Affordable Housing in Cottonwood County

What is Affordable Housing?
Housing is considered affordable if it consumes 30% or less of a household’s gross income. Generally, when households spend more than 30% of their income to meet housing costs, they do not have enough income to meet other basic needs or weather financial setbacks.

The Supply of Affordable Housing Lags Demand
The current and projected unmet affordable housing need through the year 2010 in Cottonwood County is conservatively estimated at 567 low-income households.¹

Lower Income Households Face Extreme Affordability Challenges
The table below shows the number and percent of households in different income brackets that pay over 30% of household income for rental or ownership costs. It illustrates that households with lower incomes spend more of their income on housing costs than those with higher incomes. According to the 2000 U.S. Census, the median household income for Cottonwood County was $31,943.

<table>
<thead>
<tr>
<th>Household Income</th>
<th>Renters</th>
<th></th>
<th>Home Owners</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Number of Households Paying Over 30% in Rent</td>
<td>Percent of Households Paying Over 30% in Rent</td>
<td>Number of Households Paying Over 30% for Ownership Costs</td>
<td>Percent of Households Paying Over 30% for Ownership Costs</td>
</tr>
<tr>
<td>Less than $19,999</td>
<td>225</td>
<td>45%</td>
<td>187</td>
<td>31%</td>
</tr>
<tr>
<td>$20,000-$34,999</td>
<td>23</td>
<td>10%</td>
<td>76</td>
<td>10%</td>
</tr>
<tr>
<td>$35,000-$49,999</td>
<td>13</td>
<td>14%</td>
<td>22</td>
<td>3%</td>
</tr>
<tr>
<td>$50,000 and over</td>
<td>0</td>
<td>0%</td>
<td>9</td>
<td>1%</td>
</tr>
</tbody>
</table>

Source: U.S. Census, 2000

Cottonwood County Housing Costs
80% of Cottonwood County residents own their home and 20% are renters.²

Rental
• A household would need to earn $20,760 to afford the fair market rent for a two-bedroom apartment ($519/mo).³
• A minimum wage worker would need to work 65 hours per week to afford Cottonwood County’s fair market rent.⁵
• Approximately 30% of renters in Cottonwood County pay over 30% of their household income on housing, and 9% of renters pay over 50%.⁶

Homeownership
• Between 1990 and 2000 home prices in Cottonwood County rose 59% while incomes rose 10%.⁴
• A household would need to earn $20,519 to afford the median priced home ($64,750) in Cottonwood County.⁶
• Approximately 10% of homeowners in Cottonwood County spend over 30% of their household income on housing, and 3% spend over 50%.⁸
Homelessness in the Southwest Region

A one-day survey of people experiencing homelessness in Minnesota estimates that 8,800 Minnesotans are homeless and over 11,000 are precariously housed in temporary or unstable housing.9 Thirty-nine percent (39%) of these are children and youth.10

- On August 26, 2004, 39 people were sheltered in the Southwest Region, and an additional 2 were turned away because the shelters were full.11

The gap between the cost of housing and what people can afford is a major cause of homelessness.

- One-third of Minnesota’s homeless population cite the inability to afford housing cost as the primary reason for leaving previous housing.12

- Forty percent (40%) report being on the waiting list for Section 8, or other subsidized housing, while 16% are unable to get on the list because it is closed. The median wait time on a subsidized housing list exceeds 10 months.13

In 2003, 30% of all adults experiencing homelessness in Minnesota reported income from work, with 13% working full time.14

- 35% of surveyed adults experiencing homelessness in the Southwest Region are employed.15

- Of the adults experiencing homelessness in the Southwest Region who report being employed, 63% are employed full time.16

Other Important Cottonwood County Housing Facts

- 12% of all Cottonwood County residents and 18% of children under 18 live in poverty.17

- Cottonwood County’s population declined by 3% between 2000 and 2005.18

- The average annual unemployment rate in Cottonwood County was 4% in 2005.19

- A family of four with two full-time wage earners needs to earn a combined annual salary of $37,680 to afford the basic cost of living in Cottonwood County. 32% of jobs in Cottonwood County and counties nearby pay less than the regional wage required to afford basic needs.20

Sources:

2 U.S. Census 2000.
4 Median home prices calculated from 1989-1990 and 1999-2000 data on arms length sales of existing housing adjusted for inflation, Minnesota Department of Revenue, Property Tax Division; income data from 1990 and 2000 U.S. Census, adjusted for inflation.
5 Median home price from 2004 data on assessment/sales ratio studies of residential properties, Minnesota Department of Revenue, Property Tax Division; income needed to afford a median priced home based on 5% down payment, 21% of gross income for principle/interest and 5.73% 360 month mortgage term.
7 National Low Income Housing Coalition, 2006.
16 Wilder Research Center, 2003.

For more information about this fact sheet or the Minnesota Housing Partnership, call (651) 649-1710 or email info@mhponline.org, or visit our website at www.mhponline.org.