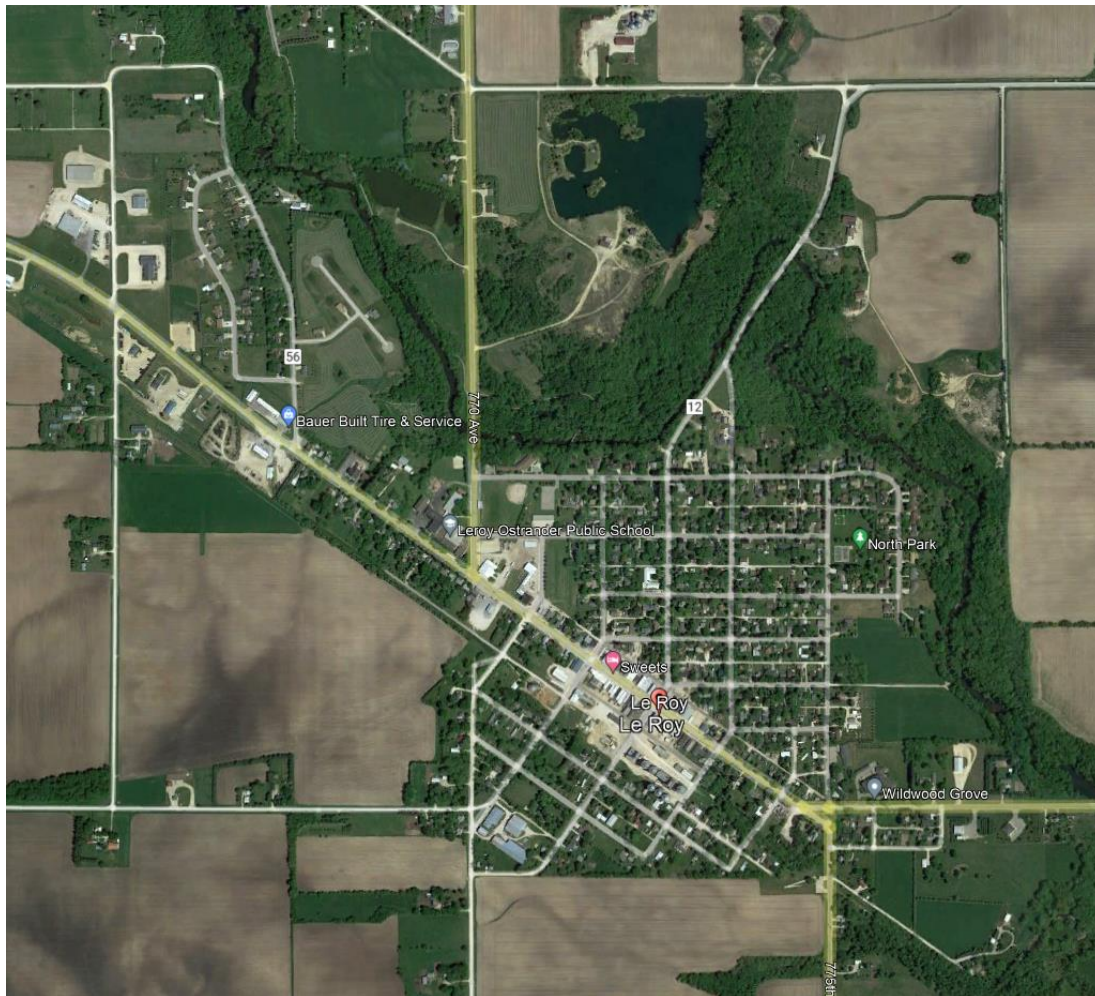


Comprehensive Housing Needs Study

City of LeRoy, Minnesota
November 2022



Prepared by



In cooperation with



City of LeRoy



December 6, 2022

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Dear Members of the LeRoy EDA,

Attached is the *Comprehensive Housing Needs Study for LeRoy, Minnesota* conducted by Widseth. The study projects housing demand from 2022 through 2037 and provides recommendations on the type of housing that could be built in LeRoy to satisfy demand from residents through 2037.

The study identifies a potential demand for approximately 25 new housing units through 2037. These dwelling units should be a mix of housing types, but more single-family dwellings may be needed to replace the units lost in the last 10 years as well as support the increasing percentage of young adults at the family starting age in LeRoy. There should also be additional affordable rental units added to the market to bring down the high percentage of renters paying more than 30 percent of their income on housing.

Based on our findings, demand was identified for most major housing product types with the greatest demand identified for first time homebuyers and rental housing, primarily in the moderate to low-income range. The *Recommendations* section at the end of the report has more information and suggestions for correcting the housing imbalances currently in place.

LeRoy is a great community and we have enjoyed researching and assisting the City to make insightful decisions that meet your housing needs and goals. If you have any questions or need additional information, please contact us.

Sincerely,
[WIDSETH SMITH NOLTING & ASSOCIATES](#)

Logan Tjossem
Principal Planner

Craig Britton, PE
Vice President

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Executive Summary

Purpose Statement

The City of LeRoy, MN has contracted with Widseth (Widseth Smith Nolting) to conduct a *Comprehensive Housing Study and Needs Analysis*. The Housing Study provides the City of LeRoy, developers, and the community a meaningful sense of the current housing needs and priorities. The result will identify current and future needs, a recommended housing mix, and the suggested amount and types of housing that could be developed to meet the identified needs of the City for the next five, ten and fifteen years.

Scope of Work

The scope of this study comprises present data and future projections including: an analysis of the demographic and economic characteristics of the City, a review of the income levels of existing households, economic employment and population projections, and housing needs. Recommendations are supported by available data to help the City of LeRoy identify needed housing as well as the type of housing the community can support. Recommendations and suggestions will also include programs for development and redevelopment on the number and types of housing that could be considered in the City as well as any incentives that may or may not be helpful to accomplish the needs of the City.

About LeRoy

The City of LeRoy, located in Mower County, is located next to Lake Louise State Park, on the Upper Iowa River. At an elevation of 1,289 mean sea level (MSL) and 0.71 square miles, 957 (2020 Census) people call this home. LeRoy was platted in 1867 because of the railroad and the city was named after Le Roy, New York, the native home of the first settler, Daniel Caswel. ("The early days of LeRoy". The Horry Independent. Mar 2, 2006. p. 23.)

The small community is located approximately 0.43 miles north of the Iowa border and the nearest cities include: McIntire, IA (10.5 miles), Chester, IA (8.1 miles), Taopi, MN (8.1 miles), Ostrander, MN (11.6 miles), Meyer, IA (14.1 miles), Riceville, IA (13.2 miles), Adams, MN (12.1 miles), and Lime Springs, IA (13.2 miles). LeRoy is near two major urban centers in Minnesota: Rochester, MN (38 miles north) and Austin, MN (30 miles northwest). The location has appeal for new families looking for a small-town atmosphere and a reasonable commute to employment opportunities. In addition, an active business sector is working to keep LeRoy viable.

The city has two banks, a bowling alley, restaurants, a weekly newspaper, library, post office, nursing home and memory care unit, an indoor swimming pool, and excellent K-12 schools. The city is served by an elected Mayor, four elected council members and a full-time City Clerk. The city also has an active Economic Development Authority and two full-time city maintenance staff. LeRoy has full-time police protection (furnished by the Mower County Sheriff's Department), volunteer fire department, and ambulance service.

Demographic Analysis

- In LeRoy between 2010 and 2020, growth occurred in the following age cohorts: 5 years to 9 years, and 65 years to 74 years. Over the next 15 years, the largest growth is expected between the ages of 65 to 74, with strong growth also expected in the population under the age of 9.
- The LeRoy population of 45- to 54-year-olds and 55- to 59-year-olds declined the most between 2010 and 2020 (14 percent and 8 percent, respectively), and it is expected to continue to decline over the next 15 years by a significant percentage. This could indicate a lack of adequate selection for later stage housing, often during the downsizing years.
- Growth in the age group between 25 and 34 which has made up a higher percentage of the population in the past decade is promising for growth in LeRoy as this group is in the family starting years. Strong growth in the 9 year and under-age cohorts supports this notion.
- An increased need for senior living options is needed to keep populations over the age of 55 from leaving. Additionally, the rise in the young adult population supports the need for starter home and diverse housing options.

Economic Profile

- The 2020 estimated labor force is 412 residents.
- Unemployment was at 6 percent according to the 2010 Census but has dropped to zero according to the 2020 ACS estimate. Statewide the unemployment rate was 1.8 percent in July 2022 and was 1.5% in Mower County in May of 2022 according to the Minnesota Department of Employment and Economic Development.
- LeRoy has a well-diversified employment field. Management, business, science, and art occupations comprise 32 percent of the field and office occupations followed with 28 percent of the jobs.
- The sectors currently employing the most people are education services, and healthcare and retail trade.
- Most employed workers earn a private wage or salary with 63.1% of the population working for a private company.
- Most households commute by car alone to work (81 percent) with an average commute time 29.1 minutes. Only 8 percent carpooled with the remaining 11 percent using alternative modes of travel or working from home.

Existing Housing Characteristics

- The existing housing demographics in LeRoy are split 2/3 owner-occupied and 1/3 renter occupied, similar to the breakdown in Mower County.
- Of the 439 housing units estimated in 2020, there is a proliferation of detached single-family homes (70 percent). A total of 21 percent of housing units are considered multi-family (3 or more units) of which 18 percent contain 5 or more units.

- LeRoy saw a rise in the number of housing units between 2000 and 2009 followed by a steady decline with a loss of 34 housing units, according to the U.S. Census Bureau.
- The median value of an owner-occupied housing unit is \$84,600 compared to the average value in Mower County of \$130,800.
- The median housing costs for mortgaged owners was \$853 and \$390 for non-mortgaged owners. Renters paid a median cost of \$682 monthly compared to \$785 in Mower County.
- A low vacancy rate of 6% in both owner-occupied and rental units exist. Only 30 housing units were estimated to be vacant in 2020.

Housing issues

- LeRoy currently has one assisted living facility and four dwellings offering supportive services for up to four individuals each over the age of 18.
- The vacancy rate and existing homes on the market show there is a severe lack of available housing units for purchase.
- Fifty-three percent of renters are paying more than 30 percent of their household income on housing each month.
- The city has a jobs-to-housing ratio of 0.93 to 1, which is relatively balanced. Data on commuting trends, however, shows that the workforce commutes in, while 92.6% of residents are commuting outside the city.
- Only 2.8 percent of owner-occupied units were identified as vacant, and 3.8 percent of rental units were vacant.

Recommendations and Conclusions

Below are the conclusions and suggested areas of focus Widseth formulated from the housing study research. Contained within the Recommendation section at the end of the report are numerous programs and tools LeRoy could consider helping resolve the existing concerns and projected needs for housing.

- There is a housing shortage in LeRoy that needs to be addressed in the next five to ten years, given the projected population growth.
- Additional affordable units are needed to support the projected growth in population in the next five to ten years for the 53 percent of renters currently paying more than 30 percent of their income on housing.
- Additional housing for near-retirees not yet ready to move to assisted living facilities is necessary to keep the empty-nester population from leaving LeRoy. These owners are often looking to downsize and reduce maintenance costs and often find townhomes with zero entry as a viable option.

- An effort should be made to attract more jobs to LeRoy to help reduce the amount of workforce that leaves the city each day. A jobs–housing balance policy could be a good tool to resolve this issue.
- Supportive services should be monitored to assess whether the growth in population necessitates the construction of this type of housing.

Market Area

Definition of Market Area

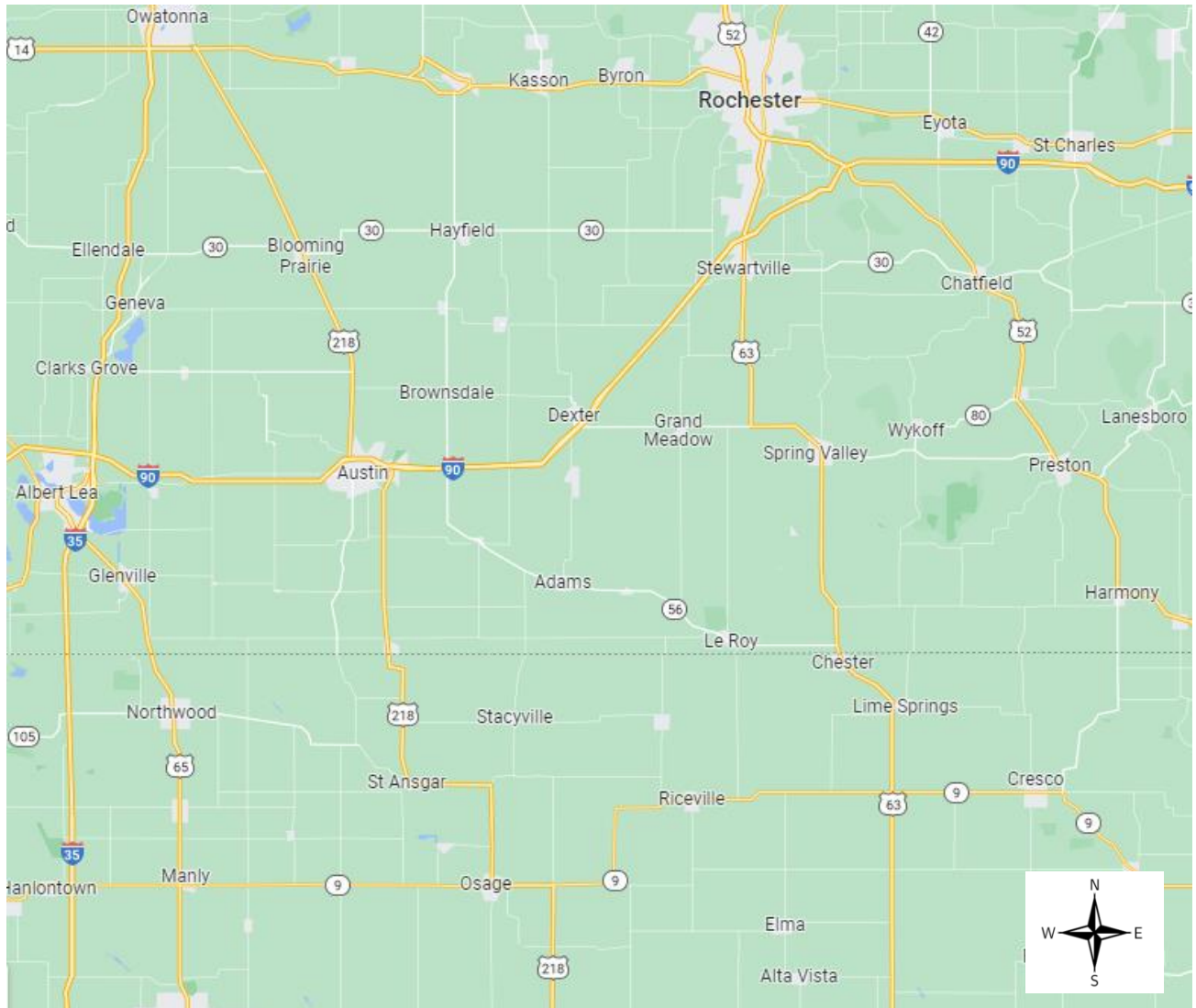
The Market Area for housing in LeRoy is defined by major thoroughfares, traffic patterns, commuting patterns, community boundaries, and our general knowledge of the area. The LeRoy Market Area is generally rural with draws to the Primary Cities of Rochester and Austin and Secondary Cities Lime Springs, Riceville, and Cresco, IA and Stewartville and Lanesboro, MN. Primary and Secondary Cities in the Market Area are categorized by population and incorporation status (see Table 1).

Market Area Boundary

The Market Area Boundary serves as the immediate draw and comparison for LeRoy within Mower County and identifies the Primary Market Area (PMA). The Market Area Boundary is divided north/south by State Highway 63 and is generally framed in on the east by Highway 52 and on the west by Interstate 35. See the Market Area Boundary Map on the next page.

| MARKET AREA | | |
|--|---------------------|-------------------|
| Subject: City of Le Roy, Mower County | | |
| Population 2020: 957 | | |
| <u>Primary City</u> | <u>County</u> | <u>Population</u> |
| Rochester | Olmsted | 121,395 |
| Austin | Mower | 26,174 |
| <u>Secondary City</u> | | |
| Lime Springs, IA | Howard | 473 |
| Riceville, IA | Howard/ Mitchell | 806 |
| Stewartville | Olmsted | 6,687 |
| Cresco, IA | Howard | 3,888 |
| Lanesboro | Fillmore | 724 |
| Source: 2020 Decennial Census, Widseth | | |

Table 1: Market Area (2020 Census, Widseth)



Map 1: Market Area Boundary

Demographic Analysis

Introduction

The Demographic Analysis section includes an analysis of overall population, population by age as well as household growth trends and projections including age distribution, income, and size. A review of these characteristics provides insight into the demand for various types of housing in the City of LeRoy. Charts 1 and 2 show population trends and projections from 1960 to 2037. The decennial census and the American Community Survey through the U.S. Census Bureau are used for the 2010 and 2020 data. Estimates and projection data by Widseth is calculated based on previous growth trends determined using Census data.

Population Trends and Projections

LeRoy’s population dipped between 1960 and 1980 and 1990, but otherwise experienced growth. Between 2010 and 2020 LeRoy grew by 77 people (+8.3%) and the remainder of the Market Area grew by 750 people (+6.3%). Two cities, Lime Springs and Lanesboro, actually declined in population while Stewartville saw a large increase in population. LeRoy accounts for approximately 7.4% of the Market Area’s population.

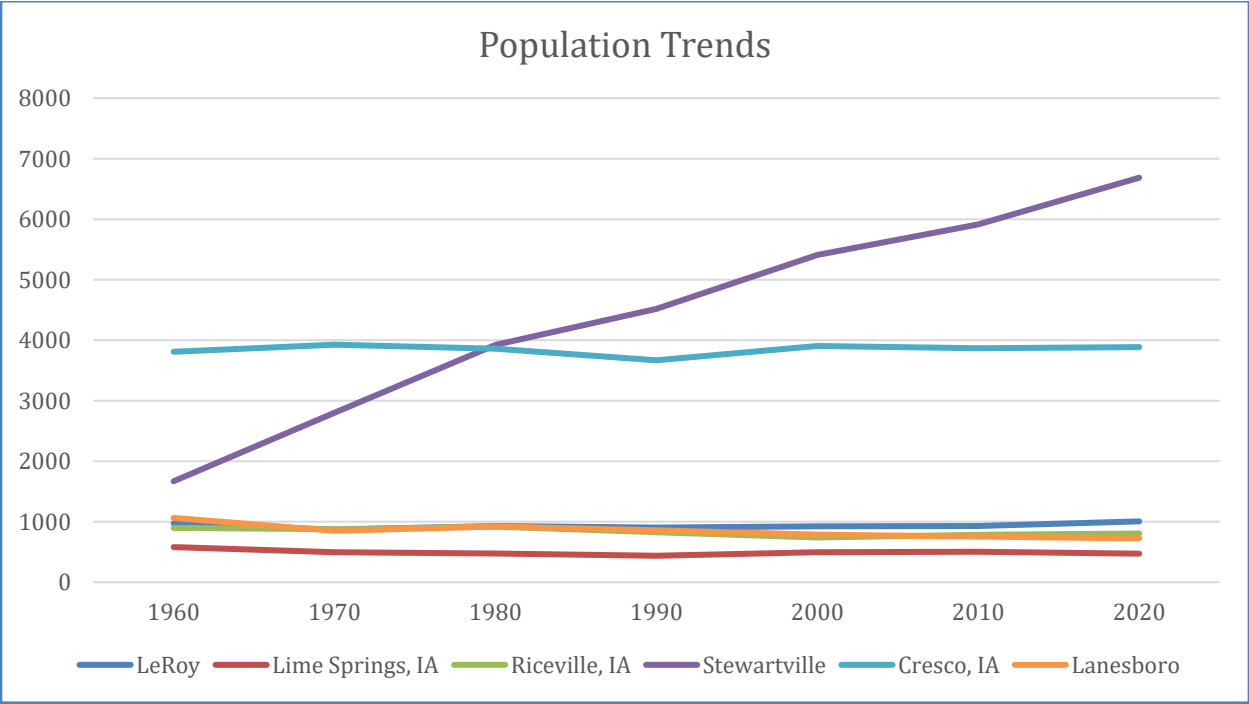


Chart 1: Population Trends (U.S. Census)

If steady growth trends continue, like what occurred since 1990, Widseth projects that LeRoy will have an overall increase in population in by 2037 of 50 people. This assumes an annual growth rate of 0.30% which is what occurred between 2010 and 2020. Widseth projects the remainder of

the PMA to increase by 6,356 people with an overall projected increase in the Market Area (including LeRoy) between the years 2020 and 2037 to 6,406 people.

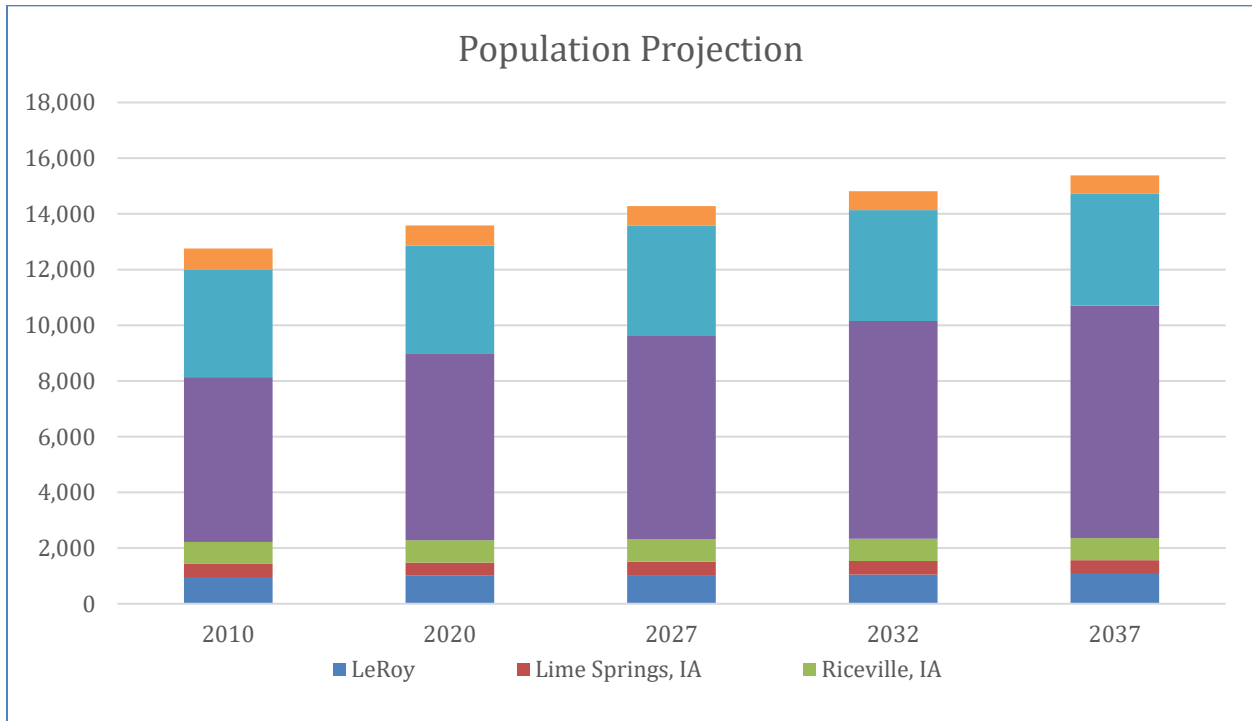


Chart 2: Population Projection 2010-2037 (U.S. Census; WSN)

The stacked column chart above compares parts of a whole, in this case, parts of the population within the Market Area. This shows how the representative city populations contribute to the Market Area’s change over time. Table 2 represents WSN’s projected Market Area population over the next five, ten and fifteen years and the projected percentage change from 2020 to 2037 based on the trends from the Census years 1960, 1970, 1980, 1990, 2000, 2010 and 2020.

| Population Projection Table | | | | | | |
|-----------------------------|-------------|-------------|-------------|-------------|-------------------|-----------------|
| | <u>2020</u> | <u>2027</u> | <u>2032</u> | <u>2037</u> | <u>Difference</u> | <u>% Change</u> |
| LeRoy | 957 | 977 | 992 | 1,007 | 50 | 5.2% |
| Lime Springs, IA | 473 | 463 | 468 | 446 | -27 | -5.7% |
| Riceville, IA | 806 | 797 | 785 | 766 | -40 | -4.9% |
| Stewartville | 6,687 | 7,969 | 9,975 | 13,188 | 6,501 | 97.2% |
| Cresco, IA | 3,888 | 3,899 | 3,915 | 3,939 | 51 | 1.3% |
| Lanesboro | 724 | 694 | 654 | 595 | -129 | -17.8% |

Table 2: Population Projections with Percentage Change (U.S. Census; WSN)

Age Distribution Trends and Projections

Age distribution affects demand for different types of housing since needs and desires change at different stages throughout an individual’s life. Table 3 and Chart 3 show the distribution of residents within 13 age cohorts for LeRoy in 2010 and 2020. There is no clear majority with three distinct groups—kids, young adults, and late retirees—each around 12%. However, the largest increase is between the ages of 65 years to 74 years and largest decline in the 45 to 54 age cohort.

| <u>Age</u> | <u>% in 2010</u> | <u>% in 2020</u> | <u>% Change</u> |
|-------------|------------------|------------------|-----------------|
| Under 5 | 4% | 9.5% | 5.5% |
| 5 to 9 | 6% | 12.8% | 6.3% |
| 10 to 14 | 7% | 4.1% | -2.5% |
| 15 to 19 | 5% | 6.8% | 1.7% |
| 20 to 24 | 6% | 2.8% | -3.5% |
| 25 to 34 | 10% | 12.2% | 2.4% |
| 35 to 44 | 7% | 9.3% | 2.1% |
| 45 to 54 | 24% | 10.1% | -14.0% |
| 55 to 59 | 12% | 4.3% | -8.1% |
| 60 to 64 | 6% | 5.3% | -1.2% |
| 65 to 74 | 5% | 12.5% | 7.8% |
| 75 to 84 | 6% | 3.5% | -2.3% |
| 85 and over | 1% | 6.8% | 5.7% |

Table 3: Population Change by Age Cohort 2010-2020 (U.S. Census)

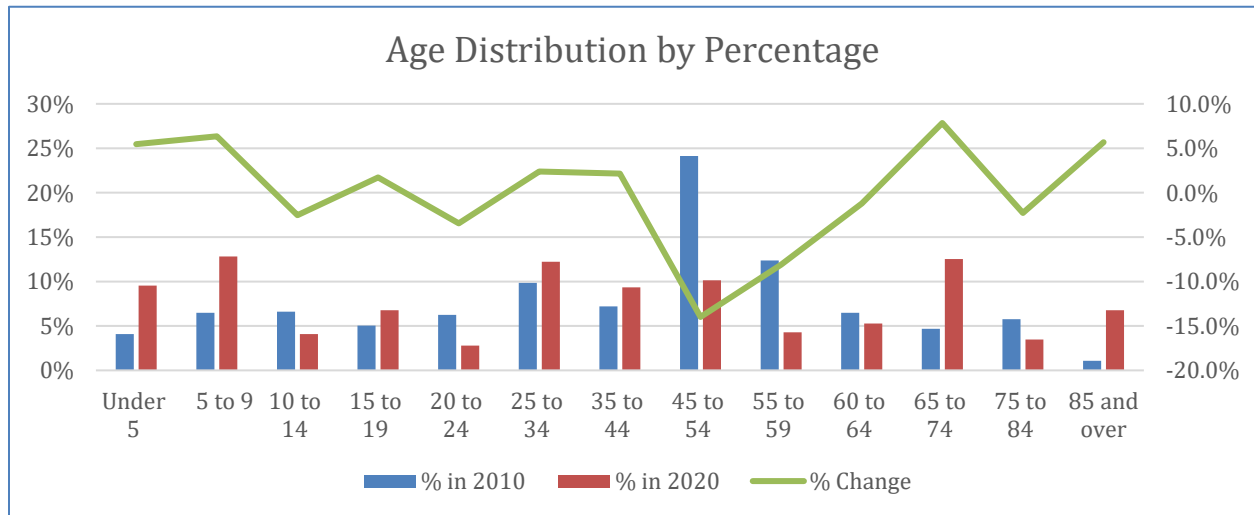


Chart 3: Age Distribution by Percentage (U.S. Census)

If trends continue like what has occurred since 2010, WSN projects the largest age distribution increase will be between the ages of 65 years and 74 years with decline continuing among the 45 to 54 age cohort.

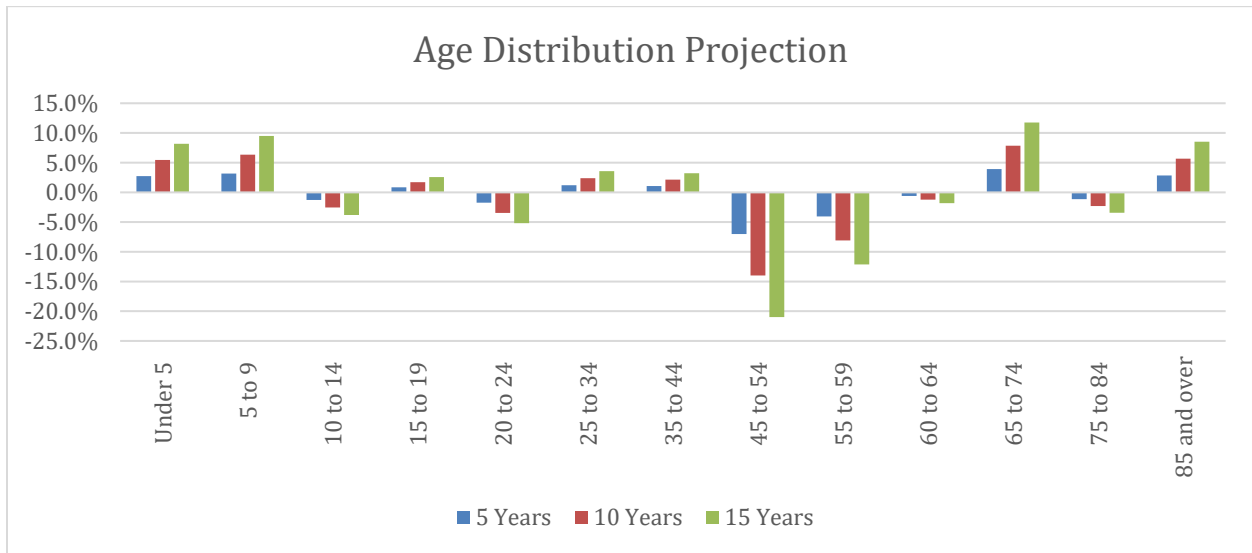


Chart 4: Age Distribution Projection (U.S. Census & WSN)

Households by Income

The 2020 median household income in LeRoy was \$45,938. An estimated 40 percent of households had an annual income below \$35,000 and 12 percent had an annual income over \$100,000. Of the estimated 69.9 percent of households receiving earnings, 32.5 percent were receiving income from retirement sources other than Social Security. An estimated 65 percent of the households received social security.

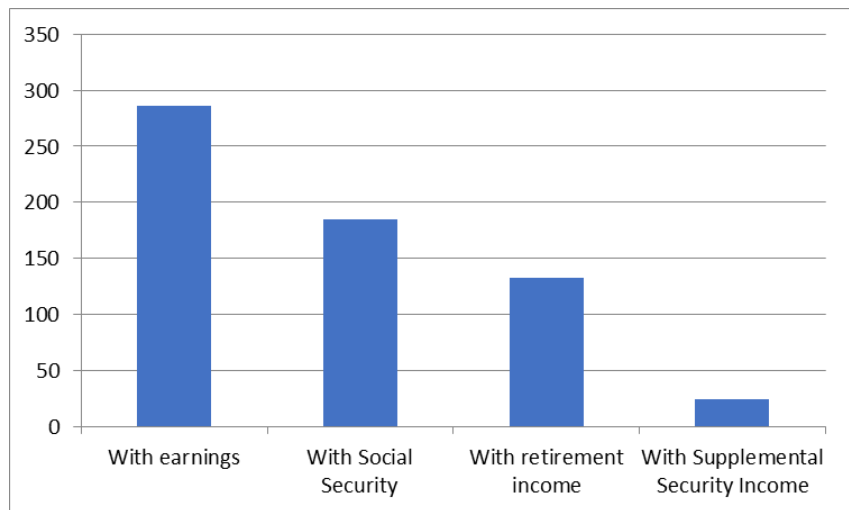


Chart 5: Income by Source (U.S. Census)

Households by Age

The 2020 median age in LeRoy was 36 years old. Dependent populations (those under 18 and over 65 years old) comprised a total of 56 percent of the estimated population. Households with

one or more individuals under the age of 19 makes up 33 percent of LeRoy’s households, while 23 percent have one or more individuals 65 years and over.

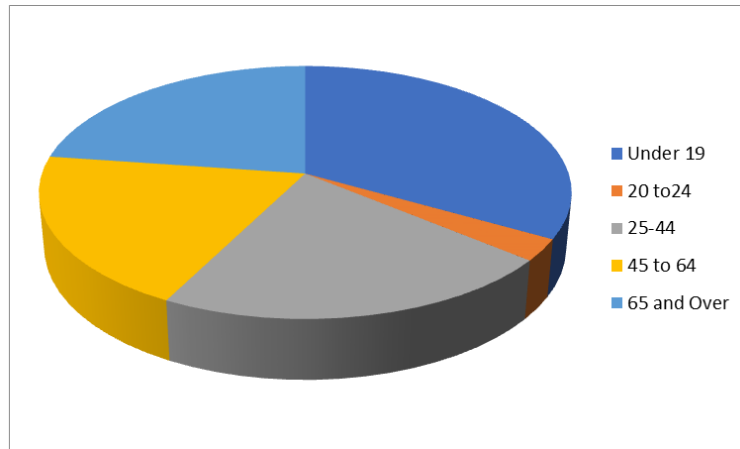


Chart 6: Age by Cohort (U.S. Census)

Households by Size

By 2020 there were 409 households in LeRoy. The average household size was 2.36 people. Families (including both married couples and other families) made up 54 percent of the total LeRoy households. Just over 40% of householders were living alone and 23% were over the age of 65.

| Households | Percent |
|----------------------------------|---------|
| Families | 54 |
| Living Alone | 40 |
| Over 65 Years of Age | 23 |
| With one or more people under 18 | 31 |

Table 4: Householder Characteristics (U.S. Census)

Households by Race and Ethnicity

The population of LeRoy has 98 percent of the population reporting Caucasian in 2020. The remaining 2 percent of the population was divided evenly between American Indian and Alaskan Native and Asian. Just over two percent identified as Hispanic for their ethnicity.

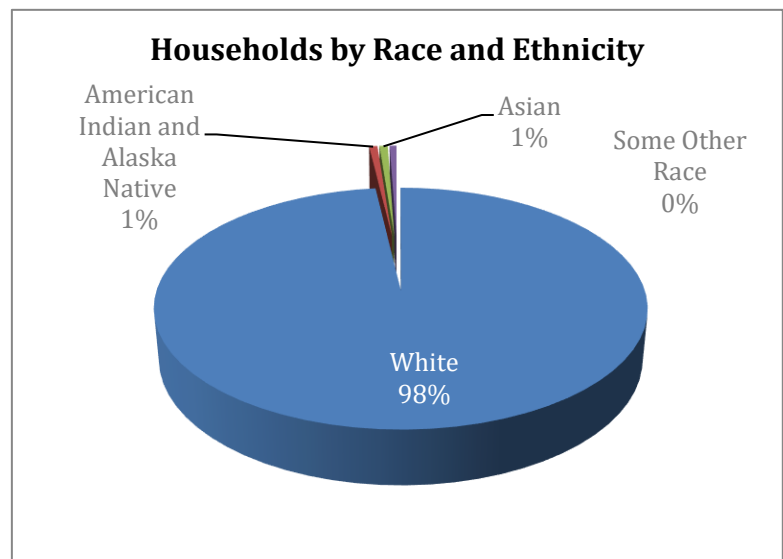


Chart 7: Households by Race (U.S. Census)

Households by Education

Educational attainment in LeRoy includes 88 percent over the age of 18 having at least a high school diploma and 29 percent with a bachelor's degree or higher. Only 12 percent did not complete high school. Total school enrollment between 2015 and 2020 was 281 students. Preschool and kindergarten enrollment was 22, while elementary or high school was 206. College or graduate school enrollment was 53.

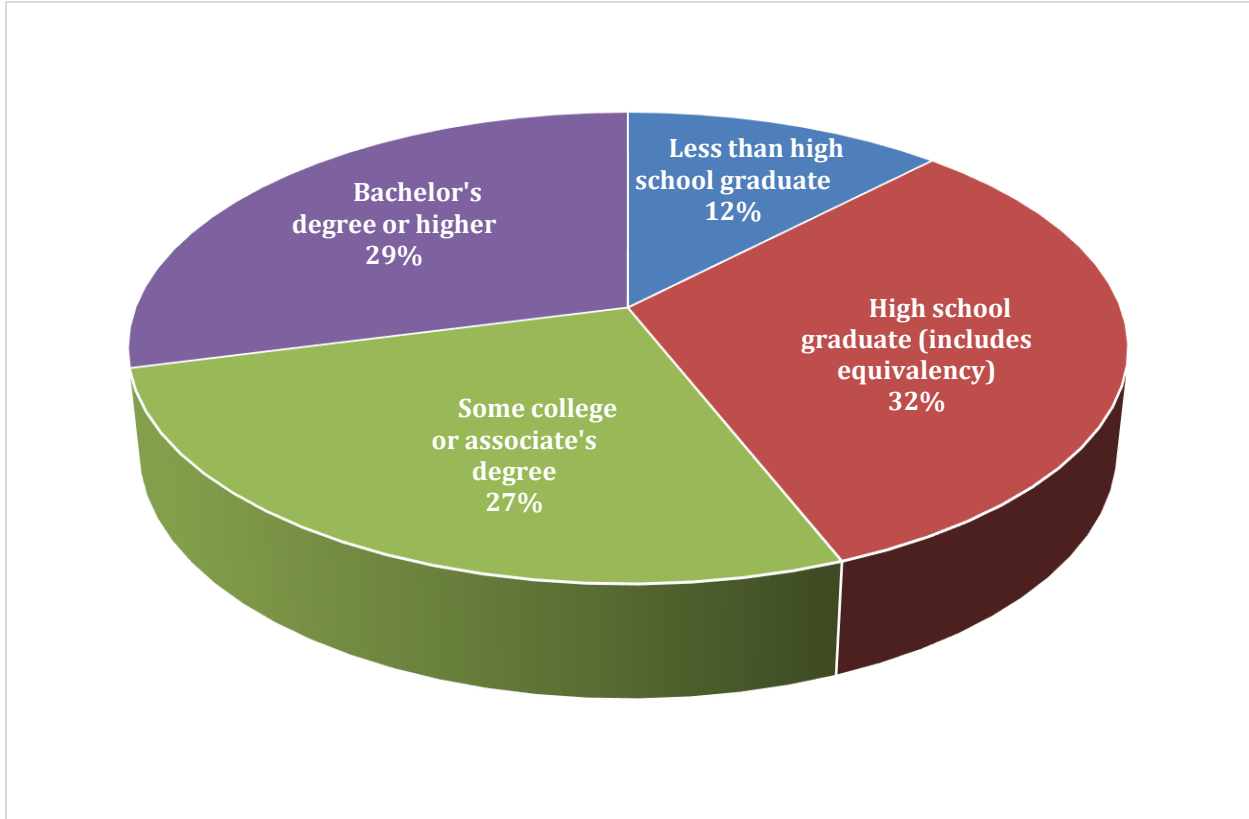


Chart 8: Educational Attainment (2016-2020 ACS)

Household Trends and Projections

Household trends and projections affect demand for different types of housing since needs and desires change at different stages throughout an individual's life. Chart 9 shows the distribution of household types as well as the rental rates and projections through 2037.

As indicated in Chart 9, the total housing units will continue to rise through 2037 with a need for about 1 new unit annually to accommodate the projected 5 percent population growth through 2037.

Occupancy rates will likely remain stable given the 2010 to 2020 data which reveals an average of 91% occupancy. The projections account for a 7 percent vacancy rate in 2027 and 2032, dropping to six percent by 2037. This is lower than the 2020 vacancy rate of 11 percent and a healthier level to allow for market turnover without too many vacant units.

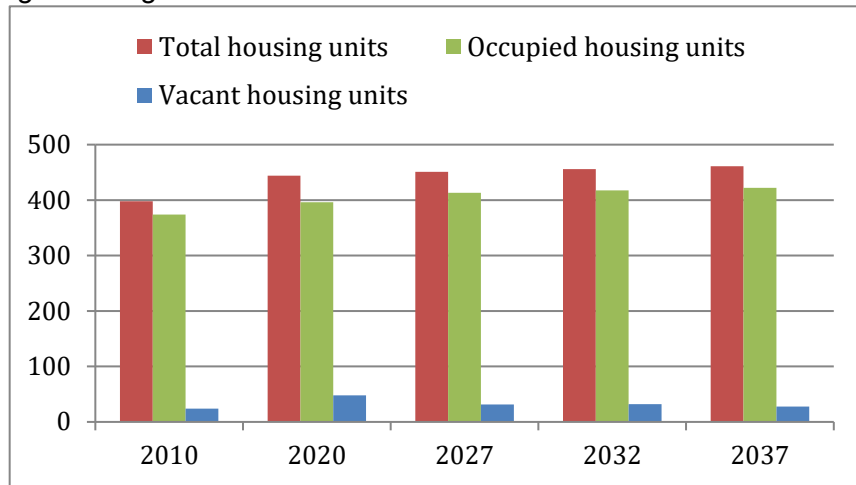


Chart 9: Household Trends and Projections (U.S. Census & Widseth)

As indicated in Chart 9, the total housing units will continue to rise through 2037 with a need for about 1 new unit annually to accommodate the projected 5 percent population growth through 2037.

Occupancy rates will likely remain stable given the 2010 to 2020 data which reveals an average of 91% occupancy. The projections account for a 7 percent vacancy rate in 2027 and 2032, dropping to six percent by 2037. This is lower than the 2020 vacancy rate of 11 percent and a healthier level to allow for market turnover without too many vacant units.

Current vacancy rates are high and have risen by 5% since 2010. These rates are higher than desired, however less than half are vacant because they are listed for sale or rent. Over 50 percent are considered “other vacant” meaning the owner is leaving the house vacant intentionally.

Household Rental Rate Trends and Projections

Household rental rate trends give a snapshot of specific market rates and allow estimated projections of a specific market. Between 2010 and 2020 rental rates jumped significantly, rising from a median rent of \$394 to \$682. This trend is likely to continue given the rise in housing and construction costs and lack of available rental housing. With just over 30 percent of current units occupied by renters, only about five of the projected new units would be renter-occupied units in 2037 if the trend continues. The greatest share of current renter households pay between \$500 and \$999 a month (77%).

Summary of Demographic Analysis

- In LeRoy between 2010 and 2020, growth occurred in the following age cohorts: 5 years to 9 years, and 65 years to 74 years. Over the next 15 years, the largest growth is expected between the ages of 65 to 74, with strong growth also expected in the population under the age of 9.
- The LeRoy population of 45- to 54-year-olds and 55- to 59-year-olds declined the most between 2010 and 2020 (14 percent and 8 percent, respectively), and it is expected to continue to decline over the next 15 years by a significant percentage. This could indicate a lack of adequate selection for later stage housing, often during the downsizing years.
- Growth in the age group between 25 and 34 which has made up a higher percentage of the population in the past decade is promising for growth in LeRoy as this group is in the family starting years. Strong growth in the 9 year and underage cohorts supports this notion.
- An increased need for senior living options is needed in order to keep populations the over the age of 55 from leaving. Additionally, the rise in the young adult population supports the need for starter home and diverse housing options.

Economic Profile

Introduction

Two major indicators of housing need are economic development and employment growth. A rise in the number of jobs leads to an increased need for housing options that reflect the type of employees filling the new positions. Anticipating these trends can lead to more proactive decisions on housing to provide affordable options within a reasonable commute distance.

The 2020 estimated population of individuals over the age of 16 in LeRoy was 707 (up 24 people from 2010 Census data) with a total of 412 residents in the labor force. The unemployment rate in LeRoy was 6 percent according to the 2010 Census but the 2020 Census estimates reflected no unemployment. The state of Minnesota had an unemployment rate of 3.8 percent in January 2020, rising to high of 10.8 percent in May 2020 and dropping back to 1.8% in July 2022 which aligns with the Rochester, MN Metropolitan Statistical Area which saw a 2.4% unemployment rate in March 2022. According to the Bureau of Labor Statistics, Mower County had an annual average unemployment rate of 5.1 percent in 2020, up from 3.2 percent in 2019, but back down to 1.5 percent in May 2022.

Economic Base: Industry and Key Employers

LeRoy has a diverse economy with no one job type dominating the market. As shown in Chart 10, the highest percentage of jobs is in management, business, science and arts occupations (32 percent), followed by sales and office occupations (28 percent). The primary industry sector is educational services and health care and social assistance, providing 33 percent of jobs, followed by retail trade with 14 percent of the job share (see Chart 11). Primary employers in LeRoy include LeRoy-Ostrander Public School District, Wildwood Grove, Northern Country Coop, First State Bank, Bauer Built Tire & Service, and Main Street Market Place.

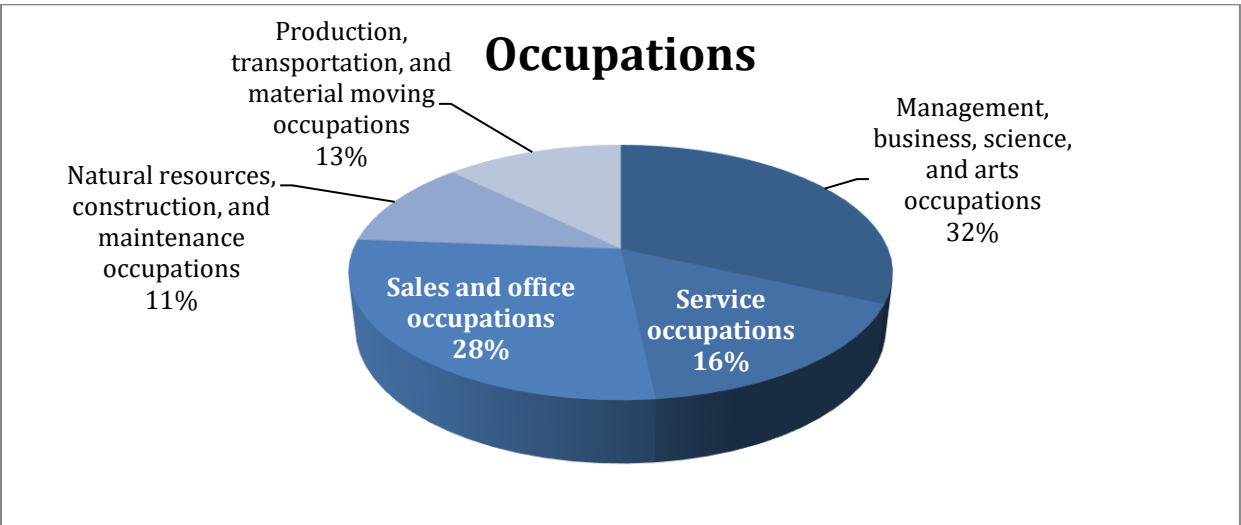


Chart 10: Occupation Type (2016-2020 ACS)

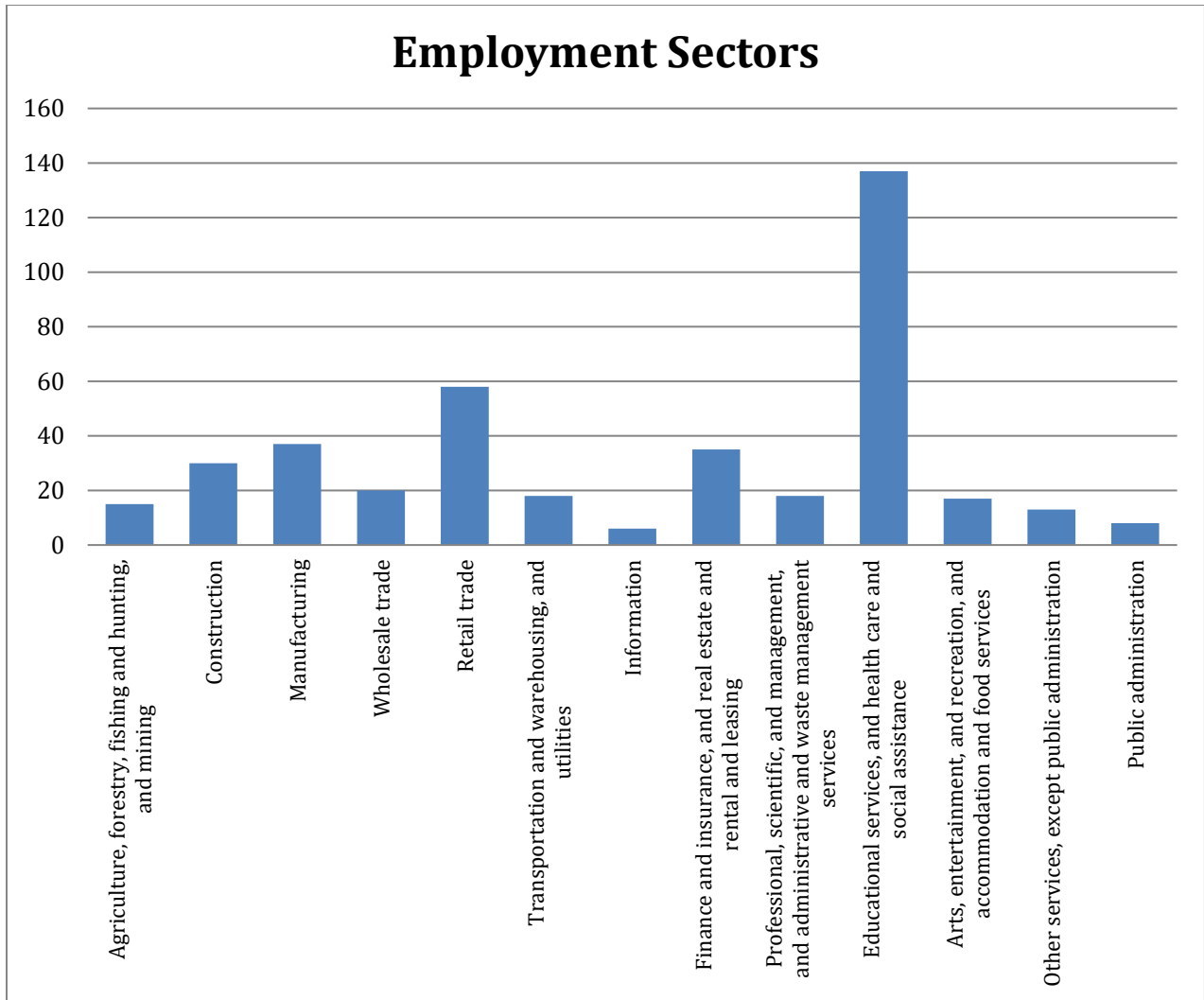


Chart 11: Estimated Employment Sectors (2012-2016 ACS)

Most of the population over the age of 16 is between 30 and 54 years old with a very small percentage between the ages of 20 and 29. Females comprise roughly 47 percent of the employed workforce. Most workers fall within the private wage and salary classification (63%), with almost 10 percent working in some form of self-employment and just under 6 percent working in government.

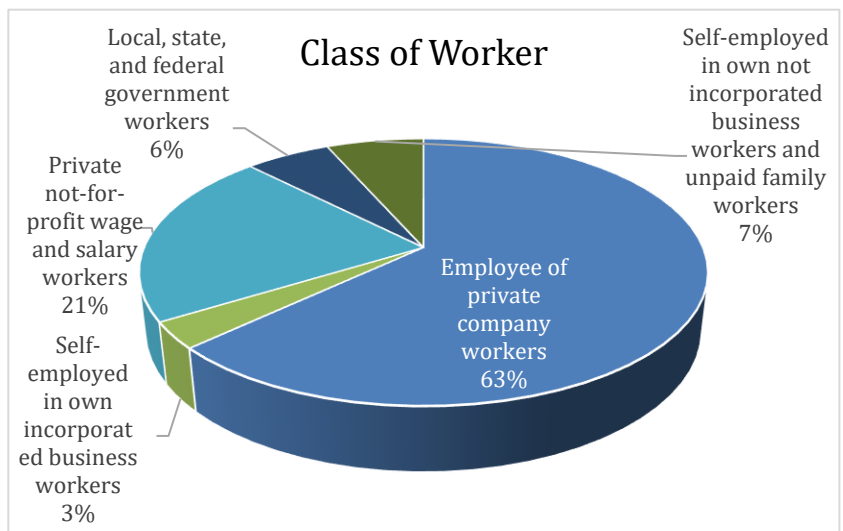


Chart 12: Class of Workers (2012-2016 ACS)

Anticipated Employment Trends

The current breakdown of class of workers is unlikely to change. Without LeRoy’s position as a county seat, an increase in government workers is unlikely. There may be a slight increase in self-employed workers as the trend towards home-based businesses and cottage industries rises. It is likely that private wage and salary workers will remain fairly consistent, hovering around the current level of 88 percent.

As larger metropolitan cities continue to grow, they are losing land for production and manufacturing industries. Cities like LeRoy can capitalize on this trend and increase the number of manufacturing jobs located within the city. Healthcare is another stable field and has potential to be an industry provider for LeRoy. With an anticipated need for senior/assisted living facilities, there will likely be growth in this employment sector, as well.

Focus should be given to attracting employees to the City of LeRoy. The 2020 Census estimates showed no unemployment, opposite state and national trends. Without a strong workforce, increasing vacant positions can lead to instability in the marketplace.

Commuting Patterns

While most households prefer to live near their place of employment for convenience, residents in LeRoy have shown they are willing to drive to their destination in order to live in a smaller community. In 2020, the mean travel time to work was 29.1 minutes with 92.6 percent of residents working outside of LeRoy. An estimated 81 percent of LeRoy workers drove to work alone, and only 8 percent carpooled (see Chart 13).

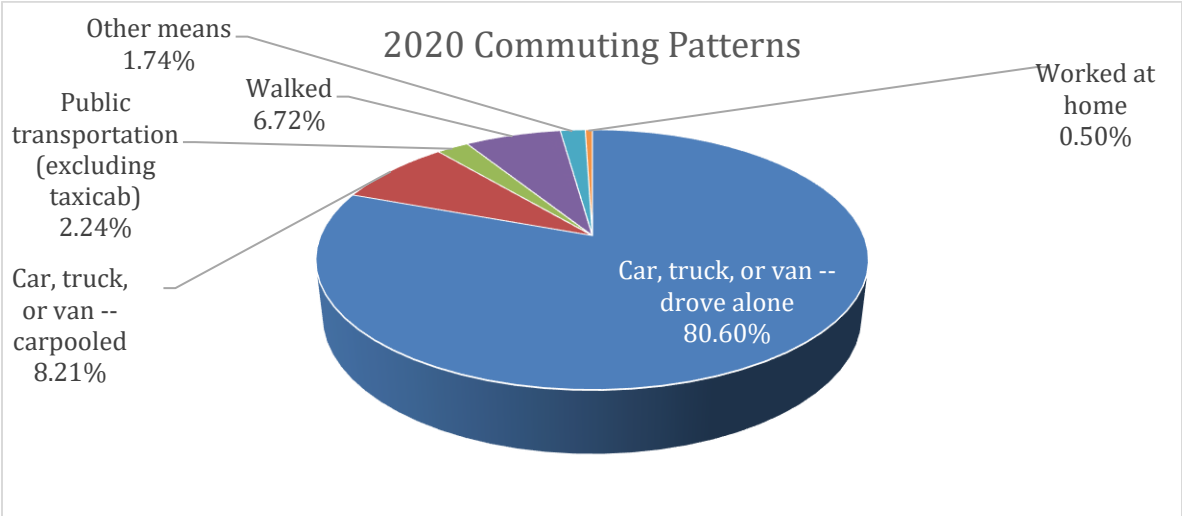


Chart 13: Commuting Trends (U.S. Census)

Laborshed Identification

A laborshed is the area or region from which an employment center draws its commuting workers and transverse political and geographical boundaries. Laborshed studies are an effective tool to help communities expand their existing businesses, attract new employers, and maintain or recruit a high-quality workforce.

The current average commute time for residents in LeRoy is approximately 29.1 minutes, according to U.S. Census data. With average traffic, this allows commuters to travel approximately 25 miles which includes cities as far west as Austin, east to Harmony, north to Stewartville and south nearly to Charles City, IA. This laborshed, based on the average commute time of 29 minutes, is on the border with the large population centers of Austin, which has the potential to draw an educated and experienced workforce, and Rochester, which employs residents at the Mayo Clinic. Because this data is an average commute time, it would also include residents with shorter commute times traveling within LeRoy and between 5 and 15 minutes to nearby cities.

Summary of Economic Profile

- The 2020 estimated labor force is 412 residents with 707 individuals over the age of 16.
- The unemployment rate in LeRoy was 6 percent according to the 2010 Census but the 2020 Census estimates reflected no unemployment. Statewide the unemployment rate was 1.8 percent in July 2022 and 1.5 percent in Mower County in May of 2022.
- LeRoy has a well-diversified employment field. Management, business, science, and art occupations comprise 32 percent of the field and office occupations followed with 28 percent of the jobs.
- The sectors currently employing the most people are education services, and healthcare and retail trade.
- Most employed workers earn a private wage or salary, with only 5.8 percent working for government and just under 10 percent working in some form of self-employment.
- Most households commute by car alone to work (81 percent) with an average commute time 29.1 minutes. Only 8 percent carpooled with the remaining 11 percent using alternative modes of travel or working from home.

Existing Housing Characteristics

Introduction

Communities that offer a variety of housing options are more attractive to prospective new residents. Housing is the basis for building quality communities, which is why it is important to focus on providing a supply of housing that is both affordable and in good condition. We reviewed data provided by in the ACS 5-year estimates (2016–2020) to determine the age of the existing housing stock, type of units available, and occupancy characteristics.

Housing Stock

In 2010, LeRoy had a total number of 473 housing units. This number dropped to 439 by 2020, a loss of 34 housing units. Within that ten-year span, the data showed a loss of 27 mobile home units, 85 detached single-family homes, and 14 units in 2-to-4-unit structures. A rise in units within 20 unit or more buildings helped offset some of the loss with 42 new units and another 18 units in smaller multi-family structures. Another construction boom occurred in attached townhomes with 32 new units.

Despite this recent downtick, the number of housing units needed is expected to increase based on population projections that anticipate an additional 50 people by 2037. With an average household size of 2.36 people, a conservative estimate would necessitate 21 additional housing units. Factoring in the 6% vacancy rate assuming a linear growth like the trends between 2010 and 2020, about 23 additional housing units would be required. These dwelling units should be a mix of housing types, but more single-family dwellings may be needed to replace the units lost in the last 10 years as well as support the increasing percentage of young adults at the family starting age in LeRoy.

By Tenure: rent, own

As shown in Chart 14, the existing housing stock is primarily owner-occupied (69 percent) just under the breakdown of Mower County. The average household size of an owner-occupied unit is 2.39 people. The average family size of a renter-occupied unit is similar at 2.31 people. These figures are only slightly lower than the county.

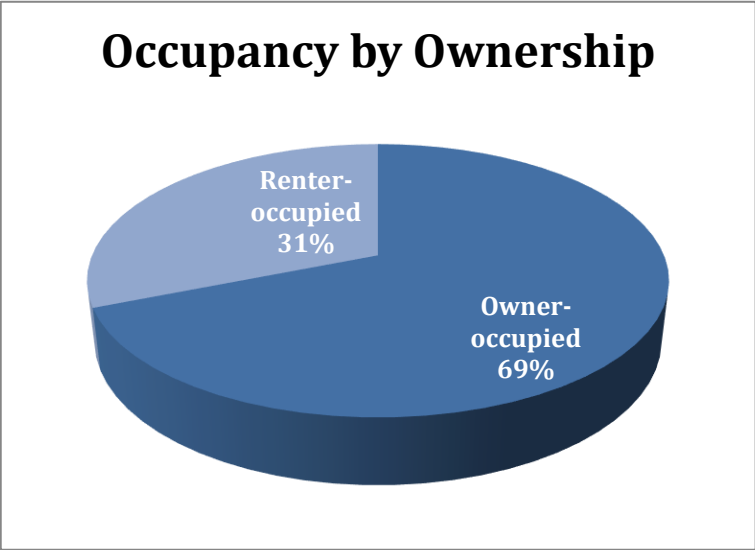


Chart 14: Occupancy by Ownership (2016-2020 ACS)

By Type: single-family, multi-family, market rate, subsidized

Single family detached dwellings comprise most existing housing units in LeRoy. Only 21 percent of the housing units in 2020 had two or more dwelling units. Single family attached or detached structures make up 78 percent of the structures with no two-family units available (see Chart 15). There was a total of only 4 mobile homes accounted for in the census data, however a field count shows a total of 11 mobile homes.

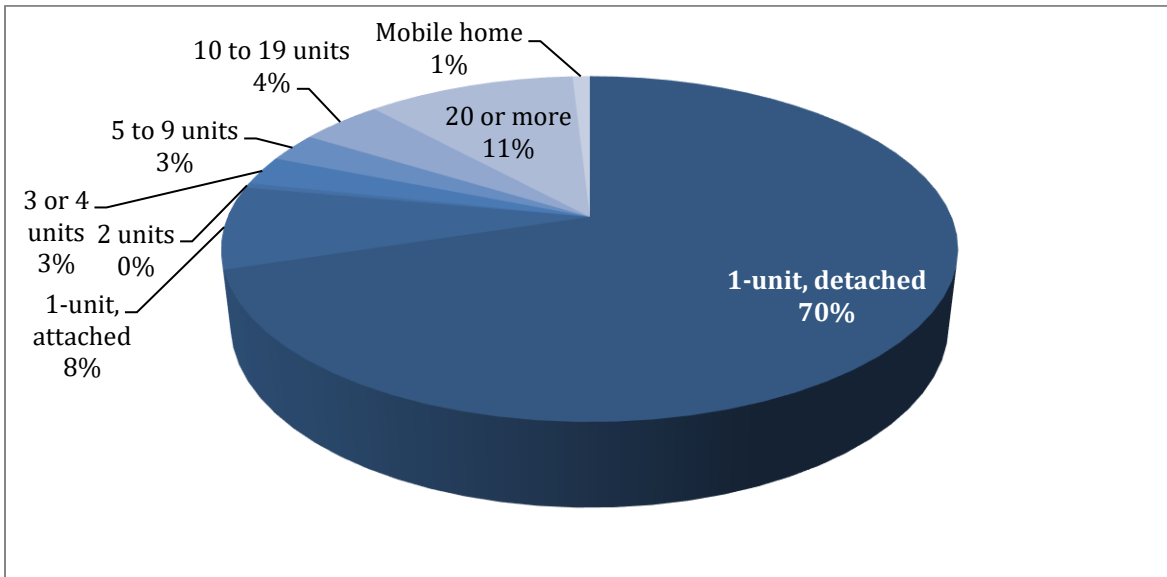


Chart 15: Housing Unit Type (2012-2016 ACS)

By Value: overview of property values and rents

The median value of an owner-occupied housing unit in LeRoy is \$84,600, compared to the average value in Mower County of \$130,800. Of these units, 58 percent carry a mortgage, which only 1 percent higher than the county. The median housing costs for mortgaged owners was \$853 and \$390 for non-mortgaged owners. Renters paid a median cost of \$682 monthly as compared to \$785 in Mower County. The majority of renters paid between \$500 and \$999 with only 7 households paying more than \$1,000 for rent. Rents have stayed fairly consistent throughout Mower County.

Chart 16 shows the 54 percent of renters pay more than 30 percent of household income on housing. Owners with a mortgage paying more than 30 percent of household income on housing are estimated at 23 percent; without a mortgage it is 6 percent.

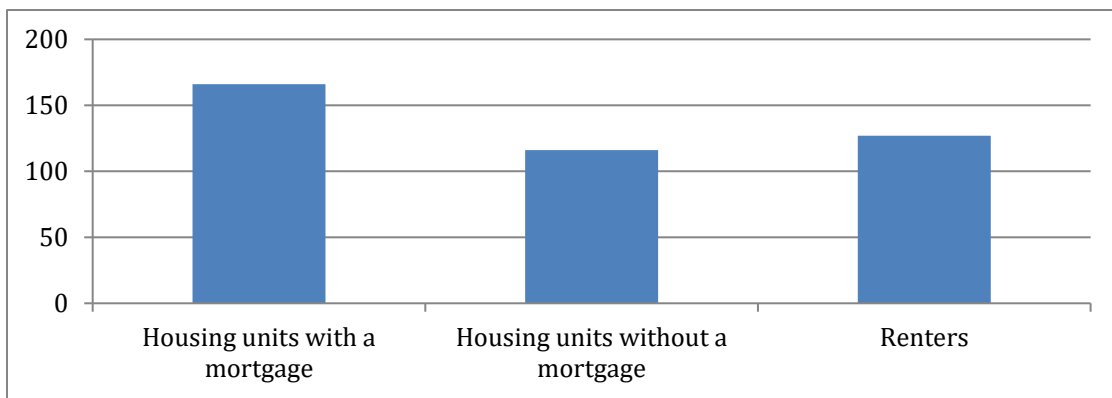


Chart 16: Housing Unit Type by Mortgage Status (U.S. Census)

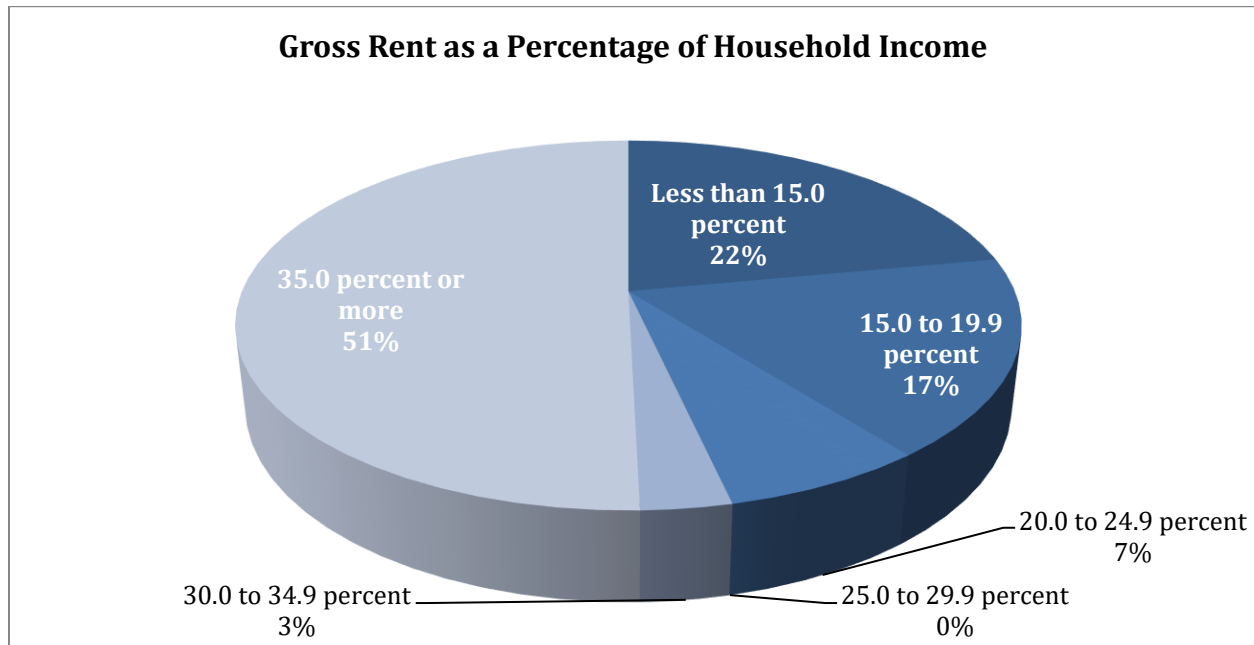


Chart 17: Gross Rent as a Percentage of Household Income (2012-2016 ACS)

By Age and Condition

The age of structures within the city varies. The three biggest construction booms fall prior to 1939, between 1950 and 1959 and between 1970 and 1979. Prior to 1939, when the railroad was at its peak, 38 percent of the housing units were constructed. Roughly double that of the county. A second boom period began post WWII and continued to rise and fall through 2009 when housing construction began a steady decline. A drastic drop in housing units construction occurred, with only 10 units built between 2010 and 2013 and no units built after 2014. Mower County has experienced almost an identical building trend with a similar decline in new units since 2009. (See Chart 18 and 19).

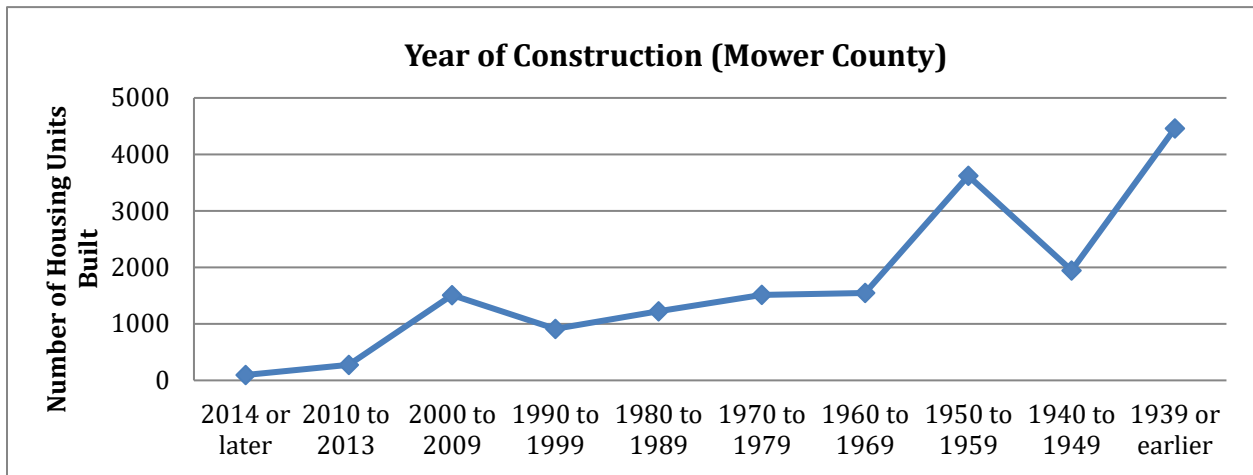


Chart 18: Year of Housing Unit Construction in Mower (2016-2020 ACS)

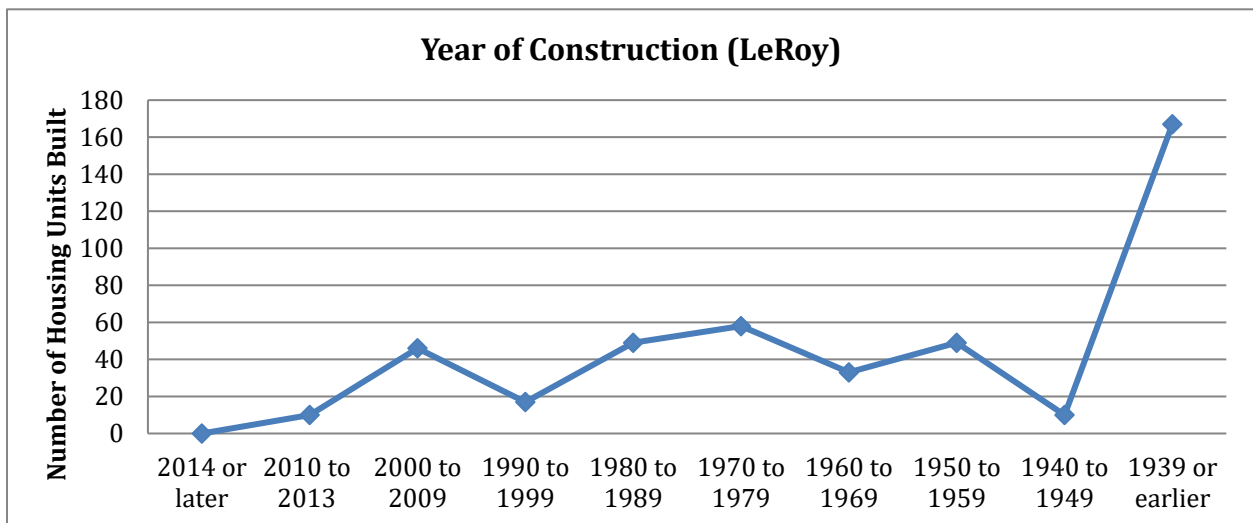


Chart 19: Year of Housing Unit Construction in LeRoy (2016-2020 ACS)

Vacancy Rates

Based on the 2016-2020 ACS 5-year estimates, there are a total of 439 housing units in the City of LeRoy. Within Mower County, there are an estimated 17,100 housing units, making LeRoy's share just under 3 percent of the county's housing stock. Of the total number of housing units in the city, only 30 were estimated to be vacant, down from 75 in 2010. The vacancy rate in LeRoy is 6 percent and is below the Mower County estimate which was 7.8 percent (see Chart). Most of the individuals and families occupying the existing housing units moved in between two periods—2000 to 2009 and 2015-2018.

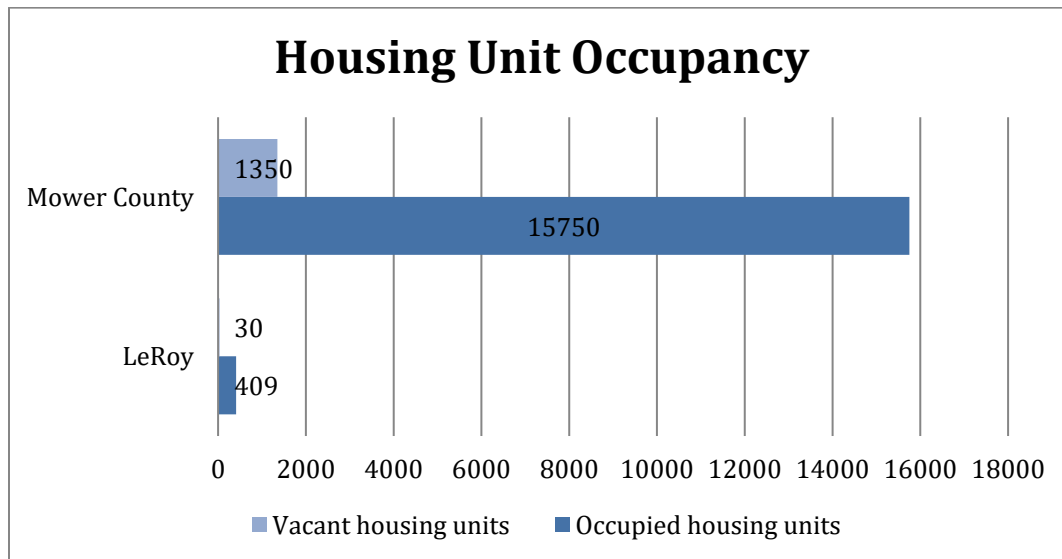


Chart 20: Housing Unit Vacancy Rate (2016-2020 ACS)

Summary of Existing Housing Characteristics

- The existing housing demographics in LeRoy are split 2/3 owner-occupied and 1/3 renter occupied, similar to the breakdown in Mower County.
- Of the 439 housing units estimated in 2020, there is a proliferation of detached single-family homes (70 percent). A total of 21 percent of housing units are considered multi-family (3 or more units) of which 18 percent contain 5 or more units.
- LeRoy saw a rise in the number of housing units between 2000 and 2009 followed by a steady decline with a loss of 34 housing units, according to the U.S. Census Bureau.
- The median value of an owner-occupied housing unit is \$84,600 compared to the average value in Mower County of \$130,800.
- The median housing costs for mortgaged owners was \$853 and \$390 for non-mortgaged owners. Renters paid a median cost of \$682 monthly.
- A low vacancy rate of 6% in both owner-occupied and rental units exists. Only 30 housing units were estimated to be vacant in 2020.

Housing issues

Introduction

The purpose of a housing study is to identify current market trends and use the data to detect existing or potential housing issues. Once issues have been clearly identified, the proper policies and plans can be put in place to resolve them. This may include updates to the comprehensive plan, establishment of a jobs–housing balance policy, or creation of incentive programs to encourage construction of the housing supply type that is lacking.

A jobs–housing balance implies the community has equilibrium among the dwelling units available and the jobs provided within the city. A good balance will reduce the vehicle miles traveled and keep residents in the city, boosting the local economy. A jobs-to-housing-unit ratio of 1.5:1 implies balance if the average number of workers per households is 1.5. Based on data from the ACS, LeRoy has a jobs-to-housing-unit ratio of 0.93:1. If we assume the average workers per household are 1, LeRoy would have a relatively balanced workforce that lives and works within the city. Census data, however, shows an imbalance because 92.6 percent of survey respondents worked outside their place of residence. Additionally, household size averaged 2.36. This shows that a high percentage of LeRoy residents are leaving the city for work.

For Sale Market Analysis

To obtain a better picture of the available for sale dwelling units in the City of LeRoy, WSN looked at houses on the market as of March 2022. There were eight lots for sale in River’s Edge ranging from \$11,000 to \$14,000 and two additional lots on about .45 acres for \$8,500 and \$11,000 each. The lots in River’s Edge are ready for construction with all utilities and fiber internet available. Of the homes for sale, there were only three single family homes listed for sale within the city.

By September 2022 the housing market had loosened some with 17 listings, 10 of which were for vacant lots, most in River’s Edge. Table 5 shows the homes listed for sale in LeRoy on Realtor.com.

| List Price | Number of Bedrooms | Number of Bathrooms | Square Footage | Days on Market |
|------------|--------------------|---------------------|----------------|----------------|
| \$189,900 | 3 | 2 | 1,884 | |
| \$659,900 | 3 | 1.5 | 2,223 | |
| \$249,990 | 4 | 3 | 2,662 | |
| \$124,900 | 4 | 2 | 2,160 | |
| \$254,900 | 2 | 2 | 1,380 | |
| \$335,000 | 3 | 2 | 1,424 | |
| \$399,000 | 4 | 1 | 1,325 | |

Table 5: September 2022 Homes for Sale (Realtor.com)

Affordable Housing Strategies

Between 2016 and 2020, 13.4 percent of the residents of LeRoy were in poverty, just above the statewide rate of 10 percent. An estimated 14 percent of children under 18 years old were living below the poverty level, compared with 10 percent of people over the age of 65. The most affected demographic is female householder families. Race played a significant role in poverty status with only 6 percent of white households in poverty, while nearly all households of some other race alone or two or more races were living in poverty.

There have not been any projects that utilized the Low-Income Housing Tax Credit in LeRoy and only four projects built in Mower County, all in Austin. The most recent project went into service with 60 units in 2012. The Department of Housing and Urban Development (HUD) defines affordable housing as “housing for which the occupant(s) is/are paying no more than 30 percent of his or her income for gross housing costs, including utilities.” The gross rent as a percentage of household income (GRAPI) showed 53 percent of the occupied units paying rent in LeRoy were unaffordable by the HUD definition.

For housing units with a mortgage, most monthly mortgage payments fall between \$500 and \$999 per month (59 percent). Thirty-three percent of mortgaged homes pay between \$1,000 and \$1,500 with only two households paying more than \$1,500 per month.

Existing Housing Stock Preservation Strategies

Many tools exist to help preserve the existing housing stock. They range from enforcement programs to providing incentives. Beginning with the enforcement side of preservation, two main programs to employ are a code enforcement ordinance and a rental licensing program. Both programs will include basic housing standards to protect the exterior aesthetics of owner-occupied homes and both the interior and exterior of rental properties. This ensures a stable and reliable supply of housing with minimal maintenance problems if the programs are actively enforced.

An opposite strategy to enforcement is providing incentives for property owners to keep up on maintenance to ensure a continued quality supply of housing in LeRoy. Small grant programs or revolving loan programs can be created to incentivize owners to update siding, repair driveways, or even install energy efficient appliances and features such as solar panels.

Senior/Supportive Living Options

The only senior/assisted living facility currently operating in LeRoy is Wildwood Grove Assisted Living and Memory Care (410 E Main St). Additional supportive services licensed by the Minnesota Department of Human Services include four Lutheran Social Services houses for up to 4 persons over 18 years old each.

Rental Market Analysis

Based on the ACS 2016-2020 Estimates, LeRoy has a rental vacancy rate of 3.8 percent. A search of various rental listing sites revealed no currently available rental units as of the end of March 2022. As of 2010 LeRoy had on 24 rental units, but an additional 103 rental units have been added as of 2020 according to the 2020 Census estimates. This is barely 3 percent of Mower County’s rental housing stock and about 30 percent of LeRoy’s housing supply.

In addition to the lack of available housing units a disparity exists between rental households paying more than 30 percent of their income in housing as compared to owner-occupied households (53 and 23 percent respectively). With median rent at \$682, it would suggest more affordable housing price points are needed in the rental market. These units are a challenge to build without additional subsidies like the Low-Income Housing Tax Credit or other city programs. Additionally, some new units will need to be constructed at market rate prices to free up existing units for low-income households. Often the most affordable housing is what already exists, so previously mentioned programs to support housing supply maintenance will be key.

Housing Affordability Comparison

The housing affordability of LeRoy is low compared to Mower County. Less than half of rental units are considered affordable, with only 47 percent of renters paying less than 30 percent of their income towards housing (see Chart). In Mower County, 77 percent of renters pay less than 30 percent of their income towards rent monthly (see Chart 2).

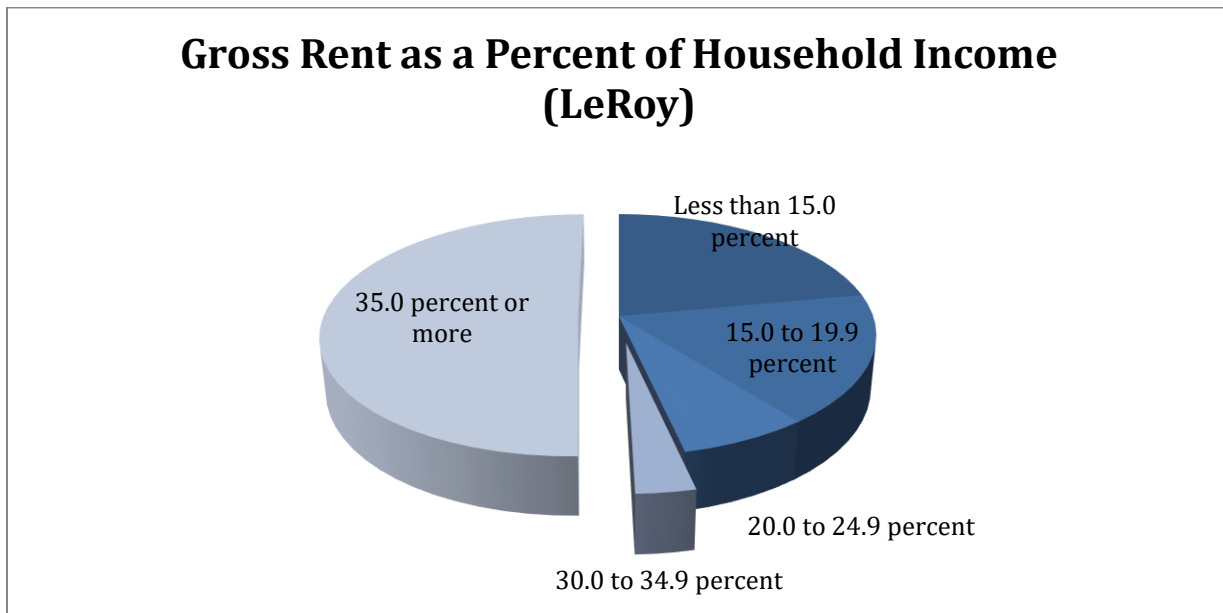


Chart 21: Rental Cost as a Percentage of Income in LeRoy (2016-2020 ACS)

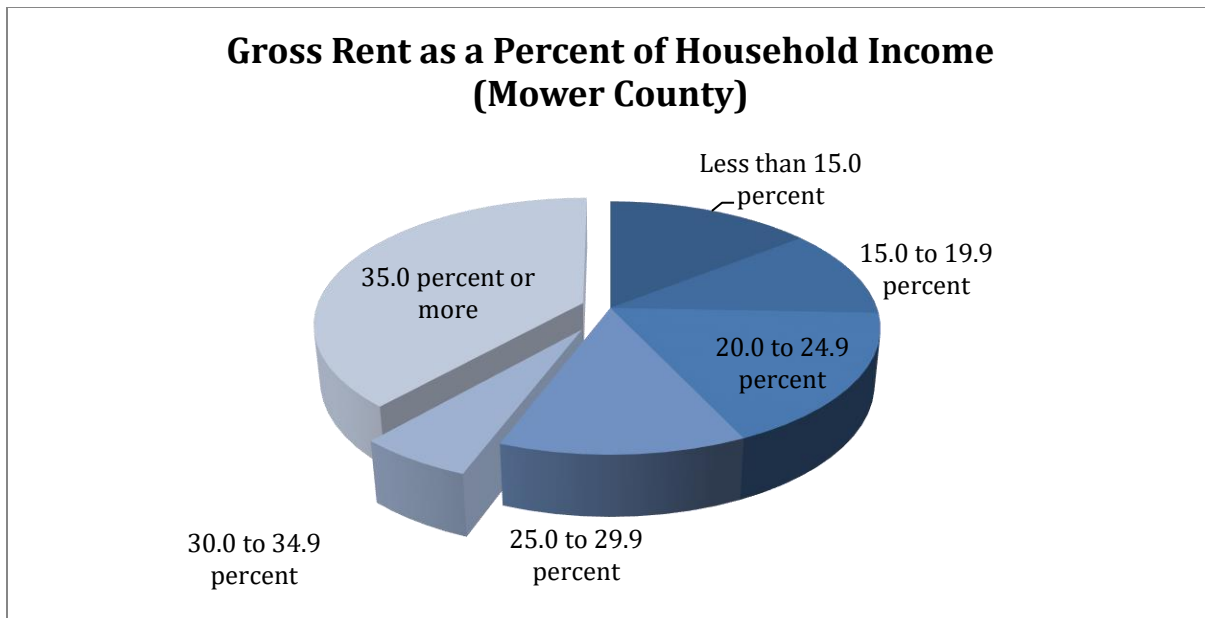


Chart 22: Rental Cost as a Percentage of Income in Mower County (2016-2020 ACS)

The median monthly cost for an owner-occupied housing unit with a mortgage in Mower County is \$1,123. With an average household income of \$55,378 this averages to only 24 percent of income spent on housing. In LeRoy, the median monthly cost of an owner-occupied housing unit with a mortgage is \$1,580. The median household income is \$45,938 which means the average monthly income spent on housing is 41 percent of income. Compared to Mower County, LeRoy is less affordable.

Summary of Housing issues:

- LeRoy currently has one licensed assisted living facility and four dwellings offering supportive services for up to four individuals each over the age of 18.
- The vacancy rate and existing homes on the market show there is a severe lack of available housing units for purchase.
- Fifty-three percent of renters are paying more than 30 percent of their household income on housing each month.
- The city has a jobs-to-housing ratio of 0.93 to 1, which is relatively balanced. Data on commuting trends, however, shows that the workforce commutes in, while 92.6% of residents are commuting outside the city.
- Only 2.8 percent of owner-occupied units were identified as vacant, and 3.8 percent of rental units were vacant.

Recommendations and Conclusions

Available Programs for Development and Redevelopment

There are several programs available to LeRoy to encourage future development and redevelopment. Some are more obvious, like the Department of Employment and Economic Development (DEED) Workforce Housing Grant Program, while others are more indirect, like the Minnesota Department of Transportation (MnDOT) Local Road Improvement Program. Both works to encourage housing development. While the DEED program supports the physical construction of more units, the MnDOT programs provide the incentives and encouragement for developers to build new units. LeRoy may qualify for many income-based grant programs because of the high percentage of the population of low-income residents. Typically, funders for income-based programs require at least 51 percent Low-Moderate Income residents. Following are a list of programs that are available for LeRoy to consider.

Tax Increment Financing (TIF)

TIF programs give communities a flexible financing tool to assist with housing projects and infrastructure. TIF allows a city to dedicate the increased revenues from a new housing development to make it more affordable or pay for costs incurred by the project. The funds can go to a specific project or be put into a dedicated fund for TIF projects to promote affordable housing.

Minnesota Housing Workforce Housing Grant Program

This competitive funding program targets small to medium-sized cities, communities or areas in Greater Minnesota with rental workforce housing needs. Funding is available to build market rate residential rental properties in communities with proven job growth and demand for workforce rental housing. Communities are required to secure funds that match one dollar for every two dollars in funding offered through this program.

Minnesota Housing Partnership (MHP)

MHP, based in St. Paul, is a nonprofit organization that helps communities to develop housing projects. They are a resource for cities to provide knowledge and to work with cities and contractors to ensure project success. They do not provide funding for projects but serve as a valuable resource for information.

MnDOT Safe Routes to School (SRTS)

The SRTS program supports capital projects that promote and encourage more students to walk or bicycle to school by making school routes safer and more accessible. Funding typically falls between \$100,000 and \$450,000. Eligible projects include school site improvements, pedestrian and bicycle facilities, traffic calming, and crossing improvements. Each grant goes through the SRTS planning process to ensure funding is appropriately used. Planning applications are typically accepted each spring. Actual infrastructure application timelines vary by region.

MnDOT Local Road Improvement Program (LRIP)

LRIP provides funding to local agencies for constructing or reconstructing roads. Available funding is broken into three categories:

- Trunk Highway Corridor Account—local shares of trunk highway projects
- Routes of Regional Significance—road must be regionally or statewide significant
- Rural Road Safety—project must be intended primarily to reduce crashes and increase safety

Applications are typically accepted in late fall/early winter. Funding announcements are made around February of each year. Typical grants fall between \$250,000 and \$1,000,000.

MnDOT Transportation Alternatives Program (TA)

TAP provides funding to support pedestrian/bicycle facilities, historic preservation, Safe Routes to School projects, and more. Letters of Intent are typically needed in early fall, followed by a full application in January. Awards are announced in spring. Maximum grant awards vary, but there is typically a 20% required local match.

MnDOT Local Road Improvement Program (LRIP) This program managed by the U.S. Department of Agriculture is a low-interest loan program that occasionally funds local street projects and is worth considering. Applications are accepted throughout the year. Maximum loan requests vary, but a local referendum would likely be needed for any amounts exceeding \$450,000.

With or Without Incentives

Encouraging new housing development in a rural community such as LeRoy is a challenge without proper incentives. Developers will only invest in a new project if they know the profit margins will work in their favor. Offering incentives draws in developers that otherwise would not consider building within the city. Monetary incentives such as reduced building permit fees can encourage developers to consider LeRoy for their next project. LeRoy could also create a Revolving Affordable Housing Loan Fund to help provide capital for affordable housing projects.

Incentives do not need to be solely monetary. Offering services such as fast-tracked permitting processes can be enticing to developers that want a quick and easy to understand approval process. Ensuring land is properly zoned for the type of housing needed saves the developer time and money as well. Other options are providing density bonuses that allow a developer to build more than what is allowed by a district. This results in lower housing costs by reducing the land costs per unit.

Ideal locations for future development will take advantage of existing infrastructure. Major costs incurred by developers are often in extending utilities or building out new roads. Future housing developments should continue the pattern of development instead of leapfrogging into new areas to reduce upfront costs in extending these city services. Infill development on large vacant lots within the core of the city can provide more affordable options as the streets and infrastructure is already in place.

Conclusions from the Housing Study Research

- There is a housing shortage in LeRoy that needs to be addressed in the next five to ten years, given the projected population growth.
- Additional affordable units are needed to support the projected growth in population in the next five to ten years for the 53 percent of renters currently paying more than 30 percent of their income on housing.
- Additional housing for near-retirees not yet ready to move to assisted living facilities is necessary to keep the empty-nester population from leaving LeRoy. These owners are often looking to downsize and reduce maintenance costs and often find townhomes with zero entry as a viable option.
- An effort should be made to attract more jobs to LeRoy to help reduce the amount of workforce that leaves the city each day. A jobs–housing balance policy could be a good tool to resolve this issue.
- Supportive services should be monitored to assess whether the growth in population necessitates the construction of this type of housing.