

Housing Profile

Housing has been the focus of many studies and plans in recent years, many produced by the City’s Planning and Development Department. The 2000 Census provided evidence of changes in the existing housing stock, the housing market and the economic status of city and area residents. These changes will continue to affect development patterns in the city and region. The Housing background profile summarizes information and analyses from these more detailed studies, to present the existing state of Duluth housing, how the City arrived at its current state, and where the region’s housing markets are heading as the City moves into the 21st century. This report will serve as a basis for additional research on housing issues as the Comprehensive Plan goals, policies, and future land use scenarios are created.

Population and Household Trends

As discussed in the Demographic profile, Duluth’s population grew in the 1990s for the first time in four decades, increasing from 85,493 in 1990 to 86,918 in 2000, or about 1.6%. Meanwhile, the population of the surrounding cities and townships grew much more rapidly. Population in the Duluth suburbs¹ increased by 13.4%, ahead of the nation as a whole, which increased by 13.1%.

The number of households has grown markedly faster than the number of people. This is consistent with the national trend towards smaller households and more non-family households. Duluth experienced a 2.7% increase in numbers of households in the 1990s. Meanwhile household size continued to decrease, from 2.36 in 1990 to 2.26 in 2000. Owner-occupied households averaged 2.46 persons in 2000, while renter-occupied households averaged 1.88 persons. (The city has lagged behind state and national trends for household size, but is now catching up with those trends.)

Figure H-1: Changes in Population and Households, 1950-2004

	1950	1960	1970	1980	1990	2000	2004 est
Population	104,511	106,884	100,578	92,811	85,493	86,918	85,782
Percent Change		2.3%	-2.3%	-7.7%	-7.9%	1.7%	-1.3%
Households	30,873	34,491	33,384	35,363	34,646	35,500	35,776
Percent Change		11.7%	-3.2%	5.9%	-2.0%	2.5%	0.8%

Source: U.S. Census, Minnesota State Demographic Center

¹ State of Housing: Housing Facts and Figures, St. Louis County and City of Duluth, 2003. “Suburbs” include Lakewood, Duluth, Rice Lake, Canosia, Solway, Grand Lake, Midway, Fredenberg, Gnesen, Normanna, North Star, Alden and Pequaywan townships, Marion Lake and White Face unorganized townships, and the cities of Hermantown and Proctor.



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Age and Family Composition

Figure H-2: Duluth Changes in Housing Type, 1990-2000

Housing Type	1990	2000	% Change
Single-Family Detached	22,303	23,033	3.3%
Single-Family Attached	608	868	42.8%
Two-Family Dwellings	3,530	3,081	-12.7%
3-4 Units	2,190	1,968	-10.1%
5-9 Units	1,496	1,473	-1.5%
10-19 Units	1,050	1,068	1.7%
20+ Units	3,857	4,564	18.3%
Mobile Home	696	934	34.2%
Boat, RV, etc.	292	11	-96.2%
Total	36,022	37,000	2.7%

Source: U.S. Census and St. Louis County

This increase in household numbers results in an increasing demand for housing. Additionally, the percentage of family households has declined, while one-person households have increased. The increasing number of persons living alone also leads to housing affordability challenges, since these non-family households will have lower incomes, and thus can afford lower levels of housing.

Population is projected to continue to grow at a modest rate. Current estimates for 2004 show a slight decline in population, with 85,782 people and 35,776 households.

The city's natural increase (births minus deaths) is near zero; that is, number of births barely replacing residents who die. This is a sign of an aging population. However, the city's large student population – about 15,500 in 2001 – helps to balance this trend. The student population increased by 33.7% in the 1990s, and comprised about 18.3% of the city's 2000 population.

Age and Family Composition

Some of the specific changes in household and family composition in the 1990s are as follows:

- Households composed of persons living alone increased by 11.4% in the 1990s.
- Households composed of unrelated persons living together increased by 22.3%.
- Households headed by females with children under 18 increased by 7.4%
- Persons over 65 declined from 22% of the population to 14%, although the numbers of people over 80 increased.
- Population of children under 9 declined, while the 18 to 24 range increased due to increased college enrollment.
- Within the Duluth School District, children under 13 declined in numbers, while the 14 through 19 age group showed a slight increase.

The number of persons living in poverty declined slightly in the 1990s, from 13,578 to 12,627, or from 15.8% to 14.5% (still higher than the 12% figure in 1980).

Housing Units

The City gained almost 1,000 housing units in the 1990s. This represents a net gain, since units were also lost during this period through demolition and redevelopment. The mix of housing units changed during the decade, with the greatest numerical increases seen in single-family detached units and multi-family units in buildings of 20 units or more. The greatest percentage increases were seen in single-family attached units and mobile homes.

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Tenure

In 2000, housing tenure patterns remained almost unchanged since 1990:

- 61% owner-occupied (64% of occupied units)
- 34.4% renter-occupied (36% of occupied units)
- 4% vacant

Most of the vacant units were rental units; the vacancy rate for owner-occupied housing was only 1%.

About 54% of all housing units were homesteaded for tax purposes while another 10% were exempt (owned by the HRA, colleges and universities, non-profits, etc.).

The number of licensed rental properties has increased from 13,935 in 2001 to 14,555 in 2004. (This does not necessarily indicate the creation of new units, since these could be conversions from owner-occupied to rental units.)

Housing Affordability

The low vacancy rate (1%) for owner-occupied housing in Duluth indicates a lack of housing to meet demand. Consistent increases in median sales prices also show a strong demand for housing. “Between 1995 and 2001, Duluth saw an average gain of 8.4% yearly in the median sales price of homes. From 2001 to 2003, the median sales price of homes increased 31.9%.”² This sharp increase is likely due to reduction in mortgage interest rates during this period. While this may have helped some lower-income households purchase homes, in general household incomes have not kept pace with housing prices. Between 1998 and 2003, median home sales prices increased by 71%, while the average (per capita) income in the region increased only 19.7%, from \$26,783 in 1998 to \$32,050 in 2003. This indicates that households with only one wage-earner would find it difficult to afford to buy homes.

An affordable price range is defined by the U.S. Department of Housing and Urban Development as less than 30% of a household’s gross income going towards housing.

The median family income for Duluth in 2000 was \$46,394 (compared to \$56,874 for the State of Minnesota). The typical ‘benchmark’ for affordable housing is that which a moderate-income family (80% of the median) can afford at the 30% level.

Figure H-3: Duluth Median Home Sales Price, 2000-2003

Median Home Sales Price:	
2000	\$89,000
2001	\$95,000
2002	\$115,000
2003	\$126,000

Source: *City of Duluth Consolidated Plan*

² City of Duluth Consolidated Plan, pg. 34

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Age of Housing

Figure H-4: Duluth Average Rent and Vacancy Rates, Rental Housing, 2004

Unit Type	Avg. Rent	Vacancy Rate
Studio/efficiency	\$384	4.6%
1-bedroom	\$571	6.1%
2-bedroom	\$744	2.8%
3-bedroom	\$878	9.5%
4-bedroom	\$1,078	0.0%
All units	\$631	4.8%

Source: *City of Duluth Rental and Vacancy Rate Survey, Fall 2004*

Figure H-5: Duluth Housing by Period of Construction

Years built	Number	Percent
1990s	2,081	5.6
1980s	1,557	4.2
1970s	3,776	10.2
1960s	3,154	8.5
1950s	5,011	13.5
1940s	3,540	9.6
1930s and earlier	17,891	48.4
Total	37,000	

Source: *U.S. Census*

An average Duluth home, at typical mortgage rates, would be affordable only to those families earning over 80% of median family income (equivalent to \$42,550 in 2004). Median income in the Duluth-Superior region is estimated at \$53,200.

Rental units are generally more affordable to the average resident. A rental survey in the Fall of 2004 found that 2-bedroom units are in the greatest demand, with the lowest vacancy rate. Their average rent of \$744/month is affordable for moderate-income residents but not for low-income residents.

Age of Housing

Almost half the City's housing stock (48%) was built before 1940, making it over 60 years old, and almost 60% was built before 1950. Older housing needs routine maintenance, or it can become substandard. The older homes tend to be located in the City's traditional core neighborhoods, while much of the newer housing is located 'over the hill' close to the mall area and airport.

New Housing

New construction since 2000 is dominated by several housing types:

- Rental units for higher-income seniors
- Custom homes (\$180,000 to \$220,000)
- Condominium units and townhouses

As of 2001, the largest number of new units were constructed in the Miller Hill area (Planning District 4) but housing starts were distributed fairly evenly elsewhere. The largest numbers of demolitions occurred in Planning Districts 2 and 3, which include the Lincoln Park, Spirit Valley and Bayview Heights neighborhoods. New multi-family units were built in the Central and East Hillside neighborhoods.

Because of the costs of extending infrastructure, the pace of subdivision in the City has been slow. From 1994 to 2001, 13 subdivisions were developed, creating 148 lots. The Planning Department's analysis of potential housing development sites in 2002 (shown on figure LU-6) showed that there are about 3,000 acres of land within the City zoned for residential use and within 1,000 feet of a sewer line, thus potentially developable. Under current zoning, about 15,500 units could hypothetically be developed, although the study did not analyze whether the land was available or otherwise suitable for development.

Housing Needs

In addition to the affordability gap (between average income and average housing prices) for owner-occupied housing, low- and moderate-income households face additional housing problems. Cost-burdened households (those that pay more than 30% of their incomes on housing) often experience problems maintaining and retaining their housing. In 2000 there were 8,569 (24%) cost-burdened housing units, a slight increase over 1990. The majority of these were rental units. A high percentage of low-income renters are cost-burdened or experience other problems relating to housing condition. Among the entire renter population, it is estimated that 42% are experiencing housing problems.

Homelessness

Shelter capacity increased in the 1990s, but so did the population seeking shelter. Numbers fluctuate, but from 1997 to 2000, spot checks showed 200 to 280 persons seeking shelter nightly. In May 2000, 199 persons were sheltered and 84 were turned away. The largest shelter in the city, operated by CHUM (Churches United in Ministry), reported an increase of 31% in shelter clients from 2000 to 2001.

Housing Programs

A variety of housing providers, in the non-profit, for-profit and public sectors, are active in Duluth. Most City programs are provided by the Housing and Redevelopment Authority of Duluth, Minnesota (HRA). The HRA provides vouchers (formerly Section 8 Certificates) for low-income residents to rent apartments on the private market. Waiting lists for vouchers are long, with over 1,200 applicants currently on the list. The HRA owns and manages approximately 1,000 units of housing in the City.

The HRA also acts as a housing developer, and currently has several projects underway in the City. The largest project is the Harbor View redevelopment project in central Duluth, which is replacing old public housing with a variety of affordable, senior, and market-rate housing. The project will construct over 500 housing units, including a variety of housing types, from sin-

Figure H-6: Housing Permits and Demolitions, 1997-2001

	1997	1998	1999	2000	2001	
Housing Permits						
New Residential Permits	68	86	92	71	100	
1-family dwellings	59	80	81	59	94	
2-family dwellings	0	2	2	1	2	
3 or 4 family dwellings	4	3	2	11	3	
5+ family dwellings	5	1	7	0	1	
Alterations	946	1,196	843	911	862	
Additions	170	171	169	185	162	
Total Units Created	139	149	286	154	117	
Demolitions						
Single-Family Demolitions	15	31	23	27	41	
Multi-Family Demolitions	18	10	34	37	24	
Total Units Demolished	33	41	57	64	64	
Net Gain Single-Family	44	49	58	32	53	
Net Gain Multi-Family	62	59	171	31	-1	TOTAL
Net Gain Total Units	106	108	229	63	52	558

Source: City of Duluth 2001 Housing Indicator Report

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Housing Programs

Figure H-7: Hawk Ridge Estates Initial Plat



Source: Duluth Planning and Development Department

gle-family to multi-story multi-family buildings. A different type of project is the Hawk Ridge development in eastern Duluth, where the HRA is developing 120 units of primarily single-family homes that will include a range of market-rate homes and homes designated for lower income residents. The development takes advantage of a site nestled against one of Duluth's most famous natural vistas, Hawk Ridge, and works to preserve existing tree cover, emphasize 'green' building techniques, and ensure long-term maintenance of the site's natural resources.

A sampling of the various housing-focused non-profit organizations and housing programs is noted below. The list is not comprehensive, as a large number of non-profit neighborhood and community development organizations are working to enhance, revitalize, and expand Duluth's housing stock.

- **Duluth Local Initiatives Support Corporation (LISC)**, started in 1997, works with local and neighborhood community development corporations (CDCs) to enhance and expand housing options and community vitality. Duluth LISC brings the technical expertise and resources of the nation LISC program to Duluth. LISC was a primary sponsor for the Knight Foundation Charrette completed July 18th.
- **Neighborhood Housing Services of Duluth** is a community development organization that started in 1983, providing services in the Lincoln Park neighborhood, and has since expanded into three additional central Duluth neighborhoods (Central Hillside, Endion, and East Hillside) The organization provides financing programs, home buyer education services, rehabilitation loans and technical assistance, and the "At Home in Duluth" initiative that brings together a variety of partners to meet housing and neighborhood revitalization goals.
- **Northern Communities Land Trust** is a community land trust that has provided over 100 homes since its inception in 1990. The organization uses a distinct model of housing development and ownership with a goal of providing affordable housing and ensuring that the housing remains affordable over its life by retaining ownership of the land under the homes, and capturing a portion of the rising market value of the lot for community benefit. The organization is modeled upon the first community land trust created 30 years ago in Philadelphia, the Institute for Community Economics, and participates in a variety of coalitions with other affordable housing organization in the Duluth area.

- The **Duluth Housing 1000** program is an initiative of the of the Duluth Affordable Housing Coalition (a coalition of 25 housing providers, developers and advocacy organizations) and other organizations and citizens concerned with the lack of affordable housing in the city. The campaign includes educational and advocacy efforts to promote solutions to affordability and related problems: the construction and homeownership gap, cost-burdened households, and aging housing stock. The goal of the Duluth 1000 Campaign is to create 1000 new units of housing within the city limits by the year 2010, with one-third of these being classified as affordable.
- The **Housing Investment Fund** was created in April 2005 by the Duluth City Council, a \$3 million fund for creating affordable housing. The city will divert \$600,000 of its share of Fond-du-Luth casino revenues over the next five years for the fund, to be used for development of affordable and supportive housing and the revitalization of Duluth's aging housing stock.

Housing – Where is Duluth Heading?

Housing issues for specific markets

Demographic trends, both local and regional, are affecting demand for housing and housing development and redevelopment opportunities. Some of the issues that have been recently noted by housing professionals, organizations, and City staff include potential housing markets for specific market segments.

Young adults, professionals

Currently, most of Duluth's burgeoning college-aged population (18–24, the largest age cohort in the City), migrate out of the area after completing college or moving into desired career paths. Slowing the out-migration of this age group would improve the educational diversity Duluth's labor force, build the base of Duluth family households, and diversify an aging population. This age group is a large potential market for affordable starter homes or larger-size rental units for young families. Much of this population will also desire housing with proximity to entertainment (eating, drinking, nightclubs, movies, theater, shopping) and recreational amenities.

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Housing – Where is Duluth Heading?

The student population provides additional housing and economic investment opportunities. Young adults attending college may be a key market for particular redevelopment opportunities, such as creating higher density housing downtown as well as mixed use development near established “youth draws” like the UM-Duluth and College of St. Scholastica campuses in the Kenwood/College Road area.

Some of the land use implications of expanding this housing market include converting single-family housing to multi-family or mixed use, increasing noise and traffic in adjacent neighborhoods, and ensuring economically-viable private business investment.

The City completed a brief study of this market segment and the development concepts associated with serving the student and the young professional populations in 2003. The report, Proposal for Development of Young Professional Housing Districts (Sept., 2003) identified characteristics of housing and mixed use development to serve this market, and noted several general locations for such redevelopment efforts, including downtown, Lincoln Park, London Road, Central/East Hillside, Kenwood, and Mt. Royal.

Second-home, retirement market

The empty-nester/pre-retirement households, a growing segment of Duluth’s population, may be prime candidates for a variety of housing initiatives, including downtown and downtown-adjacent higher density housing, and higher-end housing associated with recreational or scenic amenities. Some urban areas have successfully created housing in former commercial or industrial structures located near entertainment and cultural facilities and within short walking distances of downtown-based employment and recreation. Some housing professionals have noted a growth in interest for second homes associated with Duluth’s many scenic vistas. Duluth has a long history of being a tourist destination, and the growth of the tourist market continues, albeit at a slower pace than in the 1990s. Second homes are frequently associated with tourist designations, and a myriad of redevelopment opportunities may test the strength of this market in the near future.

Other housing issues

- The affordability ‘gap’ between what average household income can buy and the average home sales price is continuing to widen. The Comprehensive Plan can identify whether this trend is a primary issue for land use policy. The Plan can set policies and recommend strategies for working with affordable housing organizations, and evaluate ways that the City might attempt to influence the private development market to lessen the affordability gap.
- What is the preferred mix of housing types within the City? Enhancing life-cycle housing opportunities, where there is a diverse range of housing types to provide options for residents at all phases of their lives, is a goal of many cities. Alternatively, the City is increasingly functioning as a central city in an expanding metropolitan area, and a regional center to outlying regional populations. This role would entail creating mixed use and higher density housing options to capture the competitive housing advantage of the City. Comprehensive Plan policies and strategies can direct a preferred path for housing development and redevelopment.
- Given the continuing decline in federal housing funds, how can the City, the HRA of Duluth, and other housing organizations continue to provide housing assistance to low-moderate income households and special populations? Increasing diversity in the population, a growing demand for senior oriented housing, and increasing numbers of ‘mobility-limited’ residents as the baby boomer age will also challenge the City to craft strategies that meet residents’ needs.
- Do the City’s permitting requirements act as barriers to housing construction? The housing choices and preferences identified in the Comprehensive Plan policies need to be accompanied by meaningful strategies for implementation. Comprehensive Plan strategy recommendations can help achieve housing goals through appropriate regulation and incentives for private capital.
- Can the City’s gray and green infrastructure support significant new housing development? Transportation, wastewater, water, and institutions all affect and are affected by housing development. Natural systems such as bluffs and stream corridors that help create housing value also have carrying capacities. Comprehensive Plan housing policies can prioritize housing choices that use infrastructure most efficiently, and manage the capacity of gray and green infrastructure to enhance value for all City residents.

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