%	189	14.3%	17.6%
35-44	94	18.5%	262	19.9%	23.9%
45-54	85	16.7%	226	17.1%	20.3%
55-64	58	11.4%	171	13.0%	12.5%
65-74	64	12.6%	170	12.9%	9.8%
75-84	80	15.7%	193	14.6%	7.6%
85+	32	6.3%	60	4.6%	2.6%
Total	509	100%	1,319	100%	100%

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

- ▶ The City of Hector has a significantly above-average percentage of households in the 65 and older age groups, and a below-average percentage of households in the 64 and younger age groups when compared to Minnesota as a whole.
- ▶ The Eastern Renville Market Area patterns are similar to Hector's, when compared to the State of Minnesota. The Market Area has above-average percentages of households age 55 and older, and below-average percentages of households age 54 and younger.

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 Hector, the Eastern Renville Market Area, Renville County and the State of Minnesota.

Table 11 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
Hector	21.0%	29.3%	1.8%	1.4%	6.1%	3.3%	33.6%	3.5%
Eastern Renville	24.3%	34.6%	1.5%	1.8%	4.4%	2.2%	27.9%	3.3%
Renville Co.	25.8%	33.3%	2.0%	1.5%	3.7%	1.9%	28.5%	3.3%
Minnesota	25.2%	28.5%	2.0%	1.6%	5.9%	3.0%	26.9%	6.9%

Source: 2000 Census; Community Partners Research, Inc.

- ▶ Hector has a below average percentage of families with children and a slightly above average percentage of married couples without children when compared with State-wide averages. The City of Hector also has a high percentage of one person households when compared with the State of Minnesota. One person households most often reflect a large senior population.
- ▶ For the Eastern Renville Market Target Area, there is a significantly higher percentage of married couples without children when compared with the State of Minnesota.
- ▶ Renville County has an above average distribution of married couples, both with and without children, when compared to the State of Minnesota.

Households by Tenure

Table 12 Households by Tenure - 2000					
	Total Occupied Units	Owned Units	Percent Owned Units	Rented Units	Percent Rented Units
Hector	509	434	85.3%	75	14.7%
Eastern Renville	1,319	1,135	86.1%	184	13.9%
Renville County	6,779	5,487	80.9%	1,292	19.1%
Minnesota	-	-	74.6%	-	25.4%

Source: 2000 Census

- ▶ The City of Hector’s percentage of rental units, at 14.7%, was below the County percentage of 19.1% renters and significantly below the State-wide percentage of 25.4% renters.

Table 13 Household Changes by Tenure - 1990 to 2000						
	Owned Units			Rented Units		
	Occupied Units 1990	Occupied Units 2000	Change in Owner Occupied	Occupied Units 1990	Occupied Units 2000	Change in Renter Occupied
Hector	403	434	31	88	75	-13
Eastern Renville	1,090	1,135	45	213	184	-29
Renville County	5,378	5,487	109	1,412	1,292	-120

Source: U.S. Census

- ▶ Between 1990 and 2000, Hector added 31 owner occupied households and lost 13 renter occupied households. This decreased the percentage of renter-occupied households from 17.9% in 1990 to 14.7% in 2000.
- ▶ Renter household losses were greater in the Market Area and for all of Renville County. Between the 1990 Census and the 2000 Census, the Eastern Renville Market Area lost 29 renter households, and the County lost 120 renter households.

Renter Households by Household Size

The following Table examines renter households by household size in 1990 and 2000. Only renter households have been analyzed as part of the planning process for additional rental housing development.

Table 14 Renter Households by Household Size - 1990 to 2000						
Renter Household Size	City of Hector			Eastern Renville		
	Households in 1990	Households in 2000	Numeric Change	Households in 1990	Households in 2000	Numeric Change
1 Person	35	37	2	79	84	5
2 Person	24	17	-7	52	42	-10
3 Person	12	9	-3	28	24	-4
4 Person	11	6	-5	36	21	-15
5 Person	5	5	0	13	8	-5
6 Person	1	0	-1	4	1	-3
7+ Persons	0	1	1	1	3	2
Total	88	75	-13	213	184	-29

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

- ▶ Between 1990 and 2000 Hector lost 7 two person, 3 three person, 5 four person and 1 six person households. There was a slight increase in the number of one person and seven person households.

- ▶ The Eastern Renville Market Area had significant household losses between 1990 and 2000. The Market Area gained 5 one person and 2 seven+ renter households.

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 Hector and for the Eastern Renville Market Area.

Table 15 Households Tenure by Age - 2000				
Age of Householder	City of Hector		Eastern Renville	
	Percent Owners	Percent Renters	Percent Owners	Percent Renters
15 - 24	47.4%	52.6%	41.7%	58.3%
25 - 34	83.1%	16.9%	82.0%	18.0%
35 - 44	88.3%	11.7%	87.8%	12.2%
45 - 54	87.1%	12.9%	87.2%	12.8%
55 - 64	94.8%	5.2%	93.6%	6.4%
65 - 74	93.8%	6.2%	90.6%	9.4%
75-84	78.8%	21.2%	87.0%	13.0%
85+	81.3%	18.7%	85.0%	15.0%

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

- ▶ Household tenure by age patterns in Hector show a strong preference for home ownership among households age 25 years old and older. The highest rates of home ownership exist among households age 35 to 74 years old, all of which are in excess of 87%.
- ▶ A majority of younger households in Hector, age 24 and under, are renters.
- ▶ Tenure patterns in the Eastern Renville Market Area are similar, with nearly all age ranges reflecting a high rate of owner-occupancy.

2000 Census Income Data

Household income represents all independent households, including people living alone and unrelated individuals in a housing unit. Families are two or more related individuals living in a household.

Table 16 Median Household Income - 1989 to 2000			
	1989 Median	1999 Median	% Change
Hector	\$26,625	\$33,000	23.9%
Eastern Renville	\$26,766	N/A	N/A
Renville County	\$23,278	\$37,652	61.7%
Minnesota	\$30,909	\$47,111	52.4%

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

Table 17 Median Family Income - 1989 to 2000			
	1989 Median	1999 Median	% Change
Hector	\$31,920	\$41,477	29.9%
Eastern Renville	\$31,791	N/A	N/A
Renville County	\$28,109	\$45,065	60.3%
Minnesota	\$36,916	\$56,874	54.1%

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

- ▶ Using the commonly accepted standard that 30% of gross income can be applied to housing expenses without experiencing a cost burden, a median income household in Hector could afford approximately \$825 per month for ownership or rental housing in 2000, and a median income family could afford \$1,037 per month in 2000.

- ▶ Household income estimates for 2000 indicate that 27.1% of all households in Hector had an annual income above \$50,000. Households at or above this income level can afford \$1,250 or more per month for housing, which is generally sufficient for the costs associated with new housing construction.

- ▶ Approximately 14.8% of Hector households reported an annual income of less than \$15,000. This translates into housing affordability of \$375 per month or less.

- ▶ County-wide, 33.3% of all households had an annual income of \$50,000 or more, and 13.8% of all households had an annual income of less than \$15,000.

2000 Estimated Income and Housing Costs - Renters

In addition to collecting income data, the Census Bureau also collected information on housing costs as part of the 2000 Census. The following table provides data on the number of renter households that are paying different percentages of their gross household income for housing costs. For comparison, we have presented the same information from the 1990 Census.

Table 18 Gross Rent as a Percentage of Household Income - Hector 2000		
Percentage of Household Income for Housing Costs	Number of Renter Households 2000	Percent of All Renter Households 2000
0% to 19.9%	24	33.3%
20% to 29.9%	23	32.0%
30% to 34.9%	6	8.3%
35% or more	8	11.1%
Not Computed	11	15.3%
Total	72	100%

Source: U.S. Census

- ▶ The Census reported that 19.4% of renter households in Hector are paying more than 30% of their income for rent, including 11.1% of all renter households that pay more than 35% of their income for housing.

Table 19 Gross Rent as a Percentage of Household Income - 1990 and 2000			
Percentage of Household Income for Housing Costs	Number/% of Renter Households 1990	Number/% of Renter Households 2000	Numeric Change 1990 to 2000
0% to 19.9%	33/37.5%	24/33.3%	-9
20% to 29.9%	13/14.8%	23/32.0%	10
30% to 34.9%	13/14.8%	6/8.3%	-7
35% or more	17/19.3%	8/11.1%	-9
Not Computed	12/13.6%	11/15.3%	-1
Total	88/100%	72/100%	-16

Source: 1990 Census; 2000 Census

- ▶ There has been substantial improvement in rental housing affordability since 1990. In 1990, 34.1% of renter households paid more than 30% of their income for rent, compared to 19.4% in 2000.

2000 Estimated Income and Housing Costs - Owners

The 2000 Census also provided housing cost estimates for owner-occupants. The following table provides estimates of the number of households in the City of Hector that are paying different percentages of their gross household income for housing costs. For comparison, we have presented the same information from the 1990 Census.

Percentage of Household Income for Housing Costs	Number of Owner Households 2000	Percent of All Owner Households 2000
0% to 19.9%	269	67.1%
20% to 29.9%	74	18.4%
30% to 34.9%	24	6.0%
35% or more	30	7.5%
Not Computed	4	1.0%
Total	401	100%

Source: 2000 Census

- ▶ Most owner-occupants, which would include households with and without a mortgage, reported paying less than 35% of their income for housing. However, 7.5% of all home owners reported that they paid more than 35% of their income for housing.

Percentage of Household Income for Housing Costs	Number/% of Owner Households 1990	Number/% of Owner Households 2000	Numeric Change 1990 to 2000
0% to 19.9%	278/77.7%	269/67.1%	-9
20% to 29.9%	39/10.9%	74/18.4%	35
30% to 34.9%	12/3.3%	24/6.0%	12
35% or more	27/7.5%	30/7.5%	3
Not Computed	2/0.6%	4/1.0%	2
Total	358/100%	401/100%	43

Source: 1990 Census; 2000 Census

- ▶ In 1990, 7.5% of all owners reported paying 35% or more of their income for housing. In 2000, this percentage did not change and 7.5% of all owner-occupants paid more than 35% of their income for housing. There was a decrease in the percentage of households that reported paying less than 20% of their income for housing.

Minority Household Demographic Data

Over the last decade, southern Minnesota has increasingly attracted minority residents, many who are international immigrants. The following tables provide some basic information from the 2000 Census about minority and Hispanic households.

Table 22 Households by Race/Ethnicity - Hector - 1990 to 2000				
Race/Ethnicity	1990 Households	2000 Households	Numeric Change 1990-2000	Percentage Change 1990-2000
Black/African American	0	0	0	0%
Hispanic	1	14	13	1300%
Other Race - Non-Hispanic	1	1	0	0%
White - Non-Hispanic	489	494	5	1.0%
Total	491	509	18	3.7%

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

- ▶ Between 1990 and 2000, much of the City’s household growth can be attributed to the addition of minority households.

Table 23 Household Tenure by Race/Ethnicity - Hector 2000				
Race/Ethnicity	Owner Households		Renter Households	
	Number	Percent	Number	Percent
Black/African American	0	0%	0	0%
Hispanic	10	71.4%	4	28.6%
Other Race - Non-Hispanic	2	100%	0	0%
White - Non-Hispanic	85.6%	97.2%	71	14.4%
Total	435	85.3%	75	14.7%

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

- ▶ Home ownership rates among all racial/ethnic groups are relatively high.

Existing Housing Inventory

Table 24 Occupied Housing Units by Year Built							
	1939 and Earlier	1940-1959	1960-1969	1970-1979	1980-1989	1990-2000*	2000-2002
Hector	154	134	61	91	29	42	38

Source: 1990 Census; City Building Permits

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

- ▶ The housing stock in Hector is older than average, according to the 2000 Census. The Census identified 30% of all housing units in March 2000 as pre-1940 construction. This compares to fewer than 21% State-wide. Over 56% of the City’s housing was constructed prior to 1960, compared to 39% State-wide.

Table 25 Hector Occupied Housing Units By Number of Units in Structure					
	Total Occupied Units - 1990	Total Occupied Units - 2000	Occupied Unit Change 1990-2000	Unit Construction 2000-2002	Total (Census + new units)
1 Unit Detached	424	433	9	4	437
1 Unit Attached	3	9	6	0	9
2 Units	7	9	2	0	9
3-4 Units	3	3	0	0	3
5+ Units	20	20	0	34	54
Mobile Home	26	37	11	0	37
Other	8	0	-8	0	0
Total	491	511	20	38	549

Source: U.S. Census; Building Permits

- ▶ The Census Bureau reported a net gain of 20 occupied housing units in Hector between 1990 and 2000. Since the Census was completed, building permits have been issued for 4 new single family houses, and a 34 unit senior rental housing project.
- ▶ The table above does not reflect demolition activity that may have occurred since the Census.

Census Housing Vacancy

The 2000 Census provided information on the occupancy/vacancy status at the time the Census was taken.

Table 26 Seasonal Use and Vacant Housing Units - 2000							
	Total Units	Total Vacant Units	Seasonal Use Vacant	Vacant For Rent	Vacant For Sale	Sold/Rented but Not Occupied	Other Vacant
Hector	532	23	1	3	3	3	13
Eastern Renville	1,436	117	29	11	10	5	62
Renville County	7,413	634	71	175	79	50	259

Source: 2000 Census

- ▶ The Census reported that there were three vacant rental units and three vacant owner-occupied unit in Hector at the time of the Census. Excluding units that were rented or sold, but not yet occupied, and units listed as “other vacant”, this equates to a vacancy rate of 3.8% for rental housing and 0.7% for owner occupied housing. State-wide, the 2000 vacancy rate was 4.1% for rental housing and 0.9% for owned housing according to the Census.

- ▶ For the Eastern Renville Market Area, the rental vacancy rate was 5.6%, and the owner-occupied vacancy rate was 0.9%.

- ▶ For all of Renville County, the rental vacancy rate was 11.9%, and the owner-occupied vacancy rate was 1.4%.

Home Sales

This section examines houses that have been sold within a recent 12 month time period. It is important to note that in smaller communities, the number of houses that have sold is limited, and may not be an accurate indicator of overall home values. However, this sample does provide some insight into those units that are turning-over in Hector.

Table 27 Median Value of Recent Residential Sales - Oct. 2001 - Sept. 2002		
	Number of Good Sales	Median Sale Price
Hector	17	\$62,000

Source: MN Department of Revenue; Community Partners Research, Inc.

- ▶ In the 12 month sale period reviewed , there were 17 improved residential sales of single family houses in Hector that were considered to be “arms length” transactions, according to the County Assessor. Sales that are not “arms length” include, but are not limited to, sales between relatives, forced sales and foreclosures, and estate transfers that are not available on the open market. Only the “arms length” transactions have been reviewed for this study.

- ▶ The median sales price for the residential sales reviewed in Hector was \$62,000. The highest valued sale in Hector was for \$118,000 and the lowest valued sale for \$19,700.

County-wide Home Sales - Historical Data

The Minnesota Demographer’s Office has compiled County-level data on median home sales prices over the last 17 years to analyze price trends for single family houses. This data is only available for all of Renville County. 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 28 Median Value of Residential Sales - 1984/85 to 1999/2000							
	Median Sale Price					Percent Change 1990-2000	Percent Change 1998/99- 1999/2000
	1984-1985	1989-1990	1995-1996	1998-1999	1999-2000		
Renville County	\$32,150	\$28,000	\$33,500	\$43,000	\$44,625	59.4%	3.8%
Minnesota	\$64,000	\$70,000	\$87,500	\$112,500	\$124,500	77.9%	10.7%

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

- ▶ The median home sales price in Renville County has fluctuated over the last decade. From the 12 month period ending October 1, 1990 to the 12 month period ending October 1, 2000, the median sales price increased by more than 59%. However, continual increases have not occurred. Between the 1984/1985 sales period and the 1989/1990 period, the median sale price decreased, and the median price in 1995/1996 was only slightly higher than the median price 11 years earlier.

- ▶ The long-term increase in home sale value has been much lower than the State-wide increase. Between 1984/1985 and 1999/2000, the State-wide increase was approximately 78%, compared to an increase of less than 60% in Renville County during the same time period.

- ▶ The County’s median value sale in the 1999/2000 sale period was less than 36% of the State-wide median sale price.

- ▶ The median income data for Renville County provided earlier in this Study estimates that the median household income level and the median family income level have increased by approximately 60% between 1990 and 2000. In this same time period the median home sales price has increased by more than 59%.

Housing Condition

We did not complete a housing condition survey in Hector. The City has submitted an application for a housing rehabilitation grant program through the Small Cities Development Program in 2002. This application was not funded. However, an analysis was done at that time of housing conditions in the City's neighborhoods.

Rental Housing

Overview

According to the 2000 Census, there were 78 rental housing units in the City of Hector. The Census identified 75 occupied rental units and 3 vacant rental units in 2000. The City's rental tenure rate, at 14.7% of all occupied housing units, was well below the State-wide rate of 25.4% in 2000.

At the time of the 1990 Census, the City had 88 occupied rental housing units and 5 vacant rental units reported, for a total rental inventory of 93 units. Between the 1990 Census and the 2000 Census, the only known new rental construction was the development of 4 rental units by the City EDA. Assuming the Census to be accurate, the City lost 20 existing rental units during the decade, and lost 18 renter households.

Since the Census was completed, there have been 34 more units of senior housing constructed. Our research found no pending rental development projects in the City.

Rental Housing Survey

As part of this housing study, a survey was conducted of multifamily buildings in the City. The survey included all of the larger rental buildings with 4 or more units. For purposes of new unit construction, it was assumed that most future development would be oriented towards buildings and developments with 4 or more units, and properties with 4 or more units offer the best comparison. The survey classified properties into three separate groups, market rate rental housing, subsidized rental housing, and senior housing with services, as presented in the table that follows.

Information was collected from 1 market rate project, 1 subsidized project, and 1 senior housing with services project. Excluding the new senior units at Prairie View of Hector, which is still in its initial lease-up phase, the survey obtained information from 28 of the estimated 78 units in the City in 2003. The survey was conducted by Community Partners Research, during the month of July 2003.

Market Rate Rental Summary

We were able to contact the manager of 1 market rate project, the 4 unit Hummingbird Court, owned by the City EDA.

Occupancy/Vacancy

All 4 units in this building are occupied, and the building has been very successful since it was constructed in the late 1990s. This building had previously had a long waiting list, but the opening of new apartments at Prairie View of Hector reduced the waiting list from 12 names to 4 names.

The 12 independent living units at Prairie View have filled quickly. Many of these units were pre-leased before the building opened.

Rental Rates

We have only provided rental rate information for the 4 units owned by the City EDA. These are the newest units in the City, and they are believed to have the highest rents. Although the independent living units at Prairie View of Hector are market rate rental housing, this building has services, amenities and features that are not typical of market rate housing. A senior moving into this building could obtain services as needed and eventually transfer to one of the assisted living or memory care units in the building.

<u>Unit Size</u>	<u>Rent Range</u>
2 Bedroom	\$600 to \$625

According to the Census, the median gross rent in Hector was \$390.

Tax Credit

There are no tax credit assisted rental projects in Hector or Renville County.

Subsidized Summary

There is one subsidized rental project in Hector that provide federally subsidized housing. This project was constructed in two phases, and has two federal subsidy contracts, but effectively operates as a single project. The project provides 24 units of subsidized housing. These projects were originally developed for senior occupancy. However, half of the units are on the second floor, and there is no elevator. As a result, senior demand for upper units was weak, and the projects obtained a waiver that allows occupancy by younger tenants. Approximately half the tenants are younger and the other half are seniors.

Occupancy/Vacancy

All of the units were occupied at the time of our survey.

Rental Rates

In 13 of the 24 subsidized units, tenants receive rent assistance that allows for rent based on 30% of tenant household income. Tenants without rent assistance pay 30% of income, but not less than a basic unit rent of \$262 to \$335 for a one bedroom unit and \$282 to \$360 for a two bedroom unit. The base rent levels are lower than prevailing rents in the community.

Section 8 Existing Program

The Section 8 Existing Rent Assistance Program also provides subsidized housing. This program provides tenant-based rent assistance and can be used in any suitable rental unit in Hector. The Renville County HRA manages the program and has an adequate budget to assist approximately 84 households County-wide. Most of the Program's participating households live in Olivia or Renville. The HRA has a waiting list of approximately 76 households.

Senior Housing with Services

In 2003, the City opened Prairie View of Hector, a senior housing continuum of care project. There are 12 independent living apartments, 16 assisted living units and 6 memory care units in the building. The independent living units are fully occupied, and the assisted living and memory care units are in the initial occupancy phase. According to City staff, this building's lease-up rate is ahead of projections.

Table 29 Hector Multifamily Rental Housing Inventory					
Name	Number of Units /Bedroom Mix	Rent	Vacancy/ Wait List	Tenant Mix	Comments
Market Rate					
Hummingbird Court	4 - 2 Bedroom	\$520 +utilities	No vacant units	General occupancy	Publicly owned rental units constructed in late 1990s. Strong demand with no vacancy problems since opening. Waiting list had been as high as 12 names, but opening of Prairie View project decreased list to 4 names. All senior tenants. Tenants pay all utilities in addition to rent.
Subsidized					
Hector Apartments	3 - 2 Bedroom 21 - 3 Bedroom	\$262-\$410 \$282-\$460 30% of income	No vacancies	Senior occupancy with waiver	Rural Development subsidized housing. Units in 3 buildings constructed in 1975 and 1979. Buildings have different basic and market rents - those listed are lowest and highest ends of range. 13 tenants receive rent assistance, 11 pay 30% of income but not less than basis rent. Full occupancy with 1 name waiting list. Buildings were constructed for senior occupancy, but difficulty in renting second story units to seniors resulted in waiver for younger tenants. Now half of tenants are younger.
Senior Housing with Services					
Prairie View of Hector Independent Living	12 units 1 Bedroom 2 Bedroom	\$650 \$800 +elect, heat	No vacancies	Senior occupancy	EDA owned senior housing complex that opened for occupancy in 2003. Project includes independent apartments, assisted living and memory care units. All independent living units leased quickly. Tenants pay heat and electric in addition to rent.
Prairie View of Hector Assisted Living	16 units Studio 1 Bedroom	\$1,700 \$1,900	10 units occupied initial occupancy phase	Senior assisted living	EDA owned senior housing complex that opened for occupancy in 2003. Project includes independent apartments, assisted living and memory care units. Building in initial occupancy phase - 10 of 16 assisted living units have been leased. Rent includes 3 daily meals, housekeeping and other services.
Prairie View of Hector Memory Care	6 units of memory care housing	\$2,500	2 units reserved initial occupancy		EDA owned senior housing complex that opened for occupancy in 2003. Project includes independent apartments, assisted living and memory care units. Still in initial occupancy phase with 2 memory care units reserved.

Source: Community Partners Research, Inc.

Findings and Recommendations

Key Statistics

Second number, when provided, is for the Eastern Renville Market Area that includes the Cities of Buffalo Lake and Hector, and the Townships of Boon Lake, Brookfield, Hector, Martinsburg, and Preston Lake

2002 Population = 1,160/3,257

2002 Households = 511/1,335

2002 Average number of persons per household = 2.27

City projected household growth from 2002 to 2007 = 25 to 35 households

2000 tenure rates = 85.3% owner and 14.7% renter

Median value of recent sales = \$62,000 (17 sales)

1999 median household income = \$33,000

1999 median family income = \$41,477

Monthly rent payment ability (median income household) = \$825

Monthly affordable rent payment ability (50% of median income household) = \$413

Growth Information

Findings: Like nearly all of the areas in Renville County, the City of Hector lost population and households in the 1980s. However, since 1990, the City has seen slight growth in the population and household level. In 2002, the City had 20 more households and 15 more people than it did in 1990.

In recent years, the City has aggressively been addressing its housing needs. Hummingbird Court, a 4 unit market rate rental project was constructed in the late 1990s. In 2003, the City opened Prairie View of Hector, a 34 unit senior housing project. This project represents a net increase of more than 6% in the City's available housing stock. If this project achieves full occupancy without causing vacancies in other housing, it will significantly increase the City's population and household level.

Incorporating the impact of Prairie View, we believe that the City will add between 25 and 35 new households between 2002 and 2007.

Growth prospects for the area defined in this Study as the Eastern Renville Market Area show some potential household growth, but excluding Buffalo Lake and Hector from this aggregation, it is probable that there will be population and household losses.

The movement of the area's existing population through the aging cycle will have ramifications on future housing demand. Between 2002 and 2007, the combination of aging in place and newly arriving households should result in an expansion of households in the 45 to 64 year old age ranges, primarily reflecting the movement of the "baby boom" generation through the aging

cycle. According to the 2000 Census, households in these age ranges tend to be predominantly home owners. These households also form the large majority of the trade-up housing market, reflecting the higher incomes they enjoy in their peak earning years. An increase in the number of households in this age range will primarily generate demand for owner-occupied housing production.

Behind this group of middle-aged and older adult households is a smaller population of younger adults. When compared with the area's age make-up in the late 1990s, there will be fewer households expected in the 35 to 44 year old ranges, and some decrease in the 25 to 34 year old range between 2002 and 2007. While this group has traditionally preferred home ownership, at the younger end of these ranges there is a tendency for a relatively high percentage of renters. This group also represents much of the market for first homes or starter homes. With fewer households in these age ranges over the next few years, we would expect to see little or no growth in the demand for general occupancy rental housing, and there will be fewer available first-time home buyers.

Another age group that is projected to decrease in size is the senior citizen population age 65 to 84 years old. This will be somewhat off-set by an increase in the population of older senior citizens, age 85 and older, but overall, there is a probable decrease in the population of senior citizens in the near-term. As the large baby boomer population moves into the senior citizen age ranges over the next 25 years, the population of seniors will grow. But through the 5 year projection period that we have reviewed, we expect to see a decline in the number of senior households.

Strengths For Housing Development

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

- ▶ **Hector is located with commuting distance of Hutchinson and other larger cities -** Although Hector does not have a large number of employment opportunities within the City limits, the City is located within commuting distance of Hutchinson and other larger cities which have employment, service, commercial, and entertainment centers.
- ▶ **Affordable single family homes -** Hector has affordable homes. The median sales price is \$62,000. This presents an affordable option for low/moderate income home buyers.
- ▶ **Active City involvement in housing -** The City has in the past taken an active role in the preservation and development of housing. The City has developed Prairie View of Hector and four market rate rental units.
- ▶ **Small town atmosphere -** Hector is a small town with the real and perceived amenities of a small town. Small town living is attractive to some households.
- ▶ **Available lots -** The City has lots available for single family housing development.

Barriers or Limitations to Housing Activities

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

- ▶ **Competition with Hutchinson and other cities** - Hector is within commuting distance of Hutchinson and other larger cities which have more employment, service and housing opportunities. The amenities the larger cities have to offer will remain the preference of most households.
- ▶ **Declining population** - Although population and household levels in Hector may be increasing, there has been a continued loss of population from the larger area. Since 1980, Renville County has lost more than 3,300 people and nearly 500 households.
- ▶ **Aging population** - Hector's median age of 39.5 years old is above the State-wide average of 35.4 years old. The City has a high percentage of senior citizens in the population. While this has many positive impacts on the community, it also has an impact on housing development and market potential for certain kinds of housing.
- ▶ **Value gap deters new owner-occupied construction** - Based on market values for recent residential sales, we estimate that the median priced home in Hector is valued at \$62,000. This is below the comparable cost for new housing construction, which will generally be well above \$100,000 for a stick-built house with commonly expected amenities. This creates a value gap between new construction and existing homes. This can be a disincentive for any type of speculative building, and can also deter customized construction, unless the owner is willing to accept a potential loss on their investment.
- ▶ **Age of the housing stock** - While the existing stock is very affordable and generally in good condition, some housing is old and may need substantial improvement to meet expectations of potential buyers. Units lost to deterioration or obsolescence cannot be replaced in a similar price range.
- ▶ **Lower incomes limit housing choices** - Household and family incomes for Hector and the surrounding market area are relatively low, compared to State-wide medians. The City's estimated median household income translates into an approximate housing affordability level of \$825 per month. While this income level matches up well with prices for existing ownership and rental housing in the City, it is generally not well matched to the prices for new housing construction.

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 Hector. They are based on the following strategies.

- ▶ **Be realistic in expectations for housing development** - Large scale 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 potential for growth.
- ▶ **Build on past successes** - Hector has been successful with recent housing developments that have the potential to add population and households to the community.
- ▶ **Protect the City's existing housing stock** - The future of Hector 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 good condition and the City's major asset, however, continued rehabilitation efforts are needed to preserve the housing stock.
- ▶ **Protect the City's existing assets and resources** - Hector has many assets including employment opportunities, a Downtown Commercial District, etc. These are assets that make Hector a desirable community to live in, and are key components to the City's long term success and viability. These assets must be protected and improved.
- ▶ **Develop a realistic action plan with goals and time lines** - In the past the City has been involved in housing issues. 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 local resources to draw on including the Renville County HRA, the Mid Minnesota Development Commission, and the local Rural Development Office. These resources should be accessed as needed to assist with housing activities.

Recommendations

Overview

In the pages that follow, we have made specific recommendations that we believe are appropriate for the City of Hector. However, the Cities in Renville County share a number of common issues relating to housing and future housing activities. In the recommendations section for the City of Olivia, a number of additional recommendations have been made that could be applicable in Hector either now or in the future. Some of these recommendations refer to use of State or locally created housing programs that may be of use in a City like Hector, but may be practical for only one or two homes. In other cases, recommendations have been made concerning migrant housing or growing ethnic diversity that may not impact Hector now, but may be applicable in the future.

We have not repeated all of these recommendations in each City's section. We would encourage the smaller cities to review some of the recommendations made for Olivia and to utilize those ideas that make sense in their community.

The following recommended actions are not presented in any priority order.

1. Monitor the status of Prairie View of Hector until a stable occupancy pattern has been achieved

Findings: Hector has taken a major step in the development of the Prairie View senior housing project. Although Cities and government housing agencies have a long history of developing and owning housing, the concept of publicly owned senior housing with services is a relatively new concept. Hector joins only a handful of small communities in Minnesota that have become involved in this type of housing ownership.

The City has an investment of more than \$3 million in this project. While this project is doing well, and is leasing units ahead of projections, a stable occupancy level will not be achieved for a year or more. The other recent housing with services projects have taken well over a year in their initial occupancy phase. Filling units that have turned-over will also be important to demonstrate that adequate demand exists following the initial occupancy phase.

This project made a substantial, one-time addition to the City's housing stock, and probably represents the largest infusion of new units in the City's history. The opening of this building in 2003 meant an addition of more than 6% to the available housing stock. While it does not appear that this project has negatively impacted occupancy in other housing in the City, that potential does exist. The City has indicated that the length of the waiting list for units at Hummingbird Court dropped from 12 names to 4 names because of the new units that came on-line at Prairie View.

Recommendation: This Housing Study makes recommendations for additional housing activities in the City. Some of these recommendations may require additional investments or financial risks by the City. While we believe that these recommendations are practical for the future, we would caution the City not to become too aggressive in future housing development activity until the impact of Prairie View of Hector can be clearly determined. Our projections do not show much household growth in the Eastern Renville Market Area, or Renville County as a whole. For continued housing development in Hector to succeed, it will need to attract new residents to the community. With limited growth in the area, this will generally mean attracting residents from within the immediate area.

2. Monitor the need for additional general occupancy market rate housing

Findings: Hummingbird Court has been a successful rental project for the City. It has maintained full occupancy since it was constructed. It has improved the quality of local rental options and diversified the housing choices that are available. The project has been especially popular with seniors.

The other Cities that constructed similar units have also had successful occupancy histories. The only project that has had some sustained level of vacancy is Danube. Many of the other Cities have added second phases of development because of strong demand. Olivia has added 8 units, Sacred Heart has added 8 units and Bird Island has added 4 units in later phases of construction.

Our rental housing survey found no vacant units in Hector. All of the units in Hummingbird Court, Hector Apartments and the independent living units at Prairie View were fully occupied. There were also few rental unit vacancies reported in the 2000 Census, compared to many other Cities in the County that had high rates of vacancy. Before the construction of Prairie View, Hector had a relatively small supply of rental units. In 2000, the City's rental tenure rate was less than 15%, compared to a rate of more than 19% in Renville County, and more than 25% State-wide.

Recommendation: Based on the success of the City's existing projects, we believe that it would be appropriate to construct a second phase of units similar to Hummingbird Court. Although our projections do not show demand generated by rental household growth, Hector has a level of pent-up demand that makes it a good location for additional rental development.

Prior to the opening of Prairie View, there was a 12 name waiting list for a unit in Hummingbird Court. After Prairie View, the list dropped to 4 names. The City had considered an expansion of hummingbird Court because of the waiting list, but had elected to proceed with the larger development project.

Our projections do show a slight decline in the number of senior citizens for the Eastern Renville Market Area over the next 5 years. While the Hummingbird Court units are general occupancy, seniors have been an important tenant base for these units. As stated in the previous recommendation, the City should wait until a stable occupancy pattern has been achieved in Prairie View before proceeding with additional housing development that may compete with other City projects for tenants.

3. Maintain and preserve the existing supply of subsidized housing

Findings: Findings: Hector currently has 24 units of housing subsidized through USDA Rural Development. Although these units were developed in two phases, and have two federal contracts, they operate as a single project and have the same owner. Like other rental housing in Hector, these units have a high occupancy rate. This subsidized housing represents the most affordable option available to lower income households. Since most of these units charge rent based on income, even extremely low income households can afford their housing.

Although there is no indication of plans to withdraw from subsidy contracts at this time, the owner of this project may have the ability to opt-out of subsidy contracts after their original obligations have been met. This most often occurs in communities with low vacancy rates, where owners see the potential to convert subsidized housing to market rate housing in response to demand for units. Subsidized housing that is lost cannot be cost-effectively replaced with the low income housing production resources that are available today.

In recent years, other subsidized housing projects in Renville County have converted to market rate housing. Two buildings in Olivia and one project in Franklin no longer offer subsidized opportunities. All of these buildings were subsidized through Rural Development.

Recommendation: MHFA tracks subsidized housing in Minnesota that is at risk of being lost. Owners of subsidized housing that are considering the option to drop their subsidy contract must notify MHFA and the tenants prior to taking any action. MHFA is not aware of any projects in Hector that are at risk of opting out of their subsidy contract.

MHFA is also able to offer mortgage restructuring options to the subsidized housing owners that are interested in dropping their subsidy contract. One option is to restructure the current debt through a second mortgage which allows owners to cash-out a portion of their equity in the property. A second option allows assumption and assignment of existing debt to a non-profit owner.

Although it does not appear that any subsidized projects in Hector are at risk in the near-term, the County HRA/EDA, the City and housing non-profits should be prepared to intervene, if required, to preserve subsidized developments in the community. There are numerous examples of public agencies that have stepped in to purchase privately owned subsidized housing to keep it as part of the available, affordable housing stock.

4. Consider resubmitting an application for the Small Cities Development Program housing rehabilitation

Findings: In 2002, the City submitted an application to the Small Cities Development Program (SCDP) for housing rehabilitation assistance. An evaluation of the City's housing stock completed by R&H Management Services found that there was substandard housing in the community that needed access to a targeted rehabilitation program. This application was not funded by the Minnesota Department of Employment and Economic Development (DEED).

Recommendation: We would encourage the City to revise and resubmit the application for SCDP funding. The City's existing housing stock will provide the majority of the affordable housing options for Hector, both now and into the future. Existing houses generally sell at a discount to their replacement value. It will be impossible to replace affordable, existing units that are lost to deterioration at an affordable price range. Ongoing rehabilitation efforts are recommended for owner-occupied homes.

5. Promote and access all programs that assist with home ownership including the County's new Homeownership Program

Findings: Home ownership is generally the preferred housing option for most households and most communities. Home ownership provides for community stability, improves housing quality and strengthens the tax base. As discussed previously, the demographic make-up of the Eastern Renville Market Area is conducive to the promotion of home ownership. There are strategies and programs that can be used to promote home ownership in Hector.

First time home buyer assistance and home ownership training programs can help the community address affordable housing issues. The City has a large supply of houses that are price eligible for these assistance programs. The home value estimates used in this study indicate that almost all of the stock currently is valued under the purchase price limits for first-time home buyer assistance programs.

One of the most identifiable barriers preventing low and moderate income households from owning a home is the inability to save money for down payment and closing costs. Renville County HRA/EDA recently created the Homeownership Program that can provide up to \$3,000 on a one-for-one matching basis for ownership entry cost assistance. At this time, the Program has only \$62,000 available County-wide and there are maximum income limits for participation.

Home ownership counseling and training programs can also play a significant role in helping marginal buyers achieve home ownership. Home Stretch home buyer training programs are offered in Renville County through Heartland Community Action.

Recommendation: 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 and credit counseling, and entry cost assistance may be the mix of incentives that moves a potential home buyer into home ownership. One of the City's housing

strengths is the large number of affordably priced existing houses. This makes the community a desirable location for first time home buyers.

6. Promote available lots for new home construction

Findings: Hector has nine single family lots available for development. These lots are City owned and are available at very low prices. Within the last few years, only a limited number of new houses have been constructed in the City and demand for these lots has been slow.

Recommendation: The City should promote the sale of these lots to encourage new housing construction. One of the most successful approaches to lot sales has been accomplished by the City of Fairfax. The City will rebate the purchase price of the lot, up to \$7,500, if the buyer constructs a new home. A repayment agreement is signed that requires the buyer to pay back the funds if the house is sold within a five year time period. Although a program like this would require a financial concession from the City, it appears to be successful in Fairfax, where 12 new homes have been built in the last 4 years.

7. Consider a mobile home park improvement project

Findings: Hector has a relatively large number of mobile homes. At the time of the 2000 Census, mobile homes represented more than 7% of the City's occupied housing stock. A visual inspection of the mobile homes in Hector indicated that a number of units are in poor condition.

Mobile homes in parks have some unique problems. Older units are extremely difficult to repair or improve. Units also tend to decrease in value rapidly as they age, making it difficult to make cost-effective improvements.

Recommendation: Some communities have established programs that provide for the purchase and removal of substandard mobile home units, provided a newer unit is purchased to replace the acquired dwelling. With the number and condition of mobile home units in Hector, it may be appropriate for the City to initiate programs to improve the quality of mobile homes in the City.

8. Continue a staff relationship with the Renville County HRA/EDA and other housing agencies

Findings: The community will need staff resources to plan and implement the housing ideas advanced in this study. The City has access to the Renville County HRA/EDA, Heartland Community Action, Inc., the Mid-MN Development Corporation and the SW MN Housing Partnership. While the HRA and other agencies do not have excess staff capacity to devote to any one city, their technical expertise should be accessed as needed to help the City of Hector address its housing needs.

Recommendation: It will also be important for the City to look for opportunities to work cooperatively with other Renville County communities 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.