



Itasca County
Minnesota



COMPREHENSIVE HOUSING STUDY SUMMARY

HOUSING NEEDS & LAND USE/ZONING ANALYSIS FOR ITASCA COUNTY, MN

September 2024



CONTENTS

INTRODUCTION.....	2
KEY FINDINGS.....	3
Household Characteristics and Affordability.....	3
Existing Supply and Housing Characteristics.....	5
Economic Development and Housing.....	7
Zoning and Land Use.....	8
HOUSING DASHBOARDS.....	10
Itasca County.....	10
Grand Rapids Submarket.....	12
Deer River/Northwest Submarket.....	13
Nashwauk Submarket.....	14
Northeast Submarket.....	15
Southeast Submarket.....	16
RECOMMENDATIONS.....	17

Sources for this study include secondary demographic, economic, and market resources along with interviews with real estate professionals, employers, and government officials.

The full study and supporting maps can be found at <https://www.itascacountyhra.org/resources>.

Is Itasca County's housing crisis unique?

Housing developers said Itasca County is attractive because there is job growth momentum. But, they say, incomes are not high enough to support the rents for new construction, making new projects difficult. Employers and economic developers say that these new housing projects are needed for job growth.



INTRODUCTION

Individuals and families of Itasca County need quality, affordable housing that meets their needs. Without a variety of housing types, individuals have to take the limited options that are available or are forced to leave the area altogether. Itasca County, like counties across the state, is seeing what many leaders and policymakers are calling a “housing crisis.”



Very little availability for buying or renting a home from the existing housing stock



Housing costs that are rising to levels not affordable for workers and families



Too few new units under construction to increase housing supply



Housing options that do not match the needs of future residents

This document provides a summary of a Comprehensive Housing Study completed for the Itasca County HRA in August 2024. The three primary goals for this study are to:



Estimate housing demand across the spectrum of housing types for the county



Review zoning regulations and land use planning for the county and larger cities to understand barriers to new housing development



Document and share important information to the community, specifically potential developers, about the need for additional housing

KEY FINDINGS



* Look for the magnifying glass icon - Key Findings are shown in highlighted text



HOUSEHOLD CHARACTERISTICS AND AFFORDABILITY



The median household income is lower in Itasca County than the rest of the state of Minnesota.



The median household income in Itasca County **is about \$70,000, about 19% lower than the state of Minnesota.** Households in Itasca County cannot afford to pay the same housing costs as other areas of the state. At the same time, construction costs for new housing are generally the same across the state. This difference results in fewer housing units supplied to meet demand.

Limited availability for housing is even more challenging for individuals and families already at risk for homelessness.



Most workforce occupations in Itasca County do not have median incomes high enough to support homeownership.

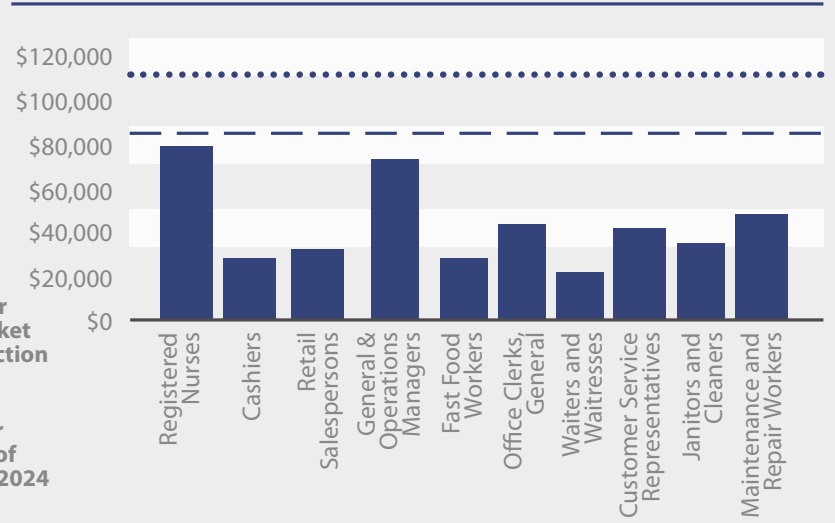


FOR-SALE HOUSING AFFORDABILITY FOR SELECT OCCUPATIONS IN ITASCA COUNTY | 2024

Income required to purchase with the average sale price.

Median 2024 Wage

Income Needed for Starting Price Market Rate New Construction (\$330,000)
Income Needed for Median Sale Price of Existing Homes in 2024 (\$249,500)



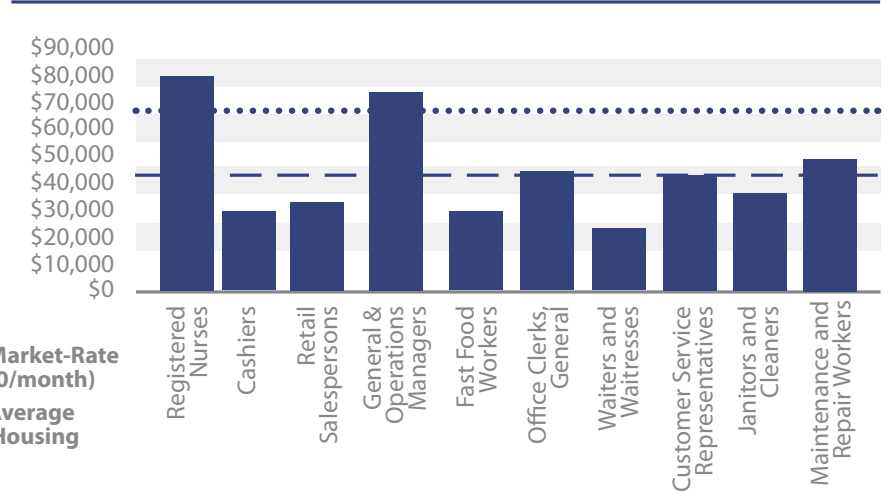
Most workforce occupations also struggle to afford typical rents in the county.

RENTAL HOUSING AFFORDABILITY FOR SELECT OCCUPATIONS IN ITASCA COUNTY | 2024

Income required to rent with typical rents

Median 2024 Wage

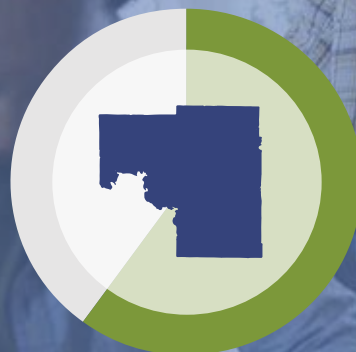
Income Needed for Market-Rate Housing Rent (\$1,650/month)
Income Needed for Average Market-Rate Rental Housing (\$1,080/month)





Itasca County has a higher percentage of “cost burdened” renters and homeowners than the rest of the state of Minnesota.

“Cost-burdened” means at risk of being forced to choose between a home and other basic needs like food, clothing, and medicine. In 2022, 60% of renters paid greater than 30% of their income in rent, compared to 47% for the state as a whole. It is estimated that 28% of renters are “severely cost burdened,” meaning they pay more than 50% of their income in rent (versus 20% for the state as a whole).



60%

of renters in Itasca County paid greater than 30% of their income in rent



Compared To

47%

of renters in the State of Minnesota as a whole paid greater than 30% of their income in rent



Like the rest of Minnesota, Itasca County’s population is aging, driving demand for types of housing that serve seniors.

Most of the fastest growing age groups are projected to be in the **70-year-old and older age groups. That group is projected to grow by 15%** while the population as a whole is projected to remain flat.



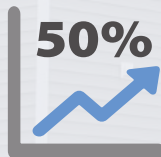
70-year-old and older age groups are projected to grow by 15%



EXISTING SUPPLY AND HOUSING CHARACTERISTICS

“Everybody is screaming that they want market rate housing. They say that market rate rents can pay the mortgage on the project. But there is no way with interest rates as high as they are now that you can make that work.”

- Affordable housing developer



The median sale price of an existing home increased **50%** between 2019 and 2024. The median sale price for an existing home is \$249,500 in 2024.

Driven by a lack of inventory and strong demand, existing home prices have increased significantly.



Housing stock in Itasca County is older and requires ongoing investment to maintain

(Over half (53%) of the housing units in Itasca County were built before 1980)



Itasca County has a higher percentage of mobile home units compared to the rest of the state

(Mobile home units are estimated to make up about 8% of housing units in the county)



Since 2014, the county has seen an average of 129 units of issued building permits per year. Of those, 96 were single-family building permits

(While there are challenges to new housing construction, homebuilders and multifamily developers are making some projects work across the county)



There are too few lots being actively marketed in Itasca County to meet demand for new construction.

Based on reviews of real estate listings and discussions with city officials, there are about 38 actively marketing vacant residential lots. Assuming that an average of 96 units per year of single-family homes have been built in the county, that means **there is less than six months of marketed lot supply for new home development in the county.** A healthy inventory of lots is generally considered to be higher than 2.0 to 2.5 years of inventory.



Over half of the building permits issued were for properties outside of city boundaries, suggesting that a large portion of those permits are lakeside homes or vacation homes.

745 units (54% of the total building permits issued between 2014 and 2023) were for properties outside of municipalities. These homes are likely vacation or seasonal homes. There are about 10,000 seasonal recreational homes in Itasca County, according to tax records.



54% of total building permits) were for properties outside of municipalities. (likely vacation or seasonal homes)

Vacancy rates for general-occupancy rental housing are very low.

In general, a healthy market should have a vacancy rate of 5%. That amount of vacancy allows for a healthy turnover of units. **Below 5% means that it is very difficult for renters to find units that meet their needs.** These low vacancy rates also tend to drive up rents.



0.8%

Market-Rate Rentals



1.6%

Affordable Rentals



Vacancy rates for senior housing in Itasca County are lower than national estimates

6.5% Affordable Senior Housing

0.0% Active Adult For Sale

3.0% Active Adult Rental

3.8% Independent Living

8.3% Assisted Living

8.4% Memory Care

For the second quarter of 2024, the estimated **national vacancy rate for independent living senior housing was 12.4%**, according to the National Investment Center for Seniors Housing & Care (NIC). Over the same period, the national vacancy rate for assisted living was 15.7%.

Average Market-Rate Rent:

\$1,080



Rents have increased **3%** per year across northeastern Minnesota since 2020

Compared to 2.2% for the state as a whole



Developers interviewed for this analysis said that macro trends such as high interest rates, construction costs, and land costs have pushed up the overall investment costs for housing in the county. However, unlike some parts of the state, **incomes in the county do not support the rents needed for development.** Developers said they can make deals work, but often require additional financial assistance from public resources.

“

It's the people in the middle that get the short end of the stick. There should be more assistance to keep their rents down.

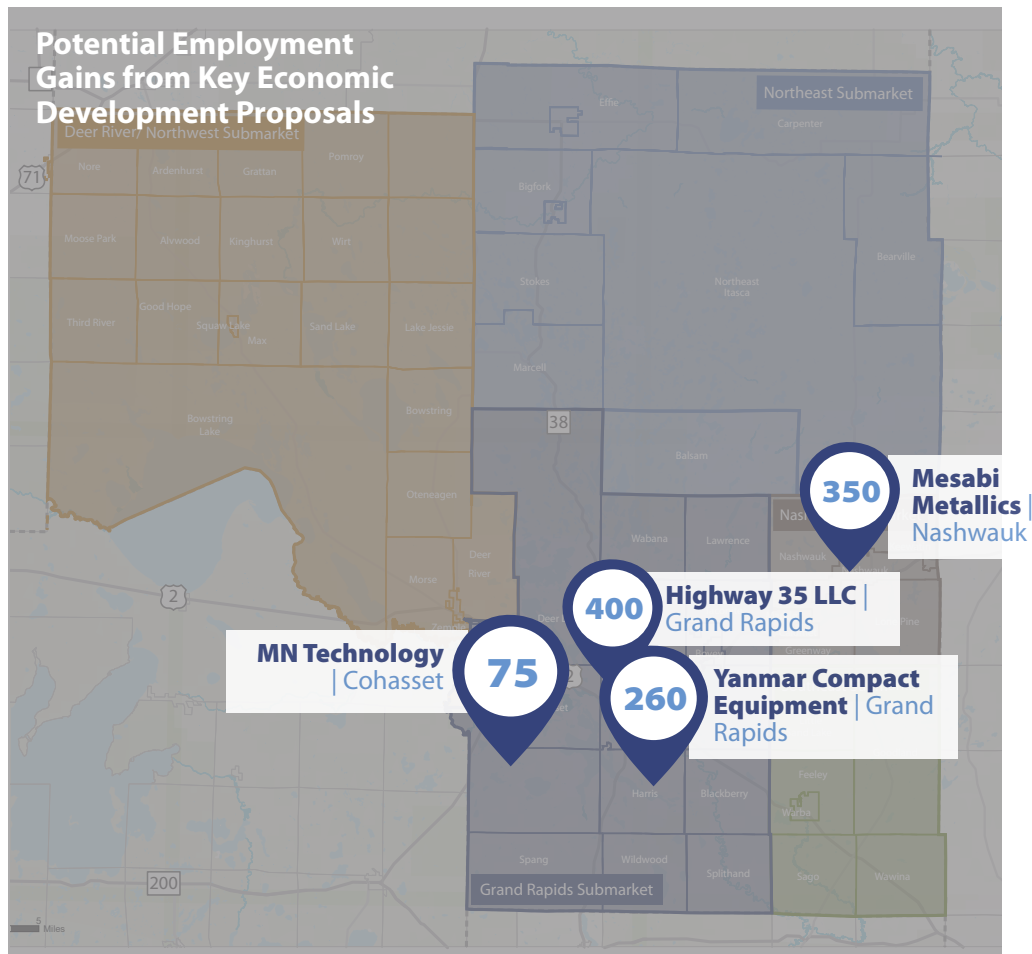
- Employer in the county

”

\$ ECONOMIC DEVELOPMENT AND HOUSING

Based on current economic development projects under consideration in Itasca County, there could be an additional 1,500 jobs added. 🔍

Assuming all of these jobs are added, these employees would create demand for an additional 1,300 to 1,375 housing units beyond the demand estimated in this analysis.



“ I just had a new employee that was from out of state, and he lived in an Airbnb for three weeks thinking that would give him enough time to find a place. When he couldn't find something, he just quit and left.
- Employer

We just had two more people who couldn't find housing. And they were looking for two months.
- Employer in Itasca County

I've seen a lot of frustration with employers. They are trying to grow, and they just can't get the people because of the housing.
- Economic Development professional in Itasca County



Employers say that limited housing options make it difficult to attract and retain employees for existing positions. 🔍

Employers interviewed for this analysis said that the limited supply of housing puts additional pressure on employees who need to relocate to the area.



ZONING AND LAND USE

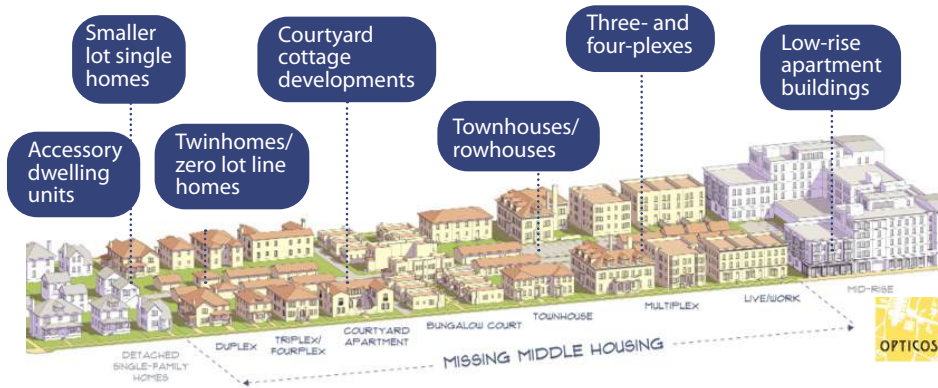


ZONING BARRIERS



OVERALL, ZONING AND LAND USE REGULATIONS DO NOT ALLOW FOR THE RANGE OF HOUSING OPTIONS TO MEET FUTURE DEMAND

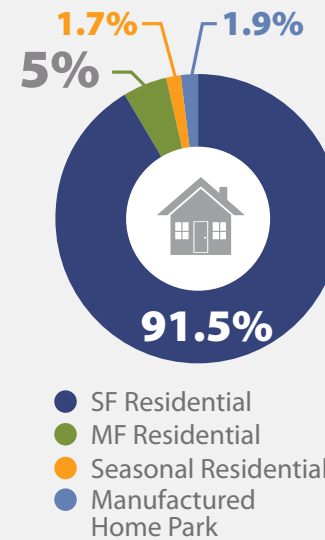
- ▶ Typical allowed housing types in current zoning codes are just one-family, two-family, and multi-family dwellings
- ▶ Need to add Missing Middle Housing types including:



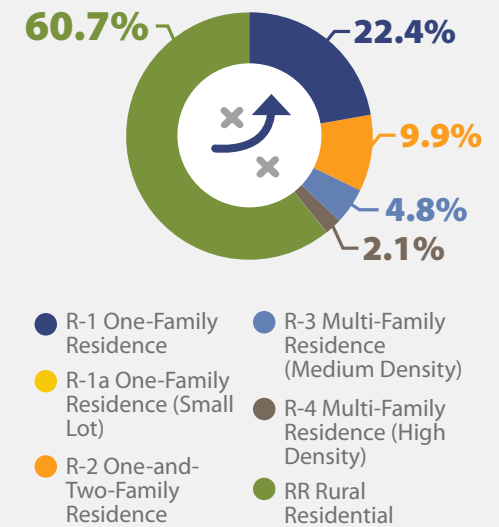
NEED MORE ZONING DISTRICTS THAT ALLOW MIDDLE AND HIGHER DENSITY HOUSING OPTIONS

- ▶ Current zoning codes typically have just one district that allows more than two-unit dwellings
- ▶ Current zoning maps do not zone enough land for districts allowing middle and higher density housing

Grand Rapids Existing Residential Land Uses



Grand Rapids Residential Zoning Districts



RESTRICTIVE BUILDING & SITE STANDARDS



Increase maximum building height requirements to allow low-rise missing middle housing types



Remove minimum building width requirements which likely were put in place to restrict mobile homes, typically 14-18 ft. in width



Increase maximum lot coverages to accommodate smaller lot sizes and larger building square footages



Reduce minimum parking space standards to accommodate smaller lot sizes and larger building square footages



LARGE MINIMUM LOT AREA PER UNIT REQUIREMENT FOR MULTI-FAMILY DWELLINGS

- ▶ Reduce lot area per unit requirement to prevent need for overly large lots for multi-family dwellings



LARGE MINIMUM LOT SIZE REQUIREMENTS

- ▶ Reduce minimum lot widths
- ▶ Reduce minimum lot square footages



LAND USE PLANNING BARRIERS



INADEQUATE GIS DATA & MAPPING FOR LAND USES, ZONING, AND MUNICIPAL UTILITIES

- ▶ In order for Itasca County and the cities to conduct adequate land use planning, municipal infrastructure planning, and implementation of their zoning maps, it is critical that they improve their GIS data and mapping resources. This information is necessary for planning how much land is needed and where it is available for the development of future housing.



MANY POTENTIAL DEVELOPABLE SITES ARE NOT SHOVEL READY

- ▶ Even though there may be a sufficient quantity of potentially developable land for future housing development, it is not clear that the cities are ready to support these sites with the extension of municipal infrastructure and the appropriate zoning.

“Some of these situations, like Planned Used Development, can be tough on the approval process because it depends so much on political will. Your zoning should be your land use. Period.”

- Affordable housing developer



NEED FOR IDENTIFICATION AND EVALUATION OF POTENTIAL DEVELOPABLE LAND FOR FUTURE HOUSING DEVELOPMENT

- ▶ High level GIS mapping of the County's tax classifications data indicates that there is a sufficient quantity of potentially developable land for housing development in all six cities.

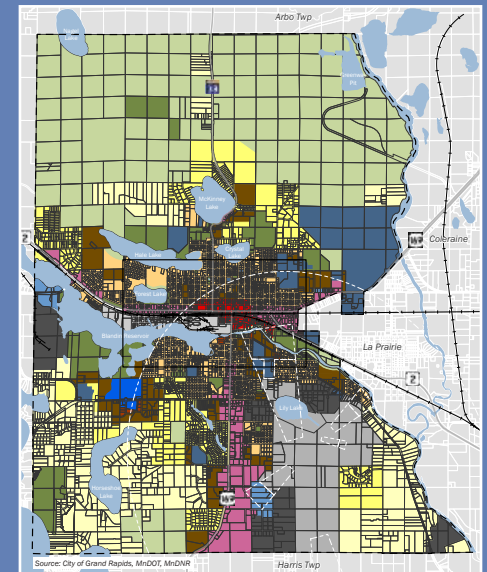


See <https://www.itascacountyhra.org/resources> for maps of potentially developable land



ITASCA COUNTY AND CITIES LACK EXISTING AND FUTURE LAND USE MAPS

- ▶ These maps are two of the most important elements of a comprehensive plan. Only Grand Rapids has useful existing land use and future land use maps. The existing land use map provides a baseline for what types of housing exist in the community and where they are located today. The future land use map is the primary tool for planning the different types of housing needed now and, in the future, as well as how much and where land should be guided for housing. Creation of the future land use map incorporates public discussion and input to establish the community's vision future housing needs. The future land use map is the basis for the zoning map. It is critical that the County and the cities develop existing and future land use maps in the near future that include a focus on existing housing stock and future housing needs.



HOUSING DASHBOARDS

ITASCA COUNTY

Effective housing strategy requires a solid understanding of the opportunities within the county and each submarket. This tool was developed to assist city and county housing policymakers and developers to identify and capitalize on market potential. The data and estimates are from the Housing Study completed in 2024.

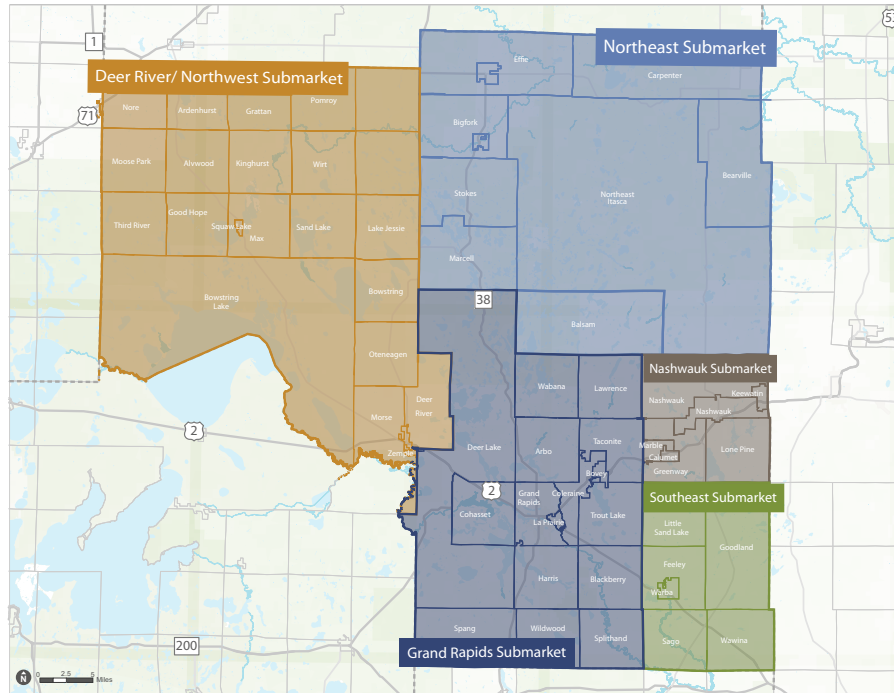
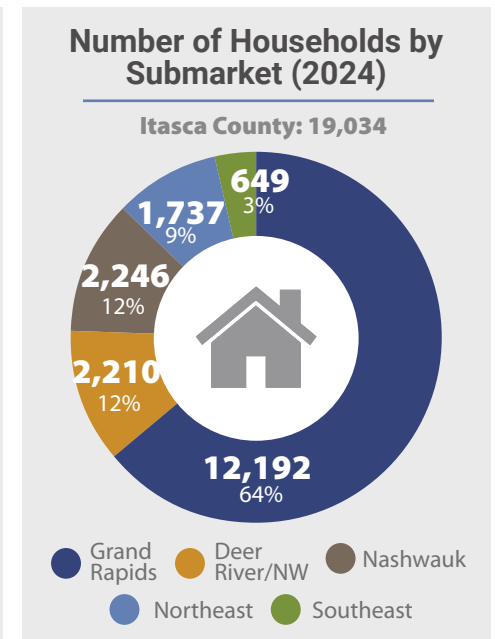
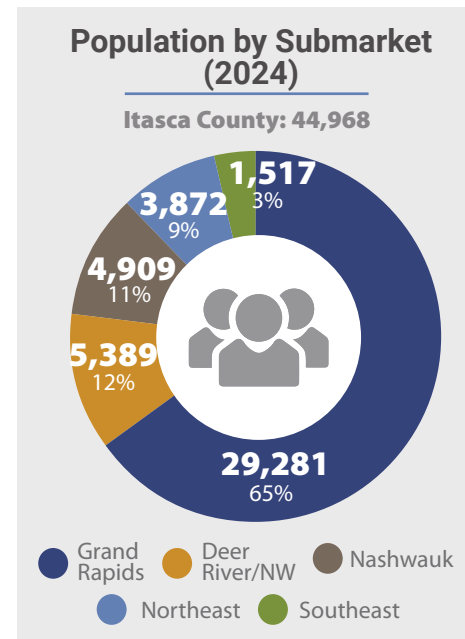
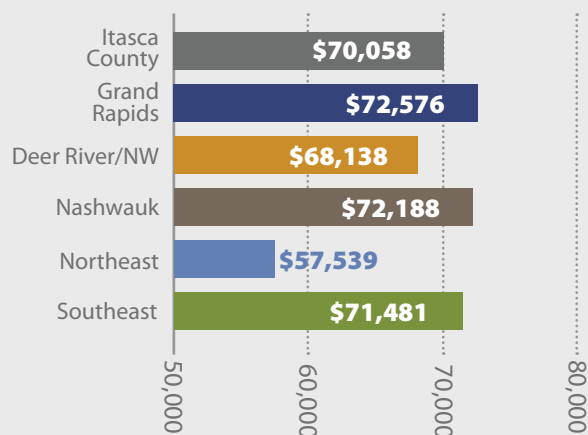


Figure 1.1 Boundaries of 5 Housing Submarkets



Median Household Income by Submarket (2024)



BUILDING PERMITS BY SUBMARKET | (2014-2023)



Single Family Building Permits in Cities

Itasca County: 252



6 Deer River/NW

6 Nashauk

5 Northeast

Southeast (0)



Multi Family Building Permits in Cities

Itasca County: 372



14 Deer River/NW

Nashauk (0)

Northeast (0)

Southeast (0)



Potential New Jobs from Economic Development Projects

1,500

Submarket Breakdown:

1,100	Grand Rapids
45	Deer River/NW
350	Nashauk
15	Northeast
0	Southeast

ESTIMATED HOUSING DEMAND | (2024-2029)

► For Sale Housing Units



95-105

Market-Rate
Single-Family



80-85

Affordable Single
and Multi-Family



35-45

Market-Rate
Townhomes

Total For-Sale
Housing Demand

210-235

Additional
potential demand
from economic
development
projects

500

► Rental Housing Units



210-220

Affordable
Rentals



85-90

Workforce
Rentals



50-60

Market-Rate
Rentals

Total Rental
Housing Demand

345-370

Additional
potential demand
from economic
development
projects

800

► Senior Housing Units



75-80

Affordable Senior
Housing



65-70

Market-Rate
Active Adult



25-30

Market-Rate Active
Adult Rentals

Total Senior
Housing Demand

240-270



25-30

Market-Rate
Independent Living



20-25

Market-Rate
Assisted Living



30-35

Memory Care

EXISTING EXAMPLES OF HOUSING TYPES



Affordable Single Family Housing



Single Family Housing



Townhomes/Twinhomes



Affordable Rentals

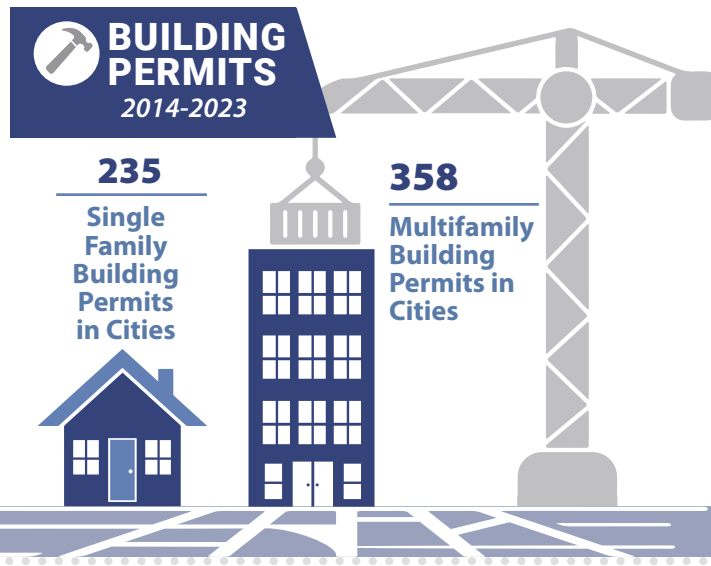
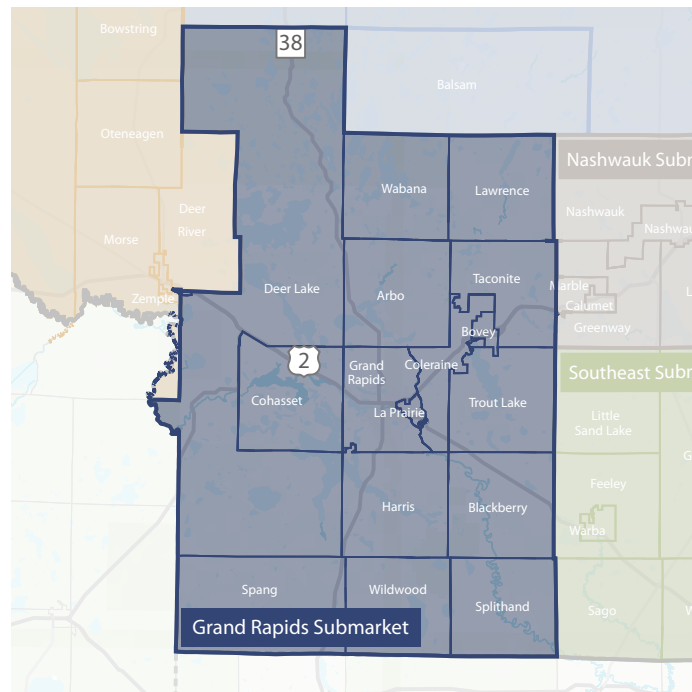
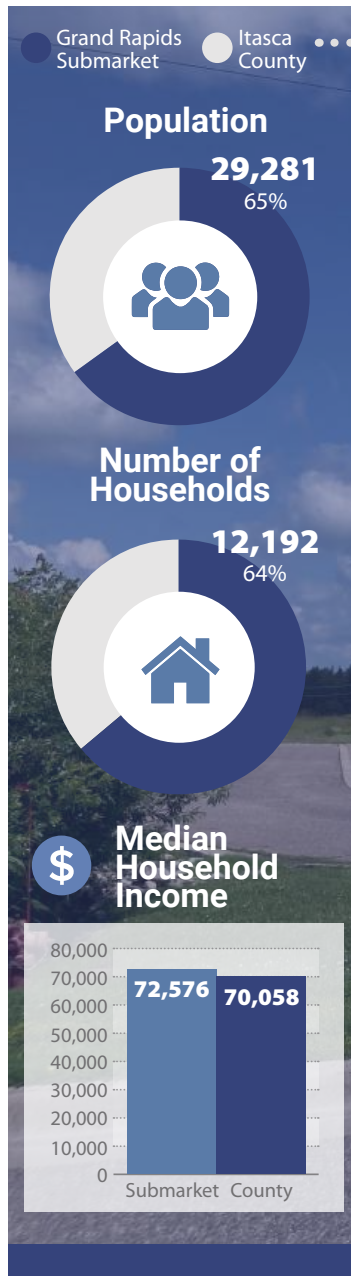


Apartments/Rentals



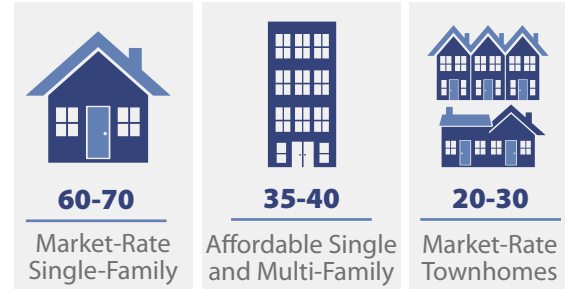
Senior Housing

GRAND RAPIDS SUBMARKET



ESTIMATED HOUSING DEMAND (2024-2029)

For Sale Housing Units



Total For-Sale Housing Demand

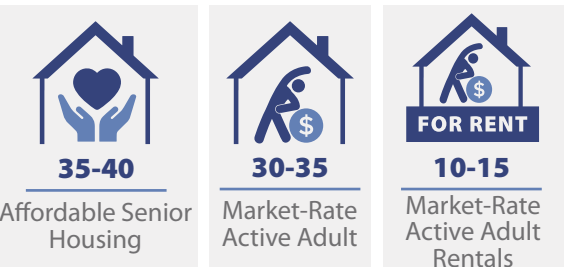
115-140

Rental Housing Units

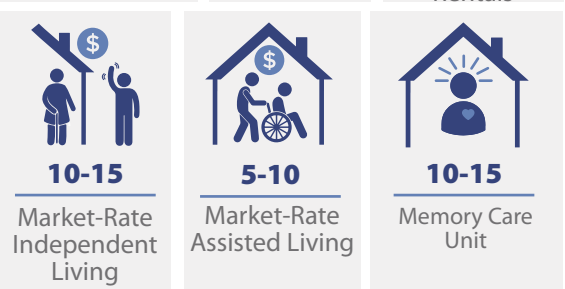


240-265

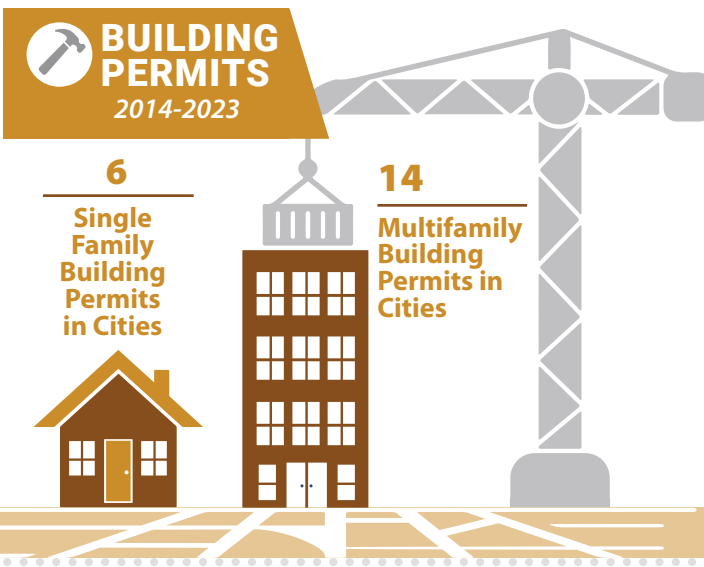
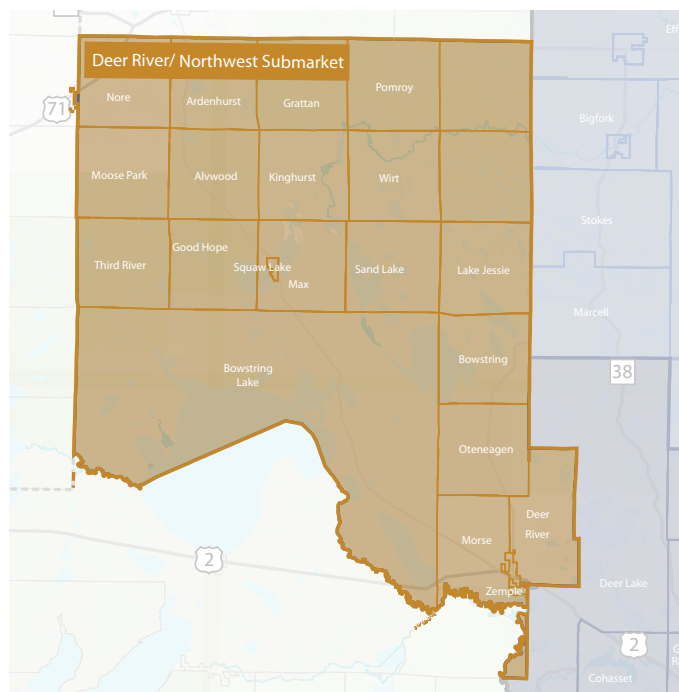
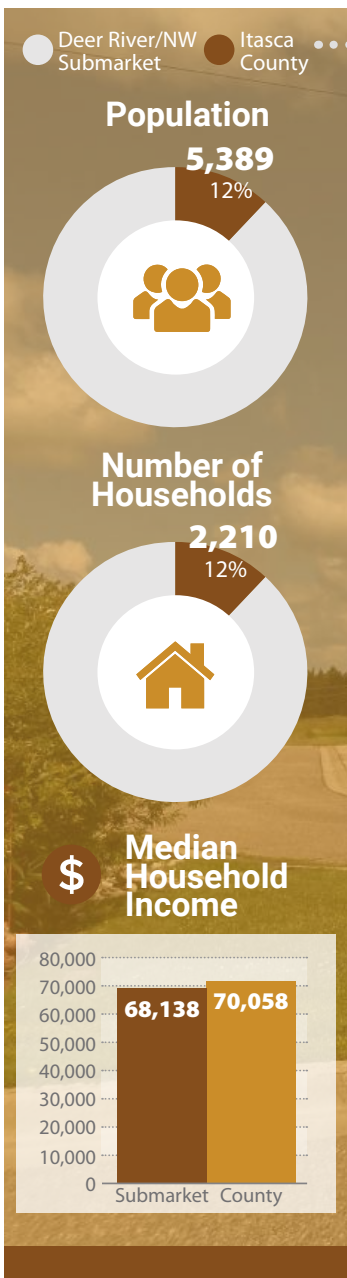
Senior Housing Units



100-130



DEER RIVER/NORTHWEST SUBMARKET



ESTIMATED HOUSING DEMAND (2024-2029)

► For Sale Housing Units



5-15

Market-Rate Single-Family



15-20

Affordable Single and Multi-Family



0-10

Market-Rate Townhomes

Total For-Sale Housing Demand

20-45

► Rental Housing Units



25-35

Affordable Rentals



5-10

Workforce Rentals



0-10

Market-Rate Rentals

30-55

► Senior Housing Units



15-20

Affordable Senior Housing



10-15

Market-Rate Active Adult



0-5

Market-Rate Active Adult Rentals

40-70



5-10

Market-Rate Independent Living



5-10

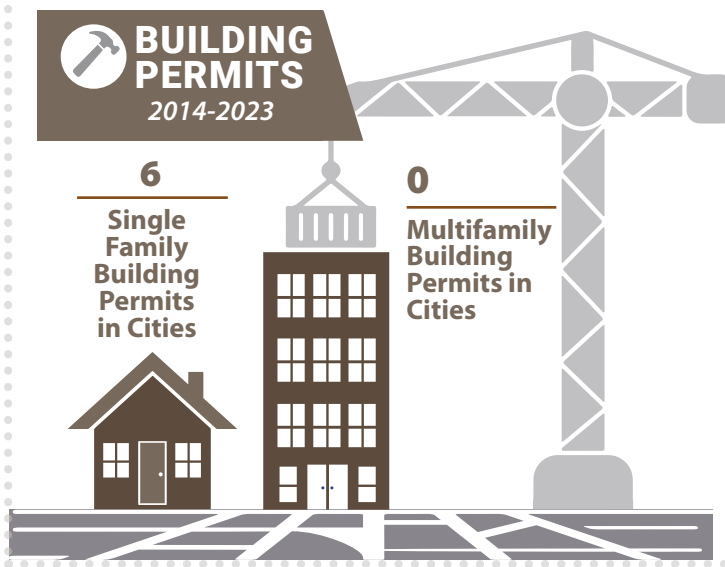
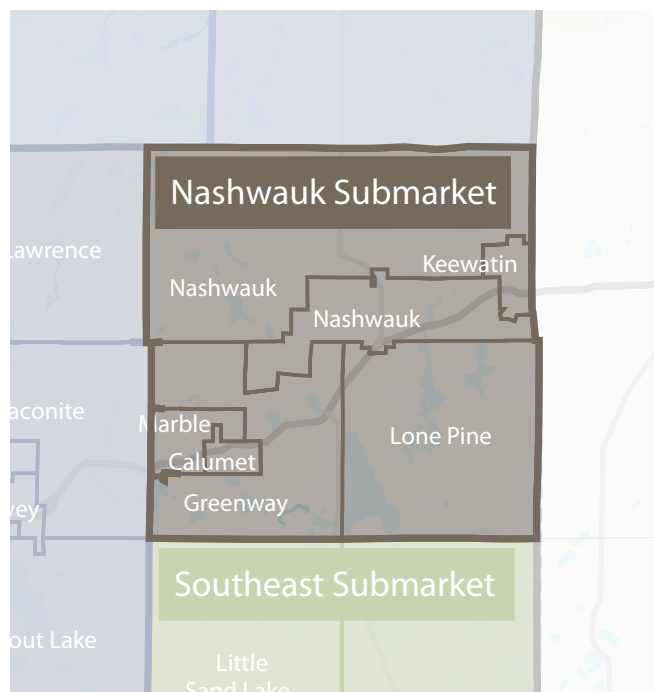
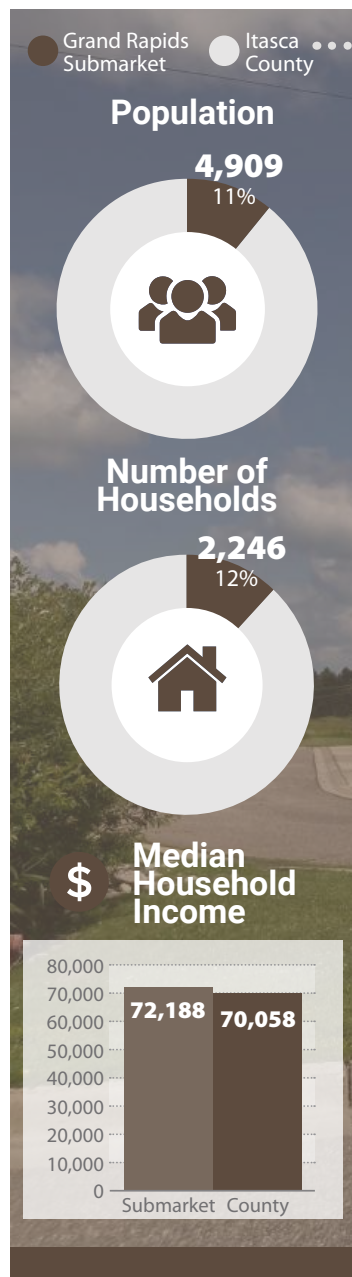
Market-Rate Assisted Living



5-10

Memory Care Unit

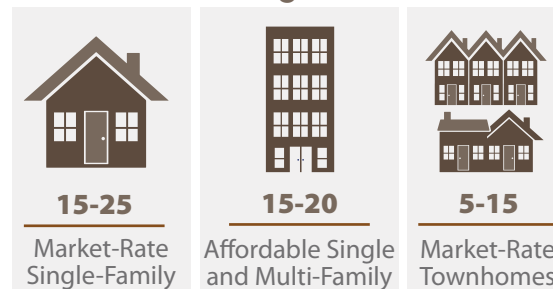
NASHWAUK SUBMARKET



ESTIMATED HOUSING DEMAND

(2024-2029)

► For Sale Housing Units



Total For-Sale Housing Demand

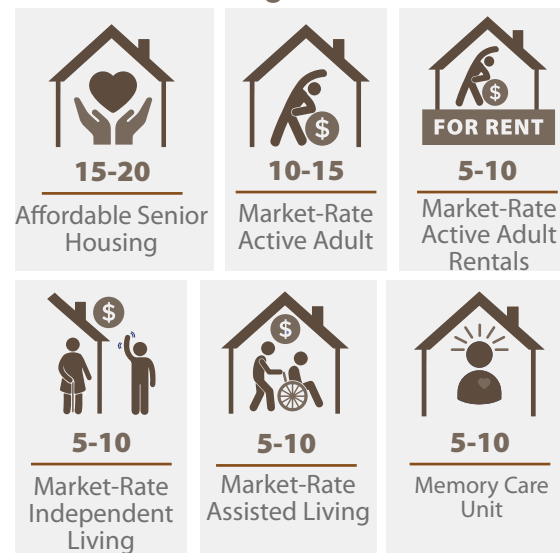
35-60

► Rental Housing Units



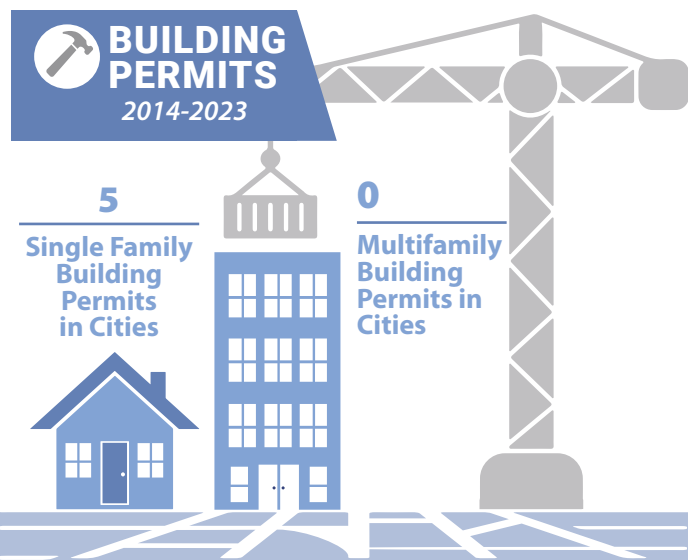
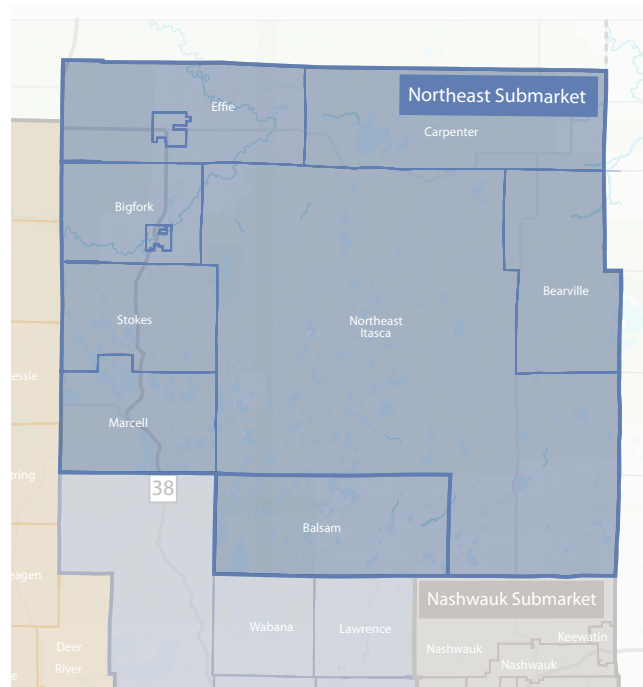
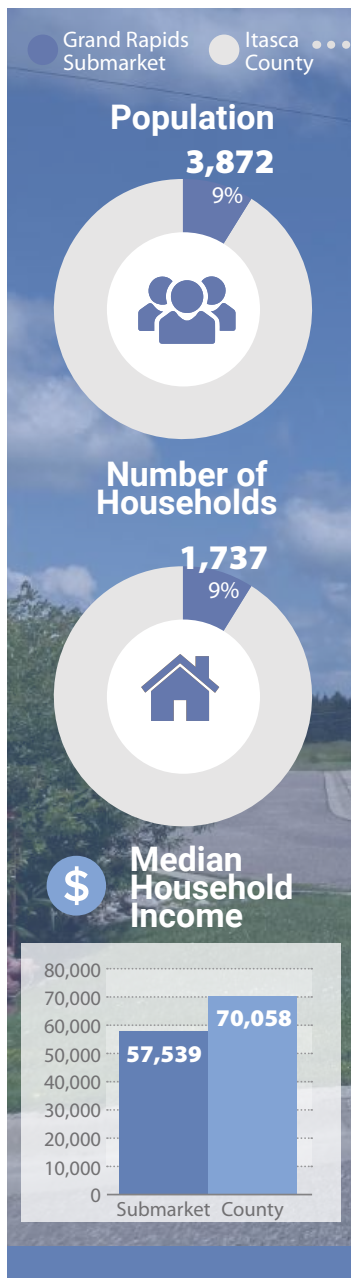
40-70

► Senior Housing Units



45-75

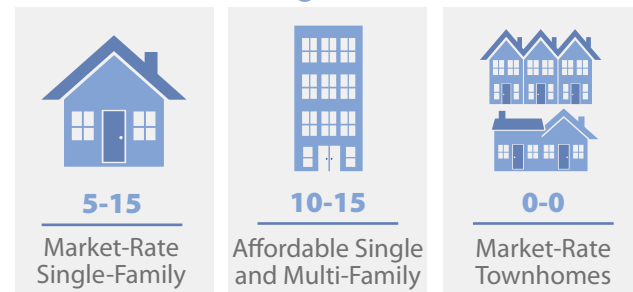
NORTHEAST SUBMARKET



ESTIMATED HOUSING DEMAND

(2024-2029)

For Sale Housing Units



Total For-Sale Housing Demand

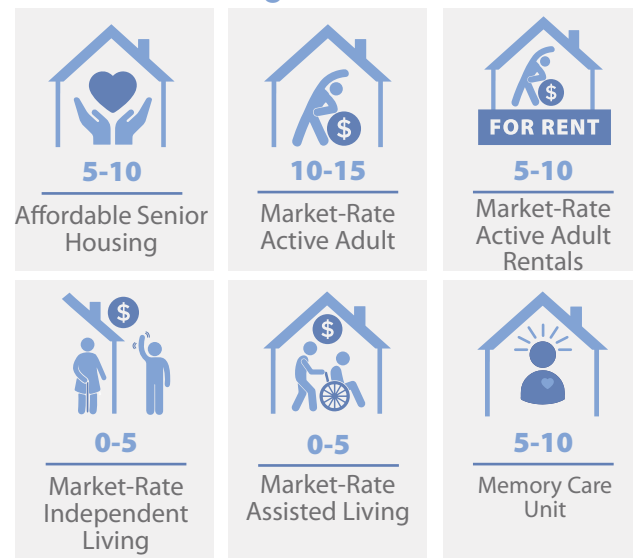
15-30

Rental Housing Units



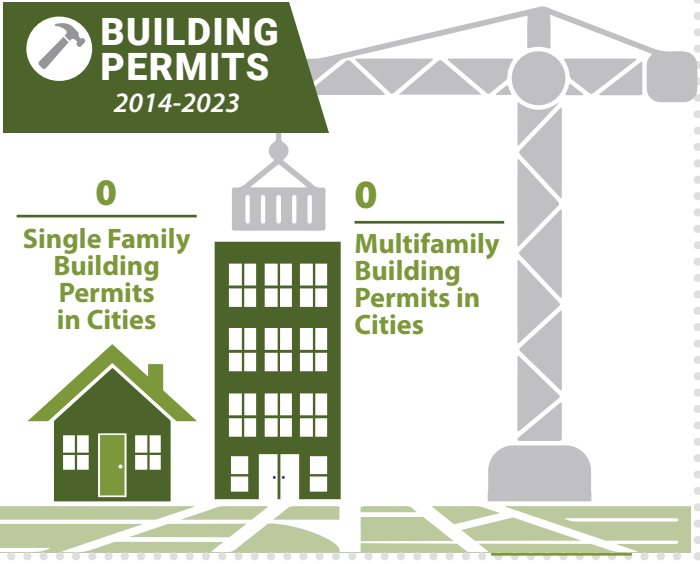
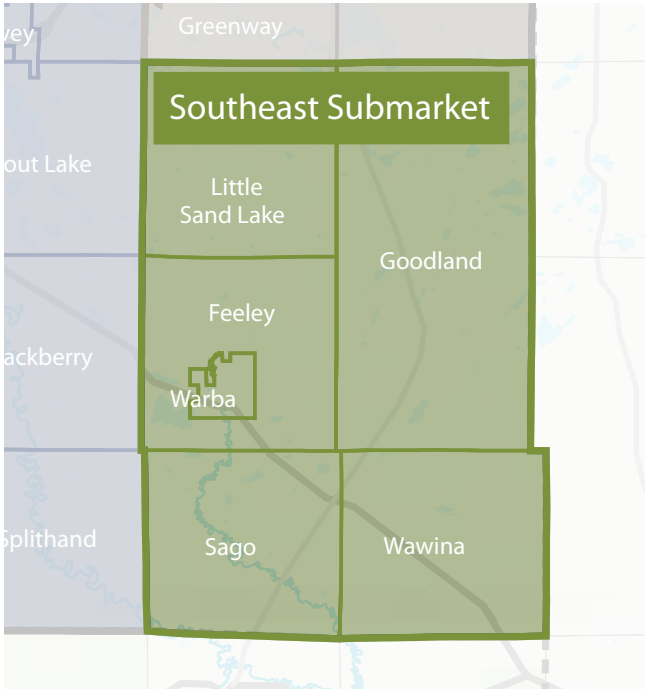
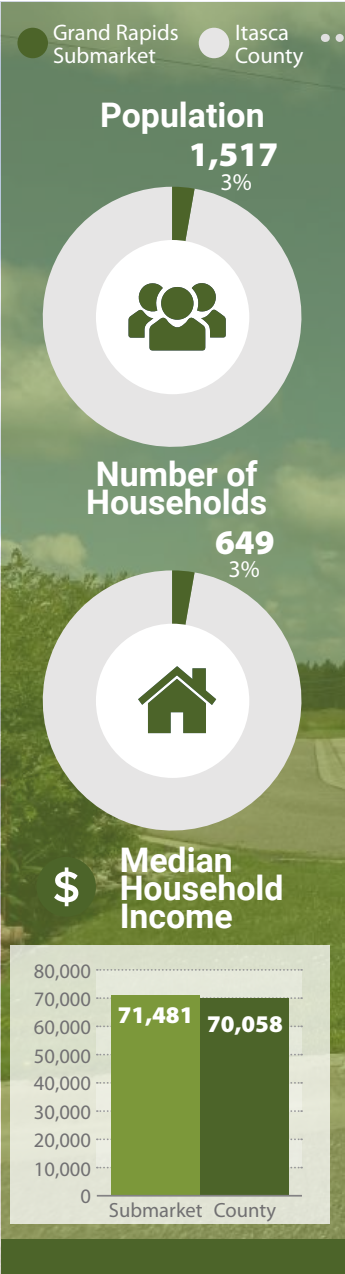
10-35

Senior Housing Units



25-55

SOUTHEAST SUBMARKET



ESTIMATED HOUSING DEMAND

(2024-2029)

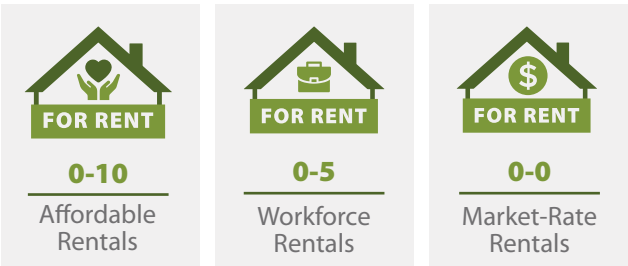
For Sale Housing Units



Total For-Sale Housing Demand

0-15

Rental Housing Units



0-15

Senior Housing Units



0-30

RECOMMENDATIONS

Issue



Investment in existing housing stock is the easiest and most inexpensive way to increase supply of desirable housing stock



High interest rates, tight labor market for construction workers, and high construction supply cost limit the development of new housing



Sufficient quantity of potential developable land for residential development exists but data resources that identify this land are not centralized or kept up to date



Current zoning codes and maps are barriers to housing development to meet future housing demand



Many potential development sites are not really shovel ready

Recommendations

Enhance rehab programs targeted to homeowners, landlords, and realtors. Explore funding sources that could be used to retrofit existing homes for aging seniors and create additional residential living space on existing properties (home additions for family expansions or additional dwelling units (ADUs) for new unit creation).

Enhance the county's existing housing trust fund and leverage new statewide tools. Explore partnerships with builders using innovation in the housing construction industry, including modular or other cost saving construction measures. Explore workforce development programs that could increase the number of construction workers in the county.

Identify and quantify potential developable land, including vacant land, infill properties, land with access to municipal utilities, and potential redevelopment properties. Enhance data resources across the county to better communicate available land to homebuilders and developers.

Update zoning codes to allow a wider range of housing options and remove development barriers, such as allowed restricted residential uses and minimum lot sizes. Update zoning maps to reflect these changes across the county.

Focus housing development efforts on sites that already have access to municipal utilities. Leverage opportunity of city-owned and other publicly owned land (e.g. school district) for assembling sites for residential development.



Itasca County
Minnesota

