



# Iowa Upper Story Housing Feasibility Study

---

Prepared for the  
Iowa Economic Development Authority

By  
Mike Lipsman, Harvey Siegelman, and Natalie Davila  
(with the assistance of Dale Hyman)

Strategic Economics Group

July 2014

## Executive Summary

This study evaluates the feasibility of meeting the housing needs and supporting the revitalization of non-metropolitan area cities in Iowa through the creation of additional housing in the upper stories of commercial buildings in the downtown areas of these cities.

The main questions this study addresses include:

- Is there a shortage of housing in non-metropolitan area cities in Iowa?
- To what extent may the development of additional housing in the upper stories of downtown buildings meet some of the housing needs?
- To what extent are the upper stories of downtown buildings already used for housing and who has been developing such housing?
- To what extent are there technical and financial barriers to the development of additional upper story housing?
- Are there existing organizations that provide technical and financial support for the development of downtown upper story housing?
- If the State were to create a new program or modify existing programs to support the development of additional upper story housing what features should the program include?

The study follows a case study approach to find answers to these questions. The subjects of the case studies are 20 non-metropolitan area cities selected at random from across the State stratified by region and population.

This report begins with a review of statewide housing studies, which provide a high level view of factors influencing the need for additional housing in Iowa. Similarly, local housing studies are reviewed for similar information pertaining to the housing needs of the case study cities. Third, summaries are provided of information relevant to this study from reports related to upper story housing projects that have been completed in Iowa and elsewhere in the country.

Among the major findings of the 2012 Iowa Housing Study completed by RDG Planning & Design/ Gruen Gruen + Associates for the Iowa Finance Authority are:

- Even though the majority of counties in the State are losing population, there is a demand for additional housing units because the average household size is declining.
- The demand for additional housing is being driven by 1-person and 2-person households.
- Among renters the highest demand is for units renting for below \$600 per month.

- At current construction costs, most 1-bedroom apartments require a subsidy of between \$250 and \$400 per month to be affordable,
- State housing programs need to be flexible and would benefit from greater local involvement in their design and administration, and
- Existing funding levels are inadequate to meet the State's housing needs.

Recent local housing studies for five of the case study cities reinforce the findings of the statewide study that changes in age cohorts and household size are two major factors driving the need for additional housing, particularly in non-metropolitan areas. Also, in these areas the deterioration of an aging housing stock is identified as another factor. Third, these studies find a divergence between the change in the cost of housing and household incomes resulting in an increased affordability gap.

The case studies reviewed at the end of Chapter 2 were selected to illustrate a variety of issues related to the creation of upper story housing. This review is by no means exhaustive. However, at least as far as material available through the Internet shows, it appears that Iowa and other surrounding states are leaders in converting the upper stories of small town downtown buildings into housing.

The issues addressed in this part of the literature review include:

- Types of organizations involved in developing upper story housing,
- The costs associated with undertaking upper story housing projects,
- Sources of financial assistance used in upper story housing projects,
- Barriers and challenges encountered and generally overcome in completing upper story housing projects, and
- Conditions that must be met for such project to be successfully completed.

Chapter three provides a brief review of eight existing Iowa housing assistance programs. This review found that half of these programs are intended to address the housing needs of low- and moderate income households. Exceptions are the Main Street Loan Program, Main Street Challenge Grants, Workforce Housing Tax Credits, and Historic Preservation and Cultural and Entertainment District Tax Credits.

As the recession has receded and commercial bank lending standards have been relaxed use of the Main Street Loan Program has largely disappeared. Alternatively, the Main Street Challenge Grants remain an important source of rehabilitation funds, but the recent \$1 million annual legislative appropriation is too limited to meet the needs of an expanded upper story housing initiative. The Workforce Housing Tax Credits are new and consequently no assessment of their usefulness for upper story housing development can be assessed at this

time. State Historic Preservation Tax Credits have been used for upper story housing rehabilitation projects, but the use of these credits has been relatively limited. The complexity of the program, the added cost associated with historic preservation projects, and the uncertainty associated with the awarding of credits limits the attractiveness of this program according to many people interviewed for this study.

Chapter 4 provides statistical profiles for the 20 case study cities. The findings from this analysis that are most important for the study of the upper story housing demand and supply issues are:

- Eight of the cities gained population and 12 lost population between 1990 and 2013. The cities with the largest population gains are Indianola (3,960), Storm Lake (1,836), Waverly (1,337), Oskaloosa (828), and Winterset (618). Indianola, Storm Lake, Waverly, and Oskaloosa all have 4-year private colleges or universities. Indianola, Waverly, and Winterset are located within short commuting distances of metropolitan areas. Storm Lake and Oskaloosa have strong manufacturing economies.
- The five cities with the largest share of their 2010 populations between age 20 and 44 are Storm Lake (34.6%), Waverly (33.8%), Indianola (33.7%), Oskaloosa (32.4%), and Estherville (29.7%). These are all college towns.
- Only three cities – Indianola, Waverly, and Winterset gained population in the 20 to 44 age cohort between 2000 and 2010, while all 20 cities gained population in the 45 to 64 age cohort during the same period.
- Although manufacturing remains a dominant economic sector in many of the case study cities, health care, education, and retail trade have grown in importance. These latter three sectors employ a large number of people that may find downtown living attractive.
- The cities with the lowest shares of renter households paying less than \$500 per month in rent are Waverly (19.1%), Indianola (24.0%), and Winterset (25.4%) and the cities with the largest shares of renters paying under \$500 per month in rent are Keosauqua (81.7%), West Union (70.0%), and Emmetsburg (62.4%). This is important because the revitalization of downtowns requires that a considerable percentage of residents pay market level rents, which generally are above \$500 per month. Also, it is desirable for people attracted to downtown living to have adequate income to patronize downtown businesses.

Chapter 5 assesses the potential demand for downtown upper story housing and the potential supply of such housing using U.S. Census statistics and county assessor property parcel records. Also, information obtained through field visits, telephone interviews, and surveys was used to

assess housing demand and supply conditions in the case study cities. In addition, information gathered from local sources was used to identify organizations that may play a role in promoting the development of additional upper story housing.

Major findings of the housing demand and supply assessment include:

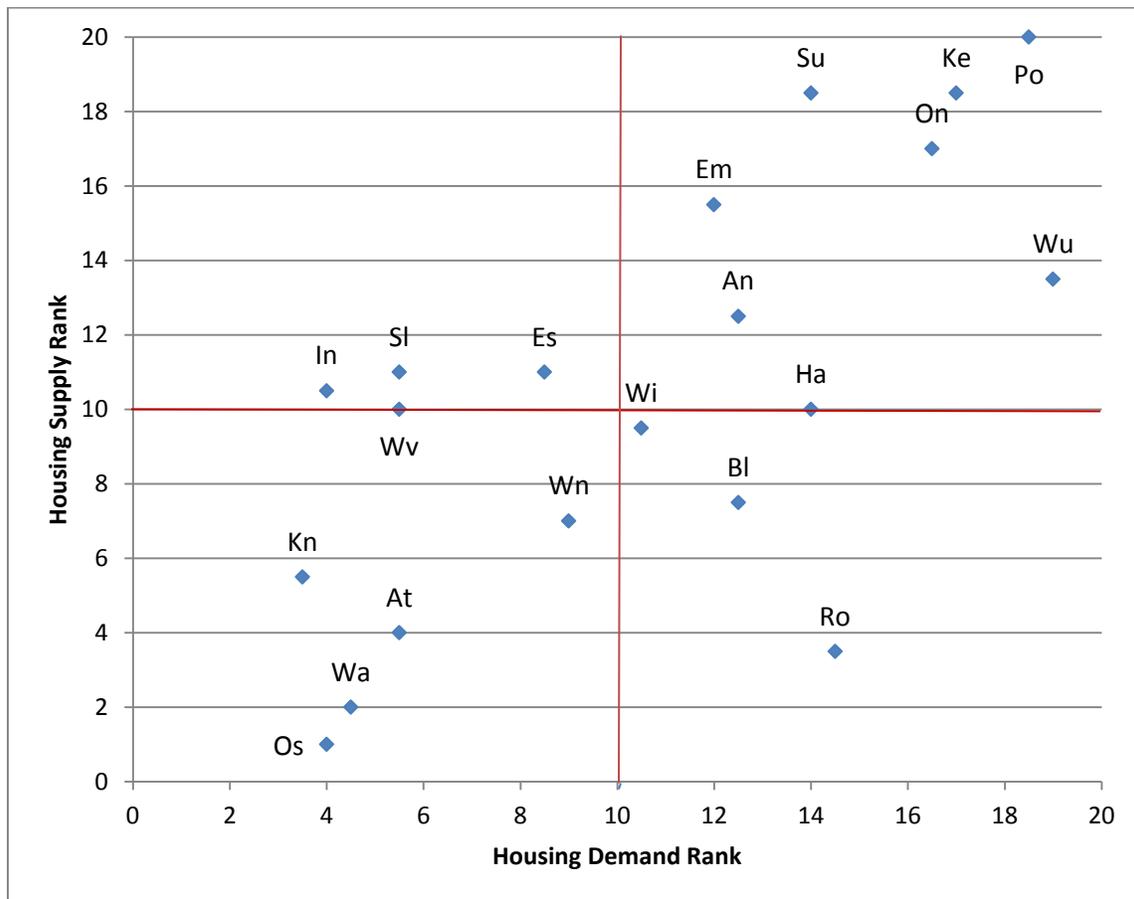
- 33.2% of the households in case study cities consist of single individuals under age 65 living alone, which is the segment of the population most likely to find downtown housing attractive.
- For most cities less than 25% of the upper stories of downtown multi-story buildings are currently used for housing and few of the existing housing units have been updated in recent years. On the other hand, most government and civic leaders expressed support for the development of additional upper study housing.

Seven cities have their own downtown revitalization and upper story housing incentive programs. Some examples of these are:

- Harlan provides \$5,000 façade and \$15,000 interior renovation grants which property owners must match on at least a dollar for dollar basis.
- Indianola provides a combination of loans and grants for facade improvements for all building facades, not just the street façade, and sometimes for roof repairs. Also, Indianola encourages higher density housing development around its downtown through zoning that allows up to 12 housing units per acre.
- Knoxville is one of very few cities to establish a self-supporting municipal improvement district (SSMID), which provides funds for downtown improvements.
- Red Oak uses funds from a downtown tax increment financing district (TIF) to provide incentives to private developers undertaking building renovations that include upper story housing.
- Waverly provides tax rebates for property owners that undertake upper story housing renovation projects.

Chapter 6 provides rankings of the 20 case study cities in terms of housing demand (people) factors, housing supply (property) factors, and place (physical attribute and commercial activity) factors as a mean of assessing the feasibility of upper story housing development in cities with different combinations of these factors. The following chart illustrates the results of the analysis. Cities with locations in the lower left quadrant represent those with both a high demand for downtown housing and a high supply of properties that could be converted to provide this type of housing. For example, cities similar in character to Oskaloosa (Os) would make good candidates for upper story housing projects.

Cities in the upper right quadrant would be the least likely to have successful upper story housing programs. But what is not incorporated in the chart is the influence of city governments and local civic organizations. A supportive government, such as one that provides local incentives, and actively involved civic organizations would move the location of a city on the chart down and to the left toward the region of higher feasibility. The city abbreviations are defined in Appendix D.



Chapter 6 also presents information on the relative cost of different construction activities associated with upper story housing renovation projects. The fourth section of this chapter presents a model that may be used to estimate required project subsidy levels associated with different rental rates and tenant income levels for different investor required rates of return and financing costs.

For example, use of the model shows at a 7% mortgage rate and an investor requiring a 10% return on investment of \$25,000 in a rental unit costing \$100,000 to develop would require a subsidy of \$59,400 in order to keep the rental rate to no more than \$600 per month. However,

for a non-profit organization requiring a 0% rate of return and a mortgage interest rate of 5% the required subsidy would drop to \$25,000 for a \$600 per month rental unit.

This chapter concludes with a discussion of upper story housing development barriers and challenges identified through field visits and interviews. Among the major ones are:

- People living downtown want nearby off-street, and preferably covered, parking, which many cities do not have currently.
- Before beginning any interior renovation problems with roofs, common walls, and other structural issues must be resolved.
- Antiquated sewer and water systems can impede development projects because sometimes these require multiple property owners to agree to make improvements.
- Access to upper stories of downtown buildings often requires new stairways and sometimes elevators, which can be very expensive.
- Absentee and aging property owners often do not see the benefit of renovating their buildings.
- Compliance with Americans with Disabilities Act and Davis-Bacon Act requirements may add to the cost of larger renovation projects.
- There can be a stigma associated with downtown living in smaller cities as it is often viewed as low-income housing.
- Existing housing assistance programs are not well coordinated and require too much paperwork.

Chapter 7 provides a number of recommendations for stimulating the additional development of upper story housing in non-metropolitan area downtowns. These recommendations include:

- **Need for Organizational Assistance:** Develop an organization of people that have been involved with successful upper story renovation and downtown revitalization efforts to serve as advisors and mentors for other communities wishing to undertake similar projects. Also, expand the information made available through the Downtown Resource Center Internet page to include more case studies and contact information for organizations and people from cities in the State that have existing programs. Finally, develop a “How To” guidebook with special emphasis on getting started.
- **Need for Technical Assistance:** People in almost every community visited and contacted for the study indicated there is a need for additional technical assistance in the area of housing. In addition, it was often pointed out that most Councils of Government (COG) already having housing expertise and they could possibly be a source of additional assistance. However, this additional support would likely require additional funding. Because seven counties in Central Iowa are not currently served by

a COG another means may be required to serve at least the non-metropolitan areas of these counties. This could be accomplished by having existing COGs expand their service areas for this activity.

- **Need for Financial Assistance:** Information on prevailing rental rates, household income levels, and rehabilitation costs indicate that upper story housing projects will often not be feasible without some public assistance. Two types of assistance are needed. For owner-occupied housing the amount of required assistance is likely less than for rental housing. For owner-occupied housing a modification of the Harlan interior renovation grant program provides a good model for this type of assistance. Under this program the State and local governments should make grants available equaling a maximum of \$30,000 per unit with half coming from the State and half coming from local governments. For rental property, combined State and local matching grants should also be offered, but the amount should go up to \$50,000 per housing unit. Funding for about 100 housing unit renovations per year would require about \$2.5 million in State funds per year and an equal amount from local governments.
- **Need for Future Evaluation:** To gauge the effectiveness of an upper story housing assistance program two types of evaluation should be conducted on an annual basis. First, each completed project should be evaluated on the basis of cost, time required for completion, problems encountered, change in property valuation, and revenue generated in the case of rental property. Second, downtown area impacts should be evaluated focusing on changes in tax base, impacts of local businesses, other stimulated investment, and rental vacancy rates. All project related data should be made publicly available.

## Chapter 1 Introduction

This study investigates the need for additional housing in non-metropolitan cities in the State of Iowa. Specifically, the study evaluates the feasibility of meeting housing needs and supporting the revitalization of non-metropolitan area cities through the creation of additional housing in the upper stories of commercial buildings in the downtown areas of these cities.

The main questions this study addresses include:

- Is there a shortage of housing in non-metropolitan cities in Iowa?
- To what extent may the development of additional housing in the upper stories of downtown buildings meet some of the housing needs?
- To what extent are the upper stories of downtown buildings already used for housing and who has been developing such housing?
- To what extent are there technical and financial barriers to the development of additional upper story housing?
- Are there existing organizations that provide technical and/or financial support for the development of downtown upper story housing?
- If the State were to create a new program or modify existing programs to support the development of additional upper story housing what features should the program include?

The study consisted of five tasks.

- First, existing statewide and local housing studies were reviewed to develop an understanding of the adequacy of the housing stock in non-metropolitan cities, the condition of the housing supply, and the character of the demand for additional housing.
- Second, information was gathered about existing State and local housing programs and organizations.
- Third, an evaluation of the housing supply and demand was conducted for 20 Iowa cities. This sample of cities was stratified by region of the State and by population size. This evaluation focused on the downtown areas of these cities. Data gathering during this part of the study was accomplished through site visits, telephone interviews, and surveys. In addition, a variety of demographic and economic statistics was compiled for each city from federal and State sources.

- Fourth, the case study data were analyzed to develop an understanding of factors that are driving the demand for additional housing and affect the feasibility of meeting existing and future housing needs through the development of additional upper story housing in downtown areas.
- Fifth, the case study data were used to evaluate the potential for meeting non-metropolitan city housing needs through the expansion of the supply of downtown upper story housing options. In addition, recommendations are presented for expanding State assistance for local governments, organizations, individuals, and businesses that may desire to undertake upper story housing development projects.

As the study progressed two issues related to the feasibility of upper story housing development became apparent that were not identified in the project's proposed scope of work. These two issues are:

- The impact changes in the taxation of commercial and residential rental property enacted in 2013 may have on the affordability of upper story housing and
- The importance of retail activity in non-metropolitan downtown areas.

The study addresses these two issues in appendices to this report.

People representing a variety of businesses, civic organizations, and local governments provided a significant amount of information and ideas as part of this study. We wish to thank them for their assistance.



## Chapter 2 Review of Prior Housing Studies

The following review of prior housing studies is not meant to be exhaustive. Rather the purpose is three-fold. First, statewide studies are reviewed to obtain a high level understanding of housing demand and supply conditions in Iowa. Second, local studies are reviewed to determine what information exists for the housing markets in the 20 case study cities and for information that may be useful in extending findings from the case study cities to the State as a whole. Third, reports pertaining to downtown revitalization efforts and upper story housing programs in Iowa and in other states are reviewed to look for ideas that may be applicable to Iowa.

### Iowa Statewide Housing Studies

In 2009 faculty and staff from the Economics and Community and Regional Planning Departments at Iowa State University (ISU) completed a housing needs assessment for the Iowa Finance Authority (IFA).<sup>1</sup> In 2012 the Iowa Finance Authority followed-up the Iowa State University study with a more detailed effort by RDG Planning & Design and Gruen Gruen + Associates (RDG/GGA).<sup>2</sup>

The 2009 ISU study analyzed changes in ten population, housing supply, and housing value variables, which were combined into a composite index used to measure housing need or surplus. Separate index values were computed for each of the State's nine metropolitan statistical areas (MSAs) and fifteen council of government (COG) regions. Index values ranged from 0 to 100 with higher values indicating greater housing needs. Only non-metropolitan counties were considered in the COG region analysis. The average index score for all of the metropolitan areas equaled 82, while for the rural COG regions the average score equaled 18. These findings generally indicated a future high demand for additional housing in metropolitan counties, but relatively low demand for additional housing in the rural areas of the State.

Because this study assessed housing needs at a regional level it not contain any material of use for the current study. Factors that influence housing demand and supply, such as zoning ordinances, property taxes, school locations, employment opportunities, etc., are generally made by city governments rather than on a regional basis.

The 2012 RDG/GGA study provides a more in depth analysis of the State's housing supply and needs than the 2009 ISU study. This study addressed seven key issues:

---

<sup>1</sup> Dave Swenson, Megan O'Brien, Tim Borich, Doug Johnson, and Amy Logan, *Iowa Housing Needs Assessment: Key Issues and Indicators* (December 2009).

<sup>2</sup> RDG Planning & Design and Gruen Gruen + Associates, *2012 Iowa Housing Study* (January 2013).

- Changes in housing needs that occurred between 2000 and 2010,
- The impact of the housing market collapse on Iowa,
- Critical State housing needs over the next 5 years,
- The housing needs of specific demographic groups,
- Differences in the housing needs of urban, suburban, exurban, and rural areas of the State,
- Housing needs being driven by changes in the State's workforce, and
- The role of the Iowa Finance Authority in meeting the State's housing needs.

The RDG/GGA was data-driven drawing on federal and state statistics as well as numerous public meetings and an on-line survey to which 480 people responded. Of primary interest for the current study of the potential for the development of additional upper story housing is the analysis related to:

- Characteristics of housing needs in non-metropolitan areas,
- Factors influencing the demand for rental housing,
- Factors influencing the housing supply of non-metropolitan areas, and
- The State's role in helping local jurisdictions meet their housing needs.

The study found that in many non-metropolitan cities population and the size of the workforce are declining. These demographic changes are often accompanied by deterioration of the housing stock. The areas of greatest decline were found to be in the Southern and Northern tiers of counties and in the Northwestern part of the State.<sup>3</sup> The study found only three regions – the Northeast, East Central, and Central – experienced positive growth among younger households (15 to 34 years of age) from 2000 to 2010.<sup>4</sup> As with the earlier 2009 ISU study, aggregating findings by region misses pockets of growth that go against the trend.

Although population is declining in many parts of Iowa the demand for additional housing units is increasing due to a variety of factors. The reduction of the average size of households is one factor. According to the RDG/GGA study 1-person and 2-person households account for almost all of the growth in the number of households. Furthermore, the study found that between 2000 and 2010 nonfamily households accounted for 72 percent of the growth.<sup>5</sup> Looking forward, the study forecasts that between 2010 and 2020 1-person and 2-person households

---

<sup>3</sup> RDG Planning & Design and Gruen Gruen + Associates, *Executive Summary 2012 Iowa Housing Study* (January 2013), p. 7.

<sup>4</sup> *Ibid.*, p. 8.

<sup>5</sup> *Ibid.*, p. 4.

will comprise 55 percent of growth in the number of Iowa households. This will lead to the need for 37,000 rental and 94,000 owner-occupied additional housing units.<sup>6</sup>

Another finding that impacts the demand for housing is the decline in real income. From 2000 to 2010 average real household income in Iowa declined by \$2,000 (3.0%). Associated with this finding is a 60,000 increase in the number of households with incomes below \$35,000 per year.<sup>7</sup> This level of income equates to an affordable housing threshold of about \$875 per month.

On the supply side of the equation the study found that while real household incomes declined between 2000 and 2010 the cost of housing increased. The study found that both owner-occupied and rental housing became less affordable over the decade. By 2010 the shares of homeowners and renters paying more than 30 percent of gross income on housing stood at 20 percent and 45 percent, respectively. In 2000 the corresponding percentages equaled 14 percent and 34 percent.<sup>8</sup> The study found that the greatest need for rental housing involved units with monthly rental rates below \$600.<sup>9</sup>

The authors of the study conclude that “Constructing new workforce rental units will likely be a significant challenge due to the gap between current rental rates and the rates needed to support new construction. While 53 percent of the rental demand is for units under \$600/month, a monthly subsidy of \$250 to \$400 is needed to construct new one-bedroom apartments at that rent level.” Information presented in the report estimates that new 1-bedroom apartments of approximately 800 square feet cost between \$93,000 and \$115,000 to build (\$116.25 to \$143.75 per square foot) and the rent necessary to support units at this cost runs between \$850 and \$1,000 per month (\$1.06 and \$1.25 per square foot per month).<sup>10</sup>

An additional housing supply issue addressed by the report relates to the age of the housing stock, particularly in non-metropolitan areas. The study found that in most regions of Iowa over 50 percent of the housing stock is over 50 years old. This means there exist a considerable need for property preservation and renovation.

The final portion of the report provides a survey of existing IFA housing assistance programs. This review found that over the five years from 2008 to 2012 the majority of funding (61%) went to owner-occupied housing programs, while only 17% went to rental property

---

<sup>6</sup> Ibid., p. 17.

<sup>7</sup> Ibid., p. 6.

<sup>8</sup> Ibid., p. 11; 30 percent of gross household income is widely used by government agencies, mortgage lenders, and other housing industry professions as a housing affordability threshold.

<sup>9</sup> Ibid., p. 27.

<sup>10</sup> Ibid., p. 28.

construction, 20% went to rent subsidies, and 2% went to programs for the homeless. In several rural areas of the State considerably more than 61% of IFA funds were allocated to owner-occupied housing programs and much less than 17% went toward rental construction. For example, in the Northwest part of the State, which consists of 23 counties, 74% of funds went to owner-occupied housing programs and only 7% went to rental housing construction.<sup>11</sup>

Among the authors' conclusions the ones most relevant for the Upper Story Housing Study are:

- There is a greater financial need for the production of rental housing than is being met by current allocations,
- Housing needs vary by region and so there should be a greater emphasis on local input in the design of new programs,
- Local housing programs require flexibility in order to be effective,
- Existing rural rental housing programs are inadequate to meet funding needs, and
- The effectiveness of IFA programs benefits from close working relationships with local non-profit service providers.<sup>12</sup>

### **Local Housing Studies**

Some of the case study cities analyzed for this report have completed recent housing studies. These cities are:

- Atlantic
- Harlan
- Onawa
- Oskaloosa
- Red Oak

A somewhat earlier study was completed for Storm Lake. That study was completed in 2011 and therefore it did not have the full benefit of 2010 U.S. Census results. Therefore, it is not reviewed in this chapter, but some of its findings are taken into consideration in Chapter 5.

Three of the studies – Atlantic, Harlan, and Red Oak – were completed by the staff of the Southwest Iowa Planning Council (SWIPCO). Some of the State's other Councils of Government have completed similar studies for cities and counties located in their regions.

---

<sup>11</sup> Ibid., p 34.

<sup>12</sup> Ibid., p. 36.

The three SWIPCO authored studies include similar information. However, the major housing issues identified for each city do vary. As background the studies draw extensively on the 2010 U.S. Census and prior censuses.

Each study begins with an analysis of demographic changes between 2000 and 2010. These statistics address total population change, changes by age cohort, changes in household relations, and changes in household type. In determining impacts on housing demand the changes in age cohorts and changes in household type prove to be the most revealing. The change in age cohorts shows the number of people reaching major housing choice decision points in their lives, such as when single minors reach adulthood and when parents become empty nesters or retirees. The household type statistics make distinctions between family and nonfamily households, households with and without minor children, and average household size.

Other statistical analysis arrays households by income level and uses these data to evaluate the affordability of the existing housing stock and to estimate future housing needs by house price range and by monthly rental rate. Data on the age of the housing stock and windshield survey information are used to evaluate the physical condition of housing in each city and to provide a basis for estimating the amount of housing that requires rehabilitation and replacement. A final category of data gathered by SWIPCO staff of particular value for the Upper Story Housing Study is average monthly rental rates for different size residential units.

Findings and recommendations from each of these studies are incorporated in Chapter 5 where information gathered through field visits, phone interviews, and surveys are presented.

RDG Planning & Design recently completed a housing assessment for Onawa.<sup>13</sup> The report begins with a presentation of a statistical profile for Onawa that is similar to the SWIPCO reports. In addition, the report presents population forecasts through 2025 under three growth scenarios based on different migration assumptions added to a base natural growth forecast.

Using the population projections, household size information, and data on household income levels the report presents forecasts of additional housing needs for owner-occupied housing by house value ranges and for rental housing by monthly rental rate ranges for the periods 2014 to 2019 and 2020 to 2025. Over the 10 years there is a forecasted need for 40 new owner-occupied housing units and for 40 new rental units. The highest rental unit demand is forecast for units with rents below \$450 per month.

---

<sup>13</sup> RDG Planning and Design, *The Onawa and CHAT Report* (March 10, 2014).

The remainder of the report addresses seven categories of local housing resources, ten housing issues, and six strategies for meeting the city's future housing needs. Some of the resources identified are:

- Location (30 minute south of Sioux City on I-29),
- Community assets (more businesses and services than other nearby cities),
- Surrounding development projects (likely to generate new jobs), and
- Existing programs (Healthy Homes Initiative and SIMPCO organizational support).

The Onawa study did not specifically address the development of upper story housing in the city's downtown as a way of meeting future housing needs, but the study did address some related issues. For example, the report notes that few new rental housing units have been constructed during the past 20 years. Also, the report identifies the lack of developable lots and builders, which impacts the supply of new homes and thus may make redevelopment options more viable. Property maintenance and housing conservation are identified as two requirements for enhancing the city's housing stock.

The Oskaloosa Housing Needs Assessment was completed by graduate students from the University of Iowa School of Urban and Regional Planning.<sup>14</sup> The study was prepared for the Oskaloosa Housing Trust Fund.

The Oskaloosa Housing Needs Assessment, like the other housing studies, begins with an analysis of U.S. Census and American Community Survey statistics. Unlike many of the other cities in the sample, Oskaloosa's largest population cohort consists of people between ages 20 and 29. The presence of William Penn University likely explains this anomaly, but the presence of a growing healthcare facility could be another contributing factor.<sup>15</sup>

Another finding with implications for the rental component of the housing market is the share of low income households. Oskaloosa was found to have a considerably higher share of its population (20.1%) living below the poverty level than does Iowa as a whole (11.6%).<sup>16</sup> This group's need for housing is borne out by a survey of rental unit availability in subsidized housing complexes. The study found that in most cases these properties are 90% to 100% occupied.<sup>17</sup>

Some other factors addressed by the study that have implications for the potential demand for new upper story housing are:

---

<sup>14</sup> School of Urban and Regional Planning, University of Iowa, *Oskaloosa Housing Needs Assessment* (2012)

<sup>15</sup> *Ibid.*, p. 11.

<sup>16</sup> *Ibid.*, p. 31.

<sup>17</sup> *Ibid.*, p. 23.

- The high share of the Oskaloosa workforce that lives outside the city (67.5%),
- The large number of renters (1,484), and
- The high share of renters paying over \$500 per month in rent (53.8%).<sup>18</sup>

Depending on assumptions, the report projects a need of between 94 and 237 housing units by 2020.

The report concludes with recommendations for meeting the city's future housing needs. The recommendations address:

- Changes in organizational structure for meeting affordable housing objectives,
- Consideration of incentives for infill housing,
- Investigation of programs to allow senior citizens to age in place through home retrofitting and maintenance assistance, and
- Investigation of the feasibility of Employer-Assisted Housing.

The study recommendations only indirectly refer to the exploration of investing in downtown housing.

### **Downtown Revitalization and Upper Story Housing Development**

A number of Iowa cities already have programs that support the development of upper story housing. Many of these cities are involved in the Iowa Main Street Program. The National Trust for Historic Preservation compiled a brief summary report and individual case study reports for five cities in Iowa where upper story projects had been completed. The projects reviewed in these reports are located in Bloomfield, Burlington, Elkader, Spencer, and Woodbine.<sup>19</sup>

The summary report provides examples of challenges faced by each of the projects and solutions found to address the challenges. In addition the authors of the summary report distilled six lessons from the experiences of the projects' developers. These lessons are:

- Strength and credibility of the local downtown revitalization program are essential ingredients for bringing redevelopment projects to successful conclusions,
- Technical and financial assistance is indispensable for encouraging property owners to undertake upper story housing rehab projects,

---

<sup>18</sup> Ibid., pp. 27 and 38.

<sup>19</sup> National Trust Main Street Center (for Iowa Economic Development Authority), *Upper Story Housing Case Studies: Creative Solutions and Lessons Learned* (March 2012).

- Patience and determination are essential traits when shepherding a project through rehabilitation,
- Designations for Historic and Cultural and Entertainment Districts increase opportunities for downtown economic development,
- A network of partner organizations, institutions, and public entities form frameworks that support the rehab projects and provide necessary leadership, and
- Having experienced developers with local community ties is an asset.<sup>20</sup>

Among the individual case studies the one for the Dixon Building in Bloomfield provides a good example of the type of project most likely to be undertaken in other Iowa communities.<sup>21</sup> The case study report summarizes key information for the project on the first page. Included among this information are:

- Current Building Name
- Building Address
- Historic Building Name
- Owner's Name
- Construction Date
- Date of Purchase
- Date of Rehabilitation
- Original Uses
- New Uses
- Total Project Cost
- Housing/ Residential Uses
- Commercial Space
- Incentives

In addition, the case study report provides background information on the community, its downtown district, the Bloomfield Main Street Program, and the property's history. For the purposes of the current project the case study report provides a description of the rehabilitation work, the project budget, and outcomes. The discussion of project financing provides important information on funding sources and the amount of public support required to make upper story housing viable. Among the outcomes identified for this project was making upper stories in Main Street downtown districts eligible for the State's Local Housing Assistance Program (LHAP).<sup>22</sup>

---

<sup>20</sup> Ibid., pp. 4 – 5.

<sup>21</sup> Theresa Lynch, Case Study: Dixon Building, Bloomfield, Iowa (no date).

<sup>22</sup> The Iowa LHAP program no longer exists. This program was considered very attractive due to its flexibility.

Whereas the Dixon Building represents the majority of the buildings that populate non-metropolitan city downtowns in Iowa, there are some larger properties that present a broader range of challenges for those who wish to undertake housing rehabilitation projects. A case study report on the Van Allen Apartments in Clinton provides insights into challenges encountered in undertaking large downtown housing rehabilitation projects.<sup>23</sup> This former department store building designed by Louis H. Sullivan was converted to 17 below market rate apartments and 2 market rate apartments on the three upper floors and retail space on the first floor. The below market rate 1 and 2 bedroom apartments currently rent for \$340 and \$420 per month, respectively. The 1-bedroom market rate unit rents for \$635 per month and the 2-bedroom market rate unit rents for \$685 per month.<sup>24</sup>

The total renovation and preservation of the property cost almost \$3.2 million. The issues encountered with large projects that are not as prevalent or as costly to resolve in small projects include:

- Lead paint and asbestos abatement,
- The treatment of historic elevators (or need for new elevators),
- Making other modifications required by the Americans with Disabilities Act,
- Providing tenant parking,
- More complex architectural and engineering issues, and
- Increased marketing challenges.

The adaptive reuse of historic properties like the Van Allen Building, particularly when the new use involves residential units, requires effectively laying out interior spaces in such a way as not to compromise the architectural integrity of the exterior.

Financing a project of this size presented a major challenge. Marketable federal historic rehabilitation tax credits and low-income housing tax credits covered over 45 percent of the project's cost. For this project the sale of the historic rehabilitation tax credits yielded 90 percent of their face value and the yield for the low-income housing tax credits equaled 80 percent.<sup>25</sup> Combined with State historic preservation tax credits the developer covered 57 percent of necessary project costs. Additional public support came from the City of Clinton, a Federal Save America's Treasurers grant, the Iowa Enterprise Zone Program, and the Federal Home Loan Bank.

---

<sup>23</sup> Claire Kelly, *Case Studies in Affordable Housing through Historic Preservation: Number 5 Van Allen Apartments, Clinton, Iowa*, National Park Service, U.S. Department of the Interior, Heritage Preservation Services (August 2006).

<sup>24</sup> Community Housing Initiatives, [www.chihousing.com](http://www.chihousing.com) (accessed July 9, 2014).

<sup>25</sup> *Ibid.*, p. 6.

A similar case study report exists for the Carnegie Place Apartments in Sioux City.<sup>26</sup> This is not an upper story housing project in the strict sense, but the case study report provides useful information on funding sources. This \$1.8 million project converted a former public library into 20 low-income apartments at a cost of \$92,000 per unit. Tax credits and other forms of public assistance covered 78.9 percent of the cost of this project, which reduced the private cost per unit to \$19,384. Due to using historic rehabilitation tax credits the project's developer had to reduce the number of planned apartments from 28 to 20 in order to preserve an architecturally significant atrium. These 1 and 2 bedroom apartments currently rent for \$430 and \$506 per month, respectively.<sup>27</sup>

Based on a search of the Internet, Iowa appears to already be a leading state in promoting the redevelopment of the upper stories of commercial buildings for residential use. For example, in a 2013 article by Brad Broberg for the National Association of Realtors, two of the five cities profiled were Iowa cities – Woodbine and Valley Junction (West Des Moines).<sup>28</sup>

Following are summaries of a few reports and information from Internet sites that document upper story housing and downtown revitalization projects from other Iowa cities and other states. These examples were chosen for review as illustrations of alternative funding mechanisms, development approaches, and assessing the viability of such undertakings.

A 2011 report by the Iowa Initiative for Sustainable Communities (University of Iowa) provides an in depth study of downtown revitalization efforts in Burlington, Iowa.<sup>29</sup> The report consists of five parts:

- Brief case studies for Rock Island, IL and for Davenport, Dubuque, and Iowa City, IA as background for Burlington redevelopment efforts,
- A financial resources guide,
- An action plan for the rehabilitation and redevelopment of the Bookend Buildings,
- A reinvestment proposal for the Bookend Buildings, and
- A vision for downtown Burlington redevelopment.

---

<sup>26</sup> Aleca Sullivan, *Case Studies in Affordable Housing through Historic Preservation: Number 2 Carnegie Place Apartments, Sioux City, Iowa*, National Park Service, U.S. Department of the Interior, Heritage Preservation Services (July 1999).

<sup>27</sup> Community Housing Initiatives, [www.chihousing.com](http://www.chihousing.com) (accessed July 9, 2014).

<sup>28</sup> Brad Broberg, "Main Street USA: Revitalizing the Heart of Small Towns," National Association of Realtors (June 7, 2013).

<sup>29</sup> Nicholas Breitbach, Albert Han, and Cathriona McGuire, *Downtown Redevelopment in Burlington, Iowa* (University of Iowa: May 10, 2011).

In addition to identifying federal and state sources of financial assistance mentioned previously, the financial resources guide provides information on other state and local government incentives and incentives provided through utilities. These incentives include:

- The Housing Enterprise Zone Program provided a 10% tax credit on up to \$140,000 of investment per housing unit and a refund of sales taxes paid on construction materials and services.
- Up to a 10 year property tax exemption is allowed on the value of improvements up to \$5 million for commercial property used for retail purposes and up to 50 percent of the value of increased value due to improvements for residential properties up to a maximum \$50,000 per housing unit. There are three exemption options: 100% the first three years; a 10-year sliding scale beginning with an 80% exemption year 1 with the amount reduced by 10 percentage points per year through year 4, then 40% for years 5 and 6, 30% for years 7 and 8, and 20% for years 9 and 10; a 10-year 75% exemption for residential property assessed as commercial property.
- Tax Increment Financing provided additional resources for improvements within the revitalization district.
- Incentives were made available in the form of federal tax deductions for incorporating energy efficiency measures into building rehabilitation work. The types of improvements eligible for a tax deduction include interior lighting, HVAC systems, hot water heating systems, and the building envelope.

As documented in the report, the Iowa Initiative for Sustainable Living conducted a market study to determine the demand for upper story living in downtown Burlington. This study found that 13.5% of the people surveyed intended to move downtown within two years and of those indicating this intention the majority were in the 19 to 34 age group. Of all the people surveyed 29.2% indicated they would like to rent housing downtown, 25.0% indicated they would like to purchase property, and 45.8% indicated they would not move downtown. The age groups 19 to 25 and 45 to 56 preferred to be renters, while the age group 45 to 56 also was the largest age group that preferred to be owners. Among those indicating a preference for renting between 45% and 50% were willing to pay monthly rents of between \$350 and \$500 and between \$501 and \$800. Among those who preferred being home owners over 25% were willing to have mortgage payments in excess of \$800 per month. The cost estimate for renovating the residential space in the Bookend Buildings equaled \$111.73 per square foot.

One of the more successful downtown revitalization and upper story housing development efforts in the country has been the Renaissance Rock Island Project. The effort to revitalize downtown Rock Island, IL dates back to 1992 when the Downtown Rock Island Arts and

Entertainment District was created. A major part of this revitalization effort involves the creation of downtown upper story housing.

The Tax Increment Financing (TIF) Upper Story Housing Program provides access to a 5-year zero percent forgivable loan.<sup>30</sup> Conditions for the loan include:

- A 10 percent construction contingency,
- A maximum loan of \$20,000 per unit of new housing and \$10,000 per unit for housing occupied during the past five years,
- TIF funding cannot be for more than 40 percent of total project cost, and
- A bank, credit union, or personal financing must cover the remaining 60 percent of project cost.

Each project requires a City Council-approved development agreement. Required provisions for these agreements include:

- First-floor commercial use must remain viable for five years following the renovation,
- Insurance, property taxes, and city utilities must be paid and current,
- Minimum private investment,
- No income or rental controls,
- Ownership for five years following rehabilitation or the city's tax increment financing share is immediately repaid upon sale, except in the development and sale of a condo, and
- Recorded mortgage.

A number of major housing projects have been completed in the area. Two examples are Jackson Square (2411 4<sup>th</sup> Avenue) and the Goldman Family Block (1610 – 1624 2<sup>nd</sup> Avenue). The \$8.48 million Jackson Square project created 30 residential rental units and 3,700 square feet of commercial space. The 3 one-bedroom (830 sq. ft.), 17 two-bedroom (925 sq. ft.), and 10 three-bedroom/ two-bathroom (1300 sq. ft.) apartments rent for between \$432 and \$875 per month.<sup>31</sup>

In the Goldman Family Block the four studio apartments (476 to 524 sq. ft.) and one 1,440 square foot apartment rent for between \$475 and \$750 per month. Six start-up businesses occupy the first floor space.<sup>32</sup> Also, some of the buildings in the original property were

---

<sup>30</sup> Rock Island Official Web Site, <http://www.rigov.org> (accessed July 12, 2014).

<sup>31</sup> Jackson Square, <http://rocksolidrockisland.com/index.php/hoisomh-neighborhoods/downtown-lofts/jackson-square> (accessed July 12, 2014).

<sup>32</sup> Goldman Family Block, <http://www.liveri.com/index.php/housing-neighborhoods/downtown-lofts/goldman-family-block> (accessed July 12, 2014).

demolished due to structural damage and this allowed new parking to be created for the remaining buildings and other surrounding businesses. This project cost \$11 million. Over the past seven years 194 new housing units have been created in the redevelopment district.

Two final examples of upper story housing projects reviewed for this study are the Odin Oyen/Jacob Frey Building in La Crosse, WI and North Main Street/ Depot Street Project in Concord, New Hampshire.

The real estate company Three Sixty acquired the Odin Oyen/Jacob Frey Building in 2010 and by 2012 had converted the property into nine apartments on the upper two floors and a café on the ground floor. The apartments rent for from \$412 per month for a 500 sq. ft. unit to \$2,021 per month for a 2,318 sq. ft. unit. This renovation and adaptive reuse project resulted in the building's value doubling from \$200,000 when acquired to \$400,000 after renovation.

According to the developer the lessons learned from this project include:

- Develop strong ties with the city government and other local partners.
- Understand the dynamics of the local real estate market.
- Residential drives retail, not the other way around.<sup>33</sup>

A report by the Concord, New Hampshire Main Street Program provides the most detailed project planning and cost analysis of all the reports found and reviewed for this study.<sup>34</sup> This three building project began with a market analysis that found the target market for upper story housing was younger people without children and empty nesters. To appeal to the target clientele the analysis also found that downtown housing needed to be convenient and provide a sense of security.<sup>35</sup>

The cost analysis incorporated the following assumptions:

- Building common area equaled 20 percent of total square footage,
- A cost of capital equal to 7.5 percent,
- Construction costs equal to 82.9 percent of total project cost,
- Soft costs (i.e., architecture and engineering fees, permits, construction period loan interest, and loan origination fees) equal to 16.4 percent total project cost,
- Site improvement costs (i.e., signage, lighting, and landscaping) equal to 0.7 percent of total project cost,
- Annual operating and maintenance costs (including property taxes) equal to 35 percent of gross income, and

---

<sup>33</sup> Wisconsin Downtown Action Council, *Three Sixty Real Estate in La Crosse: Upper Floor Renovations* (May 2012).

<sup>34</sup> Main Street Concord, Inc., *Downtown Housing Study* (June 12, 2007).

<sup>35</sup> *Ibid.*, p. 5.

- A vacancy factor of 5 percent.<sup>36</sup>

The financial analysis for this project found that the return on gross investment from operations of the property after the rehabilitation work was completed without any subsidies would equal only 3.50%. Taking into consideration the impact of a 20 percent federal historic rehabilitation tax credit raised the rate of return to 7.69%.

In addition, the report identifies the following obstacles to the development of downtown, upper-story housing:

- Smaller buildings, in separate ownership with limited floor area available for residential reuse,
- Buildings with utility systems and other infrastructure that are outdated and/ or at the end of their useful life,
- An untested residential market,
- Limited availability of land for dedicated parking, and
- Building and Life Safety codes that at least present the appearance of making redevelopment economically unviable.<sup>37</sup>

## Summary

The 2012 Iowa Housing Study and the five local housing studies reviewed in this chapter provide background information on the nature of housing needs in the State of Iowa. In addition, the State and local housing studies provide information on the extent of the gap between what a large share of the State's population can afford to pay for housing and what rental and single-family housing cost to develop. The case study reports and articles reviewed in this chapter were chosen to be illustrative of issues associated with the development of upper story housing. This material provides information on issues and challenges confronted and resolved in undertaking and completing upper story housing projects. Also, the case studies provide information on a variety of funding alternatives for upper story housing development projects.

---

<sup>36</sup> Ibid., p. 22.

<sup>37</sup> Ibid., Executive Summary, p. iii.

## Chapter 3 Description of Housing Assistance Programs

Iowa already provides housing assistance to communities and households through a variety of programs. This review of existing housing programs focuses only on those that are or could be used to support the expansion of upper story housing in non-metropolitan communities.

The Iowa Finance Authority serves as the lead agency of State government for many of these programs. In this capacity it serves both as a conduit for federal funds allocated to the State of Iowa and as administrator for programs established by the State. The programs administered by IFA reviewed for this report include:

- The HOME Program,
- The Main Street Loan Program,
- The Multifamily Loan Program,
- Low-Income Housing Tax Credits, and
- The State Housing Trust Fund.

In addition, the Iowa Economic Development Authority (IEDA) administers a number of programs that already provide support for the development of upper story housing. These programs include:

- The Downtown Revitalization and Main Street Programs,
- The Community Development Block Grant Affordable Housing Program, and
- Workforce Housing Tax Credits.

The Department of Cultural Affairs through the awarding of Historic Preservation Tax Credits provides another source of funding for the development of upper story housing.

This chapter does not provide a comprehensive review of these programs. Rather it provides only an overview of the programs, information on existing funding levels, and a discussion of limitations relative to their use for the development of upper story housing in non-metropolitan communities in the State.

### The HOME Program

The HOME Investment Partnership program provides formula grants to states and local jurisdictions, which often work in partnership with non-profit organizations. The program's purpose is to increase homeownership and affordable housing opportunities for low and very-

low income people. The program was authorized in Title II of the National Affordable Housing Act of 1990.

Eligible uses of HOME funds include tenant-based rental assistance, housing rehabilitation, assistance to homebuyers, and new housing construction. Eligible expenditures include site acquisition, site improvements, demolition, relocation, and other necessary and reasonable activities related to the development of non-luxury housing. HOME funds may not be used for public housing development or operations, for Section 8 tenant-based assistance, nor may they be used to provide non-federal matching contributions for other federal programs.

For rental housing projects to qualify for HOME funds at least 90 percent of the families benefited must have incomes at or below 60 percent of the area's median income and the remaining 10 percent of families must have incomes at or below 80 percent of the area's median income. For HOME funds to be used for home ownership recipient families must have income at or below 80 percent of the area's median income. HOME-assisted rental units must have rents that do not exceed applicable HOME rent limits, which the Department of Housing and Urban Development (HUD) determines each year. For rental housing projects with 5 or more units, 20 percent of the units must be rented to very low-income families. Participating jurisdictions must provide a 25 percent match for the HOME funds. Also, participating jurisdictions must set aside at least 15 percent of their allocations for housing to be owned, developed, or sponsored by community housing development organizations.

For federal fiscal years 2012 through 2014 the State of Iowa received \$6.072 million, \$5.694 million, and \$5.923 million, respectively, in HOME funds. Metropolitan areas in the State directly received \$2.746 million, \$2.623 million, and \$2.717 million over the same three years.

HOME funds have been used for upper story housing development in Iowa. One example is the Trolley Place in Oskaloosa. This mixed use project includes six 2<sup>nd</sup> and 3<sup>rd</sup> floor apartments over 7,200 square feet of commercial space on the first floor. The first phase of the project was completed in 2012. The HOME program may be a viable funding source for larger projects, but for projects involving only a few housing units its use is questionable. Also, in those instances where building owners only want to provide market rate rentals this program could not be used.

### **Main Street Loan Program**

The Main Street Loan Program is a partnership among IFA, IEDA's Main Street Program, and the

Federal Home Loan Bank of Des Moines.<sup>38</sup> This loan program provides mortgage financing for multi-family housing and commercial developments located in Main Street communities. The primary focus for these loans is downtown infill construction and upper story housing development in mixed-use buildings. As a member of the Federal Home Loan Bank, IFA has the ability to borrow funds at attractive interest rates.

To be eligible for loans the project must be approved by Main Street Iowa. IFA performs the underwriting review for the loans. Loan amounts range between \$50,000 and \$250,000 per project. Loan periods are from 3 to 15 years with up to a 30-year amortization. The interest rate for the loans is fixed at 1.35% above IFA's cost of funds. The interest rate charged on these loans is generally above 5 percent. Also, an origination fee of 1 percent is charged at closing.

This program is not now being used very extensively. Over the past three years only five loans totaling \$501,958 have been made through this arrangement. This program started in 2002 and it was used somewhat more during earlier years. As the financial crisis has abated, commercial banks have been more willing to lend to applicants than in prior years making this program less necessary. Also,

### **Multifamily Loan Program**

The Multifamily Loan Program provides affordable financing options to multifamily property owners and developers to assist in the preservation of existing affordable housing and encourage the construction of new affordable housing.<sup>39</sup> Since its inception in 2002, IFA has provided \$130 million in financing through this program. Many projects that take advantage of this program also receive an allocation of federal Low Income Housing Tax Credits (LIHTC).<sup>40</sup> To be eligible for these loans projects must meet one of the following four conditions:

- Preservation projects must have been developed using housing tax credits, state or local HOME funding, tax-exempt bonds, a HUD or United States Department of Agriculture (USDA) Rural Development program, or Authority Housing Assistance funds.
- Housing Tax Credit Financing Projects that have been allocated either 4 percent or 9 percent tax credits that have not yet started construction or have not yet obtained permanent financing.

---

<sup>38</sup> Iowa Finance Authority, <http://www.iowafinanceauthority.gov/Public/Pages/PC115LN31> (accessed July 10, 2014).

<sup>39</sup> Iowa Finance Authority, <http://www.iowafinanceauthority.gov/Public/Pages/PC106LN31> (accessed July 10, 2014).

<sup>40</sup> Tim Moran, Iowa Finance Authority, email dated June 23, 2014 and phone call July 10, 2014.

- For Workforce Housing loans may be made to a city or county for the purpose of being reloaned to a borrower who rehabilitates or constructs rental workforce or affordable housing within the jurisdiction.
- Unrestricted projects that have no affordability restriction are also eligible.

Similar to the Main Street loans, demand for the Multifamily Loan Program has fallen off the past few years. This is likely due to loan requirements of commercial banks becoming less restrictive. During FY 2011 through FY 2013 loan amounts under this program have been \$40.5 million, \$9.6 million, and \$3.5 million, respectively.

### **Low-Income Housing Tax Credits**

With the passage of the Tax Reform Act of 1986 Congress created the Low-Income Housing Tax Credit (LIHTC) Program. Tax credits are awarded under this program to developers of rental housing projects intended to serve low-income individuals and families. The credits are awarded for a 10-year period. The Iowa Finance Authority administers this program. Since its inception these credits have provided funding for the development of nearly 21,000 housing units in more than 580 projects located in 83 counties.<sup>41</sup>

Because the demand for the credits exceeds the available amount of credits allocated to the State by the U.S. Department of Housing and Urban Development (HUD), IFA awards the credits on a competitive basis. Proposed projects for which developers have completed a market analysis, paid an application fee, and that meet threshold criteria established by IFA are scored and ranked. For example, for 2014 IFA received 44 applications totaling \$23.3 million and made awards to 15 projects totaling \$7.7 million.<sup>42</sup>

The amount of credits allocated to Iowa each year equals \$1.75 per resident of the state with the amount being adjusted for inflation since 2003.<sup>43</sup> Only the first year of the 10-year award period counts against the State's annual credit allocation. According to the HUD Low-Income Housing Tax Credit web page Iowa's credit allocations the most recent three years equal \$6.6 million for 2012, \$6.8 million for 2013, and \$6.8 million for 2014.

Iowa awards these credits for both new construction and for rehabilitation projects. The 2014 IFA awards summary indicates that average cost per unit for rehabilitation projects that

---

<sup>41</sup> Iowa Finance Authority, <http://iowafinanceauthority.gov/Public/Pages/PC116LN23> (accessed August 15, 2014).

<sup>42</sup> Iowa Finance Authority, 2014 Iowa Housing Tax Credit Awards (March 12, 2014), p. 24.

<sup>43</sup> U.S. Department of Housing and Urban Development, [http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/affordablehousing/training/web/lihtc/basics/allocating](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordablehousing/training/web/lihtc/basics/allocating) (accessed August 15, 2014).

received LIHTC wards equaled \$129,120 and that the credit amount per unit equaled \$8,823, or 6.8 percent of the unit cost.<sup>44</sup>

### **State Housing Trust Fund**

Iowa is one of 47 states that have State Housing Trust Funds (SHTF). The Iowa Finance Authority administers this program. The Iowa program consists of two parts. Sixty percent of the annual allocation is provided through grants to Local Housing Trust Funds (LHTF). IFA awards the remainder on a project specific basis for use in funding the development of affordable single-family and multifamily housing.

According to the Center for Community Change, “Housing trust funds systematically shift affordable housing funding from annual budget allocations to the commitment of dedicated public revenue. While housing trust funds can also be a repository for private donations, they are not public/private partnerships, nor are they endowed funds operating from interest and other earnings.”<sup>45</sup>

Iowa has four city, seven county, and 15 regional Local Housing Trust Funds. All except 13 Iowa counties are served by one of these funds. Iowa Code Section 16.181 provides the statutory authority for creating LHTFs in the State.

In order to receive funds LHTFs must be approved by IFA and meet all of the following conditions:

- Have a local board recognized by the city, county, council of governments, or regional officials as the board responsible for coordinating local housing programs,
- Have a housing assistance plan approved by the IFA,
- Have sufficient staff administrative capacity in regard to housing programs, and
- Meet the local match requirement approved by IFA.<sup>46</sup>

Up to \$3 million per year of revenues generated from the State real estate transfer tax is dedicated to the SHTF. Also, each of the past three fiscal years the Iowa General Assembly has appropriated \$3 million to the SHTF from the Rebuild Iowa Infrastructure Fund (RIIF). Other funds came from interest income and loan repayments.<sup>47</sup>

---

<sup>44</sup> Iowa Finance Authority, 2014 Iowa Housing Tax Credit Awards (March 12, 2014), p. 24.

<sup>45</sup> Center for Community Change, <http://housingtrustfundproject.org/our-project/about/> (accessed July 10, 2014).

<sup>46</sup> *Iowa Code*, Section 16.181.

<sup>47</sup> Terri Rosonke email dated July 18, 2014.

For FY 2014 IFA made allocations to the LHTFs totaling \$7.5 million. In addition, IFA made ten project-based awards totaling \$449,000.

### **Downtown Revitalization and Main Street Programs**

Iowa established its Main Street Program in 1985. Initially the program focused on the revitalization of downtowns in cities with populations between 5,000 and 50,000. Today there are four different categories of Main Street communities:

- Rural Main Street (under 5,000 population), 28,
- Main Street (5,000 to 49,999 population), 17,
- Urban Main Street (population 50,000 and over), 4, and
- Urban Commercial Neighborhood, 3.<sup>48</sup>

Historically, the Main Street Program has followed a four-point approach to downtown revitalization:

- Help communities organize volunteer organizations and establish partnerships among local organizations,
- Develop and facilitate community promotional activities, events, and marketing campaigns,
- Build a sense of place through restoration of community defining design elements, and
- Strengthen local businesses through economic restructuring.<sup>49</sup>

In 2002, recognizing that communities not yet ready to join the Main Street Program could nevertheless benefit from technical assistance, the Iowa Economic Development Authority established the Iowa Downtown Resource Center (IDRC). The Main Street Program is now part of the Downtown Resource Center.

The IDRC offers fee-based, technical assistance services including design assistance, business improvement planning, organizational and board building and promotion. In addition, the IDRC maintains an information exchange that gives communities access to examples of revitalization

---

<sup>48</sup> Iowa Economic Development Authority, <http://www.iowaeconomicdevelopment.com/IDRC/MainStreetIowa> (accessed July 15, 2014).

<sup>49</sup> National Main Street Center, <http://www.preservationnation.org/main-street/about-main-street/the-approach/> (accessed July 15, 2014).

projects and activities, sample contacts, and qualified consultants in the fields of architecture, structural engineering, landscape architecture, and more.<sup>50</sup>

Becoming a Main Street community requires both a time and financial commitment. Although each Main Street community is served by either a part-time or full-time coordinator, a local board provides direction for local activities and leads fund raising activities. The administrative cost associated with being a Main Street community can run from between \$50,000 and \$100,000 per year.

Being a Main Street community offers a number of benefits. In addition to a broad range of types of technical assistance, the Main Street Program offers financial assistance through Challenge Grants. The amount of funds awarded each year depending on federal and state allocations and appropriations. The Iowa General Assembly appropriated \$1 million to the Main Program for Challenge Grants during FY 2015 of which \$950,000 will be awarded for projects. This year grants will range in amount from \$15,000 to \$75,000. Communities must match the grants on at least a dollar for dollar basis. Eligible uses include upper floor interior rehabilitation and structural repairs and improvements.<sup>51</sup>

### **Community Development Block Grant Program**

The Community Development Block Grant (CDBG) Program administered by the Iowa Economic Development Authority provides another source of funding for housing projects. The CDBG Affordable Housing program annually awards funds on a competitive basis for use in the rehabilitation of owner-occupied single-family homes. Funds are awarded on an annual cycle with applications due in January and awards announced in March. The maximum award is \$37,500 per housing unit with a hard (construction) cost limit of \$24,999 per unit. Other eligible cost items include technical services, lead hazard reduction, and temporary relocation. Technical services costs are limited to \$4,500 per unit. This program focuses primarily on assisting low- and moderate-income households.<sup>52</sup>

Another CDBG program that indirectly provides support for the promotion and development of additional upper story housing is the Downtown Revitalization Fund. This program provides grants to communities that contribute to the revitalization of historic town centers. All

---

<sup>50</sup> PlaceEconomics, *Getting Results: The Economic Impact of Main Street Iowa, 1986 – 2012* (May 2013), pp. 4 – 5.; Iowa Economic Development Authority,

<http://www.iowaeconomicdevelopment.com/CommunityDevelopment/IDRC> (accessed July 15, 2014)

<sup>51</sup> Iowa Economic Development Authority, *Main Street Challenge Grant Guidelines* (2014).

<sup>52</sup> Iowa Economic Development Authority, <http://www.iowaeconomicdevelopment.com/CDBG/CDBGHousing> (accessed July 15, 2014).

incorporated cities and counties, except those designated as Housing and Urban Development (HUD) entitlement areas, are eligible for this program. The maximum grant award is \$500,000, but communities with populations less than 300 are limited to \$1,000 per capita and communities with populations between 300 and 999 are limited to awards of \$300,000. To date these funds have been used primarily for façade improvements of privately owned buildings.<sup>53</sup> By improving the image of historic downtowns housing in these areas becomes more attractive. Also, supplementing funds building owners spend on exterior work frees up resources for interior renovations.

### **Workforce Housing Tax Credit**

The Workforce Housing Tax Credit (WHTC) replaces the Housing Enterprise Zone Tax Credit (HEZ). The new housing tax credit was established in House File 2448 enacted during the 2014 session of the Iowa General Assembly. Administrative rules for the WHTC are not yet complete.

To qualify for WHTCs a project must satisfy one of the following four conditions:

- Be located on a grayfield or brownfield site,
- Repair or rehabilitate dilapidated housing stock,
- Be an upper story housing project, or
- Be new construction in a community with demonstrated workforce housing needs.

Other conditions include:

- The developer must build or rehabilitate at least four single-family homes or at least one multi-family building containing three or more units or at least two upper story units.
- Total project cost may not exceed \$200,000 per unit for new construction or \$250,000 per unit for historic rehabilitation.
- Total program benefits are limited to a maximum of \$1 million per recipient.
- The housing project must be completed within three years of the award.
- IEDA must approve the developer's application for WHTCs prior to project initiation.

The credit amount equals up to 10 percent of the investment directly related to the construction or rehabilitation of housing. The amount of investment that may be used in computing the tax credit amount is limited to the first \$150,000 per housing unit. The qualifying investment amount is net of the value of federal, state, and local tax credits, grants,

---

<sup>53</sup> Iowa Economic Development Authority, <http://www.iowaeconomicdevelopment.com/CDBG/DowntownFund> (accessed July 15, 2014).

forgivable loans, and other forms of financial assistance. The tax credits are fully transferable. The total amount of WHTCs that may be awarded per fiscal year equals \$20 million. In addition to the investment tax credits, projects that qualify for the WHTCs are eligible for a refund of state sales and use taxes paid for construction materials and services.

### **State Historic Preservation and Cultural and Entertainment District Tax Credit**

The Iowa Historic Preservation Tax Credit was established in 2000.<sup>54</sup> Initially, the amount of credits that could be awarded annually was limited to \$2.4 million. However, the Department of Cultural Affairs circumvented this limit by awarding credits several years into the future. In 2003 legislation expanded eligibility for this tax credit program to include properties located in Cultural and Entertainment Districts. Additional legislation has greatly increased the amount of credits that may be awarded each year. The current annual awards cap equals \$45 million. The total award amount is divided amount five funding categories.

- Ten percent of credits are designated for projects that cost less than \$750,000,
- Thirty percent for projects located in Cultural and Entertainment Districts,
- Twenty percent for projects located in disaster recovery areas,
- Twenty percent for projects associated with the creation of 500 or more jobs, and
- Twenty percent for any eligible project.

Credits not awarded within a designated category can be rolled into the other categories.

These tax credits are both fully refundable and transferable. Non-profit organizations and government entities are eligible for the credits. Also, making the credits transferable provides a means for those undertaking historic preservation projects to raise working capital prior to completion of the project.

The credit amount equals 25 percent of qualified rehabilitation costs as defined by the U.S. Department of the Interior incurred for the substantial rehabilitation of an eligible property. To qualify for the credit the property or district must satisfy at least one of the following conditions:

- The property must be listed in the National Register of Historic Places or be eligible for such a listing.

---

<sup>54</sup> Iowa Department of Revenue, *Tax Credits Users' Manual: A Descriptive Guide to Iowa's State Tax Credits* (August 2013), pp. 44 – 47.

- The property is designated as having historic significance to a district listed in the National Register of Historic Places or be eligible for such a listing.
- The property or district is designated as a local landmark by a city or county ordinance.
- The property is a barn constructed before 1937.

Substantial rehabilitation for commercial property means rehabilitation costs must equal at least 50 percent of the assessed value of the property, excluding land value, prior to initiation of the project. For residential property and barns the substantial rehabilitation requirement is met if the rehabilitation costs equal either \$25,000 or 25 percent of the property's assessed value, excluding land value, prior to initiation of the project.

Since 2001, 290 projects have been awarded historic preservation tax credits. Prior to rehabilitation 105 of the properties contained 1,259 housing units. After rehabilitation 186 properties contained 3,075 housing units. This equals an increase of 1,816 housing units, or in percentage terms a 144.2% increase.

Only 84 of the projects that involved either the rehabilitation or creation of housing units were of a commercial nature. The remainder of the housing rehabilitation projects involved owner-occupied housing. Of the 84 commercial housing projects most involved properties located in metropolitan areas. Only 26 of the projects were located in non-metropolitan cities. Prior to rehabilitation these non-metropolitan area projects contained 144 housing units and after the projects were completed the number of housing units equaled 376 housing units. Most of these projects involved low and moderate income housing. The number of such housing units in non-metropolitan area commercial properties that received historic preservation tax credits increased from 129 to 337.<sup>55</sup> The total value of the credits awarded for these projects is not included because the Iowa Department of Cultural Affairs considers such information confidential.

---

<sup>55</sup> Iowa Department of Cultural Affairs, Historic Preservation and Cultural and Entertainment District Tax Credit Inventory (created March 18, 2014).

## Summary

The nine programs described in this chapter do not constitute all sources of public funds that may be accessed for upper story housing rehabilitation projects. Federal funding sources that may be accessed directly without involvement of State government are omitted. Private, local non-profit foundation, and local government funding sources are not addressed here. However, some of the local funding sources will be discussed later in the report as examples of experimentation that other cities may wish to try.



## Chapter 4 Case Study Cities – Statistical Profile

To obtain an understanding of the potential for developing additional housing in the upper stories of commercial buildings located in non-metropolitan downtowns twenty case study cities were selected for detailed analysis. The study of these cities began with the development of a statistical profile for each that includes the following information:

- Total population, births, and deaths for the county where the city is located from 1990 - 2012,
- Total city population from 1990 – 2013,
- City population by age cohort and gender from the 2000 and 2010 U.S. Censuses, city employment and median wage by major sector from the American Community Survey,
- Household characteristics from the 2010 U.S. Census,
- Housing occupancy characteristics from American Community Survey, and
- Rental rate profiles from the American Community Survey.

Before presenting a summary and comparison of the statistical profiles for the 20 cities, the next section discusses the selection methodology for the case study cities.

### Case Study Cities Selection Methodology

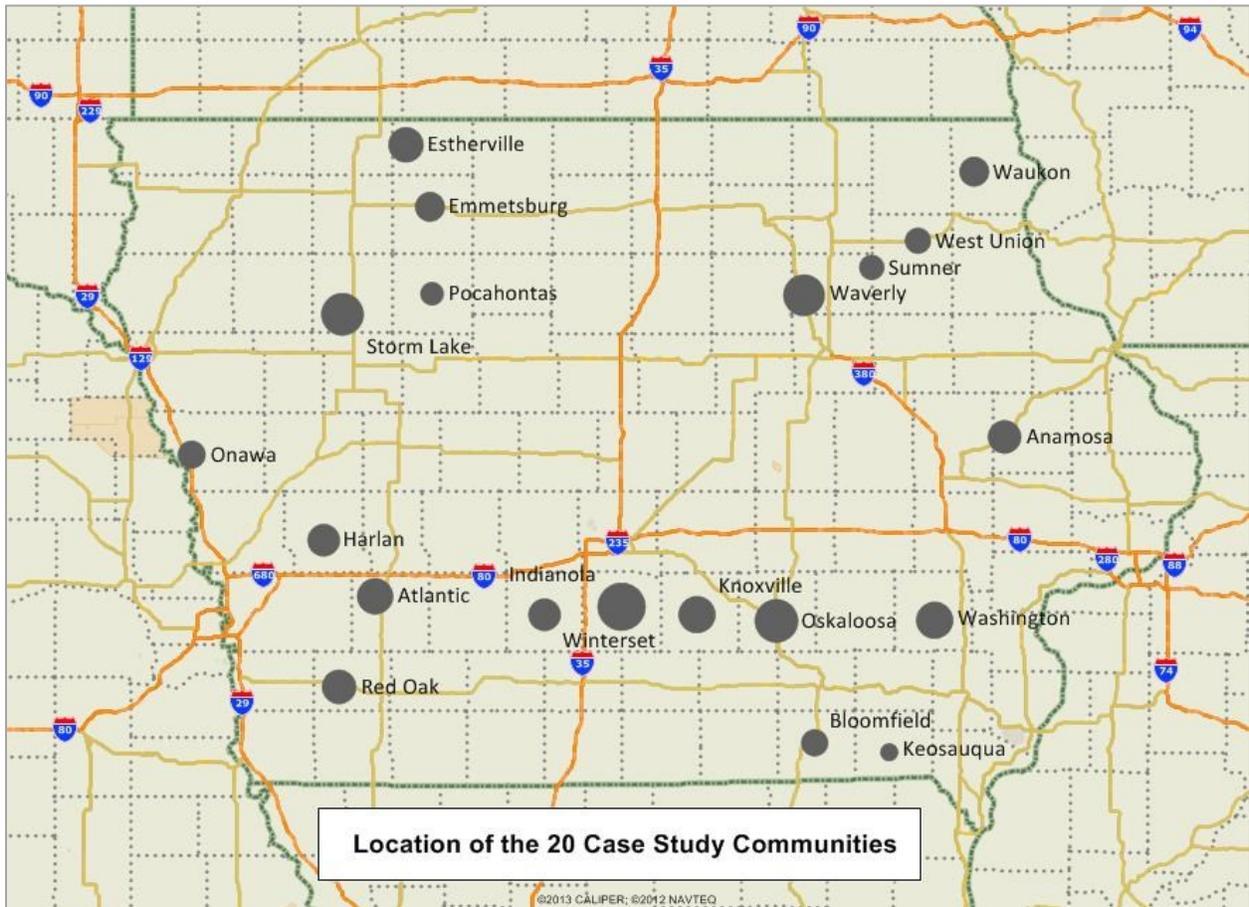
Iowa has 946 incorporated cities. Because the focus of this study was non-metropolitan cities, the 40 cities that comprise the State's nine metropolitan areas were excluded. Metropolitan area for the purpose of this study was defined narrowly to include only core cities and suburbs. For example, the U.S. Office of Management and Budget (OMB) includes Madison County as part of the Des Moines Metropolitan Statistical Area. However, no cities in Madison County were excluded from consideration as case study cities.

The remaining list of 906 cities was reduced to 132 through a filtering process. The filters applied to the 906 non-metropolitan area cities include:

- Main Street Program participation,
- Iowa Great Places selection,
- County Seat location,
- Presence of a college,
- Presence of a hospital,
- Presence of a high school, and
- Number of sales tax permit holders.

The final step in the selection of the 20 case study cities involved dividing the State into quarters and stratifying the 132 cities into five population size groups. Then one city from each quarter of the State and each population group was randomly selected for the sample.<sup>56</sup> The data used in making the sample selection is provided in Appendix A. Figure 1 shows the locations and relative sizes of the 20 cities.

Figure 1: Case Study Cities



### Demographic Characteristics

Most non-metropolitan cities developed as service centers for surrounding rural agricultural areas. That function still exists, but now the dominant role of many of the larger non-metropolitan cities in Iowa has become that of government, education, and health care service

<sup>56</sup> After the initial selection of the 20 case study cities, substitutions had to be made because of the inability to obtain some needed data for three of the initially selected cities.

centers. In addition, to some extent many of these cities serve as retirement centers for an aging rural population.

One measure of the importance of these cities is the ratio of their population to that of the counties in which they are located and the extent to which these ratios have changed over the past two plus decades. Table 1 presents city and county populations for each of the 20 case study cities for 1990 and 2013, the ratios of city to county population for these two years and the change in the ratios between these two years.

In 2013, of the case study cities, Estherville accounted for the largest share of its county's population equaling 61.3%. This share increased by 2.8 percentage points from 58.5% in 1990. At the other extreme, Sumner accounted for only 8.2% of the total population of Bremer County in 2013, which is a decrease of 1.0 percentage point from 1990.

In 2013, fifteen of the case study cities accounted for over 25 percent of their counties' total population. Thirteen of the cities increased their population shares over the 23 years. Of the seven that lost share three actually experienced population growth, but just not at as great a rate as the remainder of their county. For example, Winterset grew by 618 (13.8%), but Madison County's population increased by 2,932 (23.4%). Being located in the shadow of the Des Moines Metropolitan Area has fueled considerable rural residential development in the county in recent years.

Knoxville experienced the largest drop in population experiencing a loss of 1,066 residents, which equals 12.4% of its 1990 population, while Marion County experienced an increase of 3,257 (10.9%). In this instance, Knoxville's relative position within the county was impacted by two opposing factors. Pella, another city located in Marion County, experienced strong growth as the result of the expansion of local manufacturers, while Knoxville suffered the loss of a major employer when the U.S. Veterans Administration consolidated most functions of a large hospital facility with another hospital located in Des Moines.

Additional perspective for the case study cities is provided by changes in population and sources of population change. The sources of change in population are "natural change" and "net migration." Natural change equals births minus deaths and net migration equals total change minus natural change. Since birth and death counts are not reported by city, the county level changes presented in Table 2 provide the best picture of these sources of population change for the case study cities. Also, because birth and death counts are not yet available for 2013, the components of change comparisons cover the years 2000 through 2012.

Table 1: City Share of County Population, 1990 and 2013

City	County	City Population		County Population		City Shares		
		1990	2013	1990	2013	1990	2013	Change
Anamosa	Jones	5,114	5,545	19,480	20,611	26.3%	26.9%	0.7%
Atlantic	Cass	7,512	6,937	15,110	13,598	49.7%	51.0%	1.3%
Bloomfield	Davis	2,625	2,645	8,321	8,791	31.5%	30.1%	-1.5%
Emmetsburg	Palo Alto	3,959	3,811	10,642	9,185	37.2%	41.5%	4.3%
Estherville	Emmet	6,781	6,126	11,592	9,996	58.5%	61.3%	2.8%
Harlan	Shelby	5,246	5,027	13,235	11,961	39.6%	42.0%	2.4%
Indianola	Warren	11,148	15,108	36,170	47,336	30.8%	31.9%	1.1%
Keosauqua	Van Buren	1,031	990	7,683	7,436	13.4%	13.3%	-0.1%
Knoxville	Marion	8,317	7,251	29,995	33,252	27.7%	21.8%	-5.9%
Onawa	Monona	2,940	2,937	10,003	9,121	29.4%	32.2%	2.8%
Oskaloosa	Mahaska	10,740	11,568	21,563	22,417	49.8%	51.6%	1.8%
Pocahontas	Pocahontas	2,144	1,757	9,493	7,154	22.6%	24.6%	2.0%
Red Oak	Montgomery	6,276	5,568	12,074	10,424	52.0%	53.4%	1.4%
Storm Lake	Buena Vista	8,954	10,790	19,992	20,567	44.8%	52.5%	7.7%
Sumner	Bremer	2,113	2,024	22,854	24,624	9.2%	8.2%	-1.0%
Washington	Washington	7,164	7,370	19,617	22,015	36.5%	33.5%	-3.0%
Waukon	Allamakee	4,505	3,869	13,836	14,169	32.6%	27.3%	-5.3%
Waverly	Bremer	8,733	10,070	22,854	24,624	38.2%	40.9%	2.7%
West Union	Fayette	2,513	2,444	21,889	20,502	11.5%	11.9%	0.4%
Winterset	Madison	4,476	5,094	12,516	15,448	35.8%	33.0%	-2.8%

Source: U.S. Census Bureau

This analysis shows that 9 of the 19 counties where case study cities are located lost population between 1990 and 2012.<sup>57</sup> All of the nine counties that experienced decreases in total population also experienced more deaths than births – negative natural change. Eleven counties experienced net out-migration. Eight of the counties that experienced negative natural change also experienced net out-migration. Monona County had 1,154 more deaths than births over the 22 years, but this source of population loss was partially offset by an in-migration of 316 people. Davis County on the other hand lost 295 residents to out-migration, but 690 more births than deaths allowed the county to add population.

<sup>57</sup> There are only 19 distinct counties because Sumner and Waverly are both located in Bremer County.

Table 2: Components of Case Study County Population Change, 1990 – 2012

City	County	County Population		Change			Change Share	
		1990	2012	Total	Natural Change	Net Migration	Natural Change	Net Migration
Anamosa	Jones	19,480	20,594	1,114	728	386	65.4%	34.6%
Atlantic	Cass	15,110	13,716	-1,394	-686	-708	49.2%	50.8%
Bloomfield	Davis	8,321	8,716	395	690	-295	174.7%	-74.7%
Emmetsburg	Palo Alto	10,642	9,298	-1,344	-565	-779	42.0%	58.0%
Estherville	Emmet	11,592	9,997	-1,595	-69	-1,526	4.3%	95.7%
Harlan	Shelby	13,235	12,089	-1,146	-354	-792	30.9%	69.1%
Indianola	Warren	36,170	46,926	10,756	4,010	6,746	37.3%	62.7%
Keosauqua	Van Buren	7,683	7,459	-224	-88	-136	39.3%	60.7%
Knoxville	Marion	29,995	33,322	3,327	1,547	1,780	46.5%	53.5%
Onawa	Monona	10,003	9,165	-838	-1,154	316	137.7%	-37.7%
Oskaloosa	Mahaska	21,563	22,447	884	1,445	-561	163.5%	-63.5%
Pocahontas	Pocahontas	9,493	7,166	-2,327	-764	-1,563	32.8%	67.2%
Red Oak	Montgomery	12,074	10,552	-1,522	-562	-960	36.9%	63.1%
Storm Lake	Buena Vista	19,992	20,562	570	1,464	-894	256.8%	-156.8%
Sumner	Bremer	22,854	24,472	1,618	602	1,016	37.2%	62.8%
Washington	Washington	19,617	21,942	2,325	1,201	1,124	51.7%	48.3%
Waukon	Allamakee	13,836	14,203	367	310	57	84.5%	15.5%
Waverly	Bremer	22,854	24,472	1,618	602	1,016	37.2%	62.8%
West Union	Fayette	21,889	20,822	-1,067	-185	-882	17.3%	82.7%
Winterset	Madison	12,516	15,628	3,112	734	2,378	23.6%	76.4%

Source: U.S. Census

Seven counties realized population gains in excess of 1,000 people. Warren County experienced the greatest gain with 10,756 new residents. Of this total change 4,010 (37.3%) resulted from natural change and 6,746 (62.7%) resulted from net in-migration. Seven other counties lost more than 1,000 residents over the 22 years. Pocahontas suffered the largest loss with its population dropping by 2,327 residents (24.5%). This loss is split 764 (32.8%) due to natural change and 1,563 (67.2%) due to net out-migration.

Another aspect of population changes in these cities that has a major impact on the demand for housing in total and for different types of housing involves the age distribution of each city's population. The U.S. Census Bureau compiles population counts from each decennial census by 5-year age cohorts from age 0 to 84 years, plus one additional cohort for people age 85 and

over.<sup>58</sup> For this study the eighteen census cohorts are compressed into five that roughly correspond to different periods of housing demand. These five cohorts are: (1) ages 0 to 19 (minor children), (2) ages 20 to 44 (young adult), (3) ages 45 to 64 (middle age), (4) ages 65 to 74 (young elderly), and (5) ages 75 and over (old elderly). The second and third of these reconfigured age cohorts are of the most interest for this study. These are the two age groups most likely to be attracted by downtown housing.<sup>59</sup>

Figure 2 shows changes in the “young adult” and “middle age” cohorts between 2000 and 2010 for the 20 case study cities. Only three of the cities experienced growth in the young adult cohort over these ten years. These three cities are Indianola, Waverly, and Winterset. All three of these cities are similar in that they are located within short commutes of metropolitan areas. Also, Indianola and Waverly are the homes of 4-year private colleges. Atlantic, Knoxville, and Red Oak experienced relatively large decreases in their young adult populations.

Digging into the young adult cohort a little more deeply finds that for the 20 cities as a whole the youngest of the cohorts (ages 20 to 34) did increase in number growing by 1,133 (5.5%) over the ten years. Fourteen of the cities experienced population growth within this age group. In addition, the gender distribution of this growth is heavily tilted toward females, who accounted for 60.2% of the growth. It is likely this age group includes a large number of single individuals, who are more likely to rent apartments than own homes.

The number of older young adults (ages 35 to 44) for the 20 cities decreased by 2,888 (18.7%). This loss of population was fairly evenly balanced by gender being 47.2% male and 52.8% female. The members of this age group are more likely than the younger group to be living in family households and to live in owner-occupied housing.

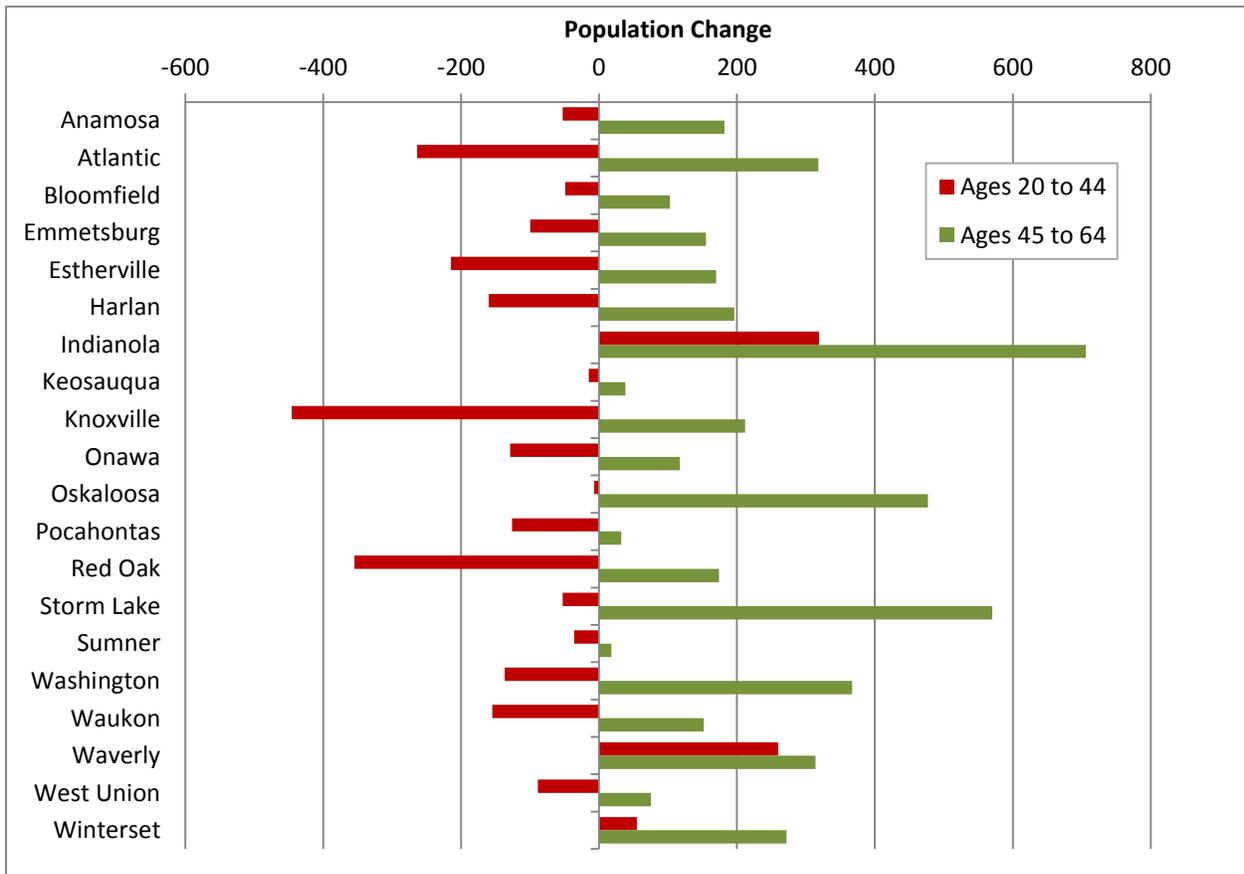
All twenty of the cities experienced increases in their middle age population cohorts. Atlantic, Indianola, Oskaloosa, Storm Lake, Washington, Waverly, and Winterset experienced the largest increases for this age group. A variety of different factors explain the growth of this population cohort in these cities. Some of these factors include: close proximity to metropolitan areas, the location of 4-year private colleges, and diversified economies. The importance of different factors that impact the growth of the case study cities are discussed further in Chapter 6. Also, the next section provides information on the economic character of each city based on employment statistics.

---

<sup>58</sup> The U.S. Census only makes the age cohort data by city available through the Internet for the 2000 and 2010 censuses. These age cohort data are available in total and by sex. Only the total population distributions are presented in this report, but the distributions by sex are included in each case study city’s statistical data set compiled for this project.

<sup>59</sup> For the age cohort analysis, the population of Anamosa was adjusted to exclude the population of the men’s prison.

Figure 2: Population Change for Young Adult and Middle Age Cohorts, 2000 to 2010



Source: U.S. Census

Data used to prepare Figure 2 and other figures in this chapter of the report are presented in tables in Appendix B.

### Economic Characteristics

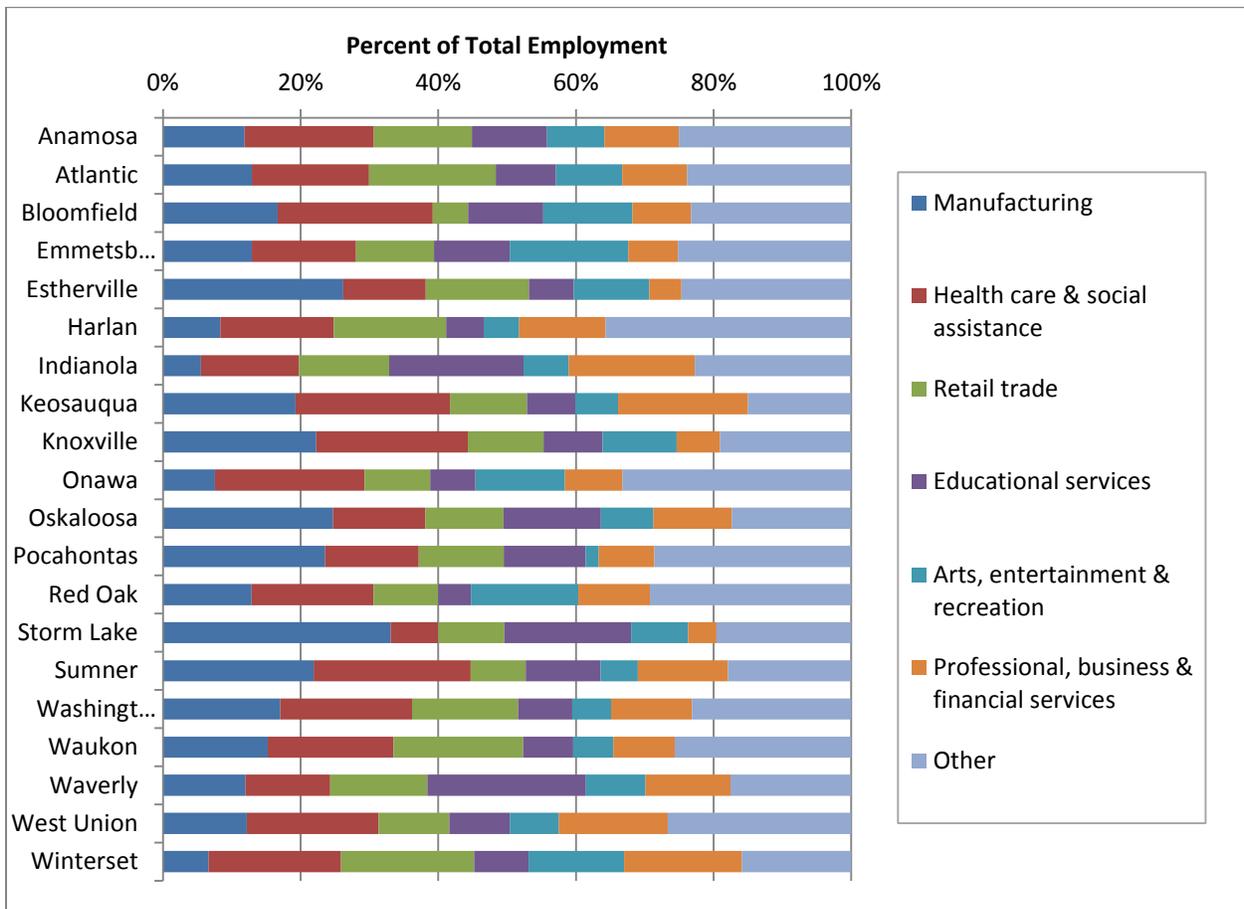
Data on employment levels were obtained from the U.S. Census Bureau’s American Factfinder Internet site. The source of these data is the American Community Survey, which annually collects data from 3.5 million households. The city employment estimates used in this analysis are based on data collected for the years 2008 through 2012.<sup>60</sup> Taking the workforces of all 20

<sup>60</sup> The U.S. Census Bureau only began producing employment estimates for smaller cities in 2010, so employment changes over a meaningful time period are not available for the case study cities.

cities together the economic sectors with the most workers are manufacturing (16.4%), health care and social assistance (15.5%), retail trade (13.1%), educational services (12.6%), and arts, entertainment and recreation (8.9%).<sup>61</sup> These five sectors account for just under two-thirds of total employment.

Figure 3 shows the relative importance of each of these five sectors, plus a combination of professional, business, and financial services for the 20 cities. With the exception of Harlan, Indianola, Onawa, and West Union the five top sectors account for 60 percent or more of total city employment.

Figure 3: Employment by Business Sector, 2008 - 2012



Source: U.S. Census Bureau, American Community Survey, 2008 - 2012

<sup>61</sup> Employment in the arts, entertainment and recreation sector consists primarily of bar, restaurant, and lodging place workers.

The distribution of employment across the different sectors exhibits considerable variation. The share of total employment accounted for by the manufacturing sector spans the range from 5.5% in Indianola to 33.1% in Storm Lake. For the health care and social services sector the employment shares range from 6.9% in Storm Lake to 22.8% in Sumner. For the retail trade sector the employment shares range from 5.2% in Bloomfield to 19.3% in Winterset. For the educational services sector the employment shares range from 4.8% in Red Oak to 23.0% in Waverly. And for the arts, entertainment and recreation sector employment shares range from 1.9% in Pocahontas to 17.2% in Emmetsburg.

Some of these differences are easily explained. For example, the cities with the highest educational services employment shares are Waverly (23.0%), Indianola (19.5%), Storm Lake (18.4%), and Oskaloosa (14.2%), which are homes to Wartburg College, Simpson College, Buena Vista University, and William Penn University, respectively. The presence of colleges and universities provides a potential tenant population for additional downtown housing in these cities.

In Emmetsburg the high arts, entertainment, and recreation sector employment reflects the presence of the Wild Rose Casino Resort, which employs 266 workers. These workers also potentially would be attracted to rental housing in the city's downtown, which is located only about 1.1 miles west of the casino.

Cities with high schools and hospitals also employ a pool of workers who may be attracted by downtown rental housing. All of the 20 case study have high schools and 17 have hospitals.

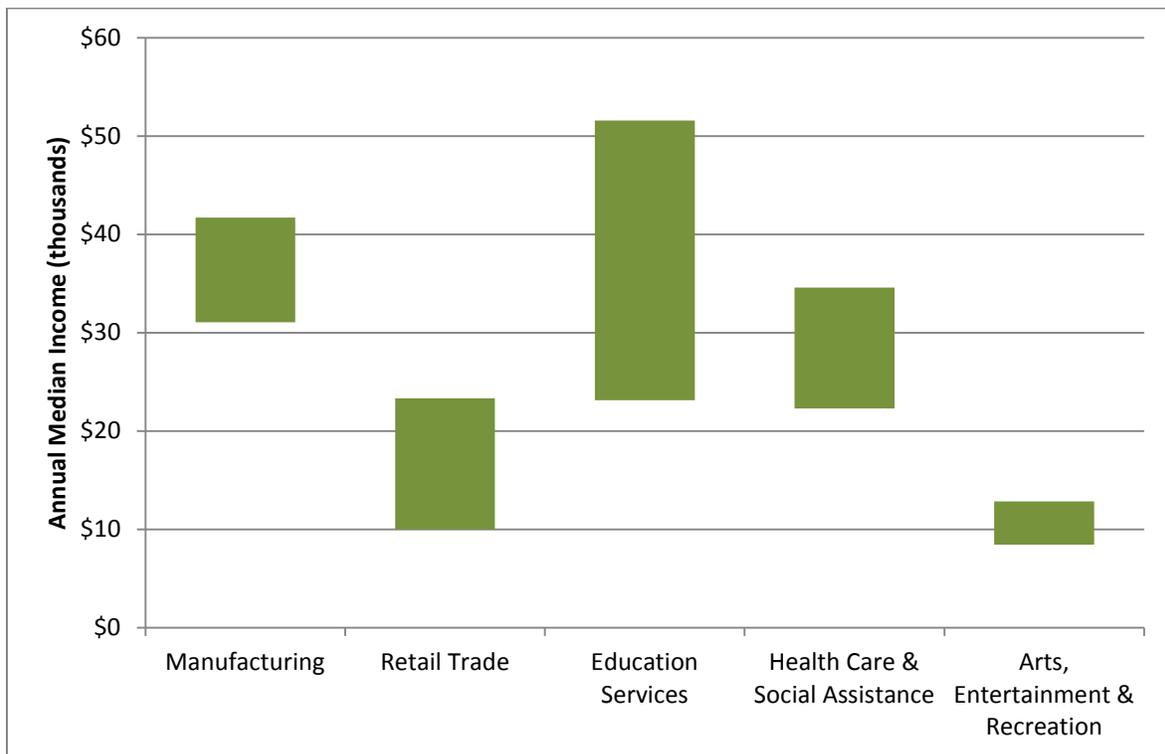
As will be discussed more fully in Chapter 5, all five of the leading employment sectors employ workers who may be attracted to downtown housing. Many of these workers are young and single. Also, for many of these workers earnings, particularly during the early years of their careers, are inadequate to qualify for a mortgage. This is especially true since 2008 when the collapse of the housing market led the nation into recession and caused mortgage companies to tighten their lending standards.

As shown in Figure 4, among the case study cities the median annual pay for manufacturing workers ranges between \$31,054 and \$41,692. For educational services and health care workers the median income ranges are \$23,125 to \$51,576 and \$22,296 to \$34,602, respectively. The median incomes for retail trade and arts, entertainment, and recreation sector workers are particularly low. For retail trade workers the median annual income ranges between \$10,000 and \$23,333 and for workers in the arts, entertainment, and recreation sector, which includes restaurant and lodging place workers, median annual pay ranges between \$8,452 and \$12,857. For these latter two groups of workers, for whom jobs are often

part-time, the low pay may require living with roommates and holding multiple jobs, which favors apartment living with limited property maintenance obligations.

The next section looks at the household and housing characteristics of the case study cities. Among the factors addressed are household structure, rental rates, and rent as share of household income.

Figure 4: Case Study Cities' Median Income Ranges for Selected Industry Sectors



Source: U.S. Census Bureau, American Community Survey, 2008 - 2012

### Household and Housing Characteristics

Single persons, young and small families, and empty nesters are the types of households more likely to be renters than are other types of individuals and families. Also, among home-owners the same types of individuals and families are more likely to favor condominiums over single-family detached homes than are other types of households.

The U.S. Census collects information on household members' relationships and on household type. Table 3 presents the household members' relationships tabulations for 2010 for each case study city. Table 4 presents the 2010 household type tabulations for each city.

Table 3: Household Members' Relations and Living Arrangements, 2010

City	Total Population	Living In households						Living In group quarters		
		Total	Householder	Spouse	Child	Other Relatives	Non-relatives	Total	Institutionalized	Non-institutionalized
Anamosa	5,533	4,369	1,941	803	1,255	117	253	1,164	1,164	0
Atlantic	7,112	6,921	3,137	1,474	1,781	178	351	191	173	18
Bloomfield	2,640	2,542	1,122	526	708	58	128	98	98	0
Emmetsburg	3,904	3,628	1,632	767	913	62	254	276	132	144
Estherville	6,360	5,970	2,607	1,150	1,671	194	348	390	141	249
Harlan	5,106	5,011	2,222	1,063	1,334	118	274	95	95	0
Indianola	14,782	13,262	5,477	2,799	3,983	319	684	1,520	284	1,236
Keosauqua	1,006	944	459	198	228	24	35	62	62	0
Knoxville	7,313	7,140	3,169	1,391	2,036	232	312	173	132	41
Onawa	2,998	2,934	1,345	560	782	99	148	64	54	10
Oskaloosa	11,463	10,844	4,715	2,075	2,977	404	673	619	215	404
Pocahontas	1,789	1,740	852	409	399	29	51	49	49	0
Red Oak	5,742	5,614	2,481	1,059	1,577	162	335	128	110	18
Storm Lake	10,600	9,722	3,536	1,690	3,022	848	626	878	132	746
Sumner	2,028	1,950	869	464	515	37	65	78	78	0
Washington	7,266	7,048	3,048	1,417	1,937	239	407	218	204	14
Waukon	3,897	3,763	1,781	766	929	91	196	134	121	13
Waverly	9,874	8,297	3,546	1,921	2,217	127	486	1,577	238	1,339
West Union	2,486	2,349	1,106	498	594	37	114	137	137	0
Winterset	5,190	4,998	2,062	1,062	1,528	149	197	192	183	9

Source: U.S. Census

Table 3 makes a distinction between people residing in households and those living in group quarters. Group quarters include prisons, skilled nursing facilities, group homes, college dormitories, and military barracks. Institutionalized group living facilities include prisons and skilled nursing facilities. People living in institutional group facilities do not place additional demand on the local housing market. For example, the prison population in Anamosa does not directly impact the demand for housing in that city. The same may also be true for the student populations in Indianola, Oskaloosa, Storm Lake, and Waverly. But there is at least some potential for this population to live off-campus.

Table 4 presents a somewhat clearer picture of the population of households for which upper story downtown housing may be a viable option. The table makes a distinction between family and non-family households. Family households are in addition classified as those with a husband and wife and those headed by a single-parent. The single person households are divided between those that are males and females living alone and a residual category of those living with others. In addition, for single people counts are provided for those that are age 65 and over.

Taking the City of Atlantic as an example, the data in Table 4 make it possible to determine there are 985 husband and wife families with no children under age 18, 46 single male parents with no children under 18, and 94 single female parents with no children under 18. Also, there are 319 males living alone under age 65 and 266 females living alone under age 65. The sum of these groups along with single individuals living with roommates identifies 1,625 households that may find downtown living attractive. This equals about 50 percent of all households residing in the city.

For all of the case study cities the 2010 census identified 47,107 households. Of this total 13,687 (29.1%) consisted of married couples without minor children, 666 (1.4%) were male headed family houses without minor children, and 1,548 (3.3%) were female headed households without minor children. Among the non-family households 4,409 (9.4%) consisted of single males under age 65, 3,774 were single females under age 65, and 2,560 (5.4%) consisted of multiple unmarried roommates. This subset of households provides a large population of potential tenants for downtown housing.

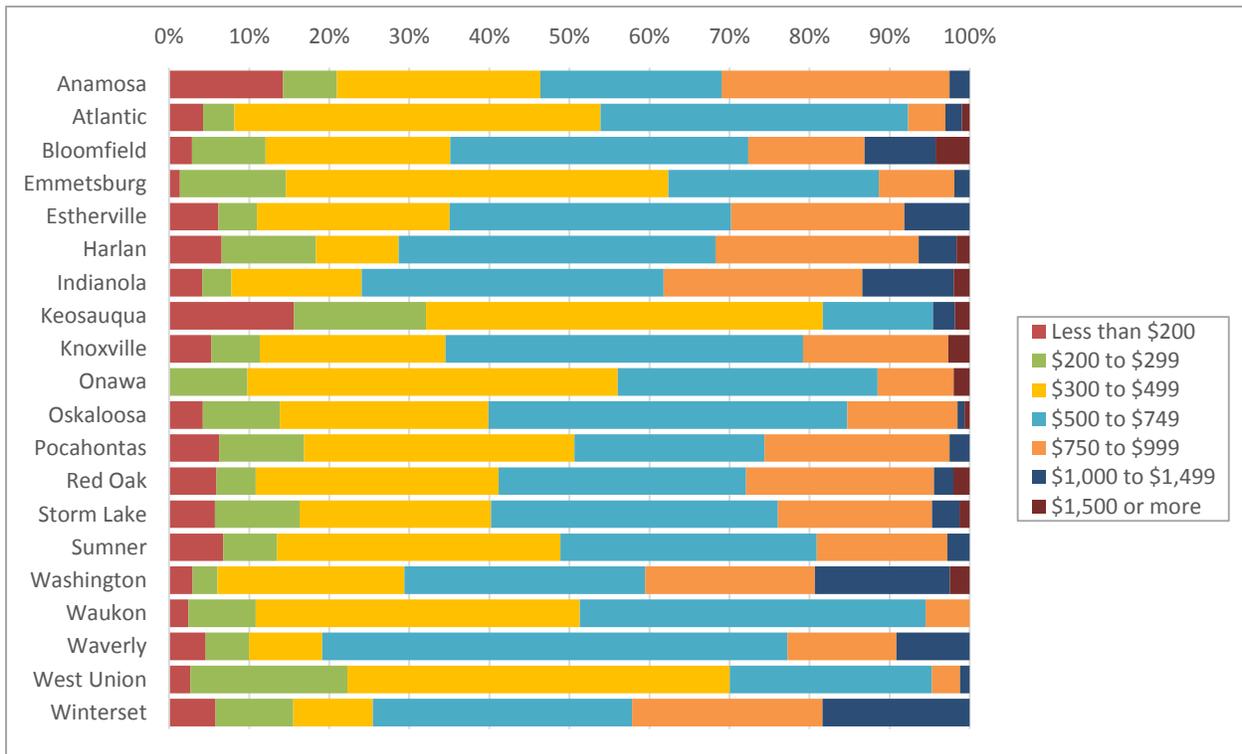
The above census statistics provide a sense of the potential demand for downtown housing. Data from the American Community Survey provides a sense of the supply of rental housing that already exists in the case study cities and of the cost of existing rental housing. Figure 5 shows the shares of rental housing at different monthly rent amounts for each of the case study cities.

Table 4: Household Types, 2010

City	Total Households	Family Households							Non-Family Households					
		All Families	Husband and Wife		Single parent with children				All Non-Family	Male living alone		Female living alone		Other Non-Family
			Husband-wife family	With children under 18 years	Male	Male with children under 18	Female	Female with children under 18		Total	Age 65 years and over	Total	Age 65 years and over	
Anamosa	1,941	1,163	803	298	100	59	260	196	778	255	77	414	254	109
Atlantic	3,137	1,906	1,474	489	122	76	310	216	1,231	415	96	661	395	155
Bloomfield	1,122	683	526	207	51	37	106	75	439	131	35	260	183	48
Emmetsburg	1,632	967	767	249	56	38	144	95	665	213	46	346	211	106
Estherville	2,607	1,546	1,150	428	132	90	264	180	1,061	417	104	501	296	143
Harlan	2,222	1,341	1,063	377	62	41	216	139	881	276	80	483	314	122
Indianola	5,477	3,579	2,799	1,221	196	134	584	395	1,898	540	139	1,028	602	330
Keosauqua	459	251	198	53	19	9	34	25	208	68	22	123	85	17
Knoxville	3,169	1,925	1,391	513	144	97	390	290	1,244	483	135	623	362	138
Onawa	1,345	756	560	195	66	48	130	81	589	201	69	322	212	66
Oskaloosa	4,715	2,842	2,075	771	191	127	576	389	1,873	641	168	931	543	301
Pocahontas	852	493	409	121	23	14	61	39	359	130	50	203	141	26
Red Oak	2,481	1,475	1,059	377	123	84	293	206	1,006	335	85	532	332	139
Storm Lake	3,536	2,280	1,690	777	195	109	395	270	1,256	449	98	614	345	193
Sumner	869	555	464	159	25	19	66	44	314	105	35	182	124	27
Washington	3,048	1,861	1,417	531	132	88	312	208	1,187	400	121	630	385	157
Waukon	1,781	1,008	766	254	75	42	167	108	773	256	78	412	243	105
Waverly	3,546	2,294	1,921	733	89	65	284	194	1,252	363	106	642	390	247
West Union	1,106	626	498	172	37	19	91	66	480	165	41	257	146	58
Winterset	2,062	1,336	1,062	480	69	45	205	124	726	219	68	434	261	73

Source: U.S. Census

Figure 5: Case Study Cities' Gross Rental Rate Shares, 2008 - 2012



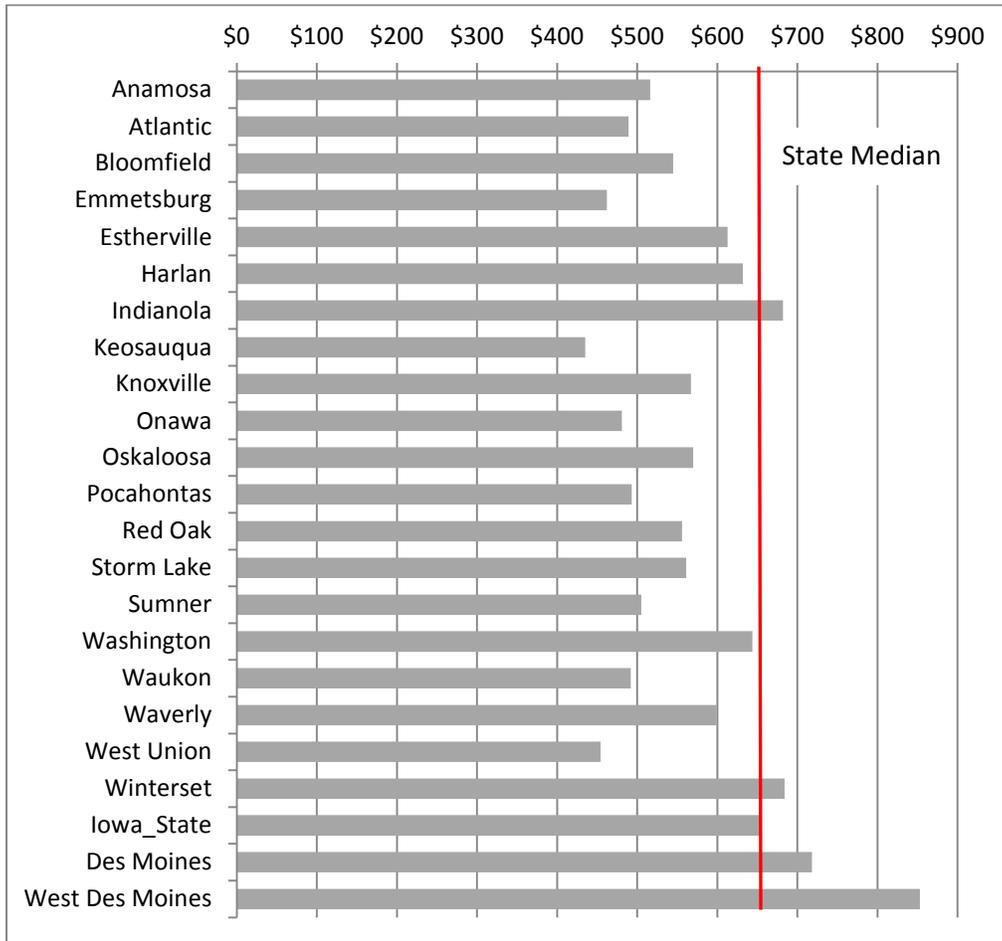
Source: U.S. Census, American Community Survey, 2008 – 2012

Figure 5 shows there is considerable variation among the rental rates for housing in the case study cities. It is not too surprising that the cities with the lowest share of properties with tenants paying monthly rents below \$500 are Waverly (19.1%), Indianola (24.0%), and Winterset (25.4%). All three of these cities are located within short commutes of metropolitan areas and Waverly and Indianola are homes to 4-year colleges. The cities with the largest shares of tenants paying below \$500 per month are Keosauqua (81.7%), West Union (70.0%), and Emmetsburg (62.4%). These three cities are all located in very rural areas and a considerable distance from metropolitan or micropolitan cities.

Cities with the largest shares of tenants paying rents at or above \$1,000 per month are Washington (19.4%), Winterset (18.4%), Indianola (13.4%), and Bloomfield (13.1%). The shares of high rents in Indianola and Winterset are not surprising, but the high shares of high rents in Bloomfield and Washington are somewhat surprising. For all of the other case study cities the shares of tenants paying \$1,000 per month or more in rent are less than 10 percent.

Median rent provides another basis for making comparisons of the cost of rental housing in the case study cities. Figure 6 shows this comparison. In addition to the 20 case study cities median rents are provided for the State of Iowa, Des Moines, and West Des Moines.

Figure 6: Case Study City and Comparison City Median Monthly Rents, 2010



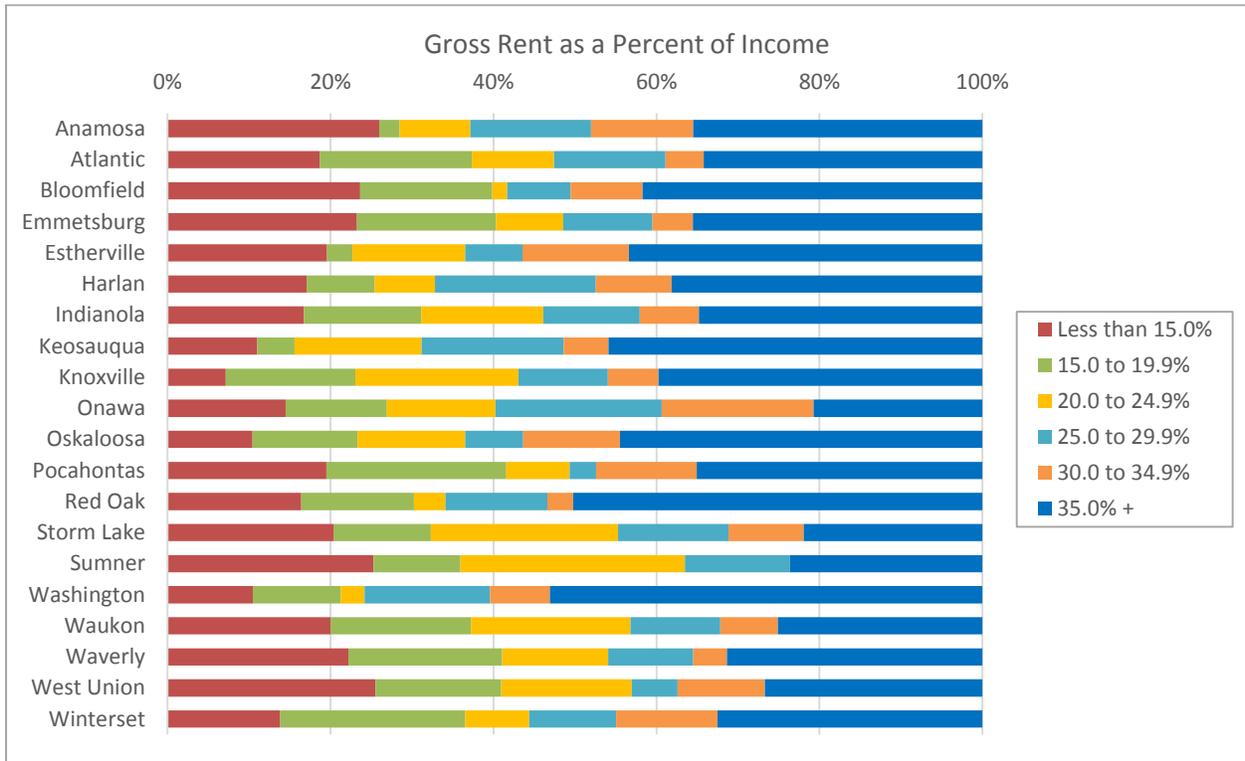
Source: U.S. Census, 2010

At the time of the 2010 U.S. Census the median rent for all of Iowa equaled \$655 per month. Only two of the case study cities had median rents above this level – Indianola (\$682) and Winterset (\$684). In comparison, at this time median rents in Des Moines and West Des Moines equaled \$718 and \$853 per month, respectively. The lowest median monthly rents were found in Keosauqua (\$435), West Union (\$454), and Emmetsburg (\$462).

Closely related to the level of rents is the affordability of rental housing. As a rule of thumb households should not spend more than 30 percent of gross income on housing and other

household related expenses, such as utilities, insurance, and taxes.<sup>62</sup> Figure 7 presents the shares of households that pay different percentages of their gross income on rent from under 15%, by 5 percentage point increments from 15% to 34.9%, and 35% or more.

Figure 7: Percentages of Household Gross Income Paid for Rent, 2010



Source: U.S. Census, 2010

Six of the case study cities have more than half of their renters paying more than 30 percent of household gross income on rent. In Washington 60.4% of renter households pay more than 30 percent of their gross income on rent. The other five cities where 50 percent or more of renters pay more than 30 percent of gross income on rent are Estherville (56.4%), Oskaloosa (56.4%), Red Oak (53.4%), Keosauqua (51.4%), and Bloomfield (50.6%). The cities where the lowest shares of renters pay over 30 percent of gross income on rent are Sumner (32.2%), Waverly (35.5%), West Union (37.4%), Atlantic (38.9%), and Onawa (39.3%).

<sup>62</sup> RDG Planning & Design and Gruen Gruen + Associates, *Executive Summary 2012 Iowa Housing Study* (January 2013), p. 11.

A final set of housing demand statistics gathered by the 2010 U.S. Census of interest for this study involves the percentages of housing units that are rentals and the percentages of non-institutional populations that are renters. Table 5 presents this information for the case study cities and makes comparisons of average number of occupants for owner-occupied versus rental housing units.

On a household basis the shares living in rental housing range from a low of 19.6% in Sumner to a high of 38.4% in Storm Lake. Among the 20 cities the share of all households residing in rental housing equals 32.4%. Statewide 27.9% of households reside in rental housing.

On an individual basis the shares living in rental housing range from a low of 16.4% in Sumner to a high of 35.2% in Storm Lake. The average for the populations of all 20 cities combined equals 28.6%. The statewide average equals 24.8%.

Statistics only tell part of the story about the housing needs and the supply in the 20 cities investigated for this study. Additional perspective was obtained by talking to and surveying people who live and work in the case study cities. The information gleaned from field trips, phone interviews, and survey responses are presented and analyzed in the next chapter.



Iowa Upper Story Housing Feasibility Study, 2014

Table 5: Numbers and Shares of Owner-Occupied and Rental Housing Units and Populations, 2010

City	Housing Units				Populations				Average Occupancy	
	Owner Occupied	Rental	Total	Rental Share	Owner Occupied	Rental	Total	Rental Share	Owner Occupied	Rental
Anamosa	1,308	633	1,941	32.6%	3,093	1,276	4,369	29.2%	2.36	2.02
Atlantic	2,080	1,057	3,137	33.7%	4,801	2,120	6,921	30.6%	2.31	2.01
Bloomfield	771	351	1,122	31.3%	1,848	694	2,542	27.3%	2.40	1.98
Emmetsburg	1,102	530	1,632	32.5%	2,634	994	3,628	27.4%	2.39	1.88
Estherville	1,886	721	2,607	27.7%	4,500	1,470	5,970	24.6%	2.39	2.04
Harlan	1,593	629	2,222	28.3%	3,768	1,243	5,011	24.8%	2.37	1.98
Indianola	3,691	1,786	5,477	32.6%	9,619	3,643	13,262	27.5%	2.61	2.04
Keosauqua	317	142	459	30.9%	694	250	944	26.5%	2.19	1.76
Knoxville	2,067	1,102	3,169	34.8%	4,961	2,179	7,140	30.5%	2.40	1.98
Onawa	884	461	1,345	34.3%	2,029	905	2,934	30.8%	2.30	1.96
Oskaloosa	2,936	1,779	4,715	37.7%	7,166	3,678	10,844	33.9%	2.44	2.07
Pocahontas	679	173	852	20.3%	1,446	294	1,740	16.9%	2.13	1.70
Red Oak	1,617	864	2,481	34.8%	3,772	1,842	5,614	32.8%	2.33	2.13
Storm Lake	2,177	1,359	3,536	38.4%	6,299	3,423	9,722	35.2%	2.89	2.52
Sumner	699	170	869	19.6%	1,630	320	1,950	16.4%	2.33	1.88
Washington	2,054	994	3,048	32.6%	5,001	2,047	7,048	29.0%	2.43	2.06
Waukon	1,265	516	1,781	29.0%	2,813	950	3,763	25.2%	2.22	1.84
Waverly	2,579	967	3,546	27.3%	6,400	1,897	8,297	22.9%	2.48	1.96
West Union	759	347	1,106	31.4%	1,747	602	2,349	25.6%	2.30	1.73
Winterset	1,365	697	2,062	33.8%	3,595	1,403	4,998	28.1%	2.63	2.01

Source: U.S. Census, 2010

## Chapter 5 Case Study Cities – Upper Story Housing Analysis

This chapter summarizes the statistical data presented in Chapter 4 and information from field visits, telephone interviews, and surveys for the 20 case study cities. Field visits were made to ten of the cities and information from the other ten cities was gathered through telephone interviews and questionnaires. In addition, this chapter provides an analysis of the potential demand for and supply of downtown housing.

Information gathered from local government officials, Chamber of Commerce and Economic Development Corporation staff, realtors, and others addresses housing demand and supply issues. Also, these contacts provided input on the economic character of their communities and local economic development initiatives. In addition, the chapter discusses issues related to local organizations that currently provide support for the development of upper story housing or that could potentially provide such support. Finally, the chapter presents information on existing housing initiatives and incentive programs. A list of people that provided input for this part of the study is provided in Appendix C.

### Housing Needs

The first question posed to people contacted in the 20 cities was, “Is there a need for additional rental housing in your community?” The reply was almost universally “Yes.” However, the type of additional housing needed varied by city.

Although this study focuses on local interest in the development of additional housing in the upper stories of downtown buildings, the prospects for the development of this type of housing cannot be assessed without gathering input on the broader housing needs of the cities.

Table 6 provides a general summary of the types of housing needs identified by people contacted in the 20 cities. Also, the table notes whether local officials indicated that a housing shortage impacts economic development efforts, the primary economic character of the city, the current level of upper story housing, and whether there exists an interest in developing additional upper story housing in their downtowns.

For fifteen of the cities one or more people indicated that in some way housing issues impacted economic development efforts. Among the more frequently mentioned housing concerns are:

- A lack of affordable and quality rental housing,
- A lack of single-family starter homes, and

- A lack of lots available for new home construction.

Table 6: Summary of Local Housing Needs

City	Housing Shortage Impacts Economic Development?	Primary Economic Character	Housing Needs			Upper Story	
			Rental	Single-Family	Senior	Current	Interest
Anamosa	No	Prison	No	No		50%	Low
Atlantic	Yes	Diversified	Yes	Yes		33%	Yes
Bloomfield	Yes	Residential	Yes	Yes		80%	Yes
Emmetsburg	Yes	Tourism & Agriculture	Yes			50%	Maybe
Estherville	Yes	Diversified	Yes	Yes		10%	Yes
Harlan	Yes	Residential & Services	Yes	Yes	Yes	25%	Yes
Indianola	Yes	Residential & Higher Educ	Yes	Yes		20%	Yes
Keosauqua	Yes	Tourism & Services	Yes	Yes		20%	Yes
Knoxville	Yes	Manufacturing & Services	Yes	Yes		25%	Yes
Onawa	Yes	Residential & Services	Yes	Yes		25%	Yes
Oskaloosa	Yes	Manufacturing & Services	Yes	Yes		10%	Yes
Pocahontas	Unknown	Agriculture, Retail & Services	Yes	Yes		0%	Maybe
Red Oak	Yes	Manufacturing & Services	Yes	Yes		10%	Yes
Storm Lake	Yes	Manufacturing & Higher Educ	Yes	Yes		40%	Yes
Sumner	No	Residential	No	No	Yes	10%	Low
Washington	Yes	Agriculture, Retail & Services	Yes	Yes		20%	Yes
Waukon	Unknown	Retail & Services	Yes	Yes		10%	Maybe
Waverly	Yes	Diversified	Yes	Yes		25%	Yes
West Union	Unknown	Services	Yes	Yes		25%	Yes
Winterset	Yes	Residential Tourism	Yes	Yes		55%	Maybe

Source: Case Study City interviews and questionnaires, Strategic Economic Group (May – July, 2014)

In most cases, the development of additional housing options in city downtowns was not mentioned as a top housing concern. However, in only a few cases was the development of additional upper story housing viewed negatively or with indifference. Most of the people interviewed would like to see additional financial and technical support to help their cities promote the renovation of downtown upper story space for residential use.

As Table 6 shows most of the 20 cities already have some upper story housing in their downtowns. The current upper story housing percentages reflect best estimates based on county assessors records and interviews. The demand for such housing varies greatly by city and based on the condition of the properties.

Of the 20 case study cities, Bloomfield leads in terms of existing upper story housing. Both people interviewed and Davis County Assessor's records indicate that about 80% of buildings located around the city's town square contain apartments. Also, demand appears high for these apartments. The estimated occupancy rate equals 98%. When apartments become vacant they are rented again very quickly. However, only about 30 percent of the existing apartments have been rehabilitated in the past 15 years. Recently the Main Street Project has pursued funding to renovate 16 upper story apartments.<sup>63</sup>

At the other extreme, Sumner has apartments in only about 10% of the buildings located in its downtown. The city clerk knows of only one building that has had an upper story apartment renovated recently. The Director of Housing for the Iowa Northland Regional Council of Governments (INRCOG) indicated the primary housing need in this city is senior citizen housing due to the age of the population. This housing would not likely be located downtown.<sup>64</sup>

The difference in the levels of interest between these two cities in developing additional upper story housing provides an interesting contrast. Both cities are about the same size. The estimated 2013 population for Bloomfield equals 2,645 and for Sumner equals 2,024. The shares of their population that are age 65 and older equal 22.7% for Bloomfield and 25.4% for Sumner. On the other hand, Bloomfield is a county seat with an historic town square. In addition, it is a Main Street Program city. Also, Bloomfield is located within a short commute (22 minutes) of Ottumwa, which offers a large number of manufacturing and other jobs. Sumner's downtown is laid out linearly and it is only about two and a half blocks long. The nearest employment center to Sumner is Waverly, which is about a 40 minute commute away and is a much smaller city than Ottumwa. Chapter 6 provides a more in depth analysis of factors

---

<sup>63</sup> Doug Dixon interview and Bloomfield trip field notes (April 30, 2014).

<sup>64</sup> Lisa Oberbroeckling (Sumner City Clerk) and Jim Rodemeyer (INRCOG) telephone interviews (June 25, 2014).

that explain the upper story housing development potential for these two cities and the other 18 case study cities.

Another way of looking at the potential demand for additional upper story housing in the case study cities involves the identification of demographic groups to which this type of housing would most likely appeal. Dissecting the household type data present previously in Table 4 provides insight into how large may be the demand for upper story housing in each city. Table 7 presents this household type assessment.

Based on discussions with local individuals and the review of literature the types of households to which upper story housing likely appeals most include:

- Single individuals under age 65,
- Heads of households with no children below age 18, and
- Couples with no children below age 18.

Due to accessibility issues upper story housing is less likely to appeal to individuals over age 65 and families with young children. This is because many downtown properties have very tall first stories which result in 25 or more stair steps from street level to the second story. Also, these stairways are often very narrow. The size and layout of these older buildings, as well as cost considerations, often makes the installation of an elevator infeasible.

Taking all 20 cities together, of the 47,107 total households, upper story housing could potentially appeal to as many as 31,561 households (67.0%). This is no doubt a high estimate, but this analysis of household types does show that there is a large population that may find this type of housing attractive.

As shown in Table 8, single male and female households age 64 years and younger account for 33.2% of the total number of households in these cities, or almost half of the group that may find upper story housing attractive. Looking at the individual cities the shares of total households accounted for by single individuals under age 65 range from a low of 28.3% in Waverly to a high of 41.6% in Keosauqua. For the head of households with no minor children group the total household shares range from 3.2% in both Sumner and Waverly to 6.0% in Storm Lake. For couples without minor children the total household shares range from 25.8% in Storm Lake to 35.1% in Sumner. This last group is likely to be the most overstated in that it certainly includes a number of individuals age 65 and over. The U.S. Census tabulations for couples without minor children do not provide a breakout by age.

Iowa Upper Story Housing Feasibility Study, 2014

Table 7: Case Study City Potential Upper Story Housing Demand by Household Type, 2010

City	Single Living Alone under 65			Head-of-Household no Minors			Couple No Minors	Potential Upper Story	Total Households	Potential Renters
	Male	Female	Subtotal	Male	Female	Subtotal				
Anamosa	255	414	669	41	64	105	505	1,279	1,941	65.9%
Atlantic	415	661	1,076	46	94	140	985	2,201	3,137	70.2%
Bloomfield	131	260	391	14	31	45	319	755	1,122	67.3%
Emmetsburg	213	346	559	18	49	67	518	1,144	1,632	70.1%
Estherville	417	501	918	42	84	126	722	1,766	2,607	67.7%
Harlan	276	483	759	21	77	98	686	1,543	2,222	69.4%
Indianola	540	1,028	1,568	62	189	251	1,578	3,397	5,477	62.0%
Keosauqua	68	123	191	10	9	19	145	355	459	77.3%
Knoxville	483	623	1,106	47	100	147	878	2,131	3,169	67.2%
Onawa	201	322	523	18	49	67	365	955	1,345	71.0%
Oskaloosa	641	931	1,572	64	187	251	1,304	3,127	4,715	66.3%
Pocahontas	130	203	333	9	22	31	288	652	852	76.5%
Red Oak	335	532	867	39	87	126	682	1,675	2,481	67.5%
Storm Lake	449	614	1,063	86	125	211	913	2,187	3,536	61.8%
Sumner	105	182	287	6	22	28	305	620	869	71.3%
Washington	400	630	1,030	44	104	148	886	2,064	3,048	67.7%
Waukon	256	412	668	33	59	92	512	1,272	1,781	71.4%
Waverly	363	642	1,005	24	90	114	1,188	2,307	3,546	65.1%
West Union	165	257	422	18	25	43	326	791	1,106	71.5%
Winterset	219	434	653	24	81	105	582	1,340	2,062	65.0%
20 City Total	6,062	9,598	15,660	666	1,548	2,214	13,687	31,561	47,107	67.0%

Source: U.S. Census, 2010

Iowa Upper Story Housing Feasibility Study, 2014

Table 8: Case Study City Potential Upper Story Housing Demand by Household Type Shares, 2010

City	Single Living Alone under 65			Head-of-Household no Minors			Couple No Minors	Potential Upper Story	Total Households
	Male	Female	Subtotal	Male	Female	Subtotal			
Anamosa	13.1%	21.3%	34.5%	2.1%	3.3%	5.4%	26.0%	65.9%	100.0%
Atlantic	13.2%	21.1%	34.3%	1.5%	3.0%	4.5%	31.4%	70.2%	100.0%
Bloomfield	11.7%	23.2%	34.8%	1.2%	2.8%	4.0%	28.4%	67.3%	100.0%
Emmetsburg	13.1%	21.2%	34.3%	1.1%	3.0%	4.1%	31.7%	70.1%	100.0%
Estherville	16.0%	19.2%	35.2%	1.6%	3.2%	4.8%	27.7%	67.7%	100.0%
Harlan	12.4%	21.7%	34.2%	0.9%	3.5%	4.4%	30.9%	69.4%	100.0%
Indianola	9.9%	18.8%	28.6%	1.1%	3.5%	4.6%	28.8%	62.0%	100.0%
Keosauqua	14.8%	26.8%	41.6%	2.2%	2.0%	4.1%	31.6%	77.3%	100.0%
Knoxville	15.2%	19.7%	34.9%	1.5%	3.2%	4.6%	27.7%	67.2%	100.0%
Onawa	14.9%	23.9%	38.9%	1.3%	3.6%	5.0%	27.1%	71.0%	100.0%
Oskaloosa	13.6%	19.7%	33.3%	1.4%	4.0%	5.3%	27.7%	66.3%	100.0%
Pocahontas	15.3%	23.8%	39.1%	1.1%	2.6%	3.6%	33.8%	76.5%	100.0%
Red Oak	13.5%	21.4%	34.9%	1.6%	3.5%	5.1%	27.5%	67.5%	100.0%
Storm Lake	12.7%	17.4%	30.1%	2.4%	3.5%	6.0%	25.8%	61.8%	100.0%
Sumner	12.1%	20.9%	33.0%	0.7%	2.5%	3.2%	35.1%	71.3%	100.0%
Washington	13.1%	20.7%	33.8%	1.4%	3.4%	4.9%	29.1%	67.7%	100.0%
Waukon	14.4%	23.1%	37.5%	1.9%	3.3%	5.2%	28.7%	71.4%	100.0%
Waverly	10.2%	18.1%	28.3%	0.7%	2.5%	3.2%	33.5%	65.1%	100.0%
West Union	14.9%	23.2%	38.2%	1.6%	2.3%	3.9%	29.5%	71.5%	100.0%
Winterset	10.6%	21.0%	31.7%	1.2%	3.9%	5.1%	28.2%	65.0%	100.0%
20 City Total	12.9%	20.4%	33.2%	1.4%	3.3%	4.7%	29.1%	67.0%	100.0%

Source: U.S. Census, 2010

So, the statistics indicate most of the twenty case study cities contain an adequate number of households to fill new and renovated upper story units. Information provided through interviews showed that where good quality upper story housing units exist they are in high demand either as rentals or as owner-occupied housing.

Recent market studies completed for Waverly and Washington provide a more direct indication of the attractiveness of downtown housing. Although a very small part of each study, both contain a one to three page assessment of the demand for downtown housing. The Waverly study indicates that 102 consumer survey respondents (19%) indicated “Yes” or “Maybe” when asked if they would consider living in downtown Waverly. 41% of the respondents that indicated an interest in downtown living expressed an interest in rental units. 74% indicated they would prefer to purchase a housing unit in the downtown.<sup>65</sup>

The Washington study found that 214 respondents to a consumer survey (59.9%) indicated either “Yes” or “Maybe” to the question, “Would you consider living in the downtown?” Of those that indicated an interest in downtown living 35.2% preferred to rent and 67.1% expressed a preference to buy. Among the six housing alternatives presented the respondent preferences are as follows: apartment (29.7%), loft (54.1%), condo (44.0%), townhouse (30.1%), single-family detached (36.8%), and senior housing (2.9%). Multiple choices were allowed. Between the genders females (58.5%) indicated a greater preference than males (41.5%) for downtown living. Among age groups younger adults expressed the strongest preference for downtown living: less than 20 years (10.4%), 20 to 24 years (11.6%), 25 to 34 years (37.2%), 35 to 44 years (17.7%), 45 to 54 years (10.4%), 55 to 64 years (12.2%), and 65 to 74 years (0.6%).<sup>66</sup>

In addition to identifying the number of people and households that may find downtown living attractive, what people are willing and able to pay for such housing turns potential demand into effective demand. Information on rents could only be obtained for 15 of the 20 case study cities and this information should be considered anecdotal rather than comprehensive. The lowest rents reported for 1-bedroom apartments are in Emmetsburg (\$275 to \$375/ month), Waukon (\$320/ month), Estherville (\$350/ month), and Atlantic (\$375/ month). The highest 1-bedroom apartment rents equal about \$550/ month in Knoxville, Waverly, West Union, and Winterset. More information on monthly rental rates will be provided in the next section of this chapter that deals with housing supply.

---

<sup>65</sup> Downtown Professionals Network, *Downtown Waverly Market Study Summary* (October 2009), p. 26.

<sup>66</sup> Main Street Washington, *Main Street Washington Market Study* (September 2013), pp. 28 – 30.

Iowa Upper Story Housing Feasibility Study, 2014

Table 9: Case Study City Residential Rental Units by Property Type, 2008 - 2012

City	Total Rental Units	Built before 1940		Detached Single-Family	Apartments					Mobile Home
		Number	Percent		Attached 1-unit	2-units	3 - 4 units	5 - 9 units	10+ units	
Anamosa	395	129	32.7%	104	0	96	72	28	95	0
Atlantic	1,118	307	27.5%	394	0	115	244	82	241	42
Bloomfield	291	85	29.2%	95	6	44	45	47	25	29
Emmetsburg	521	167	32.1%	212	0	49	76	33	151	0
Estherville	703	158	22.5%	330	0	110	56	82	115	10
Harlan	599	148	24.7%	181	0	80	86	104	148	0
Indianola	1,723	260	15.1%	331	133	71	191	114	868	17
Keosauqua	137	24	17.5%	36	6	11	54	0	30	0
Knoxville	876	167	19.1%	308	68	49	192	152	99	8
Onawa	355	77	21.7%	135	15	17	31	52	92	13
Oskaloosa	1,807	445	24.6%	779	11	137	248	128	470	34
Pocahontas	183	39	21.3%	87	0	21	23	22	30	0
Red Oak	807	375	46.5%	434	6	27	143	105	75	17
Storm Lake	1,516	206	13.6%	500	71	23	114	374	400	35
Sumner	189	40	21.2%	131	0	14	19	8	12	5
Washington	970	245	25.3%	309	24	118	108	84	316	11
Waukon	482	229	47.5%	203	0	104	80	26	69	0
Waverly	779	123	15.8%	166	9	114	178	118	154	40
West Union	370	121	32.7%	164	4	15	32	88	67	0
Winterset	794	300	37.8%	314	67	157	115	71	70	0
20 City Total	14,615	3,645	24.9%	5,213	420	1,372	2,107	1,718	3,527	261

Source: U.S. Census, American Community Survey, 2008 – 2012

## Housing Supply

Information on the existing supply of rental housing in the 20 case study cities was obtained from the American Community Survey Internet site. These data are presented in Table 9. The table reports the total number of rental units, single-family detached rentals, rentals by apartment building size, mobile home rentals, and the number and percent built prior to 1940.

Among the 20 cities, Storm Lake has the highest percentage of housing units as rentals at 39.1%. Of its 1,516 rental units, 500 (33.0%) are single-family detached homes, 982 (64.8%) are apartments, and the remaining 35 (2.3%) are mobile homes. Sumner is the city with the lowest share of its 1,031 housing units as rentals at 18.3%. Of its rental units 131 (69.3%) are single-family detached homes, 53 (28.0%) are apartments, and 5 (2.6%) are mobile homes.

Sumner is the city with the largest share of rental housing comprised of single-family homes. Red Oak has the second highest share of its rental housing comprised of single-family homes at 53.8%. The Red Oak City Administrator made a point of mentioning this fact during the visit to that city. He also mentioned that the housing stock of Red Oak is older compared to many other cities. According to U.S. Census statistics 46.5% of the rental housing in Red Oak was built prior to 1940. Of the case study cities only Waukon at 47.5% has a higher share of its rental housing building prior to 1940. For all of the cities combined 24.9% of rental housing units were constructed prior to 1940.

As is pointed out in Chapter 2 several of the housing studies completed for case study cities, the age of the housing stock will require either the construction of new housing or the renovation of existing housing. For example, the Harlan Housing Study identifies 86 housing units as dilapidated and mostly vacant, plus 221 more housing units in poor condition.<sup>67</sup> These 307 housing units account for almost 13 percent of the city's housing stock. The Red Oak Housing Study indicates that from 2% to 5% of the housing stock will be lost to attrition annually. This study rates 32.7% of the city's housing stock as either dilapidated or in poor condition.<sup>68</sup>

Table 9 presents citywide statistics. It is likely that for most of the cities studied the downtown multi-story buildings have relatively small footprints. This limits the number of apartments per building. For all 20 cities combined the share of buildings with apartments that only have one unit is just 4.6%. The share of buildings with apartments that have two units is 15.0% and the share of buildings with apartments that have three or four units is 23.0%. One likely reason that the share of buildings with only one apartment is so low is that many of the buildings with a single housing unit on an upper floor are owner-occupied rather than rentals.

---

<sup>67</sup> SWIPCO, *City of Harlan Housing Study* (2014), p. 24.

<sup>68</sup> SWIPCO, *Red Oak Housing Study* (2014), pp. 13 and 24.

Property parcel records accessed on county assessor Internet sites provide a more focused look at buildings that currently contain housing units or potentially could be renovated to add housing units. Table 10 presents data on the number of downtown property parcels, the number of 1-story buildings, the number of multi-story buildings, the number of other parcels, and an estimate of the number of buildings that currently contain upper story housing units or could potentially add housing units.

Table 10: Characteristics of Property Parcels in Case Study City Downtowns

City	Downtown Parcels	1-Story	Multi- Story Buildings	All Other*	Buildings with Existing or Possible Housing Units
Anamosa	89	28	45	16	45
Atlantic	187	98	80	9	74
Bloomfield	97	26	54	17	48
Emmetsburg	53	24	27	2	27
Estherville	139	65	36	38	32
Harlan	92	46	37	9	37
Indianola	144	89	53	2	43
Keosauqua	53	33	17	3	12
Knoxville	102	46	55	1	55
Onawa	86	58	27	1	24
Oskaloosa	102	14	81	7	81
Pocahontas	55	43	10	2	8
Red Oak	119	17	75	27	68
Storm Lake	69	25	44	0	41
Sumner	74	35	21	18	15
Washington	131	39	76	16	71
Waukon	133	42	57	34	55
Waverly	146	57	55	34	43
West Union	124	27	40	57	36
Winterset	114	49	60	5	44

\* "All Other" includes vacant lots, government buildings, churches, and unspecified.

Source: County assessors' property parcel search Internet sites.

Since property parcels vary in size the number of downtown parcels provides only an approximate indication of the size of each city's downtown. Implications of the size and shape of each city's downtown are addressed in the next chapter.

Availability of buildings that may be renovated to provide upper story house should be viewed as only a necessary condition for adding to the resident populations of non-metropolitan area city downtowns. An equally important, and maybe even more important, condition for this type of development to occur is the existence of people and organizations to provide technical and administrative support. This is discussed in the next section.

### **Community Organizations and Human Resources**

There exist a variety of organizations across Iowa that provide housing, primarily to low- and moderate income households. Housing Trust Funds are leaders in this area. Other organizations promote economic growth by recruiting new businesses or by helping existing businesses expand. For these organizations available, adequate, and affordable housing often become a factor critical to their mission. Almost every city in the state has a Chamber of Commerce. While these organizations often focus on the retail and food and beverage segment of their economies, their memberships generally include many service companies, utilities, and manufacturers. Also, during visits to many communities across Iowa, Chamber of Commerce staffs pointed out that they often serve as the initial point of contact for new or prospective residents looking for housing. Regional Councils of Government staffs provide administrative, planning, and technical support for housing programs. City governments, to varying degrees, are involved in all of these activities, but size generally determines the degree of involvement. Few cities below 10,000 population have separate planning or community development departments. City governments often serve as the vehicle for housing incentives.

Table 11 summarizes the types of organizations that serve each of the 20 case study cities. This table indicates types of city government departments and boards that likely deal with housing issues. For example, the city administrator or city manager is the only administrative officer for many cities. A number of cities were found to have downtown redevelopment or historic preservation boards or commissions. These groups provide leadership in getting downtown districts eligible for federal and state historic rehabilitation tax credits and other types of federal and state financial assistance.

All except three of the case study cities are members of Councils of Government. The three exceptions are Indianola, Knoxville, and Winterset because they are located in the central Iowa “donut hole”, which only has a regional transportation planning group. One central Iowa city administrator commented during a trip to his city that the lack of a Central Iowa COG organization is an impediment to pursuing different types of housing assistance.

The final three columns of the table indicate whether or not cities have a Chamber of Commerce, an Economic Development Group, or a Main Street office. Four of the cities either have combined or are combining their Chambers of Commerce and Economic Development Groups. These types of groups generally serve many of the same members. Cost and time considerations make consolidation a reasonable decision in these four cities. Similarly, for the five Main Street Program cities the Chambers of Commerce and Main Street Offices are co-located and often share staff. Since both groups generally focus their programs on downtown businesses and activities these collaborations make sense.

Having a variety of organizations can prove advantageous for communities attempting to promote the development of additional upper story housing. However, equally important is the level of coordination among these different organizations, their staff sizes, and staff expertise.

Councils of Government (COG) through their staffs and boards can and in most cases already play a critical role in facilitating the meeting of housing needs of the cities in their service regions. The COGs through involvement in Local Housing Trust Funds work with cities to meet the housing needs of low- and moderate income households. However, because most downtown housing will likely involve either owner-occupied or market rate housing the Housing Trust Funds probably will not play a major funding role. On the other hand, COG staffs can and some already do provide important planning support. One example of a COG organization providing housing planning support to its member cities is the Southwest Iowa Planning Council (SWIPCO). This organization has recently completed housing needs assessments for the three case study cities – Atlantic, Harlan, and Red Oak – located in its region. According to SWIPCO’s Executive Director these studies cost the cities about \$7,500 each and each required between 100 and 200 hours of staff time to complete.<sup>69</sup>

For those cities that are part of the Main Street Program, coordinator and board member involvement were found to provide support critical in promoting the development of upper story housing. These human resources were found to serve multiple roles. First, they provide information about various types of financial support and technical services available from the State Main Street Program and from other state and federal programs. Second, they provide administrative support in the form of grant writing, reporting, promotion, and coordination of Main Street activities. Most importantly they seem to play a critical role in fostering a sense of community within their Main Street districts. They seem to pretty much know everyone.

---

<sup>69</sup> John McCurdy, Executive Director, SWIPCO, email dated July 7, 2014.

Table 11: Local Organizations in Case Study Cities

City	City Departments & Committees			Council of Governments	Chamber of Commerce	Economic Development Group	Main Street
	Administrator /Manager	Economic/ Community Development	Downtown/ Historic Preservation				
Anamosa	Yes	No	No	ECICOG	Yes	Yes	No
Atlantic	Yes	No	No	SWIPCO	Yes	Yes	No
Bloomfield	No	No	No	Area 15	No	Yes	Yes
Emmetsburg	Yes	No	No	NWIDPC	Yes	Yes	No
Estherville	Yes	Yes	No	NWIDPC	Yes	Yes	No
Harlan	Yes	No	Yes	SWIPCO	Combining		No
Indianola	Yes	Yes	No	No	Yes	Yes	No
Keosauqua	No	No	No	Area 15	Yes	Yes	No
Knoxville	Yes	No	Yes	No	Combining		No
Onawa	Yes	No	No	SIMPCO	Yes	Yes	No
Oskaloosa	Yes	No	Yes	Area 15	Yes	Yes	Yes
Pocahontas	Yes	No	No	MIDAS	No	No	No
Red Oak	Yes	No	Yes	SWIPCO	Combined		No
Storm Lake	Yes	Yes	No	NWIDPC	Combined		No
Sumner	No	No	No	INRCPG	No	No	No
Washington	Yes	No	Yes	ECICOG	Yes	Yes	Yes
Waukon	No	No	No	UERPC	Yes	Yes	No
Waverly	Yes	No	Yes	INRCOG	Yes	Yes	Yes
West Union	Yes	No	No	UERPC	Yes	Yes	Yes
Winterset	No	No	Yes	No	Yes	Yes	No

Sources: Interviews, city government, council of government, chamber of commerce, economic development, and Main Street web sites.

Chambers of Commerce and Economic Development Groups as stated previously largely serve overlapping memberships. A typical view is that Chambers of Commerce focus on the retail, food and beverage, tourism, and real estate sectors of the local economy. Economic Development Groups are viewed as serving primarily the industrial, financial, and construction sectors. Housing is an issue for both groups but based on visits and phone interviews it appears that in most cases housing is viewed as a means to an end. An inadequate supply of affordable housing and lots on which new homes may be built can be an impediment to local economic development efforts, particularly when those efforts involve trying to recruit new employers to the community. The instances in which these groups seem to be much more engaged in the development of housing, particularly in downtown areas, is when the cities are Main Street communities.

Nothing much can happen with either downtown housing or housing development elsewhere in a city without city government involvement. City governments enact and enforce zoning ordinances, administer building and rental codes, coordinate planning activities, and fund incentive programs. The level of activism and involvement of city staff in the promotion of downtown housing seems to depend on City Council support and staff resources. In some notable cases city government has taken a very activist role. One such example is Red Oak. This community has an ongoing master planning initiative that involves getting the town square and surrounding blocks designated as a National Register of Historic Places district, developing infill development in the city center, and supporting private downtown housing redevelopment activities. Other communities have or are pursuing historic district designations for their downtowns. Seven of the case study cities have either historic preservation or downtown revitalization boards or commissions.

The next section discusses examples incentives offered some of the case study cities.

### **Financial Resources and Incentives**

In many, if not most, cases moving forward with downtown housing development comes down to money. In a number of the case study cities individual property owners have moved ahead using their own resources to renovate upper stories of downtown buildings for housing. Often the housing units developed are for their own use. In some cases this housing development represents a return to work-living arrangements of an earlier era when shopkeepers lived above their stores.

Seven of the case study cities have in place incentives targeted to improving their downtown areas. All of the incentive programs have unique features. Some focus exclusively on

supporting the “public” faces of their downtowns through streetscape and façade improvements and historic renovations. Three of the cities provide some amount of assistance for interior renovation.

Harlan previously was a Main Street Community. Its town square is a National Register historic district. The city has in place two incentives for downtown properties. A \$5,000 matching grant is offered for façade restoration and preservation. A \$15,000 matching grant is offered for interior renovations. Both grants require dollar for dollar matches by the property owner. Approximately 10 property owners have taken advantage of the interior renovation grants. The city maintains a \$100,000 fund for financing these grants.<sup>70</sup>

Indianola offers financial support for exterior preservation of downtown buildings. Unlike in other city’s that only fund street facing façade renovation work, under Indianola’s incentive program work on all exterior facades qualifies for assistance and in some case roof repairs also qualify. The assistance is provided as a combination of grants and loans on a sliding scale. At minimum the investment must equal \$5,000. For investments between \$5,000 and \$9,999 the award is 10% grant and 90% loan. For investments between \$40,000 and \$49,999 the award split equals 50% grant and 50% loan. The maximum award is \$25,000 grant and \$25,000 loan. The program started in January 1, 2012 and will continue until the \$200,000 appropriated for the program is all awarded. 22 property owners have taken advantage of this program.

Although not exactly an incentive, through zoning Indianola promotes higher density housing development in an approximately 30 block area in and around its downtown square. Property located in this area is zoned C3, which allows densities of up to 12 housing units per acre.<sup>71</sup>

Knoxville in 2005 created a downtown Self-Supporting Municipal Improvement District (SSMID). This is one of only 15 such districts in Iowa. This self-imposed property tax levy generates between \$30,000 and \$40,000 per year, which is used for downtown improvements. The primary use of these funds has been streetscaping and façade improvements. The SSMID district consists of about 10 blocks in and around the town square.<sup>72</sup> Previously Knoxville was a Main Street community.

Onawa benefits from the Kelly Fund Grant Program. The program was established with a bequest from Flora A. Kelly and the programs intent is to provide long-term financial support for enhancing the quality of life in the City of Onawa and surrounding area. The primary focuses for the grants are residential and commercial housing development and Central Business District development. For residential housing the program provides a 100% property

---

<sup>70</sup> Terry Cox, City Administrator, City of Harlan, interview on June 23, 2014, and follow-up telephone conversation.

<sup>71</sup> Chuck Burgin, Director, Community Development, City of Indianola, interview on June 24, 2014.

<sup>72</sup> Harold Stewart, City Administrator, City of Knoxville, interview on June 19, 2014.

tax abatement up to \$75,000 of assessed value for 5 years. For commercial housing the program provides 100% property tax abatement on 45% of assessed value for 10 years. For Central Business District development projects the program offers a 100% property tax abatement for 3 years. An Exterior Façade Program provides a \$2,500 matching grant and loan for businesses that improve the exteriors of their properties.<sup>73</sup>

Red Oak has undertaken an extensive master planning project for its downtown. A downtown Tax Increment Financing (TIF) district has been created. Funds generated by the incremental growth in the tax base are available for use to fund downtown improvements. One project being financially assisted in this manner involves the redevelopment of a block of buildings on the southwest corner of the town square into a mixed use commercial-residential development. The city will provide \$260,000 in grants for this project over three years.<sup>74</sup>

Washington through the Washington Incentive Fund (WIF) encourages property improvements within its downtown National Register historic district. Through the city's Main Street Design Committee matching grants are provided to property owners for the purposes of assessing a building's structural integrity, removing contemporary façade materials, repairing building elements, interior rehabilitation or repair, and new infill construction. Over the past five years grants have totaled \$236,000. In four completed grant rounds 39 buildings have received funds and a total of \$5 million in private matching investment has been made. The source of funds for the WIF is the Washington County Riverboat Foundation.<sup>75</sup>

Waverly offers a number of business incentives. The one most applicable to downtown revitalization is the Small Business Façade and Improvement Incentive Program. The stated purposes of this program are:

- To support small business owners or small building owners in adaptive reuse of existing commercial structures,
- To create a stronger main street corridor by presenting a façade that is attractive to potential customers and business owners, and
- To create quality upper story living/office space in area buildings that are currently vacant or in a general state of disrepair.

The incentives are provided as tax rebates over five years. The first year the rebate equals 100% of taxes on the increase in property value. The rebate percentage decreases by 20

---

<sup>73</sup> City of Onawa Internet site, [http://www.onawa.com/index.asp?Type=B\\_BASIC&SEC={B895614F-03E8-40C2-AFB3-9C32C432F8C6}](http://www.onawa.com/index.asp?Type=B_BASIC&SEC={B895614F-03E8-40C2-AFB3-9C32C432F8C6}) (accessed July 16, 2014).

<sup>74</sup> Brad Wright, City Administrator, City of Red Oak, interview on July 2, 2014.

<sup>75</sup> Main Street Washington, <http://www.mainstreetwashington.org/what-can-msw-do-for-you/> (accessed July 16, 2014).

percent per year. To qualify for the incentive the property must have been in a general state of disrepair, or the project must result in a significantly improved façade, and the project must create a minimum rebate of \$750 over five years.<sup>76</sup>



<sup>76</sup> City of Waverly Internet site, <http://www.waverlyia.com/econdev/development/financial-incentives> (accessed July 16, 2014).

## Chapter 6 Analysis of Upper Story Housing Feasibility

The prior two chapters focused on 20 case study cities. This chapter analyzes the lessons learned from these cities looking for commonalities and differences that may be used as a basis for assessing the potential for developing additional housing in the upper stories of non-metropolitan city downtowns in Iowa.

### Analysis of Existing Upper Story Housing Factors

In an effort to better understand the implications of the information and data presented previously, this section groups factors into four categories for analysis. These categories are:

- People in the context of determining the potential demand for upper story housing,
- Property in the context of identifying the supply of buildings that may be converted to upper story housing,
- Place in the context of the physical attributes that make non-metropolitan area city downtowns either more or less attractive as a place to live, and
- Resources in the context of the organizations and incentives that are necessary in creating an environment that supports new upper story residential development.

#### People (Housing Demand) Factors

Table 12 looks at three dimensions of the people factor. These are the number of people under age 65 living alone, number of jobs in selected industries per 1,000 population, and the distance to nearby employment opportunities.

Ranking the 20 cities based on the number of single individuals living alone the top five cities are: Oskaloosa (1,572), Indianola (1,568), Knoxville (1,106), Atlantic (1,076), and Storm Lake (1,063). None of these are particularly surprising. All except Indianola have strong manufacturing and health care employment, while Indianola, Oskaloosa, and Storm Lake have private colleges and universities. Also, Indianola benefits from being an easy commute to the State's largest metropolitan area.

The cities with the largest numbers of manufacturing, health care, education, retail, entertain, accommodation and food service jobs per 1,000 population are Storm Lake (406), Sumner (371), Estherville (358), Knoxville (348), and Waverly (347). Here there is at least one surprise – Sumner. However, Sumner has a strong health care sector due to the location of a hospital, nursing home, and assisted living facility in the city.

In addition to jobs located within each city, jobs located in neighboring cities may result in additional demands for housing provided the commute is not too long and life quality factors are better in the city of residence than in the city where one works. Based on commute distances to nearby employment opportunities the six top ranked cities are Estherville (17 miles), Indianola (18 miles), Waverly (21 miles), Knoxville (22 miles), and Bloomfield and Oskaloosa (tied at 23 miles).

Thus, cities with either a local economy that employs a large number of young single people or that are located within a short commute of other cities that provide job opportunities for this target demographic are the most likely to have adequate demand to make upper story house feasible.

Table 12: People (Housing Demand) Factors

City	Single Population Living Alone under Age 65	Jobs in Selected Industries Per 1000 Population	Nearest Micro/Metro (miles)	Nearest Micro/Metro City	People Rank
Anamosa	669	229	25	Cedar Rapids	14
Atlantic	1,076	333	65	Omaha	10
Bloomfield	391	300	23	Ottumwa	12
Emmetsburg	559	340	30	Spencer	8
Estherville	918	358	17	Spirit Lake	2
Harlan	759	263	55	Omaha	18
Indianola	1,568	307	18	Des Moines	5
Keosauqua	191	333	47	Ottumwa	15
Knoxville	1,106	348	22	Pella	1
Onawa	523	247	39	Sioux City	19
Oskaloosa	1,572	328	23	Pella	4
Pocahontas	333	321	52	Ft. Dodge	17
Red Oak	867	262	53	Omaha	17
Storm Lake	1,063	406	38	Spencer	6
Sumner	287	371	38	Waterloo	11
Washington	1,030	312	33	Iowa City	7
Waukon	668	316	25	Decorah	9
Waverly	1,005	347	21	Waterloo	3
West Union	422	291	60	Waterloo	20
Winterset	653	295	37	Des Moines	14

Source: Strategic Economics Group

Property (Housing Supply) Factors

Table 13 provides estimates of the number of potential housing units that could exist in each case study city downtown. These are estimates because currently for most cities there is no reliable inventory of the number of housing units that already exists. Also, for buildings where upper story space is either vacant or used for non-residential purposes only estimates of potential housing units can be made.

Table 13: Property (Housing Supply) Factors

Case Study Communities	Multi Story Downtown Buildings	Buildings with Existing or Possible Housing Units	Possible Combination of Housing Units				Property Rank
			2-BR	1-BR	Effic	Total	
Anamosa	45	45	24	55	25	104	9
Atlantic	80	74	62	62	24	148	5
Bloomfield	54	48	36	61	19	116	7
Emmetsburg	27	27	21	38	14	73	16
Estherville	36	32	27	44	21	92	13
Harlan	37	37	28	55	30	113	8
Indianola	53	43	13	41	31	85	15
Keosauqua	17	12	6	10	12	28	19
Knoxville	55	55	40	61	35	136	6
Onawa	27	24	17	23	16	56	17
Oskaloosa	81	81	109	103	45	257	1
Pocahontas	10	8	3	6	3	12	20
Red Oak	75	68	62	62	45	169	3
Storm Lake	44	41	35	46	23	104	9
Sumner	21	15	11	16	13	40	18
Washington	76	71	50	115	49	214	2
Waukon	57	55	22	78	49	149	4
Waverly	55	43	16	59	29	104	9
West Union	40	36	26	39	27	92	13
Winterset	60	44	16	58	19	93	12
Total	950	859	624	1,032	529	2,185	

Source: Strategic Economics Group

The number of multi-story buildings was obtained from county assessors' records. The number of buildings with existing housing units or that could potentially add housing units reflect information contained in assessors' records, discussions with local city, Chamber of Commerce, and Economic Development Group officials, as well as local realtors. The estimates of the numbers of potential housing units by size were developed by Strategic Economics Group (SEG) based on average unit size data obtain from certain of the cities.

The five cities with the greatest actual or potential supply of housing in their downtowns are Oskaloosa (257), Washington (214), Red Oak (169), Waukon (149), and Atlantic (148). The five cities with the smallest actual or potential supply of housing in their downtowns are Pocahontas (12), Keosauqua (28), Sumner (40), Onawa (56), and Emmetsburg (73). In a sense, relative to the supply of potential downtown housing, size does matter. But in many cases it is size from an historical perspective. Many of the cities with relatively large potential downtown housing stocks were much larger in population and commercial influence in the past than they are today. Atlantic, Red Oak, and Waukon have all experiences significant losses of population over the past two decades. What is advantageous from the perspective of the potential for additional housing development is many of the cities have a number of historically significant and architecturally attractive multi-story buildings that are underutilized.

#### Place (Physical and Commercial) Factors

Beyond the demand and supply factors the potential for the development of additional housing in downtowns depends on the physical attractiveness and economic vitality of these areas. Physical attractiveness is obviously subject, but certain physical features of non-metropolitan area downtowns do seem to enhance an area's attractiveness for businesses and residents. Town squares are a defining feature of many Iowa downtowns. This is particularly true in county seat cities. Retail stores, eating and drinking establishments, and movie theaters stimulate foot traffic. They also attract people from other parts of the city and visitors from out of town.

Table 14 presents several features that help to define the physical form and character of the downtowns of the 20 case study cities. These features include the shape of the downtown (square versus linear), whether a highway passes through the downtown and, if not, the distance to the nearest highway, the size of the downtown measured in block faces, the number of multi-story buildings in the downtown, and whether the downtown includes a county courthouse.

Table 14: Case Study City Downtown Physical Attributes

City	Physical Attributes						Physical Rank
	Downtown Shape	On Highway	Distance to Highway (blocks)	Size (Block Faces)	Multi-Story Buildings	Court-house in Downtown	
Anamosa	linear	no	14.0	8.0	47	no	16
Atlantic	linear	yes	0.0	25.0	80	no	3
Bloomfield	square	yes	0.0	9.0	54	yes	8
Emmetsburg	linear	yes	0.0	11.0	27	yes	15
Estherville	square	yes	0.0	15.0	36	yes	9
Harlan	square	no	13.0	14.0	37	yes	12
Indianola	square	no	1.0	17.0	38	yes	6
Keosauqua	linear	yes	0.0	8.0	17	no	18
Knoxville	square	no	8.0	18.0	54	yes	5
Onawa	linear	yes	0.0	10.0	27	no	17
Oskaloosa	square	yes	0.0	22.0	83	yes	1
Pocahontas	linear	no	1.5	5.5	10	yes	20
Red Oak	square	no	3.0	16.0	75	no	4
Storm Lake	linear	yes	0.0	15.0	44	yes	13
Sumner	linear	yes	0.0	6.0	21	no	19
Washington	square	yes	0.0	17.0	76	yes	2
Waukon	linear	yes	0.0	13.0	57	yes	10
Waverly	linear	Yes	0.0	12.5	55	yes	11
West Union	linear	no	2.0	6.5	40	yes	14
Winterset	square	no	10.0	12.0	60	yes	7

Source: Strategic Economics Group

In terms of their physical shape, the case study cities are almost evenly split between being square (9) or linear (11). Although not by design, 19 of 20 of the case study cities are county seats. Many county seat cities in Iowa were laid out with the county courthouse in the center of the town square. However, there are two county seats (Oskaloosa and Washington) with courthouses in the downtown but not in the square. In a third case (Red Oak) the courthouse is located about a block outside the downtown. Downtowns laid out around a square seem to have more pedestrian activity than downtowns laid out along a single main street. The square space adds to the visual cohesion of the downtown and reduces walking distances between businesses.

Proximity to a highway can be both positive and negative. On the positive side close proximity to highways makes downtowns more accessible to visitors and shoppers. On the negative side

high volumes of traffic, particularly truck traffic, can make downtowns less pedestrian friendly and noisier for residents. But on balance close proximity to a highway is generally viewed as a positive attribute for a downtown.

Size in terms of block faces and density in terms of building heights both contribute to the activity level in the downtown and to the growth potential for both worker and residential populations of the downtown.

These six factors are used to rank the 20 case study cities. These physical attributes were combined into an index ranging in value from a low of 4.4 to a high of 17.8. The five cities with the highest physical attribute rankings are Oskaloosa (17.8), Washington (15.9), Atlantic (15.3), Red Oak (14.5), and Knoxville (12.9). Four of the five cities have downtowns centered on town squares. Atlantic is the one city that does not have a town square as the focus of its downtown. The primary determinants of the ranking are downtown size and building density.

Also contributing to the vitality of downtowns is the mix of businesses located there. Table 15 provides counts of the numbers of retail stores, bars and restaurants, and service businesses, plus a count of the total number of commercial buildings in each case study city downtown. In addition, since local officials often indicated the importance of movie theaters to activity levels in their downtowns the presence of theaters is noted.

Looking at the mix of businesses and from visits to a number of the cities, one thing that becomes apparent is that for most, if not all, of these cities retail businesses have been supplanted by service businesses in the downtown areas. Retail activity in small city downtowns has shrunk as the result of three main trends. First, populations and incomes in the non-metropolitan areas of the State have been in decline for several decades. Second, what retail business remains in the non-metropolitan areas of Iowa has migrated to a small number of regional retail centers. Third, much of the retail that remains in these cities has left the historic downtowns for locations on the edge of the city along major highways. This is particularly true when highways that used to pass through the city center have been relocated to bypass the city.

Nevertheless retail businesses, particularly locally owned retail businesses, and bars, restaurants, cafes, and coffee houses remain essential to the vitality of non-metropolitan city downtowns. Reflecting the importance of these “magnet” businesses an economic activity index was developed that weights retailers at 1.5 times that of service businesses and bars and restaurants at 2 times that of service businesses. Also, each city with a downtown theater is given 10 extra points. This index ranges in value from a low of 49 to a high of 170. The top five cities based in this index are Atlantic (170), Washington (145), Indianola (142), Oskaloosa (135), and Storm Lake (134).

Table 15: Case Study City Downtown Commercial Activity Measures

City	Commercial Activity Measures					Business Rank
	Commercial Buildings	Retail Stores	Bars & Restaurants	Service Businesses	Theater	
Anamosa	72	20	10	34	Yes	11
Atlantic	151	39	8	85	Yes	1
Bloomfield	73	16	10	32	Yes	13
Emmetsburg	52	18	6	23	Yes	16
Estherville	92	21	5	33	No	15
Harlan	80	22	11	37	Yes	10
Indianola	113	31	14	57	Yes	3
Keosauqua	40	16	5	16	No	19
Knoxville	96	26	14	50	Yes	6
Onawa	76	22	6	28	Yes	14
Oskaloosa	92	37	12	45	Yes	4
Pocahontas	51	11	4	24	No	20
Red Oak	87	27	3	36	Yes	12
Storm Lake	66	35	11	49	Yes	5
Sumner	44	12	3	22	Yes	17
Washington	104	30	11	68	Yes	2
Waukon	86	27	8	44	Yes	9
Waverly	97	27	9	46	Yes	8
West Union	53	13	5	21	No	18
Winterset	80	37	7	38	Yes	7

Source: Strategic Economic Group

### Resource (Organizational and Financial) Factors

The prior chapter discussed the types of government offices and boards and civic organizations that serve each of the 20 case study cities. This discussion identified seven types of offices, boards and organizations that have a role in downtown revitalization activities. These include city administrators, city community development offices, historic preservation/ downtown revitalization boards, regional councils of government, chambers of commerce, economic development groups, and Main Street Program coordinators. No city has all seven of these. Three cities have six – Oskaloosa, Washington, and Waverly. These three are Main Street communities. Five cities have five – Estherville, Harlan, Red Oak, Storm Lake, and West Union.

Population and other measures of city size certainly impact the availability of community resources. Cities with small populations have smaller city governments and fewer people to

serve on boards or get involved in other volunteer activities. Also, less populated cities generally have smaller budgets and thus fewer dollars to spend on downtown revitalization.

One thing this means is smaller cities will likely be less able than larger cities to undertake publicly assisted upper story housing development projects. There is no hard population threshold that dictates some city's requests for housing assistance should be summarily rejected. But to overcome a size disadvantage small cities will need people to take on greater responsibilities. This is what has happened in Bloomfield. Of the cities studied, this city of only about 2,650 people currently has the highest share of the upper stories of its downtown buildings being used for housing and several projects to improve the quality of these housing units are currently underway. These accomplishments owe much to the city's Main Street Program and the people that make this program work.

However, because the State has an obligation to obtain the greatest return possible in the use of public resources, this requires some means for the critical evaluation of alternatives. The next section combines the people, property, and place rankings to provide a means for distinguishing factors that raise the probability that the development of additional upper story housing can be undertaken successfully.

### **Classification of Cities by Upper Story Housing Potential**

Table 16 summarizes the people (housing demand), property (housing supply), and place (physical attribute and commercial activity) rankings for the 20 case study cities. These categorical rankings are combined to provide a composite ranking for the cities. The composite ranking provides insight into those community characteristics that influence the likely success of future upper story housing development activities.

The five cities with the highest rankings are Oskaloosa (18.50), Washington (17.75), Knoxville (16.50), Atlantic (16.25), and Indianola (13.75). Oskaloosa's top ranking is no surprise. This city has already undertaken a large upper story housing project (Trolley Place). Among its attributes are:

- County seat for Mahaska County,
- Home to William Penn University,
- Location along an expressway highway (U.S. 63/ IA 163),
- Main Street Community,
- A well preserved town square,
- A growing medical center,

- A strong manufacturing sector, and
- A large number of people who work in the city but live outside the city.

Table 16: Case Study Cities Composite Ranking

City	Category Rankings				Average Rank	Combined Rank
	People	Property	Physical	Commercial		
Anamosa	14	9	16	11	8.50	14
Atlantic	10	5	3	1	16.25	4
Bloomfield	12	7	8	13	11.00	11
Emmetsburg	8	16	15	16	7.25	15
Estherville	2	13	9	15	11.25	10
Harlan	18	8	12	10	9.00	13
Indianola	5	15	6	3	13.75	5
Keosauqua	15	19	18	19	3.25	19
Knoxville	1	6	5	6	16.50	3
Onawa	19	17	17	14	4.25	18
Oskaloosa	4	1	1	4	18.50	1
Pocahontas	17	20	20	20	1.75	20
Red Oak	17	3	4	12	12.00	9
Storm Lake	6	9	13	5	12.75	8
Sumner	11	18	19	17	4.75	16
Washington	7	2	2	2	17.75	2
Waukon	9	4	10	9	13.00	7
Waverly	3	9	11	8	13.25	6
West Union	20	13	14	18	4.75	16
Winterset	14	12	7	7	11.00	11

Source: Strategic Economics Group

The other four cities are not carbon copies of Oskaloosa. They have some similar characteristics, but others that are unique. For example, Indianola like Oskaloosa has a 4-year private college (Simpson College), a strong medical sector, location along a 4-land expressway, and a diverse mix of retailers, bars, and restaurants, but the city has almost no manufacturing. Rather its strong suit is its close proximity to Des Moines.

Washington and Atlantic both benefit from diversified economies and no nearby competition for many of their retail businesses, close proximity to 4-lane highways, strong medical and government sectors, and retirement communities.

The one seeming outlier among these five top ranked cities is Knoxville. This is a city that has experienced a large population decline over the past two decades. After peaking at a population of 8,482 in 1994 it has dropped to 7,251 in 2013. The primary cause of this decline is the closing of most facilities at a U.S. Veteran's Hospital. The positive attributes Knoxville possesses are several mid-size manufacturers, a location on a 4-land expressway, and a location within reasonable commuting times to Des Moines, Pella, and Oskaloosa. Also, Knoxville benefits from some unique entertainment and recreation venues. The city is known as the "Sprint Car Capital of the World" and is home to the National Sprint Car Hall of Fame and Museum. In addition, it is located only 13 miles from Lake Red Rock.

A condition that is similar for all of these five cities is the large size of their downtowns. The average size downtown for this group is about 20 block faces, which for the downtowns centered on a town square measures three blocks square. Another characteristic common to these cities is their downtowns are centrally located, which makes them very assessable for pedestrians.

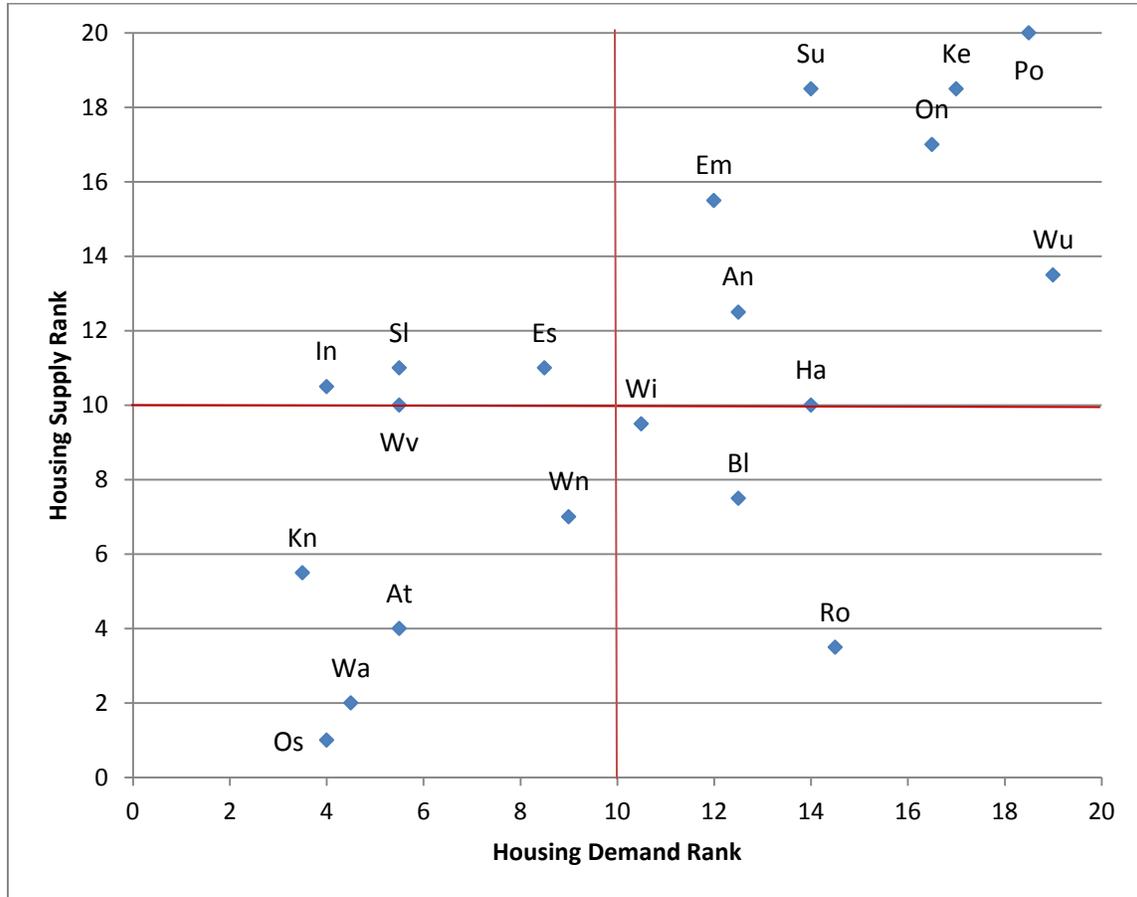
On the other end of the spectrum, the cities that appear least likely to support significant upper story housing development are Pocahontas (1.75), Keosauqua (3.25), Onawa (4.50), Sumner (4.75), and West Union (4.75). All of these cities have populations under 3,000. But on the other hand, except for Pocahontas, population losses over the past two decades have been relatively modest. All of the cities have small linear downtowns. The average size equals between 3 and 4 blocks in length. The average number of multi-story buildings equals only 23 compared to 66 for the five cities with the highest rankings. Another impediment to the development of additional upper story housing in these cities is their distances from nearest significant employment centers, which averages 47 miles.

However, even for small, remote cities there can be instances in which the development of additional upper story housing may make sense. For example, cities like Keosauqua and West Union have tourist appeal. In these cases upper story house could become a community asset as short-term lodging for tourists.

Figure 8 presents a slightly different depiction relative attraction of the 20 cities for the development of additional upper story housing. In this figure the people and commercial activity rankings are combined to create a modified demand ranking and similarly the property and physical attributes ranking are combined to create a modified supply ranking. Graphing each city according to these modified demand and supply rankings places each city in one of four quadrants of the resulting scatter diagram. In the lower left quadrant are the cities with attributes that make them most like to support upper story housing programs. Alternatively, cities located in the upper right quadrant face the most challenges to implementing such a

program. Not graphed is the organizational factor. Strong local organizations and a supportive city government would move a city's location on the graph toward the lower left corner. Ineffective organizations and a disinterested city government would move a city's location in the upper right direction. The city abbreviations are provided in Appendix D.

Figure 8: Upper Story Housing Feasibility Matrix



**Analysis of Upper Story Housing Unit Development Costs**

Only a limited amount of cost information for completed projects was obtained as part of this study. However, data from these projects are adequate to provide an understanding of the major types of costs incurred in undertaking downtown renovation projects that involve either the updating of existing or creation of new housing units. Because the renovation projects for which cost data were obtained involve both street level commercial space and upper story residential space renovations segregating the cost elements by type of space is not possible.

To illustrate variations in costs across projects of different scales and types, Table 17 presents low, medium, and high project cost examples. The costs are presented as percentages of each project's total construction cost because relative cost rather than absolute cost provides a better sense of the significance of different construction activities. Also, these examples are limited to hard, or construction, cost items. These costs generally account for between 80 and 85 percent of total project costs. The other types of costs, often referred to as soft costs, pertain to (1) fees for professional services from architects, engineers, and attorneys, (2) inspection and permit fees, and (3) construction loan interest payments.

The three examples show that mechanical systems (electrical, plumbing, heating and cooling) account for between 17.1% and 20.8% of total construction costs. Work on structural components (roof, masonry tuck pointing, framing, and structural) exhibit much more variation with cost shares ranging between 18.2% and 30.8%. Two of the projects required extensive tuck pointing, whereas the third project required minimal tuck pointing but considerable roof and structural work. Doors, windows, and insulation accounted for between 6.1% and 13.7%. Interior finishes (dry wall, cabinets, countertops, bath fixtures, floor coverings, trim, and painting) accounted for between 15.1% and 18.2% of costs.

Two types of elements that can be particularly costly are the installation of sprinkler systems and elevators. Sprinkler system costs for the three projects ranges between 9.6% and 15.5% of total construction costs. Only one of the projects involved the installation of an elevator and it accounted for 17.9% of total construction costs for this project. Small hydraulic elevators cost between \$15,000 and \$20,000. Elevators for large buildings more than three stories in height can cost over \$100,000.

Two regulatory requirements that can add to project costs include those related to the Americans with Disabilities Act (ADA) and the Davis Bacon Act. For residential construction projects ADA generally impacts building accessibility. Davis Bacon requires that projects above a certain size and using federal funds must pay construction labor wage levels comparable to prevailing wages for the area in which the project is located. For these projects ACA requirements added between 1.9% and 2.3% to construction costs and Davis Bacon requirements added between 3.3% and 4.3% to construction costs.

Table 17: Example Upper Story Housing Project Cost Shares

Major Cost Categories	Low Cost (\$34 Per Building Square Ft)	Medium Cost (\$41 Per Building Square Foot)	High Cost (\$50 Per Building Square Foot)
Total Cost Per Unit	\$97,934	\$121,198	\$111,596
Demolition	1.00%	0.80%	0.90%
Waste Removal	0.30%	0.60%	0.40%
Electrical	5.50%	4.40%	4.80%
Plumbing	7.10%	6.10%	6.30%
Heating and Cooling	8.20%	6.60%	7.20%
Sprinklers	11.80%	8.10%	7.20%
Sprinkler Water Main	3.70%	3.00%	2.40%
Roofing	0.20%	0.10%	7.20%
Tuck pointing	17.00%	24.80%	1.80%
Windows	7.80%	5.70%	0.90%
Framing	1.20%	1.80%	1.70%
Insulation	1.60%	1.60%	1.40%
Drywall/Texture	7.70%	7.20%	6.40%
Structural	0.90%	4.10%	7.80%
Cabinets	3.40%	2.80%	2.70%
Countertops	1.00%	0.80%	0.90%
Bath Fixtures	1.00%	0.80%	0.70%
Floor Covering	3.40%	3.20%	2.90%
Elevator	0.00%	0.00%	17.90%
Concrete Cutting	0.20%	0.60%	0.70%
Doors	4.30%	3.60%	3.80%
Trim	1.20%	1.00%	1.10%
Appliances	1.80%	1.50%	1.60%
ADA Compliance	2.30%	1.90%	2.00%
Common Areas	3.60%	4.30%	4.70%
Façade and Siding Removal	0.00%	0.00%	0.00%
Paint/Stain	0.50%	0.40%	0.40%
Increase related to Davis Bacon Requirements	3.30%	4.20%	4.30%
Total	100.00%	100.00%	100.00%

Source: Various Main Street Upper Story Housing Projects

### **Analysis of Upper Study Housing Unit Financial Feasibility**

Financial feasibility for any investment depends on a variety of factors. Generally paramount among these factors is the rate of return demanded by the investors. For rental housing projects, other key factors include the mortgage interest rate, loan duration, property operating costs, and property vacancy rate. For prospective tenants the primary consideration besides location and size is how much rent can they afford. And for government the main policy consideration is the amount of assistance needed to make everything else work.

Table 18 presents a rudimentary spreadsheet model that incorporates all of these factors. The example shown assumes the cost to develop a 1-bedroom apartment equals \$100,000. Other assumptions include:

- Required return on investment (ROI) equals 10 percent,
- Investor's equity investment equals \$25,000,
- Operating and management expenditures equal 35 percent of gross rent,
- Property vacancy factor equals 10 percent,
- Mortgage loan interest rate equals 5 percent per year,
- Mortgage loan term equals 20 years, and
- Tenant affordability limit equals 30 percent of gross income.

The model's policy variable is the development assistance amount. After these amounts are entered then monthly rental rates are adjusted to achieve the desired return on investment percentage. In addition, the monthly rental rate yields the minimum gross annual income required to ensure that tenants do not pay any more than 30 percent of their income on rent, utilities, and renter's insurance.

For example, without any subsidy the property owner would have to set the monthly rent at \$1,280 for the 1-bedroom apartment in order to realize a 10 percent annual return on her \$25,000 investment. Furthermore, in order for the tenant to afford to live in this apartment he would have to earn an annual income of at least \$55,200. However, if the property owner can obtain some form of subsidy to offset \$30,000 of the development cost, then she could lower the monthly rent to \$920 and still achieve a 10 percent return on her investment. Also, this would mean a tenant earning \$40,800 per year could now afford to rent the apartment. Table 19 presents the monthly rental rates required to yield different annual percentage ROIs that correspond with alternative levels of development assistance and mortgage interest rates.

Table 18: Apartment Development Feasibility Model

	Option 1	Option 2	Option 3	Option 4
Apartment Size	1-Bedroom	1-Bedroom	1-Bedroom	1-Bedroom
Redevelopment Cost	\$100,000	\$100,000	\$100,000	\$100,000
Equity Investment (25%)	\$25,000	\$25,000	\$25,000	\$25,000
Development Assistance	\$0	\$10,000	\$20,000	\$30,000
Financed Investment	\$75,000	\$65,000	\$55,000	\$45,000
Rent per Month	\$1,280	\$1,160	\$1,040	\$920
Gross Annual Rent	\$15,360	\$13,920	\$12,480	\$11,040
Vacancy Factor (10%)	-\$1,536	-\$1,392	-\$1,248	-\$1,104
Net Annual Rent	\$13,824	\$12,528	\$11,232	\$9,936
Total Operation Costs (35%)	-\$5,376	-\$4,872	-\$4,368	-\$3,864
Property Taxes (20%)	-\$3,072	-\$2,784	-\$2,496	-\$2,208
Maint., Ins., Adm. (15%)	-\$2,304	-\$2,088	-\$1,872	-\$1,656
Net Operating Income	\$8,448	\$7,656	\$6,864	\$6,072
Annual Debt Service (20 Year Term)				
Annual Interest Rate	5.0%	5.0%	5.0%	5.0%
Annual Debt Service	-\$5,940	-\$5,148	-\$4,356	-\$3,564
Cash Flow	\$2,508	\$2,508	\$2,508	\$2,508
Return on Equity	10.0%	10.0%	10.0%	10.0%
Affordability (30% of Gross Income)				
Utilities	\$900	\$900	\$900	\$900
Renter's Insurance	\$300	\$300	\$300	\$300
Rent	\$15,360	\$13,920	\$12,480	\$11,040
Minimum Gross Annual Income	\$55,200	\$50,400	\$45,600	\$40,800

Source: Strategic Economics Group

Table 19: Monthly Rents Required for Alternative Development Assistance and ROI Levels

Rent per Month							
Mortgage Interest Rate	Return on Investment	Development Assistance (\$100,000 Total Investment)					
		\$0	\$10,000	\$20,000	\$30,000	\$40,000	\$50,000
5%	0.0%	\$900	\$780	\$660	\$540	\$420	\$300
5%	2.5%	\$995	\$875	\$755	\$635	\$515	\$395
5%	5.0%	\$1,090	\$970	\$850	\$730	\$610	\$490
5%	7.5%	\$1,185	\$1,065	\$945	\$825	\$705	\$585
5%	10.0%	\$1,280	\$1,160	\$1,040	\$920	\$800	\$680
6%	0.0%	\$976	\$845	\$715	\$585	\$455	\$325
6%	2.5%	\$1,070	\$940	\$810	\$680	\$550	\$420
6%	5.0%	\$1,165	\$1,035	\$905	\$775	\$645	\$515
6%	7.5%	\$1,260	\$1,130	\$1,000	\$870	\$740	\$610
6%	10.0%	\$1,355	\$1,225	\$1,095	\$965	\$835	\$705
7%	0.0%	\$1,058	\$915	\$775	\$635	\$495	\$352
7%	2.5%	\$1,152	\$1,012	\$870	\$730	\$587	\$447
7%	5.0%	\$1,245	\$1,105	\$965	\$825	\$682	\$542
7%	7.5%	\$1,340	\$1,200	\$1,060	\$920	\$778	\$635
7%	10.0%	\$1,435	\$1,295	\$1,155	\$1,015	\$873	\$730

Source: Strategic Economics Group

Table 20 presents the minimum gross annual income levels that tenants would be required to earn in order to afford the rents required under each alternative presented in Table 19. For example, for an annual mortgage interest rate of 6 percent, a desired ROI equal to 7.5 percent, and a development subsidy of \$40,000 the required monthly rent equals \$740, which means the tenant must earn an annual income of at least \$33,600 to afford the apartment.

As pointed out earlier in this report the greatest demand for rental housing in most of the cities studied is for units that rent for \$600 or less per month. At a 7% mortgage interest rate an apartment unit costing \$100,000 to develop would require a subsidy of \$59,400 in order to yield a return of 10% on an investment of \$25,000 and not rent for more than \$600 per month. At a 5.0% mortgage interest rate with all of the other parameters the same as in the previous example the development subsidy would have to equal \$56,600 to keep the monthly rental rate at no more than \$600. Thus, the level of subsidy required to keep apartments affordable is not very sensitive to mortgage interest rates.

Table 20: Annual Income Required for Alternative Development Assistance and ROI Levels

Minimum Tenant Annual Income							
Mortgage Interest Rate	Return on Investment	Development Assistance (\$100,000 Total Investment)					
		\$0	\$10,000	\$20,000	\$30,000	\$40,000	\$50,000
5%	0.0%	\$40,000	\$35,200	\$30,400	\$25,600	\$20,800	\$16,000
5%	2.5%	\$43,800	\$39,000	\$34,200	\$29,400	\$24,600	\$19,800
5%	5.0%	\$47,600	\$42,800	\$38,000	\$33,200	\$28,400	\$23,600
5%	7.5%	\$51,400	\$46,600	\$41,800	\$37,000	\$32,200	\$27,400
5%	10.0%	\$55,200	\$50,400	\$45,600	\$40,800	\$36,000	\$31,200
6%	0.0%	\$43,040	\$37,800	\$32,600	\$27,400	\$22,200	\$17,000
6%	2.5%	\$46,800	\$41,600	\$36,400	\$31,200	\$26,000	\$20,800
6%	5.0%	\$50,600	\$45,400	\$40,200	\$35,000	\$29,800	\$24,600
6%	7.5%	\$54,400	\$49,200	\$44,000	\$38,800	\$33,600	\$28,400
6%	10.0%	\$58,200	\$53,000	\$47,800	\$42,600	\$37,400	\$32,200
7%	0.0%	\$46,320	\$40,600	\$35,000	\$29,400	\$23,800	\$18,080
7%	2.5%	\$50,080	\$44,480	\$38,800	\$33,200	\$27,480	\$21,880
7%	5.0%	\$53,800	\$48,200	\$42,600	\$37,000	\$31,280	\$25,680
7%	7.5%	\$57,600	\$52,000	\$46,400	\$40,800	\$35,120	\$29,400
7%	10.0%	\$61,400	\$55,800	\$50,200	\$44,600	\$38,920	\$33,200

Source: Strategic Economics Group

A much more important determinant of the required level of subsidy is the ROI required by investors. If the required ROI drops to 7.5% the level of needed subsidy decreases to \$52,500 and at a 5% ROI the level of subsidy drops to \$46,000 when the mortgage interest rate equals 7% and the maximum monthly rent equals \$600.

Thus, this analysis shows that providing affordable housing in the upper stories of downtown buildings will likely require a significant subsidy. However, reducing the cost of rehabilitation work and reducing the rate of return required by property owners and investors would greatly reduce the required subsidy amounts. For instance, a non-profit group able to borrow funds at a 5% interest rate and willing to accept a 0% return on investment could offer a \$600 per month apartment with a subsidy of only \$25,000.

## Barriers to Upper Story Housing Development

Beyond money other considerations influence whether or not the development of additional upper story housing in non-metropolitan city downtowns is feasible. The most critical requirement for anything much to happen is a supportive City Council. City Councils are generally the organizations that must apply for federal and state assistance. Also, City Councils are responsible for establishing Tax Increment Finance (TIF) Districts and Self-Supporting Municipal Improvement Districts (SSMID) that are vehicles often used to provide financial support for downtown improvement projects. In addition, other forms of financial assistance, such as grants, property tax rebates, and property tax abatements, require City Council action.

The administrative offices of city governments play a critical role through their inspection and permitting functions. City boards and commissions study and make recommendations to City Councils on zoning, rental codes, historic property preservation, and parking regulations that impact all aspects of downtown revitalization.

But even with strong local government support the development of upper story housing in non-metropolitan city downtowns may face a number of barriers. The most frequently mentioned potential barriers include:

- Off-street parking: In almost every city people interviewed mentioned the need for off-street parking as a deterrent for some people who otherwise would consider living downtown. Most cities have free parking in their downtown areas, but this parking is intended to serve business patrons not residents. Also, residents often ask for secure parking and in some cases enclosed parking. In addition to the cost of providing off-street parking, the lack of available areas for parking is a problem for a number of cities. Convincing people to walk a few blocks to get to their cars can be another challenge.
- Leaking roofs and deteriorating masonry walls: In several cases people who had previously done downtown building renovations mentioned the importance of making sure roofs were sound before starting any other renovation work. Another point raised was the need to repair damage to masonry walls, particular common walls. In this regard the point was made that a deteriorating common walls could compromise a whole block of buildings.
- Antiquated sewer and water systems: Many of the buildings located in downtowns date from before 1900 and in the eastern part of the State some date back to the 1840s. Consequently sewer and water systems may need replacing. This is especially true where a single sewer line served more than one building. Getting multiple

property owners to make repairs to commonly owned sewers can slow down and sometimes prevent renovations. One city administrator estimated the cost of replacing common sewer lines with new separate lines for each building is between \$10,000 and \$15,000 per property.

- Upper story access: Some older buildings do not have separate exterior access to upper floors. Often the only stairway is inside the building. The floor heights of older buildings can be 16 feet or more, which means 25 or more steps between street level and the second floor. To attract older tenants may require the installation of a hydraulic elevator, which costs between \$15,000 and \$20,000.
- Regulatory compliance costs: Rehabilitated buildings with 15 or more housing units require compliance with Americans with Disabilities Act (ADA) accessibility requirements. For small projects modifications to meet ADA objectives are encouraged. According to some example projects this can add from 2.0% to 2.5% to project costs. Also, when federal money is involved and for rehabilitation projects involving eight or more housing units the Davis-Bacon Act requires that labor be paid prevailing wages for the area. Based on data from projects reviewed for this study added costs equaled from 3.3% to 4.5% of total project costs.
- Absentee and aging property owners: A couple of people interviewed mentioned that absentee owners are less likely than property owners that live in the community to spend money on either restoring historic facades or renovating their buildings. One person also mentioned that older property owners were less likely to invest in their properties because they did not feel they would realize an adequate return on the investment in their lifetime.
- Various perception and personal preference issues: Among the issues mentioned by various people interviewed are:
  - Downtown housing is viewed as being low-income housing,
  - Obtaining renovation assistance requires too much paperwork,
  - Finding types of assistance for which properties and people qualify is too complex and time consuming,
  - Finding the right tenants can be a problem,
  - Going after public funds requires disclosing personal financial information, and
  - Belief that housing assistance funds are only available for low-income housing.

In spite of real and perceived barriers a number of people have undertaken upper story housing renovation projects. The cities found where this appears to be done the most so far

are Bloomfield, Harlan, Washington, and Waverly. In a number of cases properties have been renovated by owners for their own use. But in each of these communities some form of public assistance played a role.



## **Chapter 7 Upper Story Housing Findings and Recommendations**

As was discovered through the study of the 20 case study cities, most already have some upper story housing in their downtowns. However according to local individuals only four of the cities have 50 percent or more of their buildings used as residences. Also, based on local comments most existing upper story housing that does exist has not been modernized in two or more decades. Where such property is being renovated it is generally being done by individuals for personal use rather than to rent or sell to others.

The city with the highest share of upper story housing in its downtown is Bloomfield. This town has been very proactive in promoting the renovation of vacant and underutilized upper story space for housing. The local Main Street Program and its board president have been the catalyst for much of this activity. And although several renovation projects have been undertaken without public assistance, most of the work would not be happening without access to public incentives.

### **Need for Organizational Assistance**

Among the 20 cities evaluated for this study, the cities that seems to be taking the lead in promoting the renovation of the upper stories of downtown buildings for residential use are either current or past participants in the Iowa Main Street Program. The current Main Street cities have the advantage of administrative support from a resident program coordinator. Also, there is extensive backup support from State Main Street staff. But some cities that are not or have not been Main Street Program participants have initiated their own programs of downtown revitalization and housing renovation, such as Indianola and Red Oak.

The initiative in establishing local groups to take the lead in downtown revitalization and downtown housing development must originate in the cities themselves. State Downtown Resource Center staff can present workshops and offer community self-assessments, but only local residents can establish and run local organizations. For communities where there are a few individuals that would like to encourage efforts to develop additional downtown housing, but are having trouble organizing, it may be advisable to enlist the help of people from communities that already have successful organizations as mentors. One type of assistance State staff can provide would be to develop additional case studies of existing successful programs and develop a guidebook that local groups may use as a road map in building their organizations and programs.

### **Need for Technical Assistance**

People in almost every community visited and contacted for the study indicated there is a need for additional technical assistance in the area of housing. In addition, it was often pointed out that most Councils of Government (COG) already having housing expertise and they could possibly be a source of additional assistance. However, this additional support would likely require additional funding. Because seven counties in Central Iowa are not currently served by a COG another means may be required to serve at least the non-metropolitan areas of these counties. This could be accomplished by having existing COGs expand their service areas for this activity.

In addition, those wishing to undertake upper story housing renovation projects would greatly benefit from additional information on the cost of such work, funding sources, contact information for design professionals and contractors, and how to evaluate the financial feasibility of a proposed project. It is important that these information resources be publicly available. To improve access to these types of information the Iowa Economic Development Authority should expanded the Downtown Resource Center portion of its Internet site.

A third action that could be taken is to establish a network of local experts that would be willing to share their past project experiences and expertise with others considering undertaking such projects.

### **Need for Financial Assistance**

Information presented on prevailing rental rates, household income levels, and rehabilitation costs indicate that upper story housing projects often will not be feasible without some public assistance. Upper story housing assistance should be directed to two primary categories of recipients. The first category consists of individuals that desire to develop downtown housing for their own use. The second category consists of people, businesses, and non-profit organizations wanting to develop rental housing.

Owner occupied housing will likely not require as much assistance as would rental housing. A model for providing assistance to people wishing to renovate downtown properties for their own use is the Harlan grant program. One suggestion from officials of that city is for the state to match the city's \$15,000 per unit grants. This would provide up to \$30,000 per housing unit in assistance for owners wishing to renovate properties for their own use. Owners would be required to match the assistance amount on at least a dollar for dollar basis.

For rental property it is likely more assistance per housing unit would be required than for owner occupied housing. Developing apartments that can be rented at rates of \$600 per month or less will likely require subsidies of \$50,000 or more per unit. One alternative for meeting this need could be a joint local government/ State grant program. Local funds could be raised either through annual appropriations or through the use of Tax Increment Financing, similar to what Red Oak is doing. For the State share a program similar to the Main Street Challenge Grants could be established, but without the requirement that cities be involved in the Main Street Program. A State appropriation and/or CDBG allocation of \$2.5 million per year matched by local governments and local developers could fund the renovation of about 100 housing units per year.

### **Need for Future Evaluation**

Any expenditure of public funds requires monitoring and evaluation. This can only be done if performance data are collected and made available for study. For each project that receives public assistance a report should be filed after completion. The types of information and data that should be reported include:

- Project street location address, city, zip code, county and assessor's parcel number;
- Description of the property, including number of stories, square footage per floor, and means of access to upper stories;
- Property use prior to project by floor;
- Appraised value of the property prior to project;
- Project hard (construction) costs by major expenditure (i.e., roof, plumbing, electrical, tuck pointing, heating and cooling system, windows, elevator, etc.);
- Project soft costs by major item (i.e., architectural, engineering, legal, permit fees, construction loan interest, etc.);
- Total project cost;
- Project funding by source, including owner's equity, tax credits by type, grants by source;
- Project start and completion dates; and
- Appraised value of the property after project completion.

In addition to collecting and evaluating project specific results, downtown and community-wide impacts should also be evaluated on an annual basis. Returning to the theme of "money," business owners that invest in both the exterior restoration and preservation of historic facades and in the renovation and adaptive reuse of interior spaces generally want to know what types

of returns their investments generate. There are various types of ways to measure these returns. These include:

- Changes in the value of real property,
- Changes in retail sales,
- Changes in commercial and residential rental income,
- Changes in property occupancy rates, and
- Changes in gross business income.

Finally, the overall program should be evaluated on an ongoing basis. Program activities and outcomes in different cities should be compared. The work of different COGs, as well as the State program should be evaluated. The adequacy of individual project and program funding levels should be assessed.



## **Appendices**

Appendix A Case Study City Selection Criteria

Appendix B Case Study City Demographic, Economic, and Housing Statistics

Appendix C List of People that Provided Input for the Study

Appendix D City Name Abbreviations

Appendix E Property Tax Reform Impact Analysis for Rental Residential and Commercial  
Property

Appendix F Taxable Retail Sales Analysis for Case Study Cities

## Appendix A Case Study City Selection Criteria

### Case Study Cities Selection Methodology

Iowa has 946 incorporated cities. Because the focus of this study was non-metropolitan cities, the 40 cities that comprise the State's nine metropolitan areas were excluded. Metropolitan area for the purpose of this study was defined narrowly to include only core cities and suburbs. For example, the U.S. Office of Management and Budget (OMB) includes Madison County as part of the Des Moines Metropolitan Statistical Area. However, no cities in Madison County were excluded from consideration as case study cities.

The remaining list of 906 cities was reduced to 132 through a filtering process. The filters applied to the 906 non-metropolitan area cities include:

- Main Street Program participation,
- Iowa Great Places selection,
- County Seat location,
- Presence of a college,
- Presence of a hospital,
- Presence of a high school, and
- Number of sales tax permit holders.

For the first six criteria cities were assigned a value of 1 if the criterion was satisfied and 0 if not. For the seventh criteria each city was assigned a value between 1 and 5 depending on the number of active sales tax permits issued to businesses located in the city. The value equaled 5 if the number of permits exceeded 200, it equaled 4 if the number of permits exceeded 150 but was less than 200, it equaled 3 if the number of permits exceeded 100 but was less than 150, it equaled 2 if the number of permits exceeded 50 but was less than 100, and 1 otherwise. The sum of the filtering criteria weights yielded an index for each city between 0 and 11. A value of 4 was used as a cutoff to reduce the list of 906 non-metropolitan cities to 132.

The final step in the selection of the 20 case study cities involved dividing the State into quarters and stratifying the 132 cities into five population size groups. Then one city from each quarter of the State and each population group was randomly selected for the sample. Due to data problems three substitutions were made: Atlantic for Lamoni, Red Oak for Leon, and Washington for Williamsburg.

## Appendix A Case Study City Selection Criteria

Obs	Random Number	Quadrant	Pop Group	Place Code	City	Metro	Main Street	Great Places	County Seat	College	High School	Hospital	Retail Permits	Index Number
1	34	1	1	28515	Fort Dodge	0	0	0	1	1	1	2	872	9
2	46	1	1	7480	Boone	0	0	0	1	0	1	1	420	8
3	53	1	1	74280	Spencer	0	1	1	1	0	1	1	527	10
4	15	1	1	75630	Storm Lake	0	0	0	1	1	1	1	367	10
5	63	1	1	11080	Carroll	0	0	0	1	0	1	1	498	8
6	64	1	1	44400	Le Mars	0	1	0	1	0	1	1	386	10
7	55	1	1	83145	Webster City	0	0	0	1	0	1	0	264	7
8	49	1	2	73290	Sioux Center	0	0	0	0	1	1	1	294	9
9	8	1	2	25860	Estherville	0	0	0	1	1	1	1	238	9
10	90	1	2	59475	Orange City	0	0	0	1	1	1	1	211	10
11	62	1	2	1135	Algona	0	0	0	1	0	1	1	329	8
12	66	1	2	13080	Cherokee	0	0	0	1	0	1	0	264	7
13	29	1	2	72390	Sheldon	0	0	0	0	1	1	0	235	8
14	33	1	3	74415	Spirit Lake	0	0	0	1	0	1	1	412	9
15	70	1	3	37560	Humboldt	0	0	0	0	0	1	1	217	8
16	65	1	3	39450	Jefferson	0	1	0	1	0	1	1	190	8
17	98	1	3	28380	Forest City	0	0	0	1	1	1	0	176	7
18	8	1	3	25590	Emmetsburg	0	0	0	1	0	1	1	165	7
19	56	1	3	68205	Rock Valley	0	0	0	0	0	1	0	178	6
20	96	1	3	29955	Garner	0	0	0	1	0	1	0	150	7
21	47	1	4	52095	Milford	0	0	0	0	0	1	0	201	7
22	18	1	4	59115	Onawa	0	0	0	1	0	1	1	119	6
23	87	1	4	13620	Clarion	0	0	0	1	0	1	1	134	6
24	39	1	4	72975	Sibley	0	0	0	1	0	1	1	106	6
25	27	1	4	68160	Rock Rapids	0	0	0	1	0	1	0	122	6

## Appendix A Case Study City Selection Criteria

Obs	Random Number	Quadrant	Pop Group	Place Code	City	Metro	Main Street	Great Places	County Seat	College	High School	Hospital	Retail Permits	Index Number
26	51	1	4	35265	Hawarden	0	0	0	0	0	1	0	113	5
27	19	1	4	48450	Madrid	0	0	0	0	0	1	0	75	4
28	95	1	4	5680	Belmond	0	0	0	0	0	1	1	117	5
29	33	1	4	37515	Hull	0	0	0	0	0	1	0	105	5
30	92	1	4	69645	Sac City	0	1	0	1	0	0	0	98	4
31	28	1	5	38010	Ida Grove	0	0	0	1	0	1	0	136	5
32	99	1	5	42555	Lake Mills	0	0	0	0	0	1	0	104	4
33	29	1	5	8605	Britt	0	0	0	0	0	1	1	99	4
34	1	1	5	63975	Pocahontas	0	0	0	1	0	1	1	96	5
35	24	1	5	48945	Manning	0	1	0	0	0	1	1	77	5
36	84	2	1	50160	Mason City	0	1	1	1	2	1	1	919	11
37	86	2	1	49755	Marshalltown	0	1	0	1	1	1	1	718	11
38	28	2	1	82875	Waverly	0	1	0	1	1	1	1	308	11
39	66	2	1	19405	Decorah	0	0	1	1	1	1	1	463	10
40	99	2	2	14025	Clear Lake	0	0	0	0	0	1	0	368	6
41	38	2	2	12765	Charles City	0	1	1	1	0	1	1	308	10
42	85	2	2	55695	Nevada	0	0	0	1	0	1	1	211	9
43	82	2	2	58620	Oelwein	0	0	0	0	0	1	1	195	6
44	91	2	2	49215	Maquoketa	0	0	0	1	0	1	1	272	8
45	49	2	2	38100	Independence	0	0	0	1	0	1	0	260	8
46	22	2	2	1990	Anamosa	0	0	0	1	0	1	1	186	8
47	30	2	2	81210	Vinton	0	0	0	1	0	1	0	220	8
48	45	2	2	38640	Iowa Falls	0	1	0	0	1	1	1	254	9
49	30	2	2	48810	Manchester	0	0	0	1	0	1	1	290	8
50	11	2	3	54840	Mount Vernon	0	1	0	0	1	1	0	153	8

## Appendix A Case Study City Selection Criteria

Obs	Random Number	Quadrant	Pop Group	Place Code	City	Metro	Main Street	Great Places	County Seat	College	High School	Hospital	Retail Permits	Index Number
51	21	2	3	33960	Hampton	0	1	0	1	0	1	1	207	10
52	22	2	3	23115	Dyersville	0	0	0	0	0	0	0	246	6
53	23	2	3	17220	Cresco	0	0	0	1	0	1	1	202	8
54	10	2	3	82740	Waukon	0	0	0	1	0	1	1	229	8
55	73	2	3	53625	Monticello	0	0	0	0	0	1	0	236	7
56	35	2	3	59745	Osage	0	0	0	1	0	1	1	181	8
57	65	2	3	56100	New Hampton	0	1	0	1	0	1	1	210	9
58	34	2	3	75675	Story City	0	0	0	0	0	1	0	156	6
59	13	2	3	37920	Huxley	0	0	0	0	0	1	0	76	4
60	16	2	4	77115	Tama	0	0	0	0	0	1	0	90	4
61	90	2	4	33195	Grundy Center	0	0	0	1	0	1	1	119	7
62	61	2	4	24465	Eldora	0	0	0	1	0	1	0	131	5
63	82	2	4	39585	Jesup	0	0	0	0	0	1	0	82	4
64	65	2	4	5590	Belle Plaine	0	1	0	0	0	1	0	106	5
65	2	2	4	84765	West Union	0	1	1	1	0	1	0	137	7
66	54	2	4	12270	Center Point	0	0	0	0	0	1	0	88	4
67	23	2	4	11305	Cascade	0	0	0	0	0	1	0	118	5
68	16	2	4	5635	Bellevue	0	0	0	0	0	1	0	141	4
69	19	2	5	45615	Lisbon	0	0	0	0	0	1	0	74	4
70	3	2	5	76260	Sumner	0	0	0	0	0	1	0	112	4
71	91	2	5	57630	Northwood	0	0	0	1	0	1	0	106	5
72	67	2	5	25725	Epworth	0	0	0	0	1	1	0	59	5
73	13	2	5	33465	Guttenberg	0	0	1	0	0	1	1	106	6
74	46	2	5	24690	Elkader	0	1	1	1	0	1	0	124	7
75	70	2	5	69735	St. Ansgar	0	0	0	0	0	1	0	103	5

## Appendix A Case Study City Selection Criteria

Obs	Random Number	Quadrant	Pop Group	Place Code	City	Metro	Main Street	Great Places	County Seat	College	High School	Hospital	Retail Permits	Index Number
76	75	2	5	15825	Conrad	0	1	0	0	0	1	0	61	5
77	11	3	1	38280	Indianola	0	0	0	1	1	1	0	473	9
78	17	3	1	19945	Denison	0	0	0	1	0	1	1	284	9
79	78	3	1	62355	Perry	0	0	1	0	0	1	1	209	9
80	53	3	2	17265	Creston	0	0	0	1	1	1	1	279	10
81	54	3	2	3520	Atlantic	0	0	0	1	0	1	1	332	8
82	17	3	2	66135	Red Oak	0	0	0	1	0	1	1	234	8
83	45	3	2	13575	Clarinda	0	0	0	0	0	1	1	183	6
84	73	3	2	31350	Glenwood	0	0	0	1	0	1	0	196	6
85	8	3	2	86520	Winterset	0	0	0	1	0	1	1	247	9
86	15	3	2	72525	Shenandoah	0	0	0	0	0	1	1	194	6
87	6	3	3	34500	Harlan	0	0	0	1	0	1	1	267	8
88	9	3	3	59835	Osceola	0	0	0	1	0	1	0	209	8
89	41	3	3	12720	Chariton	0	1	0	1	0	1	1	185	8
90	9	3	3	505	Adel	0	0	0	1	0	1	0	205	8
91	93	3	4	52860	Missouri Valley	0	0	0	0	0	1	1	131	5
92	53	3	4	42960	Lamoni	0	0	0	0	1	1	0	84	4
93	92	3	5	3655	Audubon	0	0	0	1	0	1	1	153	7
94	74	3	5	32790	Greenfield	0	1	0	1	0	1	1	111	7
95	29	3	5	44535	Leon	0	0	0	1	0	1	1	87	5
96	29	3	5	54480	Mount Ayr	0	0	0	1	0	1	0	113	5
97	76	3	5	16500	Corning	0	1	0	1	0	1	1	125	7
98	40	3	5	16635	Corydon	0	0	0	1	0	1	1	79	5
99	53	3	5	33420	Guthrie Center	0	0	0	1	0	1	1	104	6
100	64	3	5	5365	Bedford	0	1	0	1	0	1	0	94	5

## Appendix A Case Study City Selection Criteria

Obs	Random Number	Quadrant	Pop Group	Place Code	City	Metro	Main Street	Great Places	County Seat	College	High School	Hospital	Retail Permits	Index Number
101	71	4	1	14430	Clinton	0	0	1	1	1	1	1	695	10
102	4	4	1	9550	Burlington	0	1	0	1	0	1	0	694	8
103	58	4	1	60465	Ottumwa	0	1	0	1	1	1	1	699	10
104	51	4	1	55110	Muscatine	0	0	0	1	0	1	1	666	9
105	37	4	1	56505	Newton	0	0	0	1	0	1	1	511	8
106	4	4	1	59925	Oskaloosa	0	1	0	1	1	1	1	449	11
107	58	4	1	28605	Fort Madison	0	1	0	1	0	1	1	308	9
108	95	4	1	40845	Keokuk	0	1	0	1	0	1	1	357	9
109	38	4	1	62040	Pella	0	0	0	0	1	1	1	426	9
110	40	4	1	26445	Fairfield	0	0	1	1	1	1	1	440	10
111	12	4	1	33105	Grinnell	0	0	0	0	1	1	1	330	8
112	74	4	1	54705	Mount Pleasant	0	1	0	1	1	1	1	379	10
113	99	4	2	82335	Washington	0	1	0	1	0	1	1	321	10
114	67	4	2	42015	Knoxville	0	0	0	1	0	1	2	266	8
115	73	4	2	12315	Centerville	0	0	0	1	0	1	1	266	8
116	4	4	3	10135	Camanche	0	0	0	0	0	1	0	83	4
117	66	4	3	910	Albia	0	0	0	1	0	1	1	167	8
118	62	4	3	84315	West Liberty	0	0	0	0	0	1	0	110	5
119	55	4	3	78285	Tipton	0	0	0	1	0	1	0	178	7
120	23	4	3	85845	Williamsburg	0	0	0	0	0	1	0	229	7
121	80	4	4	83685	West Burlington	0	0	0	0	1	1	1	205	8
122	53	4	4	86070	Wilton	0	0	0	0	0	1	0	89	4
123	58	4	4	7030	Bloomfield	0	1	0	1	0	1	1	249	9
124	25	4	4	49395	Marengo	0	0	1	1	0	1	1	114	7
125	10	4	4	40170	Kalona	0	0	0	0	0	0	0	183	5

## Appendix A Case Study City Selection Criteria

Ob s	Random Number	Quad- rant	Pop Group	Place Code	City	Metro	Main Street	Great Places	County Seat	College	High School	Hospital	Retail Permits	Index Number
126	62	4	4	83595	West Branch	0	1	0	0	0	1	0	92	5
127	81	4	5	73875	Solon	0	0	0	0	0	1	0	122	5
128	4	4	5	15060	Colfax	0	1	0	0	0	1	0	77	4
129	23	4	5	73110	Sigourney	0	0	0	1	0	1	1	121	6
130	91	4	5	82200	Wapello	0	0	0	1	0	1	0	95	4
131	1	4	5	53490	Montezuma	0	0	0	1	0	1	0	112	5
132	2	4	5	40935	Keosauqua	0	0	1	1	0	1	1	107	7

## **Appendix B Case Study City Demographic, Economic, and Housing Statistics**

Table B1: Grouped Population Cohorts, 2000 and 2010

Table B2: All Case Study Cities' Detailed Population Cohorts, 2000 and 2010

Table B3: Employment by Major Business Sector, 2010

Table B4: Case Study Cities Gross Rent Rate Shares

Table B5: Case Study Cities Median Monthly Rents

Table B6: Household Gross Income Paid for Rent

Iowa Upper Story Housing Feasibility Study, 2014

Table B1: Grouped Population Cohorts, 2000 and 2010

City	2000					2010				
	0 to 19	20 to 44	45 to 64	65 to 74	75 plus	0 to 19	20 to 44	45 to 64	65 to 74	75 plus
Anamosa	1,213	1,302	867	361	434	1,209	1,249	1,049	379	575
Atlantic	1,863	2,108	1,620	704	962	1,764	1,844	1,938	691	875
Bloomfield	598	754	560	247	442	673	705	663	238	361
Emmetsburg	1,043	1,178	840	365	532	986	1,078	995	347	498
Estherville	1,854	2,107	1,352	549	794	1,801	1,892	1,522	468	677
Harlan	1,452	1,472	1,181	488	689	1,306	1,312	1,377	441	670
Indianola	3,767	4,660	2,569	823	1,179	4,281	4,979	3,275	961	1,286
Keosauqua	234	251	246	118	217	196	236	284	109	181
Knoxville	2,030	2,470	1,718	685	828	1,959	2,024	1,930	630	770
Onawa	770	879	656	330	456	754	750	773	311	410
Oskaloosa	3,006	3,726	2,182	842	1,182	3,127	3,719	2,659	824	1,134
Pocahontas	492	493	498	215	272	370	367	530	222	300
Red Oak	1,667	1,881	1,357	549	743	1,529	1,526	1,531	492	664
Storm Lake	3,031	3,719	1,719	710	897	3,320	3,666	2,289	469	856
Sumner	531	562	489	192	332	479	526	507	226	290
Washington	1,779	2,089	1,520	630	1,029	1,896	1,952	1,887	608	923
Waukon	1,035	1,181	897	413	605	886	1,026	1,049	362	574
Waverly	2,605	3,080	1,819	638	826	2,745	3,340	2,133	752	904
West Union	639	804	546	237	323	598	715	621	243	309
Winterset	1,348	1,449	968	346	657	1,480	1,504	1,240	393	573

Source: U.S. Census, 2000 and 2010

Iowa Upper Story Housing Feasibility Study, 2014

Table B2: All Case Study Cities' Detailed Population Cohorts, 2000 and 2010

Age Cohort	2000			2010			Change 2000 - 2010			Male:Female	
	Total	Male	Female	Total	Male	Female	Total	Male	Female	2000	2010
Total population	113,567	53,850	59,717	116,017	55,514	60,503	2,450	1,664	786	0.902	0.918
Under 5 years	6,885	3,519	3,366	7,742	3,997	3,745	857	478	379	1.045	1.067
5 to 9 years	7,281	3,805	3,476	7,400	3,838	3,562	119	33	86	1.095	1.077
10 to 14 years	7,532	3,837	3,695	7,339	3,657	3,682	-193	-180	-13	1.038	0.993
15 to 19 years	9,259	4,681	4,578	8,878	4,543	4,335	-381	-138	-243	1.022	1.048
20 to 24 years	8,247	4,203	4,044	8,778	4,400	4,378	531	197	334	1.039	1.005
25 to 29 years	6,215	3,110	3,105	6,804	3,442	3,362	589	332	257	1.002	1.024
30 to 34 years	6,298	3,185	3,113	6,311	3,107	3,204	13	-78	91	1.023	0.970
35 to 39 years	7,442	3,659	3,783	6,219	3,112	3,107	-1,223	-547	-676	0.967	1.002
40 to 44 years	7,963	3,912	4,051	6,298	3,095	3,203	-1,665	-817	-848	0.966	0.966
45 to 49 years	7,512	3,745	3,767	7,423	3,641	3,782	-89	-104	15	0.994	0.963
50 to 54 years	6,344	3,205	3,139	7,614	3,711	3,903	1,270	506	764	1.021	0.951
55 to 59 years	5,075	2,385	2,690	7,194	3,551	3,643	2,119	1,166	953	0.887	0.975
60 to 64 years	4,673	2,150	2,523	6,021	2,938	3,083	1,348	788	560	0.852	0.953
65 to 69 years	4,546	1,998	2,548	4,884	2,231	2,653	338	233	105	0.784	0.841
70 to 74 years	4,896	2,041	2,855	4,282	1,861	2,421	-614	-180	-434	0.715	0.769
75 to 79 years	4,884	1,899	2,985	4,009	1,570	2,439	-875	-329	-546	0.636	0.644
80 to 84 years	3,937	1,302	2,635	3,864	1,439	2,425	-73	137	-210	0.494	0.593
85 years and over	4,578	1,214	3,364	4,957	1,381	3,576	379	167	212	0.361	0.386
0 to 19 years	30,957	15,842	15,115	31,359	16,035	15,324	402	193	209	1.048	1.046
20 to 44 years	36,165	18,069	18,096	34,410	17,156	17,254	-1,755	-913	-842	0.999	0.994
45 to 64 years	23,604	11,485	12,119	28,252	13,841	14,411	4,648	2,356	2,292	0.948	0.960
65 to 74 years	9,442	4,039	5,403	9,166	4,092	5,074	-276	53	-329	0.748	0.806
75 years and over	13,399	4,415	8,984	12,830	4,390	8,440	-569	-25	-544	0.491	0.520

Source: U.S. Census, 2000 and 2010

Iowa Upper Story Housing Feasibility Study, 2014

Table B3: Employment by Major Business Sector, 2010

City	Manufacturing	Health Care & Social Assistance	Retail trade	Educational Services	Arts, Entertainment & Recreation	Professional, Business & Financial Services	Other	Total
Anamosa	235	372	283	216	165	215	496	1,982
Atlantic	448	589	638	303	334	327	826	3,465
Bloomfield	194	262	60	127	151	99	271	1,164
Emmetsburg	248	290	218	211	330	139	483	1,919
Estherville	813	373	465	203	340	145	766	3,105
Harlan	213	421	418	140	131	322	912	2,557
Indianola	435	1,119	1,033	1,533	518	1,441	1,790	7,869
Keosauqua	96	112	56	35	31	94	75	499
Knoxville	751	744	372	289	364	212	644	3,376
Onawa	94	270	118	82	161	104	413	1,242
Oskaloosa	1,318	715	602	755	406	607	926	5,329
Pocahontas	210	121	110	106	17	72	255	891
Red Oak	311	427	227	115	377	251	706	2,414
Storm Lake	1,901	396	553	1,056	477	237	1,124	5,744
Sumner	238	248	87	118	59	142	195	1,087
Washington	601	676	544	276	200	415	816	3,528
Waukon	285	341	352	135	109	167	479	1,868
Waverly	597	614	703	1,148	433	616	874	4,985
West Union	151	237	127	109	88	196	330	1,238
Winterset	149	432	434	178	312	384	357	2,246

Source: U.S. Census, American Community Survey, 2008 - 2012

Iowa Upper Story Housing Feasibility Study, 2014

Table B4: Case Study Cities Gross Rent Rate Shares

Community	No rent paid	Less than \$200	\$200 to \$299	\$300 to \$499	\$500 to \$749	\$750 to \$999	\$1,000 to \$1,499	\$1,500 or more	Total
Anamosa	37	51	24	91	81	102	9	0	358
Atlantic	62	45	41	483	406	49	22	10	1,056
Emmetsburg	0	7	69	249	137	49	10	0	521
Estherville	55	40	31	156	228	140	53	0	648
Harlan	48	36	65	57	218	140	26	9	551
Indianola	76	68	60	268	621	409	188	33	1,647
Keosauqua	28	17	18	54	15	0	3	2	109
Knoxville	21	45	52	198	382	155	0	23	855
Onawa	7	0	34	161	113	33	0	7	348
Oskaloosa	114	71	163	441	759	233	15	11	1,693
Pocahontas	23	10	17	54	38	37	4	0	160
Red Oak	112	41	34	211	215	163	17	14	695
Storm Lake	43	84	156	352	528	284	50	19	1,473
Sumner	11	12	12	63	57	29	5	0	178
Washington	45	27	29	216	278	196	156	23	925
Waukon	28	11	38	184	196	25	0	0	454
Waverly	58	33	39	66	419	98	66	0	721
West Union	33	9	66	161	85	12	4	0	337
Winterset	71	42	70	72	234	172	133	0	723

Source: U.S. Census, American, Community Survey, 2008 - 2012

Table B5: Case Study Cities Median Monthly Rents

City	Median Rent
Anamosa	\$516
Atlantic	\$489
Bloomfield	\$545
Emmetsburg	\$462
Estherville	\$613
Harlan	\$632
Indianola	\$682
Keosauqua	\$435
Knoxville	\$567
Onawa	\$481
Oskaloosa	\$570
Pocahontas	\$493
Red Oak	\$556
Storm Lake	\$561
Sumner	\$505
Washington	\$644
Waukon	\$492
Waverly	\$599
West Union	\$454
Winterset	\$684
State of Iowa	\$655
Des Moines	\$718
West Des Moines	\$853

Source: U.S. Census, American Community Survey, 2008 - 2012

Table B6: Household Gross Income Paid for Rent

Community	Not Avail.	Less than 15.0%	15.0% to 19.9%	20.0% to 24.9%	25.0% to 29.9%	30.0% to 34.9%	35.0% +	Total
Anamosa	37	93	9	31	53	45	127	358
Atlantic	74	195	195	105	143	49	357	1,044
Emmetsburg	0	121	89	43	57	26	185	521
Estherville	90	120	19	85	43	80	266	613
Harlan	72	90	44	39	104	49	201	527
Indianola	127	267	230	239	189	116	555	1,596
Keosauqua	28	12	5	17	19	6	50	109
Knoxville	21	61	136	171	94	53	340	855
Onawa	17	49	42	45	69	63	70	338
Oskaloosa	134	174	216	221	119	199	744	1,673
Pocahontas	29	30	34	12	5	19	54	154
Red Oak	112	114	96	27	87	22	349	695
Storm Lake	62	297	173	334	197	134	319	1,454
Sumner	11	45	19	49	23	0	42	178
Washington	81	93	96	26	137	65	472	889
Waukon	28	91	78	89	50	32	114	454
Waverly	58	160	136	94	75	30	226	721
West Union	33	86	52	54	19	36	90	337
Winterset	71	100	164	57	77	90	235	723

Source: U.S. Census, American Community Survey, 2008 - 2012

## Appendix C List of People that Provided Input for the Study

City	Name, Title, Affiliation
Anamosa	Chad Sands, Director of Housing, East Central Iowa Council of Government
Anamosa	Allan Johnson, City Administrator, City of Anamosa
Atlantic	Russ Joyce, Executive Director, Cass/ Atlantic Development Corporation
Atlantic	Pat McCurdy, Board Chair, Cass/ Atlantic Development Corporation
Atlantic	David Jones, Mayor, City of Atlantic
Atlantic	Rhonda Larsen, Executive Director, Atlantic Area Chamber of Commerce
Atlantic	John McCurdy, Executive Director, SWIPO (Southwest Iowa Planning Council)
Atlantic	Jeremy Middents, Housing Director, SWIPO
Atlantic	Jason Bell, owner, Redy Properties (downtown apartment owner)
Bloomfield	Doug Dixon, President, Bloomfield Main Street
Emmetsburg	John Bird, City Administrator
Emmetsburg	Mike Wentzel, Realtor with Farmers National Realty.
Estherville	Penny Clayton, City Administrator
Estherville	Lexie Ruter, Estherville Chamber of Commerce
Estherville	Jill Spurgin, realtor with Bloom and Leonard Real Estate
Harlan	Terry Cox, City Administrator
Harlan	David Miller and Aaron Anliker, City Council members.
Harlan	Aaron Anliker, City Council member.
Indianola	Chuck Burgin, Director, Community Development, City of Indianola.
Indianola	Rachel Gocken, Administration and Communications Coordinator, Warren County Economic Development Corporation
Indianola	Jason White, Executive Director.
Keosauqua	Stacey Reese, Executive Director, Villages of Van Buren.
Knoxville	Harold Stewart, City Administrator, City of Knoxville
Onawa	Brad Hanson, City Administrator, City of Onawa
Oskaloosa	Andrew Jensen (Executive Director Mahaska Community Development Group),
Oskaloosa	Beth Danowsky (Community Development Manager, Musco Lighting)
Oskaloosa	Linda Crookham-Hansen (Project Administrator, Musco Lighting)
Oskaloosa	Lyle Siefering (Owner, Hawkeye Real Estate).
Pocahontas	Eric List, City Administrator (previously was the community's economic development director)
Pocahontas	Donna Hudson, realtor with Hudson Realty.
Red Oak	Brad Wright, Red Oak City Administrator
Red Oak	Paul Griffen, Executive Director, Chamber and Industry Association, Inc.
Storm Lake	Jim Patrick, City Manager
Storm Lake	Mike Wilson, Community Development Dir
Storm Lake	Kathy Evert, President of the Iowa Lakes Corridor Development Corporation

Iowa Upper Story Housing Feasibility Study, 2014

City	Name, Title, Affiliation
Storm Lake	Tim Steffen, HR Manager, Sara Lee
Sumner	Jim Rodemeyer, Director of Housing, Iowa Northland Regional Council of Governments
Washington	Ed Raber, Executive Director, of Washington Economic Development Group Program
Washington	Sarah Sadrakula, Program Director for Main Street Washington
Waukon	Ardie Kuhse, Business & Tourism Coordinator, Allamakee County Economic Development;
Waukon	Dick Sullivan, Developer and Property Owner
Waukon	Rachelle Howe, Executive Director, Upper Explorerland RPC
Waverly	Emily Neurberger, Waverly Main Street Coordinator
West Union	Robin Bostrom, Main Street Coordinator
Winterset	Heather Riley, Winterset Chamber of Commerce
Winterset	Tom Leners, Madison County Development Group

## Appendix D City Name Abbreviations

City	City Code
Anamosa	An
Atlantic	At
Bloomfield	Bl
Emmetsburg	Em
Estherville	Es
Harlan	Ha
Indianola	In
Keosauqua	Ke
Knoxville	Kn
Onawa	On
Oskaloosa	Os
Pocahontas	Po
Red Oak	Ro
Storm Lake	Sl
Sumner	Su
Washington	Wa
Waukon	Wn
Waverly	Wv
West Union	Wu
Winterset	Wi

## **Appendix E Property Tax Reform Impact Analysis for Rental Residential and Commercial Property**

During 2013 the Iowa General Assembly enacted Senate File 295, which transformed how property taxes are imposed on residential, commercial, industrial, and railroad property. Division I creates a new property tax credit for commercial, industrial, and railroad property. Division II provides for a “rollback” of the share of the value of commercial, industrial, and railroad property subject to tax from 100% to 90% by assessment year 2014. Division III creates a new property tax classification (multiresidential) for human habitat commercial property (i.e., apartments, nursing homes, assisted living facilities, etc.) and over eight years starting with assessment year 2015 begins reducing the share of multiresidential property subject to tax to parity with residential property in assessment year 2022. Also, the different parts of mixed use property will be assessed according to each areas prevailing use. Previously, each property could only be classified under the prevailing use for the entire property.

For the following examples, the most important provisions are the changes in the classification for multi-use property and the reduction in the rollback percentage for multiresidential property. Rules for how this legislation will be implemented are not yet available, so some of the interpretation of the impact of this legislation may change.

The first example is for a property that is renovated in such a manner as to be primarily residential rental property and thus qualify for the multiresidential classification. The market value of the property after renovation is assumed to equal \$500,000. The presentation is by assessment year (AY). Taxes are due two fiscal years following the assessment year. During the first two years of the example the property would still be classified as commercial property, so during AY 2013 the rollback equals 95% and during AY 2014 the rollback equals 90%. For AY 2015 the rollback on multiresidential property is 86.25% and the percentage drops by 3.75% per year through AY 2021. Then, in AY 2022 the multiresidential and residential rollback percentages reach parity. For this example the AY 2022 rollback rate is assumed to equal 50%.

The second example pertains to a property that is 50% commercial and 50% owner-occupied residential and shows how the new rollback and credit impacts the property taxes for such a property. In this example the market value of the property is also assumed to equal \$500,000.

Table E1: Multiresidential Property Tax Example

Assessment Year	Old Law			New Law			Savings Summary		
	Rollback Percentage	Property Tax @3.50%	Cumulative Tax	Rollback Percentage	Property Tax @3.50%	Cumulative Tax	Cumulative Savings	Annual % Savings	Cumulative % Savings
2013	100.00%	\$17,500	\$17,500	95.00%	\$16,625	\$16,625	\$875	5.0%	5.0%
2014	100.00%	\$17,500	\$35,000	90.00%	\$15,750	\$32,375	\$2,625	10.0%	7.5%
2015	100.00%	\$17,500	\$52,500	86.25%	\$15,094	\$47,469	\$5,031	13.8%	9.6%
2016	100.00%	\$17,500	\$70,000	82.50%	\$14,438	\$61,906	\$8,094	17.5%	11.6%
2017	100.00%	\$17,500	\$87,500	78.75%	\$13,781	\$75,688	\$11,813	21.3%	13.5%
2018	100.00%	\$17,500	\$105,000	75.00%	\$13,125	\$88,813	\$16,188	25.0%	15.4%
2019	100.00%	\$17,500	\$122,500	71.25%	\$12,469	\$101,281	\$21,219	28.8%	17.3%
2020	100.00%	\$17,500	\$140,000	67.50%	\$11,813	\$113,094	\$26,906	32.5%	19.2%
2021	100.00%	\$17,500	\$157,500	63.75%	\$11,156	\$124,250	\$33,250	36.3%	21.1%
2022	100.00%	\$17,500	\$175,000	50.00%	\$8,750	\$133,000	\$42,000	50.0%	24.0%

Table E2: Dual Use Commercial and Owner-Occupied Residential Property Tax Example

Assessment Year	Old Law			New Law				Savings Summary		
	Rollback Percentage	Property Tax @3.50%	Cumulative Tax	Commercial Rollback Percentage	Residential Rollback Percentage	Property Tax @3.50%	Cumulative Tax	Cumulative Savings	Annual % Savings	Cumulative % Savings
2013	100.00%	\$17,500	\$17,500	95.00%	54.40%	\$12,550	\$12,550	\$4,951	28.3%	28.3%
2014	100.00%	\$17,500	\$35,000	90.00%	54.00%	\$11,554	\$24,104	\$10,897	34.0%	31.1%
2015	100.00%	\$17,500	\$52,500	90.00%	53.50%	\$11,249	\$35,352	\$17,148	35.7%	32.7%
2016	100.00%	\$17,500	\$70,000	90.00%	53.00%	\$11,205	\$46,557	\$23,443	36.0%	33.5%
2017	100.00%	\$17,500	\$87,500	90.00%	52.50%	\$11,161	\$57,719	\$29,782	36.2%	34.0%
2018	100.00%	\$17,500	\$105,000	90.00%	52.00%	\$11,118	\$68,836	\$36,164	36.5%	34.4%
2019	100.00%	\$17,500	\$122,500	90.00%	51.50%	\$11,074	\$79,910	\$42,590	36.7%	34.8%
2020	100.00%	\$17,500	\$140,000	90.00%	51.00%	\$11,030	\$90,940	\$49,060	37.0%	35.0%
2021	100.00%	\$17,500	\$157,500	90.00%	50.50%	\$10,986	\$101,926	\$55,574	37.2%	35.3%
2022	100.00%	\$17,500	\$175,000	90.00%	50.00%	\$10,943	\$112,869	\$62,132	37.5%	35.5%

Source: Strategic Economic Group

## **Appendix F Taxable Retail Sales Analysis for Case Study Cities**

One way to assess the impact of downtown revitalization efforts on downtown areas is by looking at taxable retail sales activity. These statistics are not publicly available. However, the Iowa Department of Revenue compiled the statistics for the 20 case study cities. The sales data are compiled separately for bars and restaurants, traditional retailers, and for service companies. The data for some categories for some cities are suppressed due to there being too few businesses to meet disclosure requirements.

Because most cities have not yet undertaken an extensive amount of upper story housing renovation a meaningful assessment of the impact of such undertakings is not possible. However, the data presented here do provide sort of a baseline for assessing the impact of increased residential development in the future. Also, these data do provide a basis for comparing existing levels of retail activity among the case study cities. Statistics are not provided for Red Oak and Sumner because most of the data was suppressed.

Iowa Upper Story Housing Feasibility Study, 2014

Table F1: Bar and Restaurant Taxable Sales and Taxable Sales per Capita for Case Study Cities, 2010 – 2013

City	Taxable Sales				Population				Taxable Sales per Capita			
	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013
Anamosa	\$705,313	\$823,470	\$745,871	\$966,798	5,550	5,638	5,540	5,545	\$127	\$146	\$135	\$174
Atlantic	\$359,467	\$737,162	\$785,497	\$873,158	7,096	7,026	7,003	6,937	\$51	\$105	\$112	\$126
Bloomfield	\$282,677	S	\$558,389	\$545,059	2,649	2,634	2,620	2,645	\$107	NA	\$213	\$206
Emmetsburg	\$1,243,262	\$1,539,107	\$1,671,674	\$1,743,512	3,894	3,876	3,853	3,811	\$319	\$397	\$434	\$457
Estherville	S	S	S	\$836,308	6,344	6,198	6,123	6,126	NA	NA	NA	\$137
Harlan	\$1,626,383	\$1,822,048	\$2,061,201	\$2,122,325	5,103	5,053	5,086	5,027	\$319	\$361	\$405	\$422
Indianola	\$3,200,960	\$3,477,287	\$4,032,516	\$4,272,759	14,814	14,921	14,954	15,108	\$216	\$233	\$270	\$283
Keosauqua	\$1,150,403	\$1,197,220	\$1,200,639	\$1,211,726	1,003	997	991	990	\$1,147	\$1,201	\$1,212	\$1,224
Knoxville	\$1,378,819	\$1,399,541	\$1,636,858	\$1,742,082	7,294	7,285	7,268	7,251	\$189	\$192	\$225	\$240
Onawa	\$397,877	\$392,128	\$745,104	\$1,035,461	2,996	3,003	2,957	2,937	\$133	\$131	\$252	\$353
Oskaloosa	\$3,088,433	\$3,275,799	\$3,715,122	\$3,774,662	11,515	11,584	11,565	11,568	\$268	\$283	\$321	\$326
Pocahontas	\$231,719	\$243,121	\$231,687	\$642,158	1,783	1,760	1,757	1,757	\$130	\$138	\$132	\$365
Storm Lake	\$1,716,217	\$1,793,416	\$1,831,149	\$1,873,209	10,675	10,627	10,780	10,790	\$161	\$169	\$170	\$174
Washington	\$3,488,566	\$3,307,254	\$3,563,438	\$3,919,360	7,265	7,302	7,336	7,370	\$480	\$453	\$486	\$532
Waukon	\$740,350	\$956,305	\$1,203,757	\$997,875	3,913	3,881	3,881	3,869	\$189	\$246	\$310	\$258
Waverly	\$2,161,499	\$2,545,157	\$2,787,089	\$2,863,900	9,880	9,975	10,003	10,070	\$219	\$255	\$279	\$284
West Union	\$1,299,965	\$1,295,329	\$1,101,445	\$847,074	2,486	2,493	2,483	2,444	\$523	\$520	\$444	\$347
Winterset	\$1,627,802	\$1,554,933	\$1,906,749	\$2,010,434	5,201	5,189	5,163	5,094	\$313	\$300	\$369	\$395

Source: Iowa Department of Revenue/ Strategic Economics Group

Iowa Upper Story Housing Feasibility Study, 2014

Table F2: Traditional Retail Store Taxable Sales and Taxable Sales per Capita for Case Study Cities, 2010 – 2013

City	Taxable Sales				Population				Taxable Sales per Capita			
	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013
Anamosa	\$3,977,509	\$4,901,403	\$5,122,734	\$4,903,469	5,550	5,638	5,540	5,545	\$717	\$869	\$925	\$884
Atlantic	\$9,532,673	\$10,070,301	\$10,611,013	\$10,493,662	7,096	7,026	7,003	6,937	\$1,343	\$1,433	\$1,515	\$1,513
Bloomfield	\$278,146	\$426,728	\$550,250	\$629,452	2,649	2,634	2,620	2,645	\$105	\$162	\$210	\$238
Emmetsburg	\$4,421,557	\$4,396,187	\$4,502,606	\$5,032,143	3,894	3,876	3,853	3,811	\$1,135	\$1,134	\$1,169	\$1,320
Estherville	\$2,873,612	\$2,943,606	\$3,133,204	\$2,968,391	6,344	6,198	6,123	6,126	\$453	\$475	\$512	\$485
Harlan	\$3,121,651	\$3,419,767	\$3,729,586	\$3,742,897	5,103	5,053	5,086	5,027	\$612	\$677	\$733	\$745
Indianola	\$4,820,223	\$4,618,884	\$4,780,845	\$4,729,394	14,814	14,921	14,954	15,108	\$325	\$310	\$320	\$313
Keosauqua	\$2,916,597	\$3,067,949	\$3,203,463	\$3,442,736	1,003	997	991	990	\$2,908	\$3,077	\$3,233	\$3,478
Knoxville	\$4,039,347	\$4,318,505	\$4,733,909	\$4,069,073	7,294	7,285	7,268	7,251	\$554	\$593	\$651	\$561
Onawa	\$4,284,735	\$4,379,608	\$4,579,436	\$4,344,397	2,996	3,003	2,957	2,937	\$1,430	\$1,458	\$1,549	\$1,479
Oskaloosa	\$6,007,039	\$5,694,807	\$5,419,179	\$5,691,068	11,515	11,584	11,565	11,568	\$522	\$492	\$469	\$492
Pocahontas	\$892,269	\$938,202	\$898,827	\$1,038,159	1,783	1,760	1,757	1,757	\$500	\$533	\$512	\$591
Storm Lake	\$9,288,825	\$9,908,098	\$10,150,956	\$10,055,634	10,675	10,627	10,780	10,790	\$870	\$932	\$942	\$932
Washington	\$5,335,024	\$5,511,059	\$5,823,134	\$6,110,175	7,265	7,302	7,336	7,370	\$734	\$755	\$794	\$829
Waukon	\$5,775,005	\$6,010,902	\$6,024,309	\$6,676,317	3,913	3,881	3,881	3,869	\$1,476	\$1,549	\$1,552	\$1,726
Waverly	\$9,544,814	\$10,644,154	\$11,351,000	\$11,313,876	9,880	9,975	10,003	10,070	\$966	\$1,067	\$1,135	\$1,124
West Union	\$1,718,689	\$1,914,801	\$1,716,855	\$1,590,612	2,486	2,493	2,483	2,444	\$691	\$768	\$691	\$651
Winterset	\$5,379,422	\$5,361,116	\$5,922,638	\$6,394,655	5,201	5,189	5,163	5,094	\$1,034	\$1,033	\$1,147	\$1,255

Source: Iowa Department of Revenue/ Strategic Economics Group

Iowa Upper Story Housing Feasibility Study, 2014

Table F3: Service Company Taxable Sales and Taxable Sales per Capita for Case Study Cities, 2010 – 2013

City	Taxable Sales				Population				Taxable Sales per Capita			
	2010	2011	2012	2013	2010	2011	2012	2013	2010	2011	2012	2013
Anamosa	\$1,294,538	\$1,295,245	\$1,306,443	\$1,188,254	5,550	5,638	5,540	5,545	\$233	\$230	\$236	\$214
Atlantic	\$19,613,602	\$21,192,791	\$22,058,708	\$21,618,719	7,096	7,026	7,003	6,937	\$2,764	\$3,016	\$3,150	\$3,116
Bloomfield	S	S	S	S	2,649	2,634	2,620	2,645	NA	NA	NA	NA
Emmetsburg	\$2,215,720	\$2,209,923	\$2,279,909	\$2,502,337	3,894	3,876	3,853	3,811	\$569	\$570	\$592	\$657
Estherville	\$2,763,389	\$2,845,396	\$2,685,069	\$2,473,636	6,344	6,198	6,123	6,126	\$436	\$459	\$439	\$404
Harlan	\$1,580,804	\$1,718,228	\$1,912,494	\$1,896,646	5,103	5,053	5,086	5,027	\$310	\$340	\$376	\$377
Indianola	\$9,084,092	\$9,370,456	\$9,875,214	\$9,781,993	14,814	14,921	14,954	15,108	\$613	\$628	\$660	\$647
Keosauqua	\$1,214,522	\$1,183,217	\$1,015,948	\$989,142	1,003	997	991	990	\$1,211	\$1,187	\$1,025	\$999
Knoxville	\$2,932,210	\$2,904,228	\$3,003,545	\$3,117,157	7,294	7,285	7,268	7,251	\$402	\$399	\$413	\$430
Onawa	\$959,472	\$1,613,512	\$1,689,303	\$1,592,834	2,996	3,003	2,957	2,937	\$320	\$537	\$571	\$542
Oskaloosa	\$8,251,421	\$8,035,473	\$8,255,426	\$9,214,057	11,515	11,584	11,565	11,568	\$717	\$694	\$714	\$797
Pocahontas	\$2,625,868	\$2,874,597	\$2,967,045	\$3,310,548	1,783	1,760	1,757	1,757	\$1,473	\$1,633	\$1,689	\$1,884
Storm Lake	\$3,405,184	\$3,499,340	\$3,669,222	\$3,804,102	10,675	10,627	10,780	10,790	\$319	\$329	\$340	\$353
Washington	\$5,768,207	\$6,204,478	\$6,813,568	\$7,154,982	7,265	7,302	7,336	7,370	\$794	\$850	\$929	\$971
Waukon	\$2,061,271	\$2,155,281	\$2,266,540	\$2,305,504	3,913	3,881	3,881	3,869	\$527	\$555	\$584	\$596
Waverly	\$7,152,803	\$7,042,855	\$6,663,773	\$7,569,763	9,880	9,975	10,003	10,070	\$724	\$706	\$666	\$752
West Union	\$1,568,070	\$1,651,747	\$1,681,576	\$1,839,675	2,486	2,493	2,483	2,444	\$631	\$663	\$677	\$753
Winterset	\$1,493,715	\$1,525,124	\$1,742,407	\$1,638,312	5,201	5,189	5,163	5,094	\$287	\$294	\$337	\$322

Source: Iowa Department of Revenue/ Strategic Economics Group