

HOUSING MARKET
DEMAND STUDY
FOR

MUSCATINE
IOWA

9/15/2017

TABLE OF CONTENTS

INTRODUCTION

CHAPTER ONE: COMMUNITY INSIGHTS Page 7

CHAPTER TWO: MUSCATINE TODAY Page 21

CHAPTER THREE: MUSCATINE TOMORROW Page 51

CHAPTER FOUR: ISSUES AND OPPORTUNITIES Page 59

CHAPTER FIVE: DIRECTIONS FORWARD Page 71

APPENDIX Page 93

ACKNOWLEDGMENTS

FUNDED BY:

City of Muscatine

RDG PLANNING • DESIGN

INTRODUCTION

A housing study serves several purposes. At a basic level, the study evaluates and identifies strategies to address housing issues throughout the city. The housing market impacts the quality of life for residents of the region, for people interested in moving to the area, and for businesses seeking to recruit (and retain) employees. Through community engagement, interviews, community tours, and market analysis the process unveiled the market gaps and desires of residents and stakeholders. The study summarizes these opportunities and identifies potential strategies.

A VISION FOR MUSCATINE

In Muscatine the impetus for a housing study stems from existing market forces and their effect on current residents, potential new residents, and growth. A housing study for Muscatine serves several purposes:

Leverage Incentives. The study provides evidence for Muscatine to qualify as a "distressed workforce housing community" under the criteria set forth by the State of Iowa to qualify for the Workforce Housing Tax Incentives program. The program offers tax incentives in Iowa communities for housing projects targeted at middle-income households. The criterion are summarized in the Appendix and the analysis for each criterion are noted in Chapter 2 by a ✓

Identify Housing Gaps Today and Tomorrow. By evaluating the current housing stock, along with changing perceptions and community desires, housing gaps can be identified and strategies for growth through new development, redevelopment, and rehabilitation can be established.

Build on Economic Strengths. Muscatine has a strong economy with many large employers. Continued business growth is dependent on housing the necessary workforce.

Accommodate All Ages. Seniors, family households, and young professionals all contribute to housing market demands. Housing needs for each group varies. A housing study helps identify how these needs can be satisfied to make Muscatine a place for all age ranges to live and enjoy.

Guidance for Decision Makers. A clear understanding of the housing market sets the stage for targeted and feasible housing policies and programs. The housing study provides recommended policies and programs to guide decision makers in allocating funding, resources, or staff time to forge partnerships and solutions. Referencing successful case studies reinforces the feasibility of programs that can be tailored to Muscatine.

A Resource for the Community. The housing study is a resource for many people and organizations in the city including:

- City Staff – Staff are instrumental in developing programs and policies, whether supplementing other housing initiatives or crafting new programs. The housing study provides recommendations and a roadmap, much like the Comprehensive Plan.
- Regional Builders and Developers – Builders and developers can use the study to understand the market and types of development to pursue in Muscatine, giving assurance for the market demand and potential programs that can help fill financing gaps.
- Local Employers – Employers should recognize the quality of life for their employees. Opportunities for employers to assist in the housing market can help attract and retain employees to live in Muscatine, ultimately giving them shorter commutes and potentially less turnover in positions as employees become invested in Muscatine.
- Economic Development Organizations – Similar to local employers, economic development organizations can use the tools in the study to create housing partnerships and market new opportunities for the community.

A PRIMER IN HOUSING TERMINOLOGY

Several terms and phrases are used in housing lingo today, many not easily understood without explanation and sometimes meaning different things to different people. The following are terms used throughout this document to explain the housing market:

- Move-up Housing – The natural cycle of how people move in the housing market, referring to the process of moving from renting to mid-sized owner-occupancy to larger single-family homes. The "move-up" generally occurs with increases in income, assuming adequate housing supply and variety is available, opening more affordable housing options for others. Recent trends may not indicate that "move-up" housing means more square footage but it may mean better finishes or more amenities.
- Empty Nester – A single or couple without children living at home. Empty-nesters can include any age range, but most often refers to older adults and seniors whose children have moved on to college and no longer live at home.
- Senior Housing – Often thought of as nursing homes and assisted living facilities, senior housing in the context of this study is more broadly defined and refers to housing that caters to older adults. These housing options could include ground floor apartments, condos, housing with limited assistance, or other options that allow seniors to live independently with less maintenance.
- Affordable Housing – Any housing that is not financially burdensome to a household in a specific income range. Affordable housing in terms of housing subsidized by Federal programs can be included in this definition.
- Leverage – Can be used to describe engaged partner organizations (financial, organizational, and human capital) to enable a greater outcome or to gain access to additional funds such as grants by pledging local resources.

CHAPTER 1

COMMUNITY INSIGHTS

An extensive community engagement process sets the stage for understanding the current housing conditions and desires of residents, stakeholders, and the workforce. The input received is a key component to identify housing market demand and the status of housing supply, variety, and affordability in Muscatine. The community engagement process included a community survey, a workforce survey of local employers, focus groups with community stakeholders, and ongoing evaluations with a technical committee comprised of city staff and representatives from the Muscatine Chamber of Commerce.

COMMUNITY SURVEY

A community survey was distributed by the city in the late spring of 2017 to gather perceptions and desires from the general population, whether living in Muscatine or not. More than 310 people responded to the survey from around Muscatine, with the most responses from those living in and immediately around Muscatine. **Figure 1.1** and **Map 1.1** shows the response distribution.

- Middle age ranges (25-54) represent 89% of survey responses, shown in **Figure 1.2**. People within the 25-34 age range (21%) are looking to enter the home ownership market for the first time; ages 35-54 (47%) are often established within the market; and ages 55-64 (20%) are thinking about retirement and future housing options.
- The annual household income of respondents is consistent with that reported by the Census. **Figure 1.3** shows that households making $50,000-$75,000 are the highest represented group at 24% of respondents.
- Renters account for 26% of respondents, shown in **Figure 1.4**, slightly lower than the percentage of households reported by the Census (32%).
- Respondents represent all neighborhoods in Muscatine, similar to the distribution of where the actual population lives. Input from all areas in the city allows for an understanding of community wide perceptions rather than responses biased to any one area. The most responses came from the Mulberry Planning District (23%).

Map 1.1: Community Survey Response Zip Codes

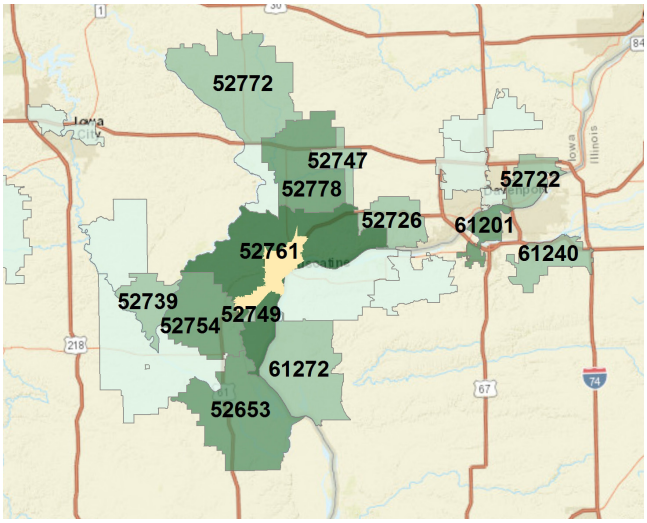


FIGURE 1.1: Community Survey Response Zip Codes

ZIP CODE	LOCATION	RESPONSES
52761	Muscatine and surrounding area	272
52778	North of Muscatine/Wilton	6
52749	Fruitland	4
52804	Western Davenport area	2
All Other*		301

*301 responded when asked to provide zip codes versus 310+ total responses

Figure 1.2: Age of Survey Respondents

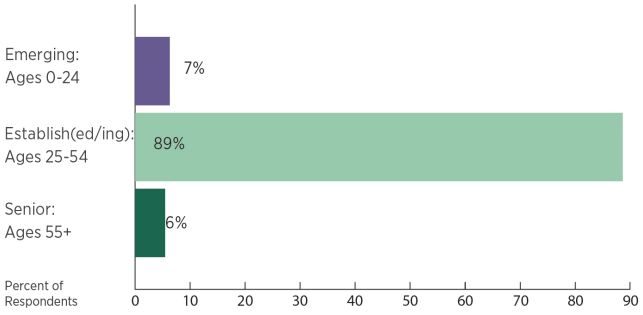


Figure 1.3: Income of Survey Respondents

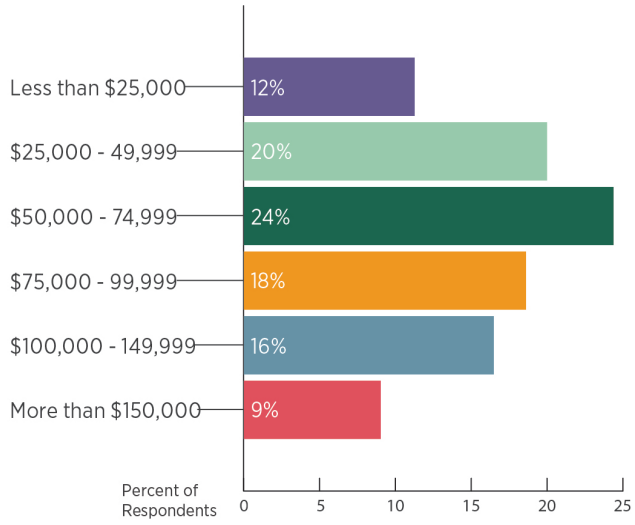
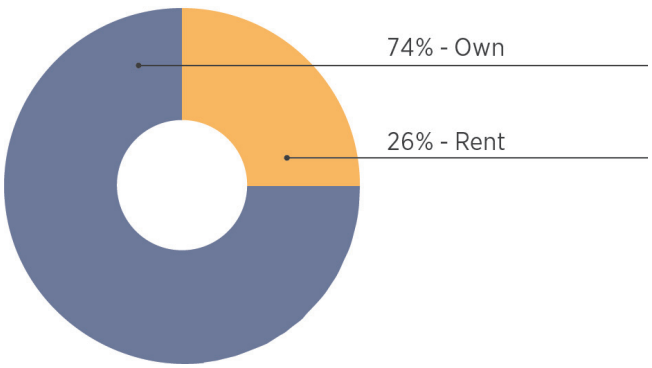


Figure 1.4: Occupancy of Survey Respondents



COMMUNITY SURVEY INSIGHTS

The community survey unveiled several insights and themes on current and future housing demands.

- Respondents feel there are limited rental options to meet the needs of hourly wage earners.
- Regarding existing housing, people are concerned about property up-keep including building maintenance, yard appearance, and nuisance abatement.
- While most are generally in favor of public programs to support property maintenance, questions about funding opportunities and criteria for assistance remain.
- Along with housing variety and conditions, respondents feel like the price of housing versus the quality of housing is becoming an issue.
- There is a perception that a low inventory of homes and rentals force people to accept lower quality or live elsewhere.
- The conflicting nature of price vs. quality was a reoccurring frustration by respondents, particularly in the rental market.

Affordability of housing tied into several questions throughout the survey. Respondents see housing affordability as an issue – a top concern only behind the availability of rental housing. The combination of perceptions that Muscatine does not adequately meet the needs of hourly wage earners and positive feelings for smaller housing types reinforces desire for affordable options in the community.

COMMUNITY PERCEPTIONS

Overall, respondents are satisfied with where they live and their neighborhoods, indicated in **Figure 1.5**. Muscatine is a great community for all ages from families to seniors and those that live in Muscatine are proud of their neighborhoods. However, respondents feel the ability to enter the housing market is difficult.

"It would be nice to find grants/ funds available to help low income homeowners with repairs and needed services to fix up their property to help them stay where they are longer."

Figure 1.5: On a scale of 1 to 5 (1 being poor and 5 being excellent), how would you rate Muscatine on the following topic areas? **Percent shown answering "Poor"**



HOUSING ADEQUACY

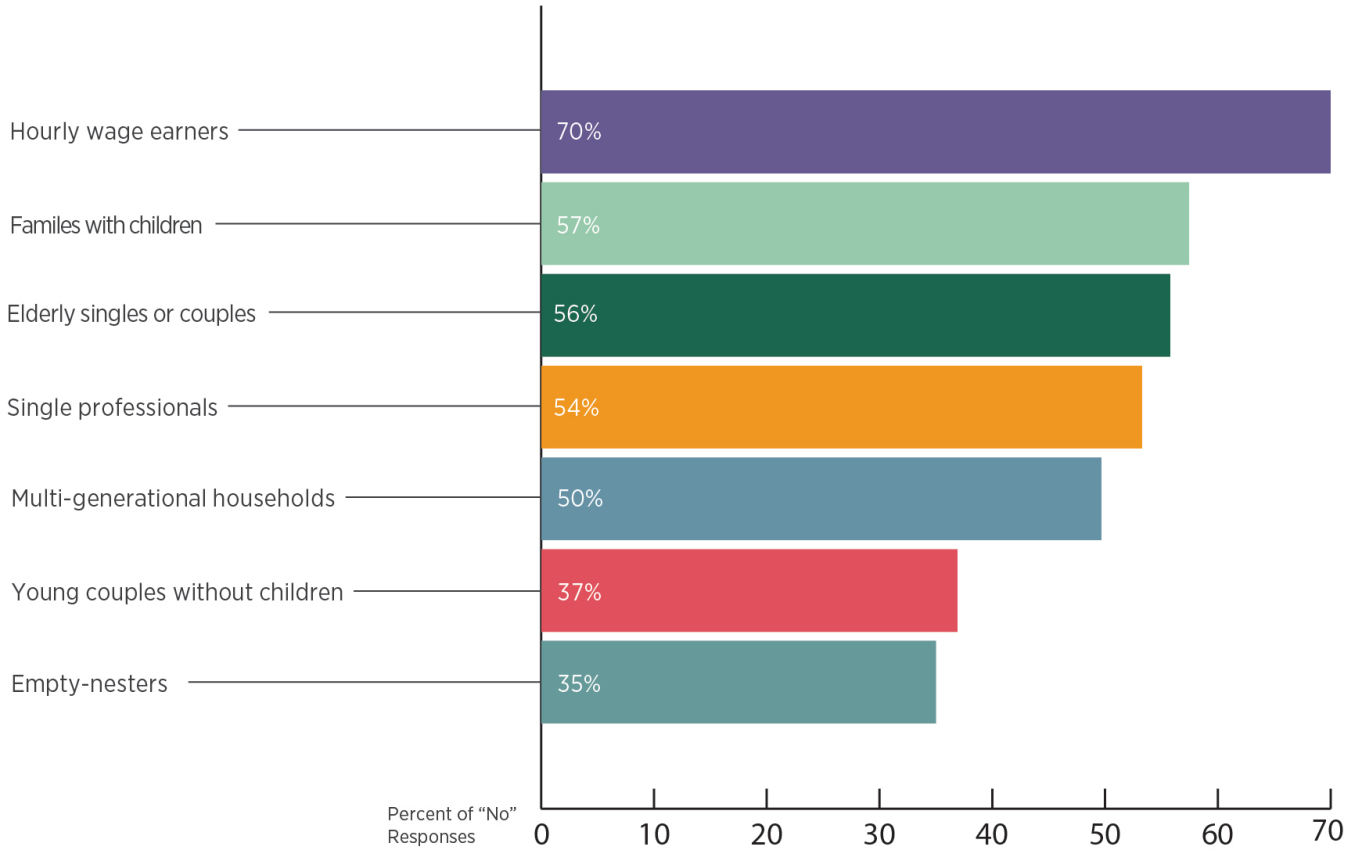
Respondents expressed concern that Muscatine's housing market does not adequately serve all age and employment groups. The groups that respondents felt were least served shown in **Figure 1.6** are:

- Hourly wage earners
- Families with children
- Elderly singles or couples
- Single professional
- Multi-generational households

It is important to note the categories can overlap. For example, hourly wage earners can also fall under families with children. Nonetheless, the responses indicate a clear gap in meeting the needs of all homebuyers in Muscatine.

In addition, factors such as income can exist within each demographic group that have significant impacts on whether the market adequately serves individuals. For example, high income seniors may have many good options while low income seniors may have few options. The survey also allowed respondents to select that they "don't know" about a group because households may only be familiar with their own situation and experiences.

Figure 1.6: How would you rate Muscatine on the following topic areas? **Percent shown answering "Poor"**



HOUSING OPPORTUNITIES

When asked about what types of housing would be successful in Muscatine, **Figure 1.7** shows that respondents had positive feelings that single-family homes with less than three bedrooms would be successful. However, a variety of housing types were favored from senior living to townhomes and apartments. Notably few respondents felt that larger homes and large lot residential would succeed or are needed. Perhaps an indication of a saturated market or strictly an understanding that these units will not meet the needs of young families and/or hourly wage earners. The question did not ask whether the respondent would consider buying each particular housing type.

Respondents were asked to dive deeper into the opportunities for senior housing in **Figure 1.10**. Apartments with optional additional services and owner-occupied homes with shared maintenance (such as condominiums) were perceived as options seniors are most interested in. Open comments elaborated on the responses and indicated a desire for ground floor units and small homes that are more affordable. While only 6% of respondents were over the age of 55, focus group discussions confirmed senior housing desires.

Lastly, respondents were asked about the use of public funds for enforcement of property maintenance and the removal of dilapidated housing. Most agreed with the use of public funds to support these goals depending on the circumstances, **Figures 1.8 and 1.9**. A set of criteria for using public funds and the location, reason, and infill plan for demolitions are important factors for crafting such programs. Additionally, while many agree with property maintenance codes, there was concern about the costs of property improvements versus household incomes. Property maintenance can put a significant burden on lower income and senior households, leading to further affordability issues if these households must move.

Figure 1.7: What new housing products do you think would be successful in Muscatine today? (% who said "Yes")

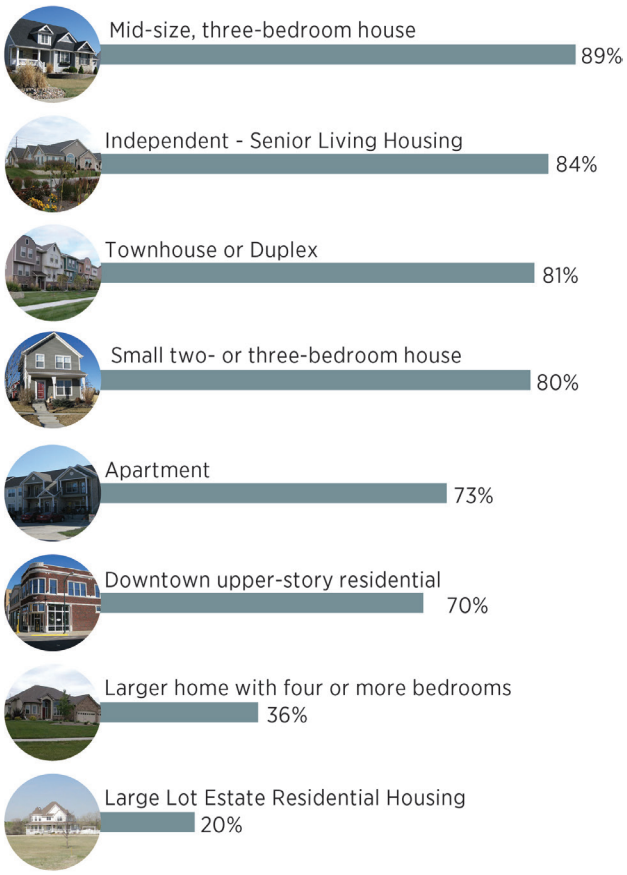


Figure 1.8: Would you support greater enforcement of property maintenance codes?

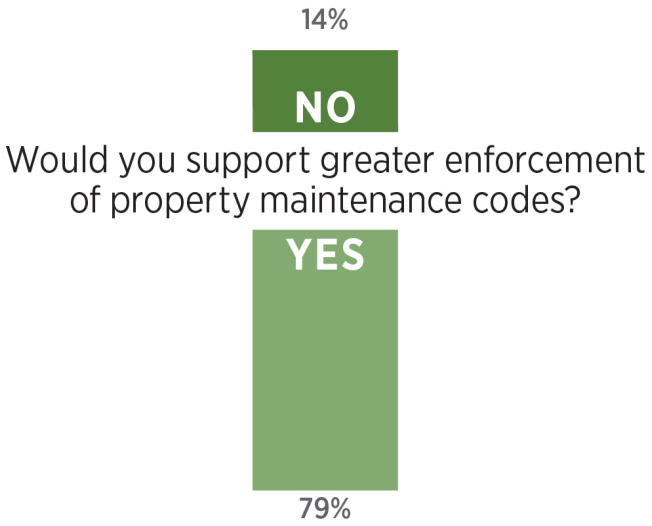


Figure 1.9: Would you support the use of public funding to remove dilapidated housing?

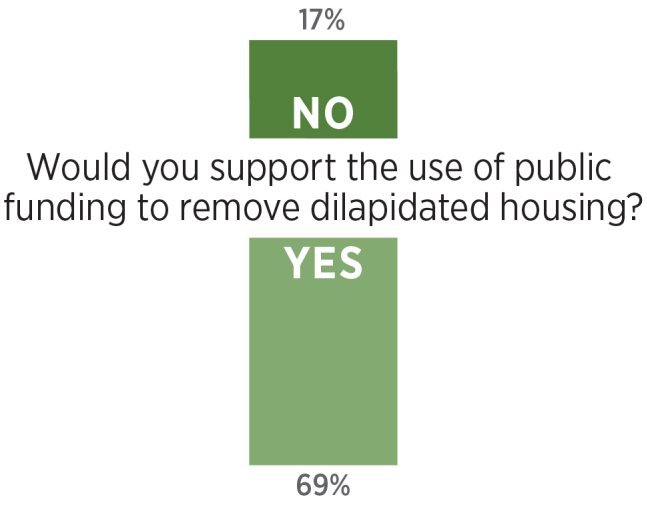
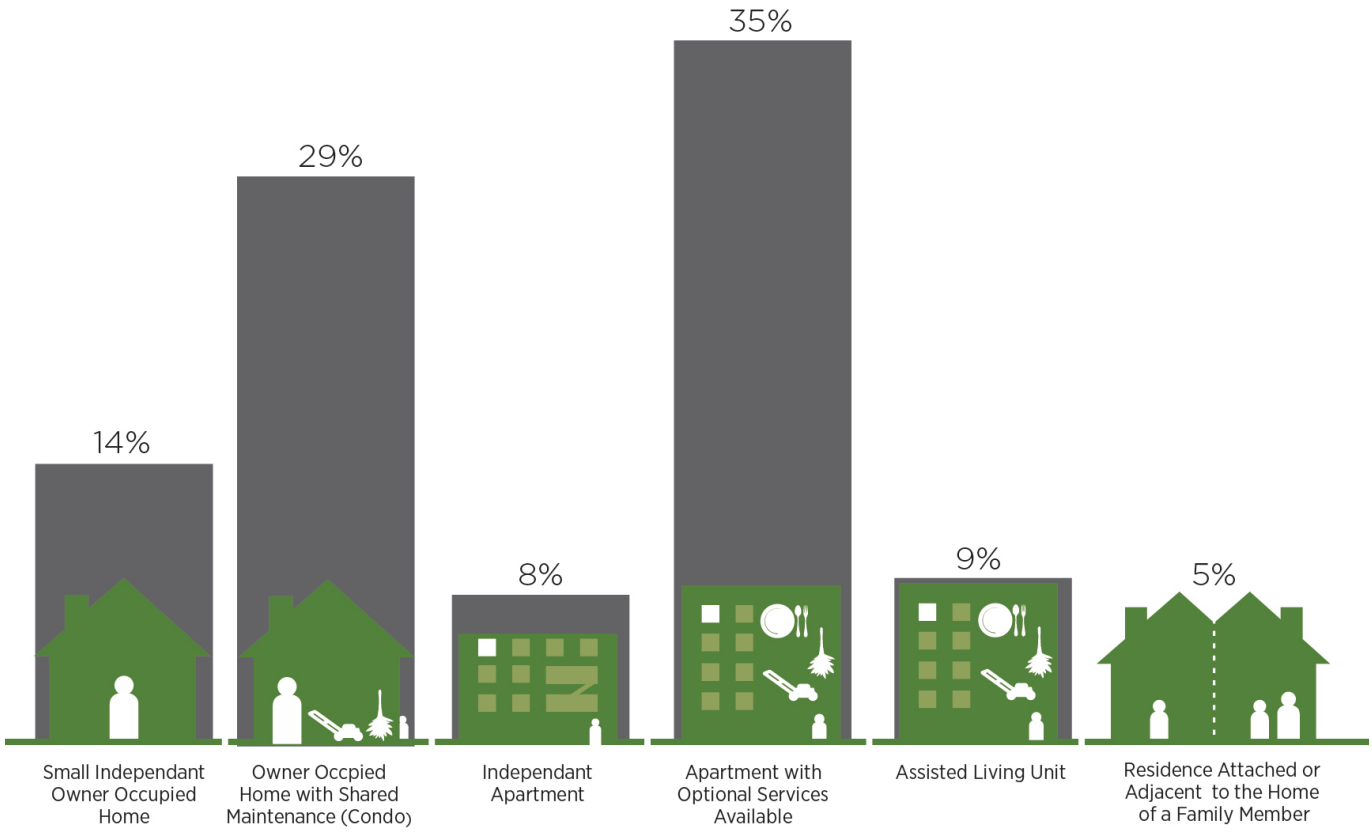


Figure 1.10: What type of housing do you believe seniors and the elderly are most interested in?



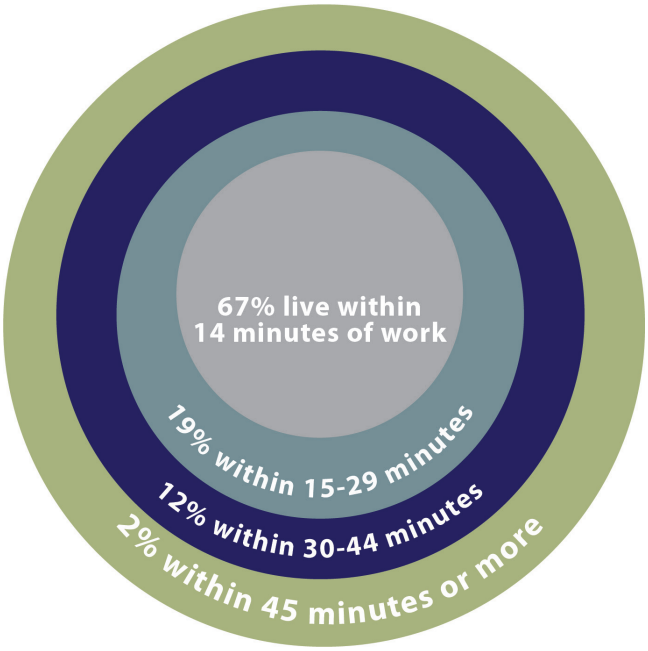
WORKFORCE SURVEY

A workforce survey was distributed to employers in Muscatine to better understand the perceptions of employees working in Muscatine. Questions were directed toward whether respondents are looking for housing in Muscatine and future retirement plans. The survey was distributed by the Chamber of Commerce and received 167 responses, 58% of which live in Muscatine. Median household incomes of respondents were higher than represented in the community survey and general population, with **Figure 1.14** showing 47% of households making more than $100,000 a year.

The workforce survey unveiled several notable highlights:

- Survey respondents tended to have higher incomes than the general population.
- The monthly rent or mortgage payment of respondents is lower than what might be expected based on respondent income ranges, a possible indication that housing options and opportunities for new construction are limited at higher price points
- Open ended comments expressed concern for affordable options, particularly rentals, for middle-income households and young professionals with significant student debt.

Figure 1.11: How long is your commute?



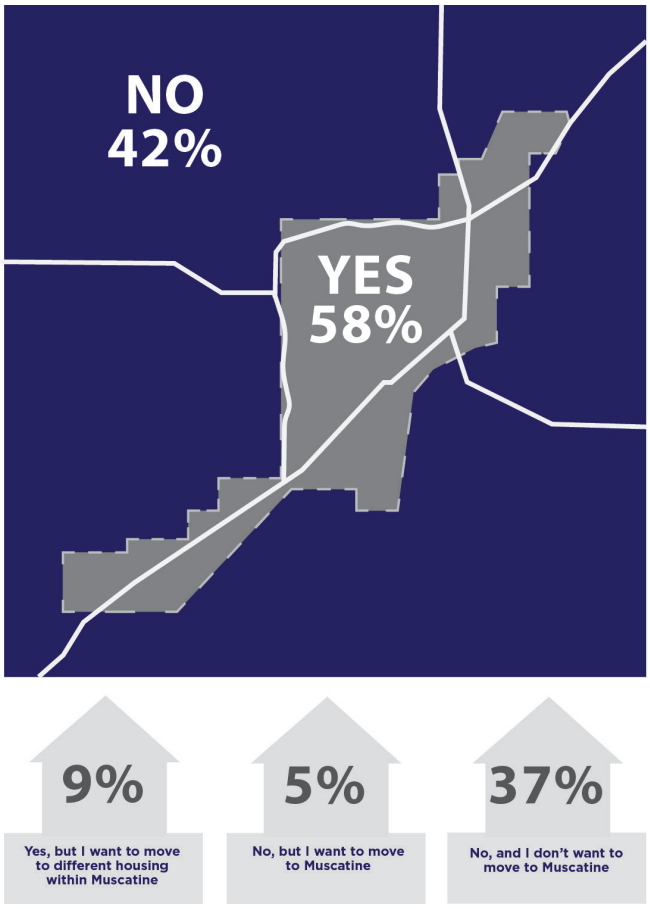
42% is a significant portion that are not being retained to live in Muscatine.

- Respondents expressed a large gap in the housing market between older housing and new housing, indicating that homebuyers must choose between a lower priced and quality home or a high priced, potentially unaffordable, new home. There are no options in between.

RESPONDENT LOCATION

Most respondents live in the Muscatine area Zip Code, 52761, (74%). However, only 58% live in Muscatine city limits. Thus, 42% live in the county or other communities in the region and commute to Muscatine for work, represented in **Figure 1.12**. As a result, **Figure 1.11** shows that 33% live 15 minutes or more from work.

Figure 1.12: Do you live in Muscatine?



While employees may have reasons to live outside Muscatine other than housing, 42% is a significant portion that are not being retained to live in Muscatine. Additionally, 37% of those that do not live in Muscatine indicate they do not want to move to Muscatine while only 5% indicated they want to move into the city.

When asked "if you want to change housing, what describes your current and preferred housing situation," a few trends emerged. However, only 22 respondents indicated they want to change housing:

- Most respondents currently rent, but would like to own a home. Most are interested in small to large single-family homes.
- Figure 1.15 shows only 27% believe they can find their preferred housing option in Muscatine. This likely illustrates a high level of market awareness by respondents.

Figure 1.13: How much is your monthly rent or mortgage payment?

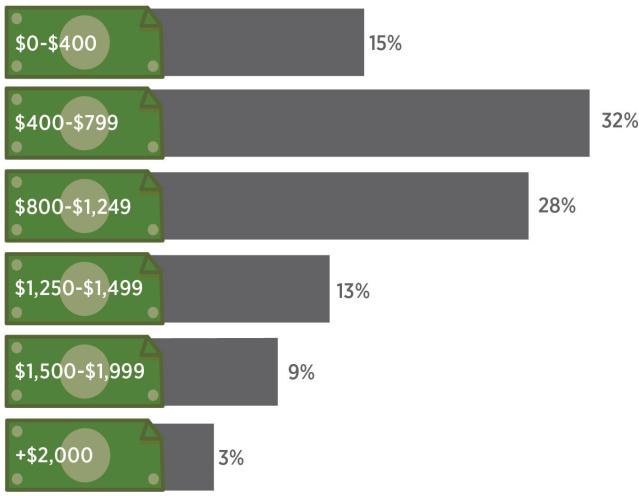


Figure 1.15: Do you think you can find your preferred housing option in Muscatine?

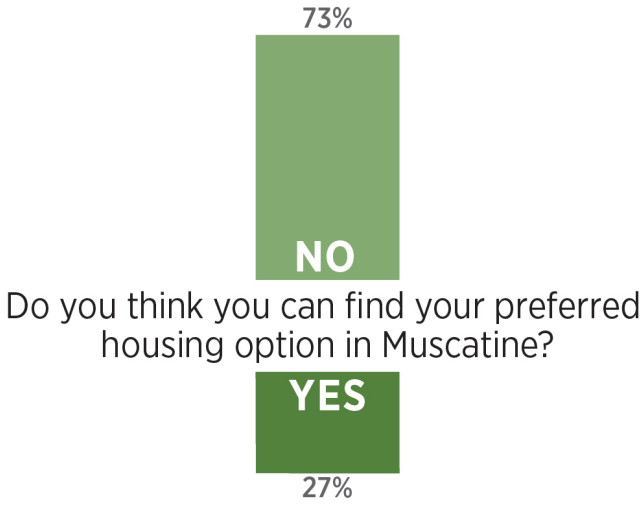
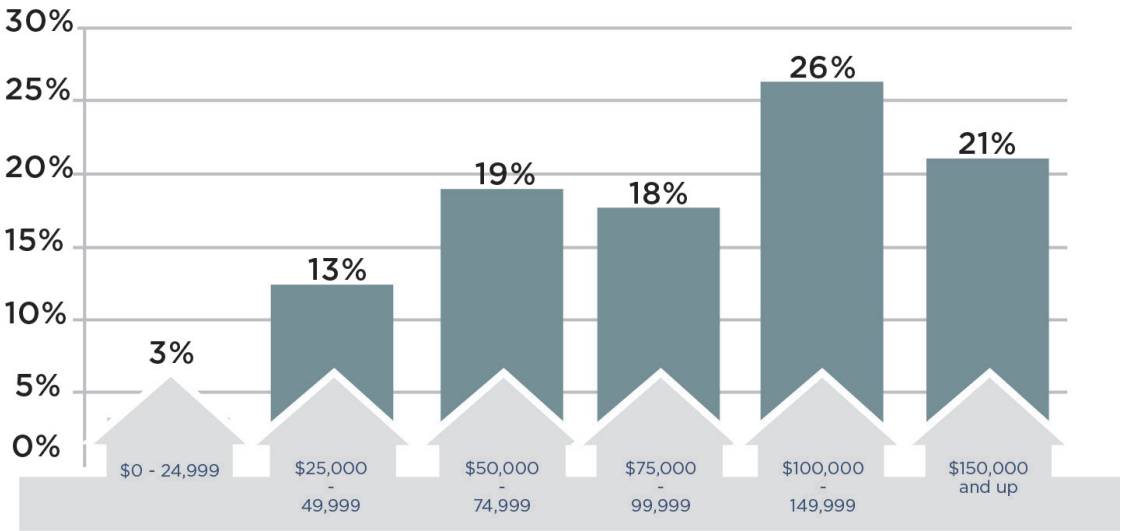


Figure 1.14: What is your household's estimated annual income?



Similarly, several questions were asked to those age 55 and over (pertinent to 32 respondents):

- When asked whether you plan to retire in Muscatine, 53% indicated they do (**Figure 1.16**), and 47% of those that want to retire in Muscatine feel they could find their preferred housing type in Muscatine (**Figure 1.17**). This is a measure of perception and not necessarily the availability of types of housing. It is telling that many of those reaching the age of retirement believe they could find their preferred housing option, which was a lower maintenance independent unit, one that is not easily found in Muscatine.
- **Figure 1.18** shows that half of respondents age 55 and over would like to change housing in the future with most preferring small independent owner-occupied homes (64%) over any other housing type, represented in **Figure 1.19**. Whereas perceptions in the Community Survey (which included responses from all age ranges) showed that apartments with optional additional services and owner-occupied homes with shared maintenance are most desirable to seniors. The difference in responses perhaps shows a disconnect between what people want for their parents versus what seniors actually want; or differences between what people approaching retirement prefer versus those already retired and out of the workforce.

COMMUNITY DISCUSSIONS

A series of discussions with community stakeholders including realtors, lenders, builders and developers, city staff, council members, employers, young professionals, seniors, and general residents provided further insight into the opportunities and challenges in Muscatine. The themes unveiled in these discussions reflect similar comments heard through the surveys.

Half of respondents age 55 and over would like to change housing in the future

Figure 1.16: Do you plan to retire in Muscatine?

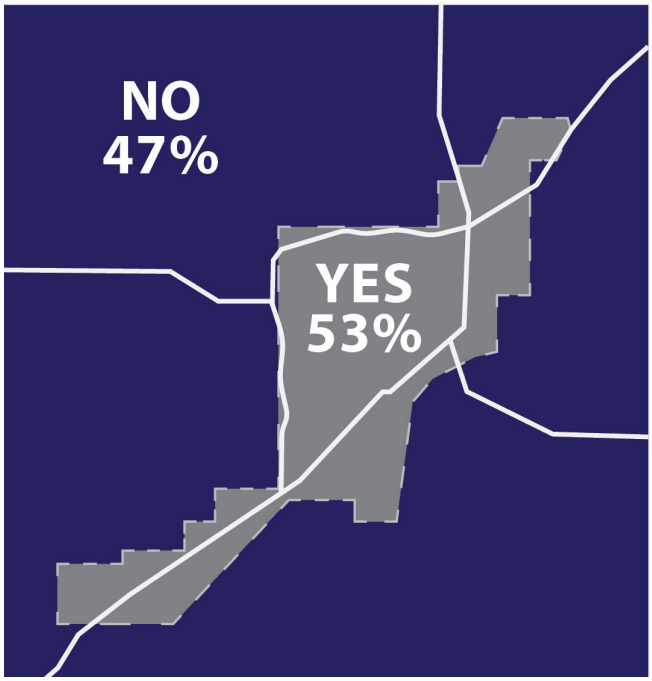


Figure 1.17: Do you think you can find your preferred housing option in Muscatine?

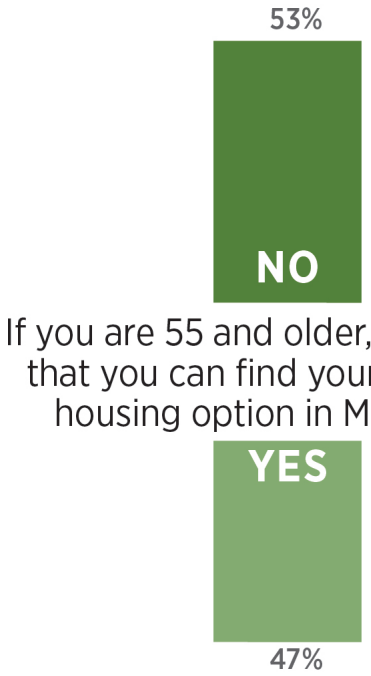


Figure 1.18: If you are 55 and older, would you like to change housing in the future?

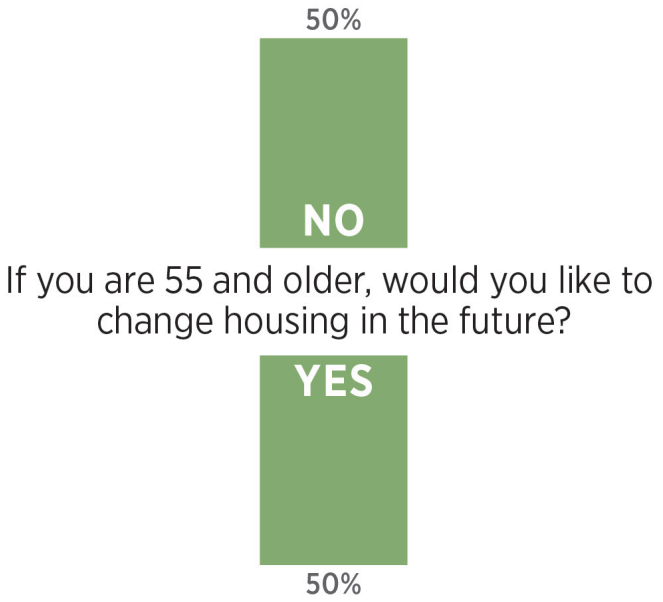
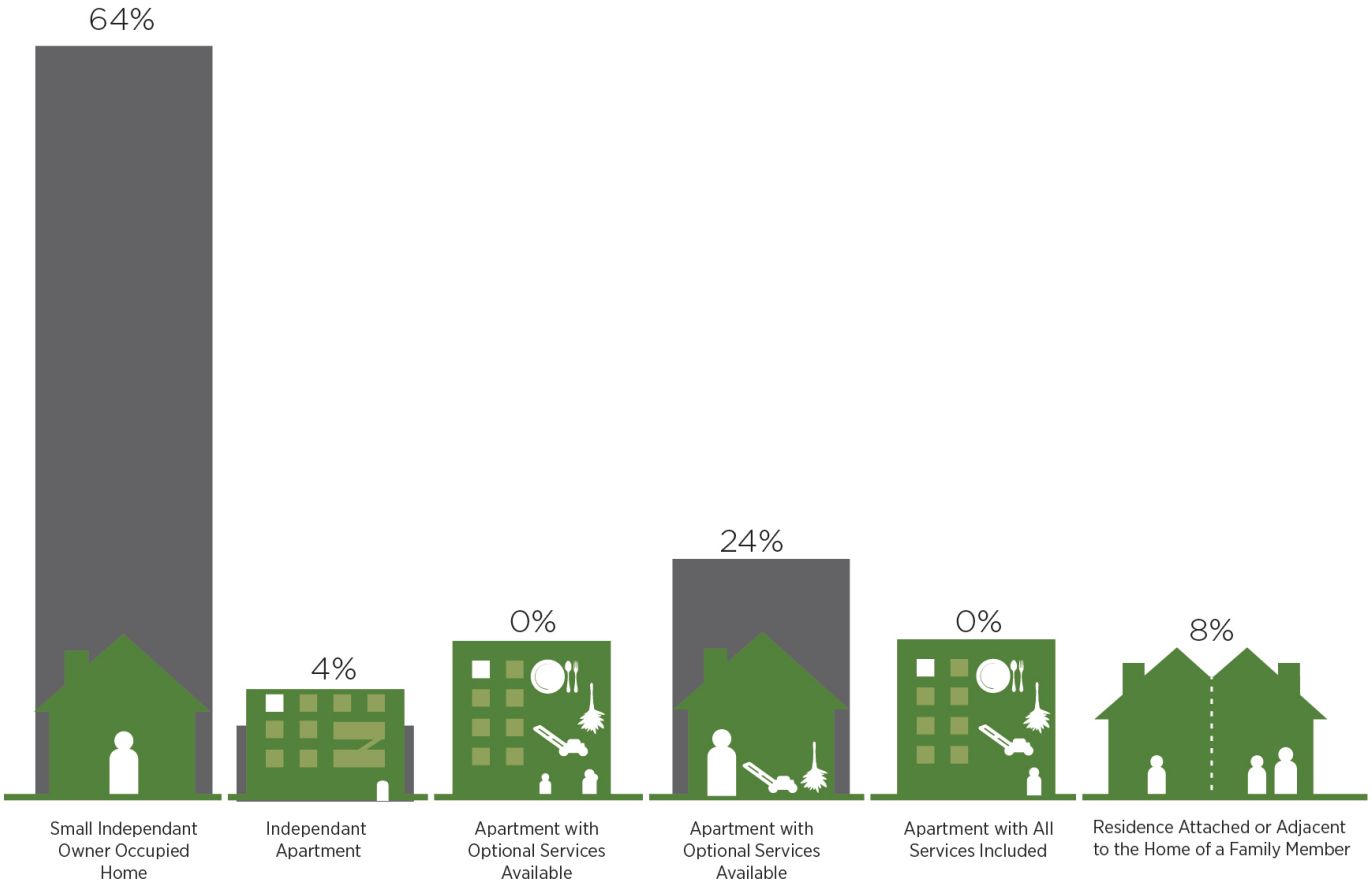


Figure 1.19: If you are 55 and older, which of the following options most appeals to you?




609

COMMUNITY INSIGHTS: THEMES AND CONCLUSIONS

Lack of variety. People do not have options in Muscatine. Rental options are becoming word-of-mouth. Townhome and condominiums are scarce. The participants want to see housing evolve past the cookie-cutter single-family home model.

Price versus quality, perception versus reality. The public understanding of what can be purchased with their dollar is often skewed. With rising construction costs and general inflation, the real cost of housing continues to rise. New prospective homebuyers become discouraged when looking for homes when their perception does not align with reality.

High demand price points. Middle price points ($150,000-$200,000) are in a severe shortage. People just entering the housing market cannot find these options and must rent for longer periods of time or live elsewhere. Participants noted that turnover in the housing market has slowed. People in quality mid-priced homes are not moving, likely because there is no incentive or possible alternatives to move too.

Community image. Muscatine provides good community amenities, but competition with surrounding communities continues to rise. People are generally happy with the community and see potential for the resurgence of downtown. However, property maintenance and the condition of inner ring neighborhoods were a reoccurring concern.

Strong young professional opportunities. Employers in Muscatine provide great opportunities for college students and young professionals. Many not familiar with Muscatine have difficulty finding housing. If young professionals are not exposed to everything the community can offer, they will become less likely to stay in the future.

Good jobs, but easy commutes. The labor supply is strong in Muscatine. However, the ease of driving to nearby communities makes the prospect of living outside Muscatine greater, especially when there are more housing options and amenities to choose from.

Downtown transformation. Most view downtown as a significant asset to the community and see great future potential as development continues. Leveraging housing downtown can be an opportunity to create a chain reaction of housing rehabilitation in surrounding neighborhoods.

"As a newcomer to the area, there seems to be a gap in the mid-market. There are lots of affordable, somewhat run-down homes and a lot of generic, cookie-cutter pricey homes in subdivisions on the other side of the bypass."

"There is no Millennial housing in Muscatine. Had I liked to commute, I would have chosen to live elsewhere solely for the quality and pricing of housing."

"90% of my peers don't mind the drive and choose to live in Iowa city or the Quad Cities."

"We would love to "upgrade" to a larger, nicer older home someday and stay close to downtown because we love the direction downtown is going. "

CHAPTER 2

MUSCATINE TODAY

The current state of Muscatine today – its historic trends, population demographics, economy, and conditions of the housing market – builds an understanding of current challenges, forecasts future needs, and will help articulate a program to improve the local housing market. This chapter shows where Muscatine is today and the factors impacting the housing market. A thorough understanding of demographics and housing conditions, along with the community engagement in Chapter 1, provide the first steps in crafting the housing plan.

INTRODUCTION

Throughout this chapter comparisons are made to peer communities. The idea of peer communities provides a baseline to evaluate whether conditions in Muscatine are different than other cities in the region or state. The study identifies several peer communities that will be used throughout the analysis section of the document. While each of these communities is similar to Muscatine in one way or another, every community ultimately has a unique set of circumstances that set it apart from every other. Additionally, while Bettendorf and Davenport are larger cities, they are included to understand regional differences and how the Muscatine market may be competing with these larger nearby housing markets.

A DEMOGRAPHIC SNAPSHOT OF MUSCATINE

This section reviews population trends in Muscatine and projections for future growth – an essential objective to begin understanding future housing needs. Because the housing market is not bound by city limits, population trends in Muscatine County are included to further understand growth patterns.

Historical Population Trends

Historical population trends show minimal growth in Muscatine during the past 50+ years, shown in **Figure 2.4,** Historic Population Change, 1960-2010. An annexation between 2010 and 2015 added 933 people to the population, skewing most recent population counts to show additional growth. Notable trends include:

- The population started to stabilize after two decades of population loss between 1980 and 2000.
- Between 2000 and 2015, with annexation, Muscatine's population change is comparable to larger cities like Davenport and the state of Iowa. **Figure 2.1** shows that Muscatine's population percent change between 2000 and 2015 is 5.6% while Davenport's increased by 4.3% and statewide by 6.8%. However, without annexation growth between 2000 and 2015 in Muscatine was only 1.5%.
- Muscatine's share of the county population continues to decline, dropping from 62% in 1960 to 54% in 2015. This indicates that growth in other cities and rural areas in the county are outpacing growth in Muscatine.

FIGURE 2.1: Regional Population Change, 2000-2015

City	2000	2010	2015 ESTIMATE	CHANGE 00-15	PERCENT CHANGE
Muscatine	**22,697**	**22,886**	**23,968**	**1,271***	**5.6%***
Clinton	27,772	26,885	26,064	-1,708	-6.2%
Ottumwa	24,998	25,023	24,624	-374	-1.5%
Burlington	26,839	25,663	25,410	-1,429	-5.3%
Washington	7,047	7,266	7,408	361	5.1%
Bettendorf	31,275	33,217	35,505	4,230	13.5%
Davenport	98,359	99,685	102,582	4,223	4.3%
Statewide	2,926,324	3,046,355	3,123,899	197,575	6.8%

*Annexation between 2010-2015 added 933 people to the population. Growth between 2000-2010 was 0.8% and 1.5% between 2000-2015 without the annexation
Source: U.S. Census; 2011-2015 American Community Survey

Figure 2.2: Regional Population % Growth 2000-2015

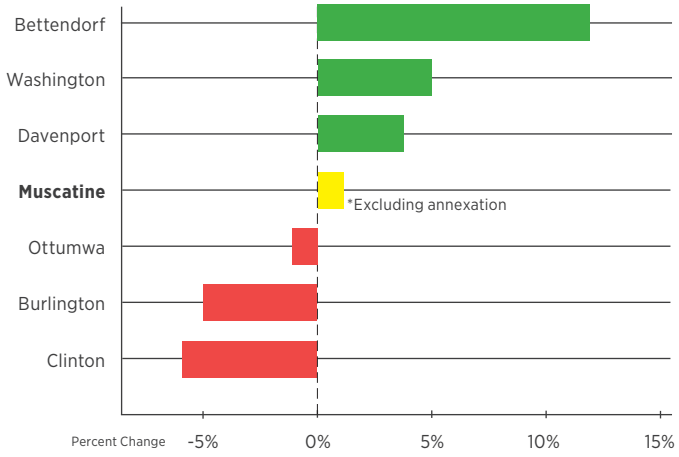


Figure 2.3: Population Growth and County Share 2000-2010

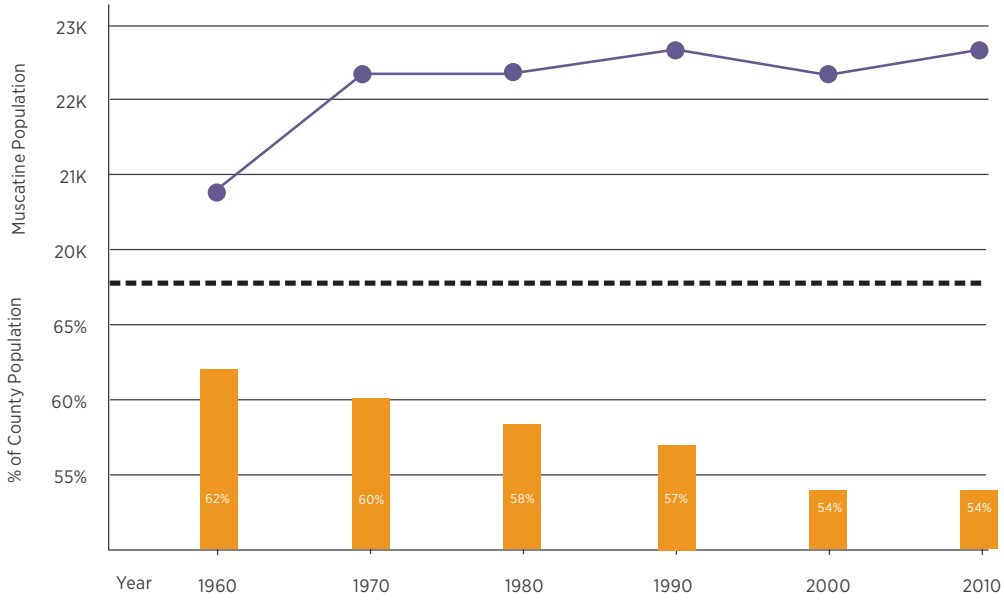


FIGURE 2.4: Historic Population Change, 1960 - 2010

	1960	1970	1980	1990	2000	2010	2015*	DIFFERENCE 00 - 10	DIFFERENCE 1960 - 2010
Muscatine	20,997	22,405	23,467	22,881	22,697	22,886	23,968	189	1,889
Muscatine County Pop	33,840	37,181	40,436	39,907	41,722	42,745	43,011	1,023	8,905
% of County Pop	62%	60%	58%	57%	54%	54%	56%		

*Annexation between 2010-2015 moved 933 people into the City population.
Source: U.S. Census Bureau

Age Characteristics

Understanding age characteristics puts perspective into population growth (losses) by seeing what age groups are moving in and out of Muscatine. Changes in different population age groups have different implications for housing demand and future needs. **Figure 2.5** illustrates how Muscatine's age composition has changed over the past decade.

- Muscatine saw strong population growth for those reaching retirement age in the next 10-20 years. These people may also be empty-nesters, living alone or with a spouse, for whom housing preferences change when children go to college or they approach retirement.
- There was a large decrease in the 35-44 age range. These households are generally established families. However, the school aged population grew.

In contrast, **Figure 2.6** compares the actual change to a prediction based on standard birth and death rates. The predication assumes natural population growth or loss (children born/residents passing away) without an in-migration or out-migration of residents. The difference between the predicted and actual population highlights which age groups were experiencing in- and out-migration.

The prediction for 2010 was higher then what actually occurred showing that while the city grew it still experienced out-migration. Population growth during the 2000s came from a stable 25-34 year old age group that had a significantly higher birth rate then would have been predicted. This is not uncommon, as birth rates across Iowa were often higher than they had been in previous decades. A stable population among those in their child bearing years overcame young adults leaving after high school graduation and out-migration among those over the age of 35.

FIGURE 2.5: Muscatine Population 2010

AGE GROUP	TOTAL	PERCENT	2000-2010 POP DIFFERENCE
0-15	5,067	22.1%	127
15-19	1,597	7.0%	-63
20-24	1,351	5.9%	-107
25-34	3,091	13.5%	66
35-44	2,789	12.2%	-688
45-54	3,159	13.8%	113
55-64	2,729	11.9%	808
65-74	1,539	6.7%	-8
75-84	1,059	4.6%	-124
85+	505	2.2%	65
Total	22,886	100%	189

Source: US Census Bureau, 2000 & 2010

FIGURE 2.6: Muscatine Population Predicted Versus Actual

AGE GROUP	2010 PREDICTED	2010 ACTUAL	DIFFERENCE
0-15	4,246	5,067	821
15-19	1,712	1,597	-115
20-24	1,567	1,351	-216
25-34	3,091	3,091	0
35-44	2,991	2,789	-202
45-54	3,396	3,159	-237
55-64	2,858	2,729	-129
65-74	1,638	1,539	-99
75-84	1,056	1,059	3
85+	627	505	-122
Total	23,181	22,886	-295

Source: US Census Bureau, 2000 & 2010; RDG Planning & Design

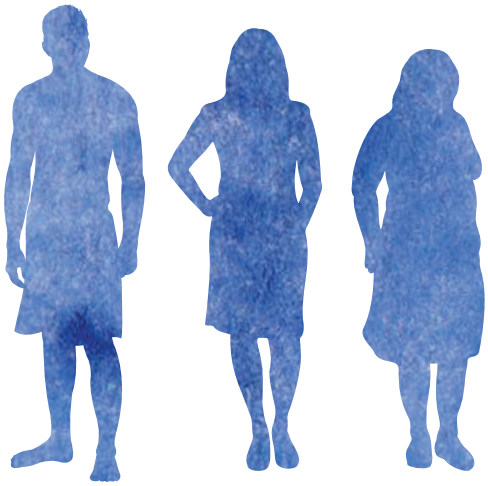
Generally, these age cohorts can be summarized into three stages of life related to the housing market:

Emerging. Those under 25 who may still be in school or just entering the workforce and are often renters or living with someone. Traditionally, ages 15-24 are less than predicted as young adults go to college or trade programs in other communities. The goal is to attract this population back to the community after college – reflected in older cohorts.

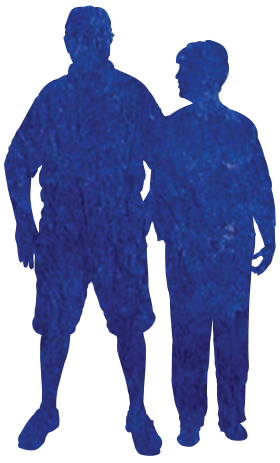


Establish(ed/ing) Cohort. Those between 25 and 54 who are beginning to think about entering the housing market or already an established homeowner, perhaps with a family or childless couple. There are several reasons for out-migration of this age cohort.

- Quality of life amenities, including schools and other family amenities.
- Better/higher paying job opportunities in other locations.
- There are limited affordable housing options for renters who wish to enter home ownership or homeowners that want to move-up.



Senior Cohort. Those over 55 are likely living alone or with a spouse, reaching retirement, or already in retirement. The highest aged cohort, 80+, may be on fixed incomes or need special assistance, creating additional affordability and housing variety considerations. Muscatine experienced an out-migration of seniors between 2000 and 2010. Similar to the Established cohort, these households may not be able to find their preferred housing type in Muscatine or are choosing to move to communities where housing is near services or family members.



County Population Insights

Many discussions with stakeholders indicated that most building activity occurs in the county. Reasons relate to lot availability and potentially (or perceived) lower costs. Construction and population data confirms this trend, showing a larger growth rate in the county than the City of Muscatine. The outside growth indicates a lost opportunity to capture development in city limits and increase the tax base.

Population Growth

- The county population excluding the City of Muscatine experienced a 0.9% growth rate from 1960-2010 versus the 0.2% growth rate in Muscatine city limits. Recent annexations of land into Muscatine contributed to a negative growth rate from 2010-2015 in the county, shown in **Figure 2.7.**
  - › About 28% of county growth (less Muscatine) between 1990-2010 occurred in West Liberty.
- Muscatine's share of the County population continues to drop – 62% in 1960 to 54% in 2010.

FIGURE 2.7: Historic Population Change, Muscatine County 1960 - 2010

	1960	1970	1980	1990	2000	2010	2015*	1960 - 2010	1960-2010 PERCENT CHANGE
Muscatine County	33,840	37,181	40,436	39,907	41,722	42,745	43,011	8,905	26.3%
Annual Growth Rate		0.95%	0.8%	-0.1%	0.4%	0.24%	0.02%	0.5%	
City of Muscatine	20,997	22,405	23,467	22,881	22,697	22,886	23,968	1,889	9.0%
Annual Growth Rate		0.65%	0.5%	-0.3%	-0.1%	0.08%	0.23%	0.2%	
County Less the City of Muscatine	12,843	14,776	16,969	17,026	19,025	19,859	19,043	7,016	54.6%
Annual Growth Rate		1.41%	1.4%	0.0%	1.1%	0.43%	-0.17%	0.9%	

*Annexation between 2010-2015 moved 933 people to the City population.
Source: U.S. Census Bureau

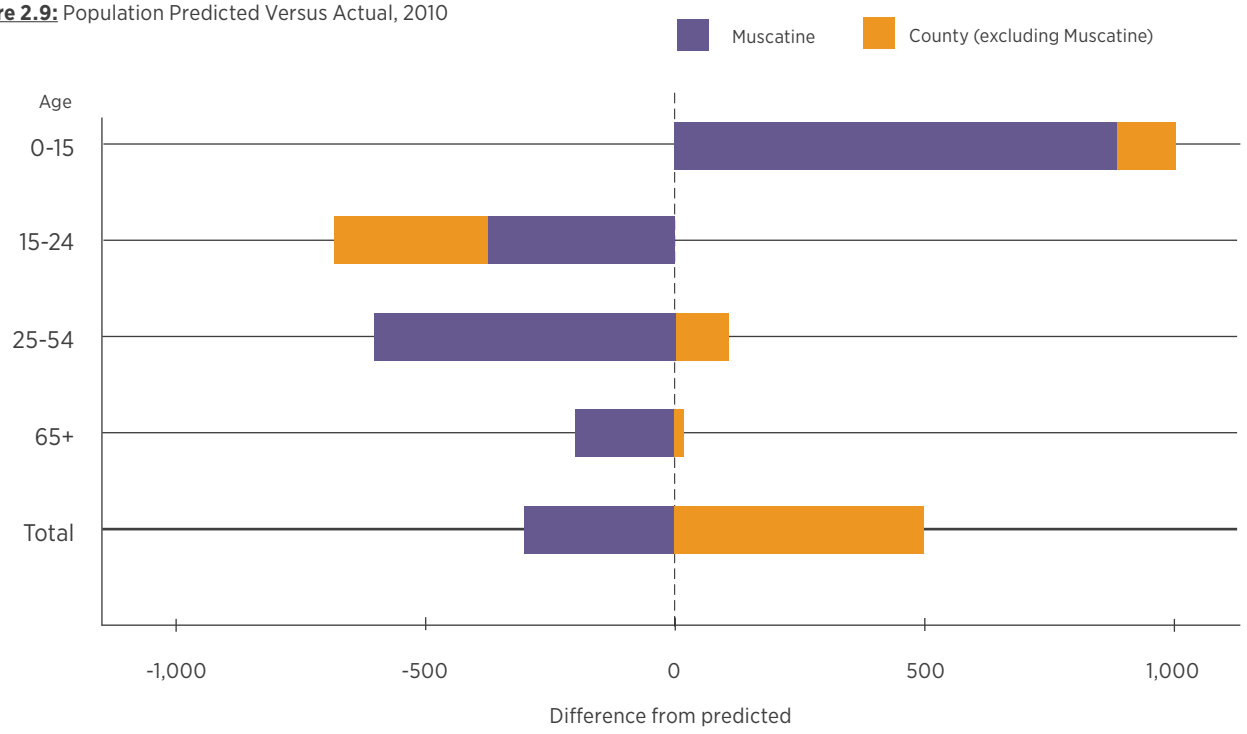
FIGURE 2.8: Muscatine County (Less the City of Muscatine)

	2000 ACTUAL	2010 PREDICTED	2010 ACTUAL	DIFFERENCE
0-15	4,294	3,197	4,194	997
15-19	1,442	1,497	1,416	-81
20-24	1,010	1,540	961	-579
25-34	2,359	2,430	2,076	-354
35-44	3,154	2,333	2,644	311
45-54	2,743	3,081	3,203	122
55-64	1,794	2,571	2,625	54
65-74	1,155	1,524	1,521	-3
75-84	735	785	822	37
85+	339	406	397	-9
Total	19,025	19,364	19,859	495

Source: U.S. Census Bureau; RDG Planning & Design

Figure 2.8 shows the county saw in-migration of families and those reaching retirement between 2000-2010 whereas Muscatine saw out-migration in these same age ranges (35-64). This could indicate that more lots and opportunities for home ownership are available in the county or other communities within the county.

Figure 2.9: Population Predicted Versus Actual, 2010



AN ECONOMIC SNAPSHOT OF MUSCATINE

Muscatine is fortunate to have a strong economy with several major employers such as HNI (3,600 employees) and Kent Feeds (900 employees). Employers such as these offer a wide range of positions from hourly wage earners to high paid executive positions that may recruit talent from across the country. Additionally, skilled trades and technical employers often provide internships that attract students from area colleges – an opportunity to retain a younger population in Muscatine after graduation, if they have a good experience with the employer and with the community.

Industry Mix

Figure 2.10 shows the industry mix in Muscatine. The employment base includes a strong manufacturing focus comprising nearly 30% of the labor force, followed by educational services and health care services at 20%.

Employment Trends

Muscatine's variety of major employers attracts workers to the region and contributes to a low unemployment rate.

Figure 2.13 shows that Muscatine has a slightly higher unemployment rate than the state of Iowa, but a generally lower unemployment rate than comparable cities in Iowa and cities in the region.

FIGURE 2.10: Industry Employment

Industry	NUMBER EMPLOYED	PERCENTAGE OF LABOR FORCE
Agriculture, forestry, fishing and hunting, and mining	122	1.1%
Construction	651	5.8%
Manufacturing	3,365	29.8%
Wholesale trade	182	1.6%
Retail trade	1,034	9.2%
Transportation and warehousing, and utilities	549	4.9%
Information	255	2.3%
Finance and insurance, and real estate and rental and leasing	292	2.6%
Professional, scientific, and management, and administrative and waste management services	810	7.2%
Educational services, and health care and social assistance	2,338	20.7%
Arts, entertainment, and recreation, and accommodation and food services	1,113	9.9%
Other services, except public administration	339	3.0%
Public administration	242	2.1%

Source: 2011-2015 American Community Survey

The same holds true when comparing the Muscatine Micropolitan Statistical Area with others in Iowa, shown in **Figure 2.11**, with the unemployment rate decreasing in the past four years across all Micropolitan Statistical Areas - an urbanized area with more than 10,000 people but less than 50,000 people.

FIGURE 2.11: Micropolitan Statistical Area Unemployment Rates

	2013	2014	2015	2016
Muscatine	**5.2%**	**4.6%**	**3.9%**	**3.9%**
Burlington	6.3%	5.2%	5%	5.2%
Clinton	5.8%	5.3%	5.1%	5%
Ottumwa	6.2%	5.5%	5.1%	5.6%
State of Iowa	4.7%	4.3%	3.8%	3.7%
Nation	7.4%			4.9%

Source: Bureau of Labor Statistics

An unemployment survey for the Muscatine laborshed also shows a lower unemployment rate than similar laborsheds in the region, shown in **Figure 2.12**. The higher reported rate by survey respondents than the Census or BLS statistics are a result of definition differences and methodology.

Job openings in the past three years have included skilled labor and higher education positions. These positions should attract some new residents. For many of these households there is a need for market rate rental options. As new employees begin their careers and decide whether to stay in Muscatine a positive first experience in the housing market is very important.

FIGURE 2.12: Laborshed Survey of Unemployment

	2016
Muscatine	**10.3%**
Burlington	7.4%
Clinton	12.3%
Ottumwa	11.1%

Source: Iowa Workforce Development

FIGURE 2.13: Employment Trends, 2015

City	LABOR FORCE	LABOR FORCE PARTICIPATION	UNEMPLOYMENT RATE (2010)	UNEMPLOYMENT RATE (2015)
Muscatine	**18,108**	**66%**	**8.3%**	**5.3%**
Clinton	13,094	62%	8.0%	6.1%
Ottumwa	12,221	63%	9.3%	8.5%
Burlington	12,569	62%	9.0%	7.6%
Washington	3,853	65%	6.7%	6.2%
Bettendorf	17,872	67%	4.1%	4.1%
Davenport	52,045	65%	6.6%	5.9%
Statewide	2,447,401	68%	5.3%	4.9%

Source: U.S. Census

Employee Distribution

Muscatine does not operate in a vacuum. Employees come and go, with an increasing trend for younger prospects to first decide where they want to live rather than first seek employment. Therefore, communities must look beyond strong employers to attract and retain people. Quality housing is one component, along with other amenities discussed in later chapters such as parks, trails, a vibrant downtown, community events, and overall appearance.

Muscatine sees a large influx of employees that do not live in the city, hinted at by the 42% not living in Muscatine that completed the workforce housing survey. **Figure 2.14** reinforces the survey results, illustrating the Census' findings that 61% of those employed in Muscatine live elsewhere. The level of external employees becomes a significant concern for population growth and employee retention. People living elsewhere but employed in Muscatine purchase homes, spend money, and more importantly, become comfortable in another community. Should the option to change jobs arise, these households will stay where they are invested.

FIGURE 2.14: Inflow/Outflow Job Counts, 2014

	COUNT	PERCENT
Employed in Muscatine	16,184	
Employed in Muscatine, living elsewhere	9,867	61%
Employed and living in Muscatine	6,317	39%



Source: U.S. Census, On the Map Application

A HOUSING SNAPSHOT OF MUSCATINE

A strong economy can lead to community growth if adequate housing is available to retain employees in the community. By examining the characteristics of housing in Muscatine, it is possible to understand the options that current and future residents have in the market. These characteristics include occupancy, construction rates, housing quality, and affordability.

Housing Occupancy

A mix of rental and owner-occupied units creates balance and affordability in the market and accommodates a variety of preferences. **Figure 2.15** shows the split of owner and renter occupied housing over time.

The share of renter occupied units continues to grow, potentially the result of single-family home conversions. Some landlords recognize they can charge high rents and obtain renters with little effort or investment, making the prospect of converting single-family homes more appealing.

The vacancy rate increased from 2000 to 2010. The rise is surprising given the community engagement conversations and survey results. A certain level of vacancy is healthy for the housing market, generally between 5% and 6%. Vacancies help ensure homebuyers and renters can find housing when needed while also serving as a filter to remove and replace the lowest quality housing from the market.

Muscatine has similar occupancy and vacancy characteristics as its peer communities shown in **Figure 2.16.**

- Estimated vacancy rates in 2015 show a decline in statewide vacancies. Individual communities vary. However, the estimates for individual communities have large margin of errors and may not reflect actual vacancy status. For example, in Muscatine the reported rental vacancy rate of 12% has a +/- 5% margin of error; and the reported homeowner vacancy rate of 2.6% has a +/- 1.7% margin of error. Whereas the statewide estimates for 2015 are more reliable with margins of error at +/- 0.3% and 0.1% respectively. This indicates a general trend in the state toward a tightening housing market.

In 2010 only Bettendorf had a homeowner vacancy rate below 2%. None of the peer communities had a rental vacancy rate below 5%.

- Local and statewide homeowner vacancy rates in 2010 hovered around 2% with Muscatine slightly higher than peer communities.
- Rental vacancy rates in 2010 vary across peer communities, ranging from 7.3% to 11.7%. Muscatine falls somewhere in the middle.

FIGURE 2.15: Housing Occupancy, Muscatine

	2000	% OF OCCUPIED UNITS	2010	% OF OCCUPIED UNITS	2015 (ACS)	% OF OCCUPIED UNITS	CHANGE 2000-2010	PERCENT
Owner-Occupied	6,306	71%	6,173	69%	6,303	68%	(133)	-2.2%
Renter-Occupied	2,617	29%	2,835	31%	3,015	32%	218	7.7%
Total Vacant*	452		822		851		370	45.0%
Vacancy rate	4.8%		8.4%		8.4%		0	
Total	9,375		9,830		10,169		455	4.6%
Average Household Size	2.49		2.5					

*Includes seasonal, recreational, occasional use, and vacancies for other reasons
Source: U.S. Census Bureau; 2011-2015 American Community Survey

FIGURE 2.16: Regional Vacancy

	2010		2015 ESTIMATE*	
	HOMEOWNER VACANCY RATE	RENTAL VACANCY RATE	HOMEOWNER VACANCY RATE	RENTAL VACANCY RATE
Muscatine	2.5%	9.3%	2.6%	12.0%
Clinton	2.3%	7.3%	0.3%	9.5%
Ottumwa	2.4%	11.7%	2.0%	12.5%
Burlington	2.1%	10.1%	1.9%	11.9%
Washington	2.3%	8.6%	1.0%	7.1%
Bettendorf	1.7%	8.2%	1.0%	8.7%
Davenport	2.1%	8.8%	2.9%	6.5%
Statewide	2.0%	8.5%	1.6%	6.2%

* Large margin of errors and not comparable to 2010 rates because of measurement differences in the Census
Source: U.S. Census Bureau; 2011-2015 American Community Survey

Construction Trends

Muscatine's housing construction activity has varied in quantity and variety in the past decade. While in many markets housing construction can be cyclical with years of significant construction followed by quieter periods, Muscatine's overall unit production remains low for a community over 20,000 people. Between 2010 and 2016, the market produced 226 new units at an average rate of 32 new units per year. While this supported the needs of the existing population, it could not meet the actual demand for housing units created by a growing employment base, consequently, loosing these individuals to the larger region.

Construction since 2010 consisted of roughly a 50/50 split of single family to multi-family (townhome, duplex, apartments, etc.) unit construction. Construction of new multi-family is not a trend many communities have experienced. The construction data affirms the Census reported increase in renter occupied units and suggests that developers have started to recognize the demand for rental housing. However, development is not at the quantity needed for Muscatine to satisfy the needs of prospective new residents and has not been enough to compensate for the poor-quality units that remain on the market.

County Building Activity

As discussed previously under the demographic snapshot, single-family construction activity in the county has outpaced that within the City of Muscatine in recent years. The data suggests that new home owners and builders see more opportunities and benefits to building in the county (or other communities in the county). The most common opportunity is the supply of available lots to build on while still being near city amenities. County building trends show that:

- Since 2013 new home permits in the county have been higher than in Muscatine.
- New home permits in the county are trending upward whereas Muscatine permits are sporadic.
- Most new homes built in the county are built just outside of Muscatine.

FIGURE 2.17: Muscatine Building Permits

	2010	2011	2012	2013	2014	2015	2016	TOTAL
New Home	24	15	17	10	33	13	3	115
Multi-family	12	1	0	60	8	0	30	111
Total	**36**	**16**	**17**	**70**	**41**	**13**	**33**	**226**

Source: City of Muscatine

FIGURE 2.18: Muscatine County Building Permits

	2010	2011	2012	2013	2014	2015	2016	TOTAL
New Home	16	13	16	26	18	21	27	137
Multi-family	0	0	0	0	0	0		0
Total	**16**	**13**	**16**	**26**	**18**	**21**	**27**	**137**

Source: Muscatine County

Construction activity in the county does provide housing options that are needed in any market but an imbalance raises concerns.

- Lots outside city limits tend to be larger, and thus more expensive requiring a higher price point unit.
- In some instances, there can be an imbalance between demand and support for services. Larger lot projects can require the same level of water, sewer, street, and public safety services while having fewer households support those services.
- Housing outside a city tends to be single-family detached housing, a unit that is important to a market, but a lack of variety can leave some existing or prospective households looking to other markets to meet their housing needs.

Figure 2.19: City and County Construction Activity



Housing Conditions

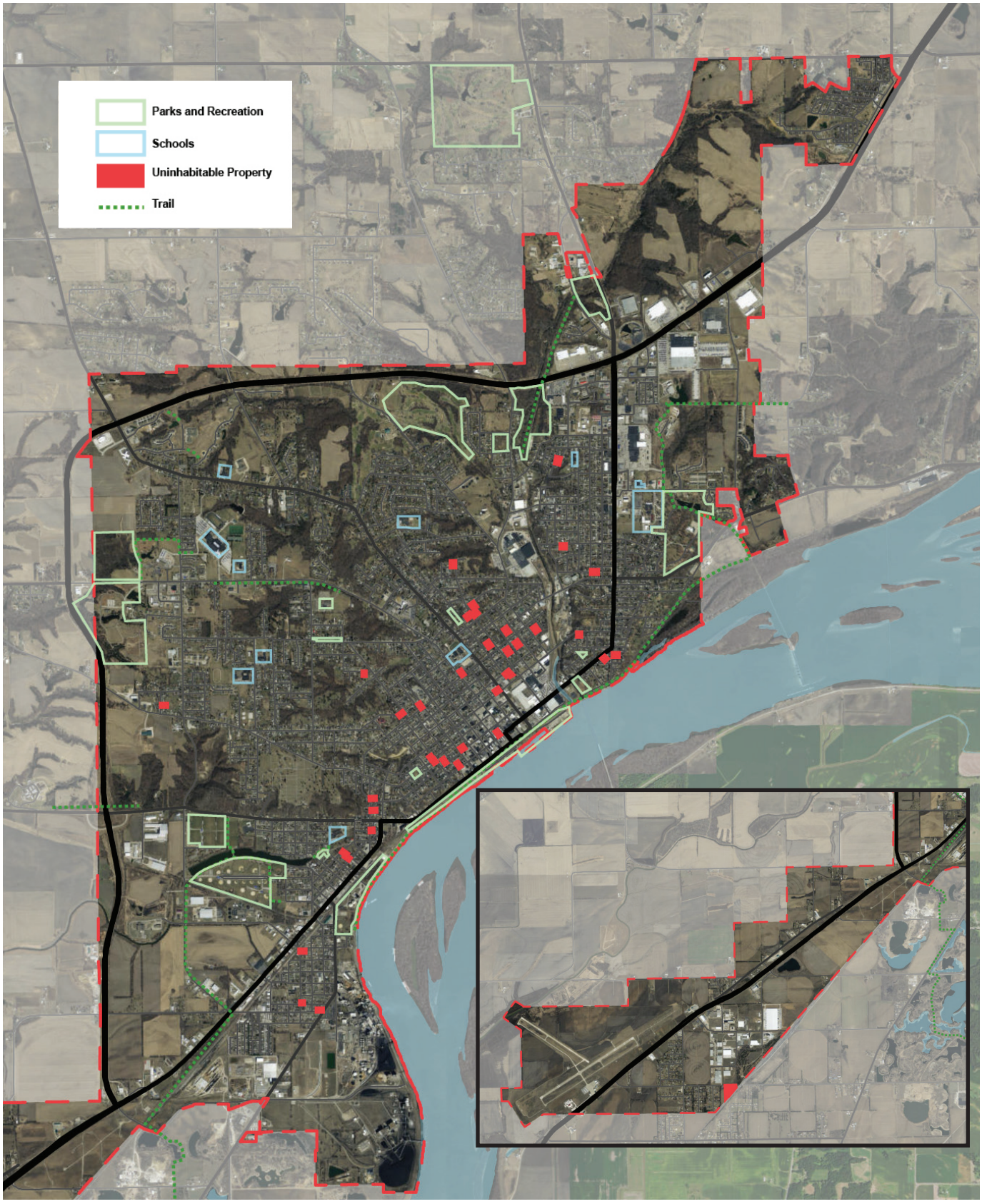
In many older cities, housing conditions vary by the age and location of neighborhoods with the oldest and perhaps lowest quality housing surrounding the downtown core. This trend is similar in Muscatine, shown in **Map 2.1** and **Map 2.2.** As of 2016 there were 39 structures tagged as uninhabitable because of building code violations related to neglect, fire, or other structural damage.







Map 2.1: Properties Posted for Conditions



The age and condition of housing is often reflected in the costs for housing. **Figures 2.20** and **2.21** shows the relation of housing age to home value for owner units. In Muscatine, lower valued homes are clusters near the city center where much of the older housing stock is located. Some lower values are also present in the northeast quadrant where there is a mobile home park.

However, when a market has a high demand for housing, renters and buyers are forced to accept what is available. Discussions with community members indicate this is truer for renters, whereas those looking to buy a home will often choose to live in another community.



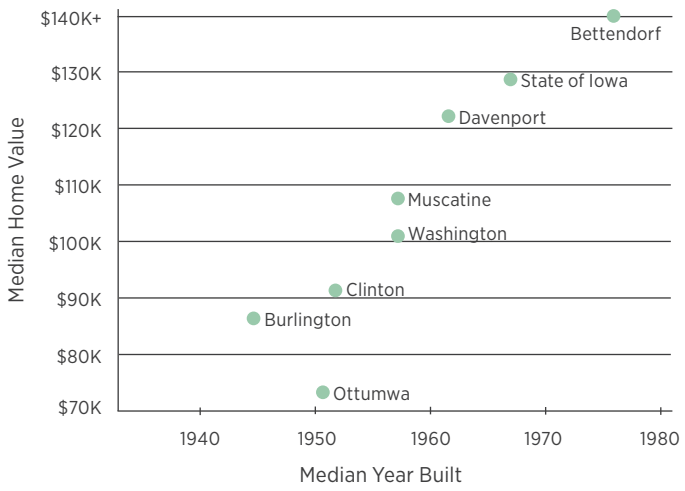


FIGURE 2.20: Regional Housing Age and Value, 2015

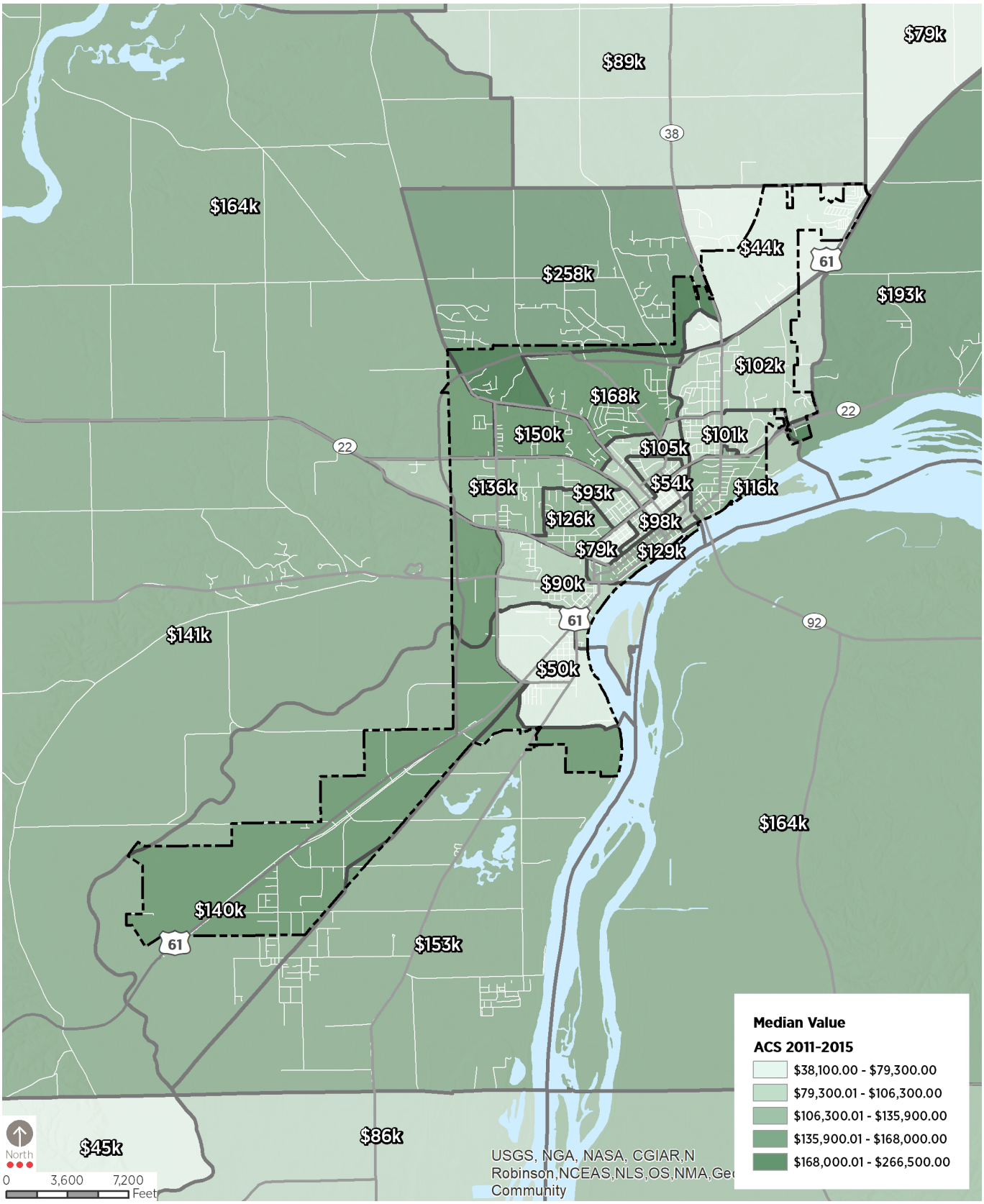
	MEDIAN HOME VALUE	MEDIAN YEAR BUILT
Muscatine	**$108,200**	**1958**
Clinton	$90,900	1952
Ottumwa	$72,300	1951
Burlington	$87,700	1945
Washington	$100,900	1958
Bettendorf	$182,900	1976
Davenport	$121,700	1961
Statewide	$129,200	1967

Source: 2011-2015 American Community Survey

Figure 2.21: Value versus Year Built



Map 2.2: Median Home Value by Location



Sales and Lease Trends

The frequency of home sales shows the level of movement in the housing market. Additionally, the length of time it takes to sell a home or lease a rental unit shows the level of demand for housing in the local market. Local data for Muscatine shows the average days on market from 2014-2016 at 139 days (109 for sold homes). However, discussions with local realtors revealed the overall average is skewed by the longer time it takes to sell higher priced homes, generally those above $350,000. Low quality homes can also remain for sale for long periods of time and inflate sales data. Both are issues, indicating a mismatch between housing costs and the price points households can afford or housing quality households are willing to accept.

Important to note, the average days on market is from list date to closing. It typically takes an average of 45-60 days from the contract to closing in the local market. Therefore, the time when a home is listed to when a contract is accepted lowers the actual time to sell. Realtors expressed that quality homes are starting to get offers above list price and within a few days of listing, reflected in the decreasing days on market in the last three years. From 2014 to 2016 the selling price has risen from 94% to 96% of the listed price.

The time it takes to lease a rental unit is much less. While data are not available for the average length of time to lease rental units, local realtors indicate that landlords do not need to use agents to rent units. Reinforced by young household's comments on lack of rental advertisements, stating that one feels you have to know someone in the community to find a rental. As indicated previously, rental vacancies are low with many units not being advertised for rent before landlords find occupants. Responses on the community survey also indicate the availability of rental housing is poor in Muscatine.

FIGURE 2.22: Listing Days on Market, Sold Single-Family Homes

	2014	2015	2016	AVERAGE
Muscatine*	**114**	**108**	**106**	**109**
Bettendorf	53	49	46	49
Davenport	51	52	44	49
Clinton	114	107	101	107

*Through June 2017 days on market was 107.
Source: MLS, Multiple Listings Service. Data not provided from other peer communities

Total Active Units

Stakeholder discussions in the Spring of 2017 indicated a severe shortage of for sale units, particularly in the $150,000-$180,000 price point. Data appears to support these claims, although there may be a mismatch between what people are willing to pay and the size of home they perceive they will get. The total active listings in Muscatine has dropped every year for the last three years. In 2016 there were 899 active single family listings. The total number sold has increased in the same period, shown in **Figure 2.23**. The data shows increased competition for available units in Muscatine – more people are buying homes but fewer homes are being listed on the market – resulting in rising average sale prices. Data halfway through 2017 continues to show these trends.

While the availability of active listings may seem adequate to provide buyer choice at different price points, discussions with stakeholders suggest otherwise. Many units listed for sale are low quality, too expensive, or lack the variety to accommodate a wide range of household needs. For example, a one bedroom, one bathroom house will not comfortably accommodate a family of four. Certainly, many households could purchase lower quality homes or homes not meeting their needs; however, it is much easier for these households to look for options in other communities rather than sacrifice comfort and quality of life. Evidence for this may be shown through the average sales prices in Bettendorf above $280,000 in the past three years, the price point that typically characterizes new home construction.

FIGURE 2.24: Regional Single-family Home Sales

	2014	2015	2016
Muscatine			
Number Sold	479	558	540
Average Sales Price	$125,386	$135,330	$137,286
Bettendorf			
Number Sold	620	669	715
Average Sales Price	$280,983	$282,088	$280,197
Davenport			
Number Sold	1242	1229	1452
Average Sales Price	$141,464	$149,380	$146,844
Clinton			
Number Sold	323	301	345
Average Sales Price	$93,099	$84,558	$89,137

Source: MLS, Multiple Listings Service, Data not provided from other peer communities

FIGURE 2.23: Muscatine Single-family Home Sales

	2013	2014	2015*	2016
Total Active	979	974	932	899
Number Sold	498	479	558	540
Average Sales Price	$128,956	$125,386	$135,330	$137,286
Percent of Active Sold	51%	49%	60%	60%

*2015 American Community Survey - owner housing stock was 6,303 units.
Source: MLS, Multiple Listings Service

Affordability

Many factors contribute to the overall affordability of a housing market including whether supply and demand are in balance, whether new units adjust values throughout the market, and whether there is sufficient vacancy to allow owners and renters to move within the market and allow the lowest quality units to filter out from the market. Each of these principles requires time to allow the market to react before it balances at an equilibrium.

For example, if an additional 50 rental units were constructed at a much-needed price-point, it may take several years for the full impact of these units to balance into the market. First, those units would fill-up, leaving the lower quality units at a similar price-point under-occupied, eventually forcing the lowest quality units to be removed from the market, be upgraded, or rents adjusted to be in line with their quality and condition.

The following section explores dimensions of housing affordability in Muscatine and relative to the region. The section concludes with an analysis that pairs households with affordable price-points to understand gaps in the housing market.

The definition of "affordable housing" is determined by a household's income. What is affordable to one income bracket is not necessarily affordable to another

Value to Income Ratio

One metric to evaluate whether a home is affordable to a home buyer is to compare their household income to the value of the home. This metric can be adapted to evaluate the affordability of housing markets in different cities.

An affordable, self-sustaining housing market, with adequate value and revenues to support market-rate new construction, typically exhibits a value to income ratio between 2.5 to 3.0. Ratios above 3.0 present significant affordability issues while ratios below 2.0 are significantly undervalued relative to income. **Map 2.3** on the right and **Figure 2.25** on the next page illustrates Muscatine's value to income ratio relative to its peer communities.

Map 2.3: Value to Income Ratio by Location

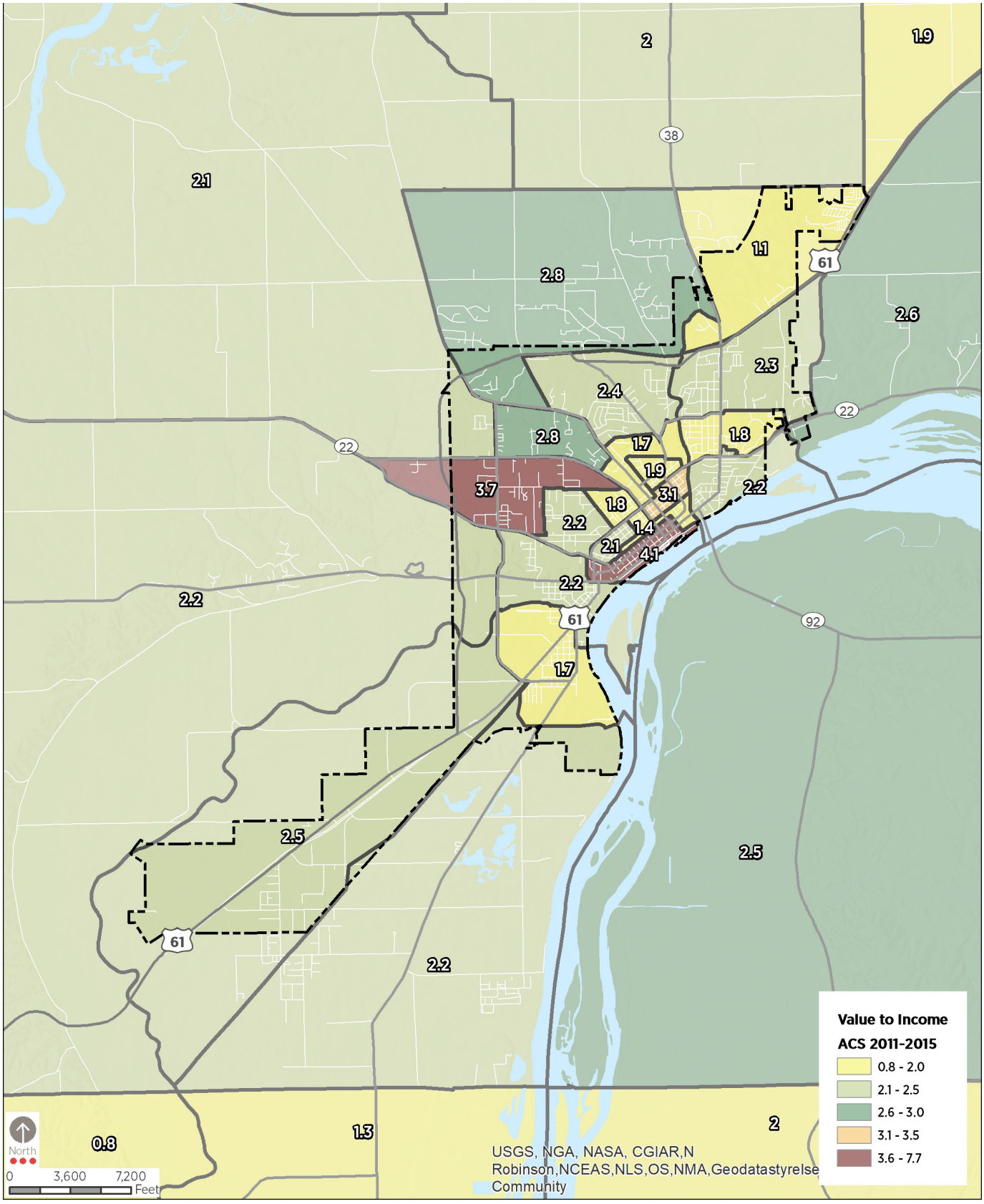


FIGURE 2.25: Community Housing Costs and Affordability

City	POPULATION	MEDIAN HOUSEHOLD INCOME	MEDIAN HOUSE VALUE	VALUE/INCOME RATIO	MEDIAN RENT
Muscatine	**23,968**	**$44,601**	**108,200**	**2.43**	**$762**
Clinton	26,064	$41,813	90,900	2.17	$612
Ottumwa	24,624	$38,570	72,300	1.87	$614
Burlington	25,410	$39,586	87,700	2.22	$651
Washington	7,408	$45,013	100,900	2.24	$739
Bettendorf	35,505	$75,373	182,900	2.43	$814
Davenport	102,582	$47,343	121,700	2.57	$707
Statewide		$53,183	129,200	2.43	$697

Source: 2011-2015 American Community Survey

- Muscatine has a similar median household income to similarly sized cities in the region at $44,601, although lower than larger cities such as Bettendorf and Davenport.
- On the other hand median home values in Muscatine are higher than similarly sized cities at $108,200, excluding Bettendorf and Davenport.
- The value to income ratio in Muscatine is 2.43. Based on this indicator, Muscatine's housing market is healthy and self-sustaining but the ratio is higher than most of its peer communities. However, areas households living downtown are facing affordability issues indicated by a V/I ratio over 4.0.
- Housing in other cities with similar characteristics is relatively undervalued compared to Muscatine, but not to concerning levels. The ratio does not consider the quality of housing in the peer communities.
- Median gross rent in Muscatine is on the high end at $762 per month. High rents most often result from a low supply of rental options or a large number of new construction units. In a low supply market, landlords can charge higher rents and still remain fully occupied. Many renters have no other option and must take what rental units are available. This presents affordability challenges for middle income households who may not qualify for housing assistance, but cannot afford down payment for a house.
- Noted previously, housing value does not always indicate housing condition. Muscatine's older housing stock faces challenges to maintain and rehabilitate existing housing.
- Muscatine does not exhibit significantly different conditions from Bettendorf and Davenport regarding affordability. However, the proximity to these metro areas increases competition and housing choices for households willing to commute for work. An opportunity Muscatine can capitalize on if housing in Bettendorf and Davenport begins to out price middle income households.

Housing Supply – Affordability Mismatch

A housing shortage affects the lowest income households more because of the limited choices they in the market. When supply is low, a middle or high income household can always choose a lower priced home or housing in another community. When higher income households choose to live in homes below their price point, fewer options are available for lower income households, forcing them to live in potentially substandard units or to spend a significant amount of their income on housing.

An important metric in housing affordability is the percent of income that residents spend on their housing needs. According to the U.S. Department of Housing and Urban Development, "families who pay more than 30% of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation, and medical care." **Figure 2.26** illustrates the percent who spend more than 30% of their income on their mortgage or rent plus utilities.

- Approximately 19% of homeowners spend more than 30% of their household's annual income on their house, including those with and without a mortgage. This is illustrated geographically on **Map 2.4** on the following pages.
- Approximately 43% of renters spend more than 30% of their household's annual income on their rent plus utilities. Often these households are single-income, working in the service industry jobs. While low compared to peer communities, the affordability of the rental housing market is important for people new to the community, and low levels of vacancy likely cause this to increase over time. This is illustrated geographically on **Map 2.5** on the following pages.

FIGURE 2.26: Regional Single-family Home Sales

	% PAYING MORE THAN 30% ON OWNER COSTS	% PAYING MORE THAN 30% ON GROSS RENT
Muscatine	**19%**	**43%**
Clinton	19%	47%
Ottumwa	20%	49%
Burlington	23%	45%
Washington	17%	43%
Bettendorf	15%	45%
Davenport	20%	44%
Statewide	17%	41%

Source: 2011-2015 American Community Survey

Further analysis of the housing market shows where specific price point gaps exist. For reference, the 100% laborshed wage applicable to Muscatine as calculated by the Iowa Department of Workforce Development is $17.74 per hour, or roughly $36,900 per year. The 2011-2015 American Community Survey estimated the median earnings for those 16 and older at $13.02 per hour, or roughly $27,098 per year. Single person households, or duel income households, at this wage level are competing with higher income households for housing at the same price point. **Figure 2.27** illustrates these comparisons and should be read from left to right across household income ranges.

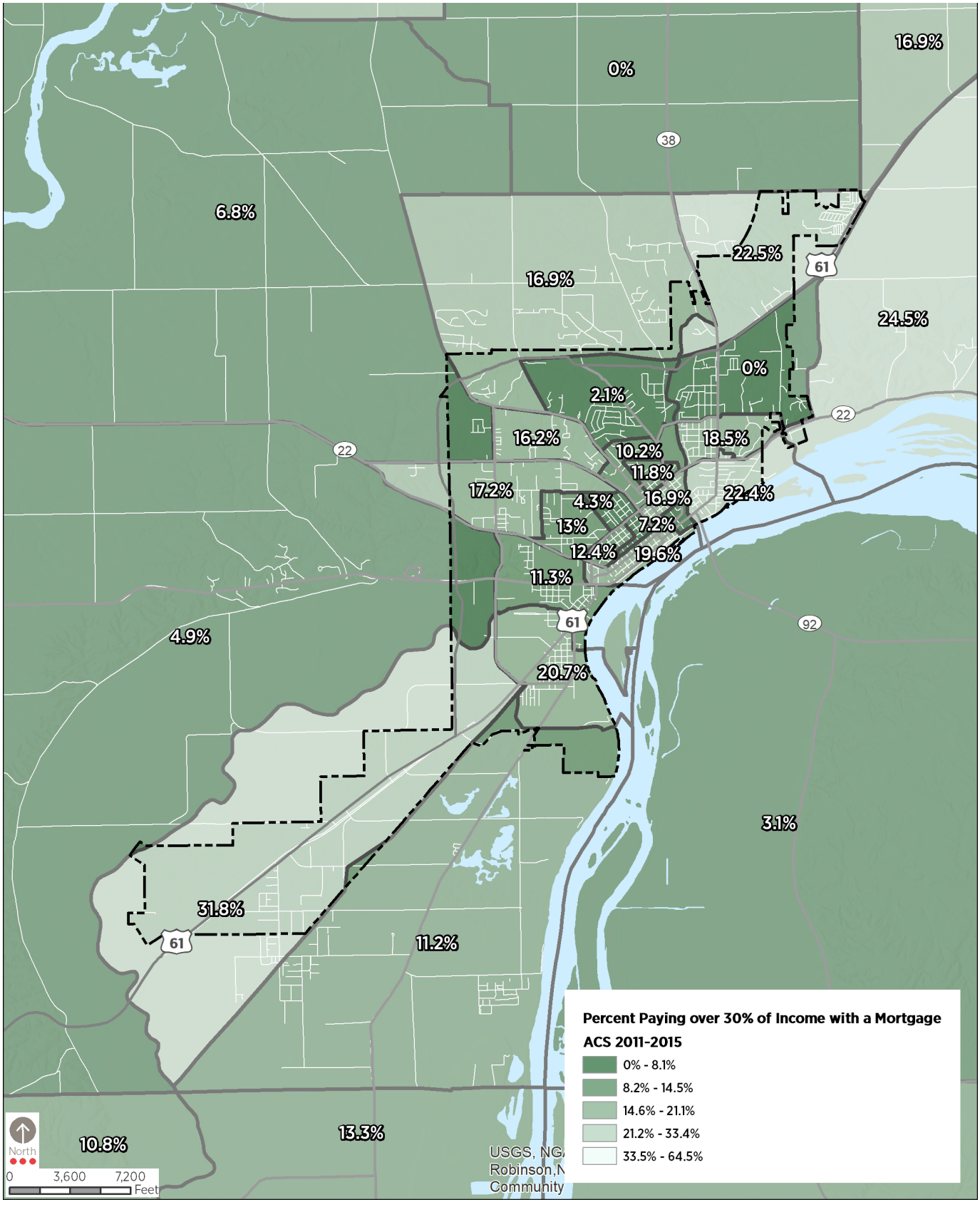
Use the income range $0-24,999 as an example, reading across the table to the right. There are 2,429 households in Muscatine living within this income range. An affordable home for purchase would cost a maximum of $49,999 and there are an estimated 842 owner-occupied units within this value range. An affordable rental unit should cost no more than $400 per month and there are an estimated 593 rental units within this price range. Combined, there are a total of 1,435 units that should be affordable for households earning less than $24,999 per year. By subtracting the supply of affordable units (1,435) from the number of households in this income range (2,429), one can see that a shortfall of units exists.

FIGURE 2.27: Muscatine Affordability Analysis

INCOME RANGE	# HOUSEHOLDS	AFFORDABLE RANGE FOR OWNER UNITS	# OF UNITS	AFFORDABLE RENTAL RANGE	# OF UNITS	TOTAL AFFORDABLE UNITS	BALANCE
$0-25,000	2,429	$0-50,000	842	$0-400	593	1,435	-994
$25,000-49,999	2,526	$50,000-99,999	2,007	$400-800	1,113	3,120	594
$50,000-74,999	2,104	$100,000-149,999	1953	$800-1,250	1,199	3,152	1,048
$75-99,999	1,098	$150,000-200,000	804	$1,250-1,500	31	835	-263
$100-150,000	852	$200-$300,000	445	$1,500-2,000	79	524	-328
$150,000+	309	$300,000+	252	$2,000+	0	252	-57
2015 Median	9,318		6,303		3,015	9,318	0

Source: 2011-2015 American Community Survey

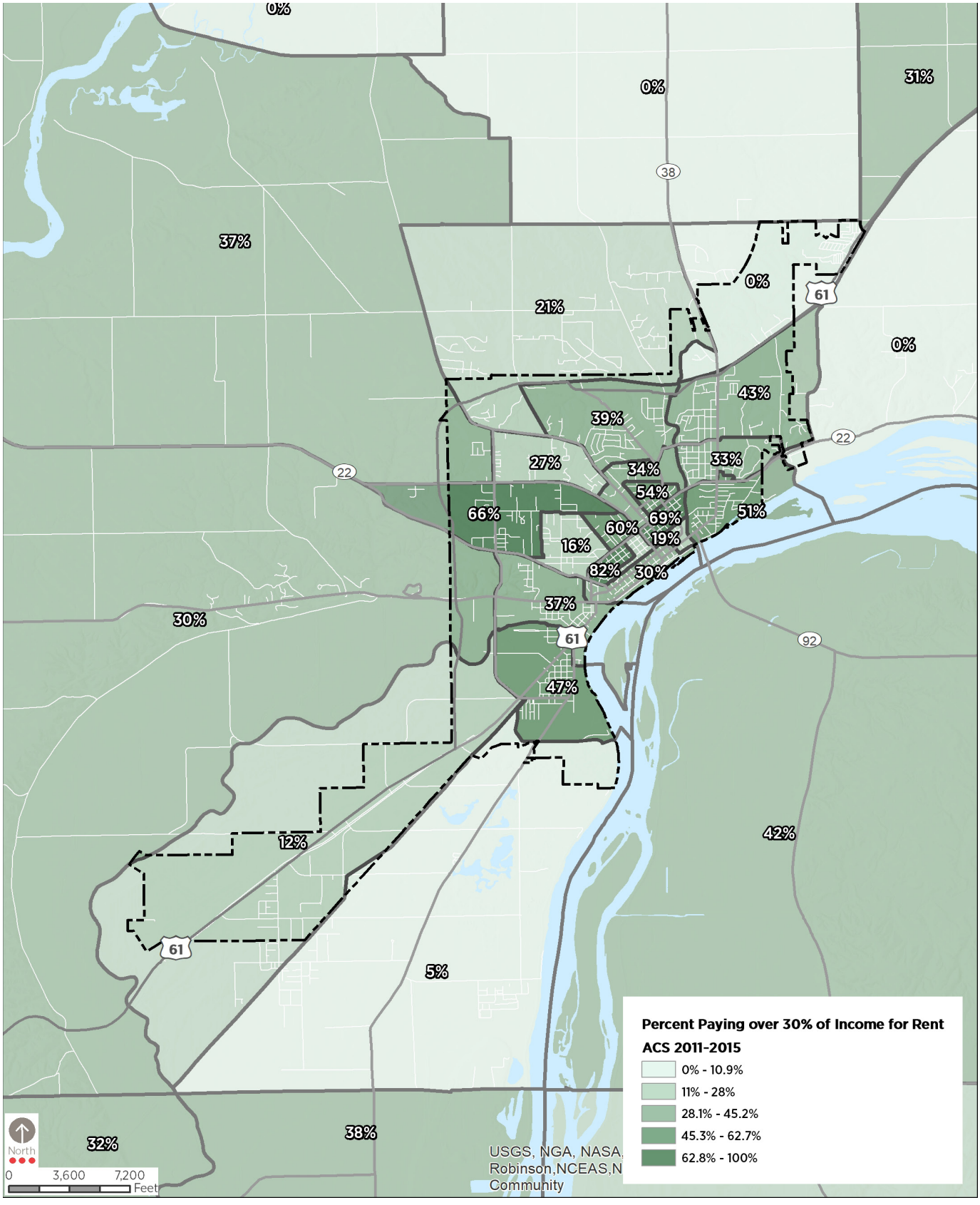
Map 2.4: Percent Cost Burdened Homeowners



The analysis reveals several conclusions about the affordability and future strategies for the Muscatine housing market.

- A shortage of homes exists for the lowest income households in Muscatine. This is common because the private market cannot support the creation of new housing units within these price-points without incentives. The best source of affordable housing for this market are rental units, and often subsidized rentals, rather than trying to produce new units. While there may be single-family homes priced below $50,000 in Muscatine, these units often require significant investment that would be beyond the financial ability of lower income households.
- The analysis reveals a surplus of housing for households with incomes between $25,000 and $74,999. For these households, affordable homes for purchase would go as high as $149,000. These price points begin to get into the housing supply that stakeholders indicated are in low supply. So why this contradiction? There are several reasons but the two most important are:
  - There are many households making more than $75,000 that cannot find housing that matches their incomes. Therefore, they are living in housing priced below $149,000
  - Statewide and nationally, home owners are less mobile, living in their homes longer, and thus not bringing housing to the market in these price points.
- With a shortfall of housing for the income brackets above $75,000, it appears these upper income households are out-competing lower income households for the same housing products. Homes in this price range often fall under the realm of new construction. The shortage of housing units above $200,000 and low building activity further supports the notion that higher income households are choosing options below their price point.
- A national trend supported locally by anecdotal evidence from local real estate agents is that homebuyers are becoming less interested in moving-up to larger and more expensive homes than previous generations (low mobility). Traditionally, the production of higher-end homes would be sufficient to incent homeowners to move-up within the housing stock, thereby, opening lower cost housing for others. While a degree of the traditional move-up model still exists, many established residents will either remain in their current housing until they downsize or until significantly better opportunities become available, including high quality amenities but not necessarily square footage.
- It is important to note that while Figure 2.27 indicates many rental units priced below $800, vacancy rates in these units are very low. Many upper income households are renting these units, with many staying in rentals longer than previous generations. It should also be noted this is not an indication of age or quality of the unit. Some residents are choosing other markets and not establishing roots because local housing is not meeting their quality and amenity expectations.

Map 2.5: Percent Cost Burdened Renters





CONCLUSIONS FROM MUSCATINE TODAY

The examination of existing conditions in Muscatine shows the following themes:

- There is an out-migration of population, keeping in mind annexations that occurred after 2010.
- The county saw in-migration of families and those reaching retirement between 2000-2010 whereas Muscatine saw out-migrations in these same age ranges (35-64).
- Muscatine has a slightly higher unemployment rate than the state of Iowa, but a generally lower unemployment rate than comparable cities in Iowa and cities in the region.
- 61% of those employed in Muscatine live elsewhere.
- The share of renter occupied units continue to grow, but still a relatively small share of the housing stock at 32% in 2015.
- Muscatine's overall unit production remains low for a community over 20,000 people. Between 2010 and 2016, the market produced some 226 new units at an average rate of 32 new units per year.
- Since 2013 new single-family home permits in the county have been higher than in Muscatine.
- The total active listings in Muscatine has dropped every year for the last three years, while the total number of homes sold has increased in the same period.
- Muscatine's housing market is healthy and self-sustaining but slightly higher priced compared as a ratio of local household income than most of its peer communities. Housing in other cities with similar characteristics is relatively undervalued compared to Muscatine, but not to concerning levels.
- A shortage of homes exists for the lowest income households in Muscatine and households making more than $75,000, likely indicating that these upper income households are out-competing lower income households for the same housing products.

Understanding these themes, stakeholder discussions in Chapter 1, and national trends helps develop projections for future housing demand at different price points and housing types.

CHAPTER 3

MUSCATINE TOMORROW

The projected future housing needs in Muscatine stem from a demand model that builds on the population projections, housing trends, and community conversations to forecast the demand for additional housing. A calculated approach to housing demand helps create policies, partnerships, and strategies to meet these needs and enhance existing strengths in the housing market.

HOUSING DEMAND MODEL: 2030

POPULATION PROJECTION

The previous analysis and discussions with major employers in the city indicate there is limited amount of housing available locally and thus a limited ability for employers to house their workforce. Other than through annexation, the city has not appeared to significantly capture new residents. Since 1960, the city has grown at 0.18% annually with a decline in population between 1980 and 2000.

Current building activity likely supports a population growth at a 0.18% rate. However, the potential for higher growth is stifled by housing challenges. One barrier to growth in Muscatine is the availability of buildable lots. Should the city overcome this barrier, the pent-up demand for housing will spur population growth. **Figure 3.1** shows the projected population through 2035 at a 0.25% and 0.5% annual growth rate. A 0.5% annual growth rate is used in the model, indicating the potential for future population if housing challenges are addressed and discussed later in this plan. Under this projection Muscatine would see a 2035 population of 26,482.

HOUSING DEMAND PROJECTION

Figure 3.2 calculates the overall demand for housing from 2017-2030 by considering:

- Projected population (Figure 3.1)
- Household population and size from the U.S. Census Bureau
- Household demand, generated by the number of households today and the number generated by new growth
- A vacancy rate that will remain constant over time, lower than reported by the Census to align with community conversations and ensures a quality housing stock is available with a variety of options.
- An annual replacement need of approximately six units that are lost to demolition or elimination.

For the market to support new growth and offer variety in the market, approximately 814 new housing units will need to be added between 2017 and 2030. This equates to approximately 58 new units annually including both renter and owner units, compared to current building activity since 2010 at about 32 units per year.

FIGURE 3.1 : Population Projection

	2015	2020	2025	2030	2035
Natural	23,015	23,174	23,318	23,419	23,370
.25% Annual Growth Rate	23,968	24,269	24,574	24,883	25,195
.5% Annual Growth Rate	**23,968**	**24,573**	**25,194**	**25,830**	**26,482**

Source: RDG Planning & Design

FIGURE 3.2: Housing Demand, 0.5% Annual Growth Rate

	2015	2017 - 2020	2021 - 2025	2026 - 2030	TOTAL
Population at End of Period	23,968	24,573	25,194	25,830	
Household Population	23,608	24,205	24,816	25,442	
Average Household Size	2.50	2.50	2.50	2.50	
Household Demand	9,443	9,682	9,926	10,177	
Projected Vacancy Rate	6.00%	6.00%	6.00%	6.00%	
Replacement Need		24	30	30	84
Total Demand		227	290	297	814
Average Annual Construction		**57**	**58**	**59**	**58**

Source: RDG Planning & Design

SENIOR HOUSING PROJECTION

The aging population of Muscatine is not different from communities across the country. Concerns expressed during the community discussions show a housing need for seniors and those reaching retirement. In 2010, 25.5% of Muscatine's population and 26% of Muscatine County's population was over the age 55. This population will only continue to grow as the youngest Baby Boomers turn 55 in the coming years, with senior's living in the county searching for options closer to city amenities that also have less maintenance.

As a result, there is an out-migration of those over 55 in Muscatine County, shown in **Figure 3.3**. These households are seeking living options in other communities that better meet their current or anticipated retirement and housing needs. Muscatine needs to provide a variety of housing options to capture and retain these households.

FIGURE 3.3: Muscatine County Senior Population Predicted Versus Actual

AGE GROUP	2010 PREDICTED	2010 ACTUAL	DIFFERENCE
55 to 59	2,966	2,924	-42
60 to 64	2,463	2,430	-33
65 to 69	1,808	1,742	-66
70 to 74	1,354	1,318	-36
75 to 79	994	1,009	15
80 to 84	848	872	24
85+	1,033	902	-131
Total 55+	**11,466**	**11,197**	**-269**

Source: US Census Bureau, 2000 & 2010; RDG Planning & Design

Even if the out-migration rates of the 2000s are applied to the 2025 projected population, **Figure 3.4** shows:

- The county would have 13,454 residents over the age of 55, or roughly 8,056 households when assuming household sizes range between 1.25 and 2.
- If just 0.5% to 1.0% of these households demand alternative independent housing options, 68 units would be needed through 2025. The unit demand is not a projection of future need, but an indication of total housing need whether currently available or not. Current survey responses and discussions indicate this need is not being met in Muscatine.



It should be noted, as referenced throughout this study, that senior housing does not stand alone as nursing homes and assisted living facilities. Senior housing simply means housing that matches the needs of an aging population. These units would be low maintenance and designed with accessibility in mind, often referred to as universal design, allowing seniors to remain in their home communities for longer. By providing independent living options a quality entry level or family-sized home is often also brought to the market as seniors, retirees, or empty-nesters move out of traditional single-family dwellings.

FIGURE 3.4: Muscatine County Senior Housing Need

	2025 PROJECTION - NATURAL CHANGE	ANNUAL MIGRATION FACTOR (2000-2010)	2025 POPULATION WITH MIGRATION	HOUSEHOLD SIZE	HOUSEHOLD DEMAND	CAPTURE RATE	UNIT DEMAND
55-64	5,604	-0.14%		2.00	2,763	1.0%	28
65-74	4,744	-0.33%	4,591	1.75	2,624	1.0%	27
75 and Over	3,446	-0.32%	3,336	1.25	2,669	0.5%	14
Total 55 & Over	13,794		13,454		8,056		68

Source: RDG Planning & Design

PROGRAM FOR THE FUTURE

It is important that a variety of different types and price-points are offered to meet demand. **Figure 3.5** demonstrates how the total number of units should be split across owner and renter occupancy and at what price-points. As many factors can change over 13 years, the housing development program demonstrates only the number, type, and price-points for units needed between 2017 and 2025. The housing market should be studied for major changes on a regular basis.

The housing development program takes the demand model shown in Figure 3.2 previously and prescribes a proportion of renter to owner-occupied units as well as price-points for both occupancy types. The number of units in each price point is based on the portion of households in today's market that fall within those affordability ranges as estimated by current household incomes.

The development program reflects the following factors:

- Total need from Figure 3.2
- Owner/Renter Proportion: The city's current split is approximately 68% owner occupied and 32% renter occupied. However, building activity since 2010 shows a 50/50 split in single-family to multi-family units. Most of the multi-family units since 2010 were within new apartment complexes. Because of recent building activity and community input indicating a shortage of rental options, this model assumes new construction will be near a 60% owner-occupied, 40% renter-occupied split.
- Affordability Ranges: The proportions reflect the existing proportion of household incomes estimated for Muscatine today, with corresponding affordable ranges. They may need to be adjusted for inflation over time.

FIGURE 3.5 : Housing Development Program

	2017 - 2020	2021 - 2025	TOTALS
TOTAL NEED	**227**	**290**	**517**
Total Owner Occupied	136	174	310
Affordable Low: 60-90,000	17	22	39
Affordable Moderate: 90-125,000	33	42	75
Moderate Market: 125-190,000	42	53	95
High Market: Over $190,000	45	57	102
Total Renter Occupied	91	116	207
Low: Less than 450	36	45	81
Affordable: 450-700	31	40	72
Market: Over $700	24	30	54

Source: RDG Planning & Design

Meeting the targets of the housing development program requires more than simply building the total number of owner and renter units in Figure 3.5. Housing needs to also address affordability for all income ranges and a variety of types for all age ranges. Some basic principles should be recognized in housing production.

Low Income Housing Demand. The lowest income households should be served primarily by the rental market. Several state and federal programs exist to support the development of low income rental opportunities. Housing developers should be encouraged to enter this market and the city should coordinate with the developer on location and site design for the best outcome.

Low Income Ownership Demand. Often the best source of affordable housing is the existing housing stock in older neighborhoods. As stated in Figure 2.24, many higher income households compete for the same housing stock as lower income households. The low income ownership market demand can be met, in part, by providing opportunities for moderate income households to move-up in the market.

Moderate Income Demand. The private market should be able to achieve sufficient profits to support development in this market. However, little activity in this market is largely because of limited lot supply and builder interest. These types of projects may require financial and logistical support from the city and its partners.

Market and High Market. The private market has been producing market rate housing, but located more in the county than city. The development community should be encouraged to continue its work in market-rate housing development but work with the city and its partners to find new opportunities for development within the city. These developments should be encouraged to employ innovative practices to create high-quality neighborhoods.









CONCLUSION: USING THE DEVELOPMENT PROGRAM

In an ideal housing market, the supply and demand for housing units would naturally adjust over time to reach a balance where the supply of housing generally meets the demand for housing. Higher demand often triggers the market to supply more housing as builders and developers recognize profits to be made. However, this is not the case for Muscatine and cities across the Midwest. Challenges, barriers, and inefficiencies in the local market lead to an unbalanced market. To overcome these challenges and stimulate development that builds on existing opportunities, several principles are followed to draft the strategic plan in the next chapter:

- Production should be guided to generate a gradual shift that incrementally overcomes the needs of the current market while seeking to meet the needs of Muscatine over the next 10 to 15 years.
- The lowest income market will require intervention from the public and not-for-profit sectors to supply adequate housing.
- Production should create availability and movement in the housing market that enables residents to enter Muscatine's housing market, move-up to appropriate options through their life-cycle, and then down-size when desired.
- More parties, along with the City, should be brought to the table to craft solutions. The Chamber, banks, and employers, among others, all have a stake in the Muscatine housing market and need to be involved in policy and incentive programs.
- Muscatine must not neglect existing assets. The downtown, Community College, local amenities, and strong economy all provide opportunities to build a housing program around.
- Similarly, Muscatine cannot neglect the existing housing stock. The housing stock is its largest single capital investment and residents generally form their image of a community on the quality of neighborhoods and the housing in the community. Property maintenance standards need to consider home owner wages to target revitalization and rehabilitation at specific areas.
- Public education should seek to better align the perceptions of homeowners and prospective residents with reality. For example, the costs of rehabilitation versus new construction. Or the total costs of building in the county versus the city, including the real costs of property taxes.

CHAPTER 4

ISSUES AND OPPORTUNITIES

The previous chapters established the outcomes from the market analysis and the public engagement process which brought to light a variety of issues that Muscatine will need to navigate in the years to come. These issues include workforce housing, the production of a variety of housing opportunities, more rental housing options, and creating new neighborhoods that will serve as a foundation for continued growth. The purpose of this chapter is to explore the primary issues and opportunities gathered from the previous chapters to create a strategic housing program to build policy and incentives around.

THE OPPORTUNITY FRAMEWORK: EXISTING ASSETS

A fundamental element of neighborhood development is creating residential areas that build upon existing assets. In the context of neighborhoods, the physical assets are the framework elements that form the fabric of the community including parks, trails, natural features, and character districts such as the downtown or schools. These framework elements provide an anchor and identity for the surrounding neighborhoods which supports property values, reinvestment, and property maintenance.

TARGET ASSETS AND OPPORTUNITIES APPROACH

- Use investment in physical assets to create private market investment in housing
- Promote direct and safe access to physical asset areas for pedestrians of all ages
- Encourage new neighborhoods to provide access to existing assets or to develop new assets where appropriate for both the benefit of the new neighborhood and existing neighborhoods
- Treat new and existing physical assets as a public amenity created for the benefit of all residents

ASSETS AND OPPORTUNITY MAP

Muscatine has a rich history of development along the Mississippi River, spreading northwest into the surrounding natural landscape. From its early historic neighborhoods the city expanded outward to contemporary developments. These diverse neighborhoods present distinct needs and opportunities based on existing conditions. Where the next chapter includes a series of more tactical interventions for developing catalyst projects, the following section details high-level policy opportunities based on existing neighborhood conditions.

Map 4.1 identifies existing conditions and targeted housing opportunity areas in Muscatine. The map is based on community visits and tours completed to identify potential areas for reinvestment, redevelopment, and development. This was a general assessment and not based on a house by house inventory but on broader neighborhood evaluation. The opportunity categories include:

New Development. Areas adjacent to or within city limits that are potential sites for lot development. Assessment of site conditions and access to water and sewer services would need to be evaluated further to confirm the suitability of these sites.

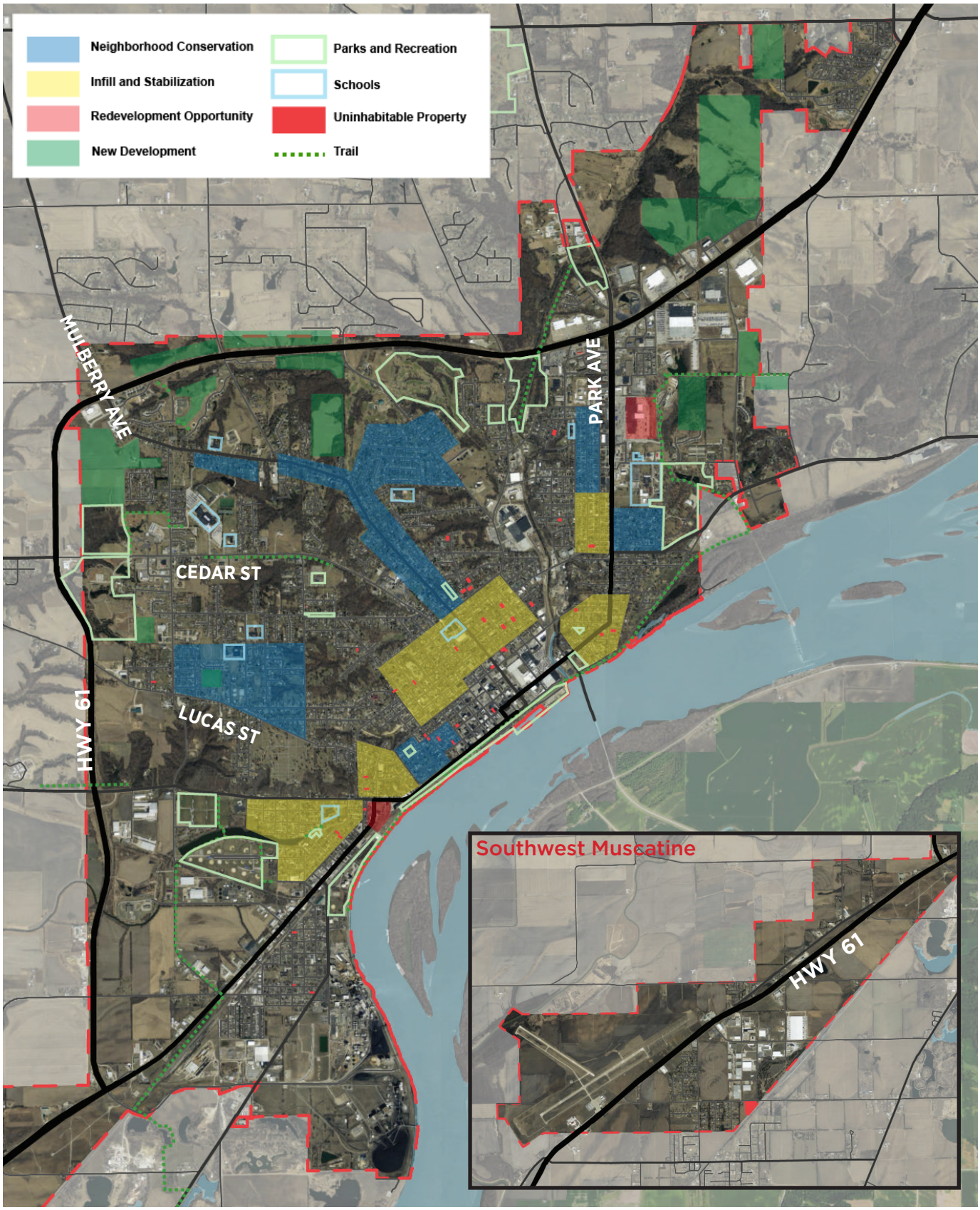
Infill & Stabilization. These areas have more serious housing deficiencies and vacant lots. Sites are large enough & clustered enough that a target program to remove deteriorated structures & develop vacant lots will have a major impact.

Neighborhood Conservation. These areas have a cluster of housing in fair condition. Policies for this area should focus on conserving the existing housing stock through a coordinated rehabilitation strategy. These areas often include entry corridors, where the first impressions of a community are made.

Redevelopment Opportunity. These areas have the most deteriorated structures. Infrastructure improvements and removal of deteriorated structures should create safe affordable housing & stronger neighborhoods.

Not every neighborhood in the city are applied a category. Housing programs are most effective when targeted at specific areas. The map provides a strong foundation for the policies and programs identified in the following chapters of this document.

Map 4.1: Opportunities Map



Strategic New Development

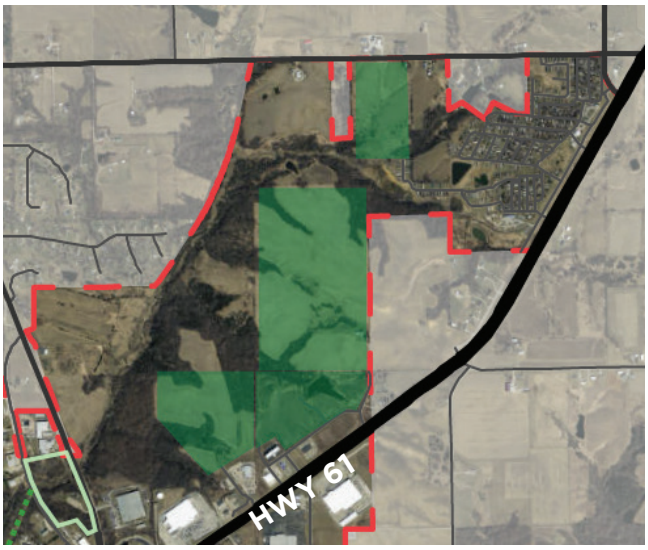
New neighborhoods are an expansion of the existing framework of roads, community features, and character. As such, the location and character of new development are part of the city's responsibility to its residents including current and future generations. The 2013 City of Muscatine Comprehensive Plan and its Future Land Use Map is intended to guide future land use decisions over the next 20 years. The Opportunity Map is intended to execute the residential vision of the Comprehensive Plan over the next five to ten years.

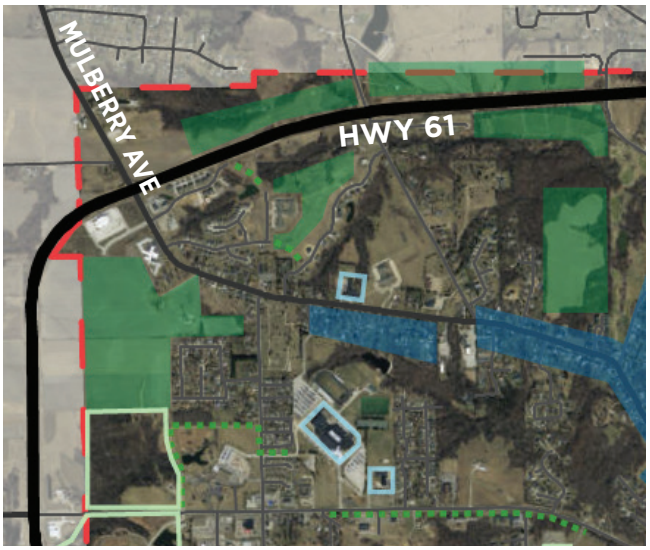
Principles for new development:

- Use municipal services efficiently
- Promote infill development
- Preserve open space and natural resource areas
- Promote and incorporate diverse housing options
- Plan for community amenities such as parks and schools
- Provide a multi-modal and connected transportation network
- Enhance public safety and minimize hazard risk
- Use public investments to promote the maximum amount of private market action
- Make decisions in a transparent and collaborative manner

Policy recommendations:

- Plan transportation routes to enable future development, reserve right-of-way in advance, and build with development as it occurs
- Require a minimum amount of street connectivity to enable efficient service by fire and police. Limit the number of cul-de-sacs and dead-ends permitted
- Growth should be contiguous to existing development to reduce the amount of infrastructure required. Priority development parcels would fill-in gaps between existing developments and the configuration should seek to unify the neighboring developments.
- Be consistent with the Future Land Use Map contained in the Comprehensive Plan.





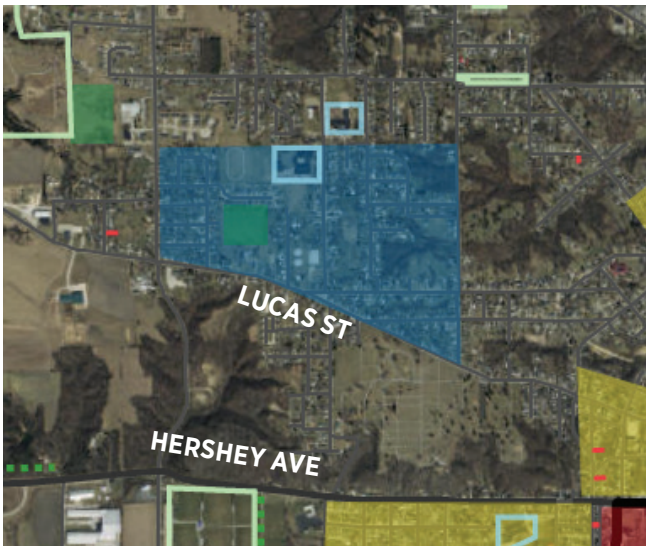


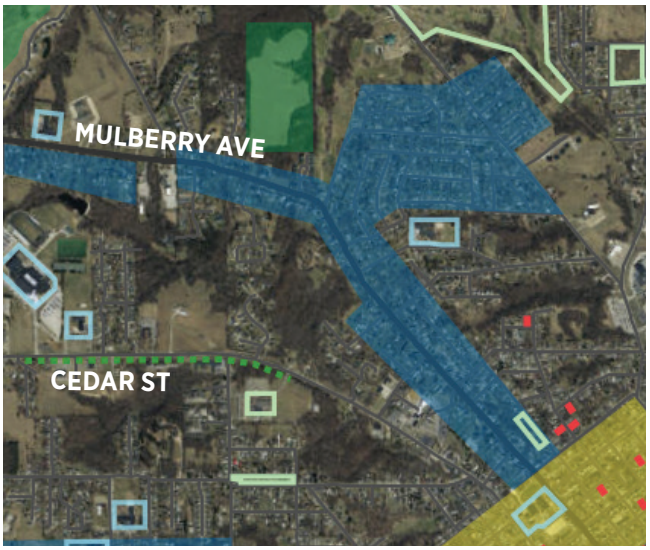
Neighborhood Conservation

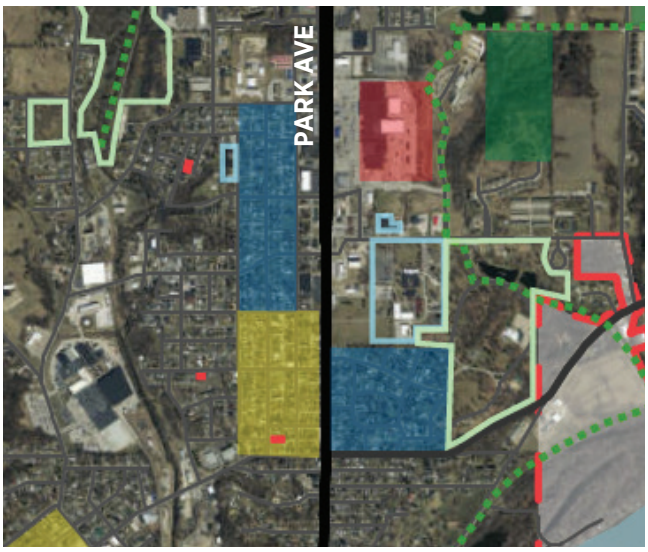
These neighborhoods are in relatively good condition with only limited numbers of blighted properties that require attention. Some areas are, or could be, historic neighborhoods. As an opportunity, conservation areas represent a large stock of ready and relatively affordable housing in neighborhoods that require only a limited amount of attention. However, some conservation areas are the next wave of the housing stock to reach 40 to 50 years old. Neglecting them could lead to a need for future stabilization measures.

Policy recommendations:

- Reinforce public features and amenities to encourage private market action. Appropriate enhancements in conservation neighborhoods include park improvements, and pedestrian and bicycle safety improvements.
- Maintain the housing stock in a state of good repair.
- Target property maintenance initiatives on properties with moderate infractions. Appropriate actions would include clean-up days, neighborhood trash collection, not-for-profit clean-ups, and, if desired, targeted code enforcement.
- For any structures that cannot be rehabilitated, the parcels should be targeted for infill development that respects the character of the surrounding neighborhood in terms of use, style, and density.
- For historic neighborhoods, continue to seek state assistance and historic status for neighborhoods of potential significance. Maintain the character of the area as repairs and infill development occurs. Historic designation opens up incentives for rehabilitation and act as a marketing tool to attract new residents and generate neighborhood pride.







Infill and Stabilization

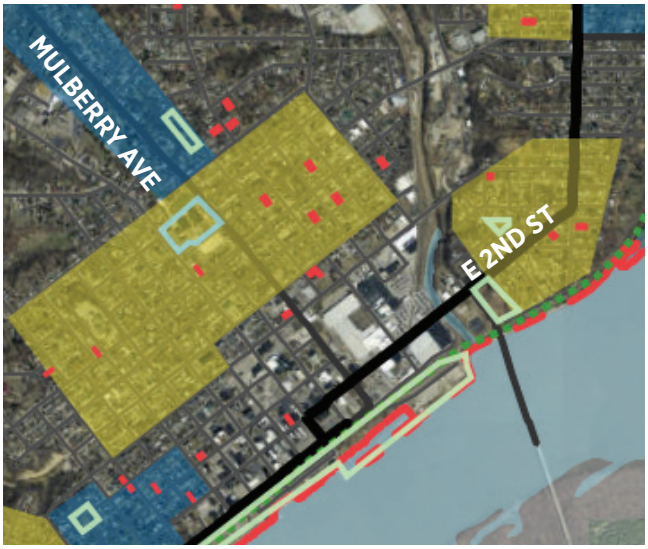
Characterized by an aging housing stock, these neighborhoods differ from the conservation areas in condition and the level of blight. While much of the housing in these areas may be in good condition, a greater number of homes remain in poor-to-average condition in addition to larger pockets of vacancy. In the same way that conservation areas represent an affordable housing opportunity, the infill and stabilization areas present this same opportunity but these areas require a greater amount of attention and investment.

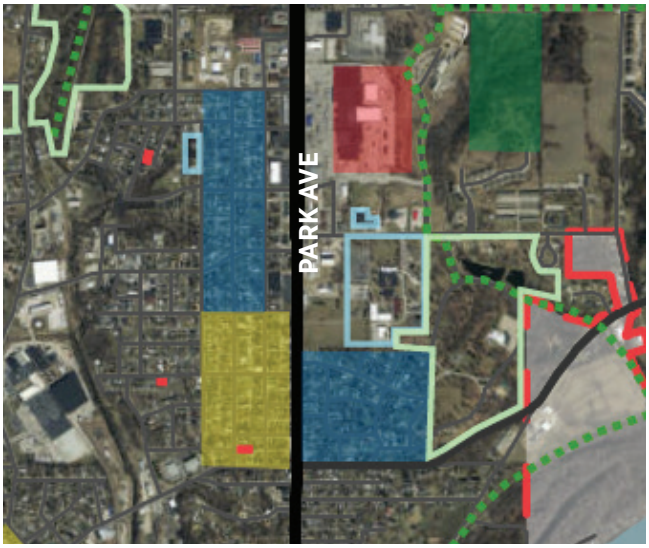
Principles for infill and stabilization:

- Engage the neighborhood in the process
- Rehabilitate units to preserve the housing stock
- Enhance neighborhood through investment in public amenities
- Remove slum and blight conditions through clean-ups, rehabilitation, and, if needed, demolition
- Focus investments on a geographically confined area to create the most visible positive impact, to demonstrate the commitment to the neighborhood, and to build private market confidence
- All efforts should be designed to incrementally strengthen the neighborhood
- Funding must be sufficient to make a significant impact over the course of several years

Policy recommendations:

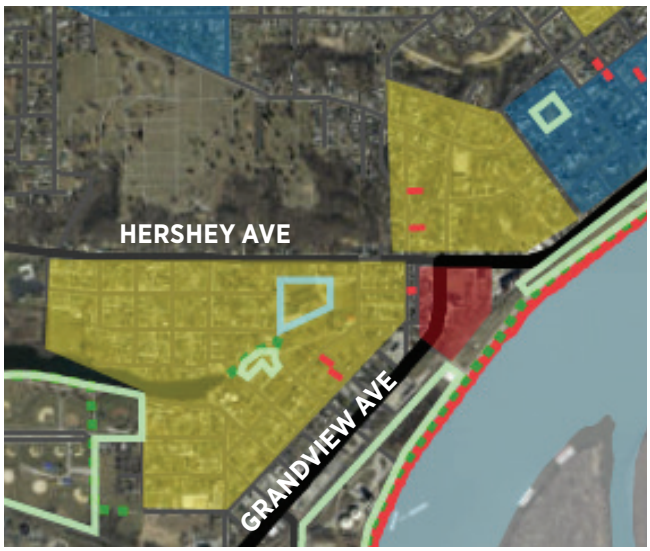
- Reinforce public features and amenities to encourage private market action. Appropriate enhancements in infill and stabilization areas may include new parks, new park features, bicycle infrastructure, pedestrian improvements, community gardens, and gathering places.
- Often neighborhood deterioration occurs, in part, because of compatibility issues with adjacent land uses. These compatibility issues should be explored and the impacts should be mitigated through relocation of the use or an improved buffer between the land uses.
- Targeted land assembly and appropriate infill redevelopment. The greatest challenge to infill redevelopment is often assembling the land on which redevelopment can occur. It is recommended that the city or a not-for-profit entity be empowered to acquire and hold property until enough of land can be assembled to solicit redevelopment proposals. As a condition of the time and resources involved in the land assembly, the development agreement should specify the price-points for new homes.
- Target rehabilitation programs to blighted areas with the highest priority given to those homes with structural issues and a lower priority given to homes with aesthetic issues only. Appropriate actions would include an owner-occupied rehabilitation program, a rental rehabilitation program, a first-time home-buyer rehabilitation and downtown payment program, and an exterior paint program.





- Target property maintenance initiatives on properties with moderate infractions. Appropriate actions would include clean-up days, neighborhood trash collection, not-for-profit clean-ups, and, if desired, targeted code enforcement.
- For any structures that cannot be rehabilitated, the parcels should be targeted for demolition and acquired for infill redevelopment. It is important to recognize that these units often represent the greatest blight factor on the neighborhood and demolition can be an appropriate intervention if the property cannot be rehabilitated, property poses a risk to public health and safety, and the land can be acquired and held for redevelopment or appropriate reuse.
- Activate vacant lots and homes for productive use. The eventual goal for vacant lots in urban neighborhoods should be infill redevelopment for several reasons: urban neighborhoods already have urban services, vacant lots and reduced density produce a lower tax yield that the city needs to continue its high quality of community services, and historic neighborhoods with greater density are perceived more positively and are more walkable.

Several communities have adopted Vacant Lot Toolkits to guide the interim use of vacant lots in urban neighborhoods including the City of Omaha; the toolkit can be found here: planninghcd.cityofomaha.org/ images/stories/pdfs/VLT%20Reduced.pdf. For abandoned homes, procedures under Iowa Code 657A can be a tool for the city to take possession and sell the home at an affordable price with conditions for tenancy and rehabilitation.



Redevelopment Opportunity

Redevelopment opportunities are localized examples of blighted or vacant land that could be transformed through redevelopment into an attractive and productive residential use. The redevelopment of these strategic sites should be designed to: eliminate blight conditions, support private market reinvestment in surrounding areas, and create new taxable value and uses.

Principles for redevelopment opportunities:

- Be sensitive of any displacement that may occur because of the redevelopment. In Muscatine, the targeted redevelopment opportunities do not contain existing residential population. However, for any future areas, plans to relocate residents impacted by the redevelopment should occur first, through outreach and public awareness of alternative housing opportunities. If state and federal funds are used for the redevelopment, follow all appropriate laws and requirements pertaining to the relocation of residents.

Policy recommendations:

- Target areas with high concentrations of vacant or underutilized land for acquisition, redevelopment and/or rehabilitation. Acquisition can be accomplished through tax delinquency, bank foreclosures and their Community Reinvestment Act abilities, and through estate gifts to the city or not-for-profit agencies. Maintenance and management should accompany any acquisition in the interim period before rehab or redevelopment occurs.
- Solicit competitive proposals from the development community to generate the best reuse/ redevelopment plan for strategic redevelopment opportunities. A municipal or not-for-profit role in the acquisition and assembly of land creates a public interest in the reuse of the property and therefore, a development agreement can place conditions on the redevelopment including use, bulk, density, and the price points for units created.
- Consider an expedited review process for infill and redevelopment projects led by the private market.
- Explore creative financing and program applications to create a positive and concentrated impact on a neighborhood.

OPPORTUNITIES TO LEVERAGE

The success of housing development hinges on understanding existing assets and how these opportunities can jump-start the housing program. For future housing development, the opportunities to leverage in Muscatine focus on:

- A strong economy and job growth
- Regional population growth for the city to capture
- A variety of community amenities
- An established and intact Downtown

Strong Local (and Regional) Economy

Muscatine has a strong economy anchored by major industries that are involved in the community and continue to drive opportunities for community growth. Local industries attract talent and potential new residents from across the country to provide a large share of buyers and renters with wages to enter the housing market and create demand for virtually any housing products available. While the base economic foundation is strong, conditions in the housing market including limited housing supply and variety put a strain on new employees looking to live in Muscatine. Local employers can be a driving force to assist in filling workforce housing gaps, continuing to support community amenities, and stimulating quality growth.

Regional Population Growth

The Iowa City and Quad Cities metropolitan areas are experiencing significant population growth. Regional growth supports local employers with a large pool of skilled and educated workers to draw from. Muscatine can capture some of this growth, appealing to households that want to live in a smaller community. Housing policies and programs need to include methods to provide new lots for construction and rental options for new households to the region.

Variety of Community Amenities

Attracting people to live in a community is more than supplying ample housing opportunities. Choosing a community includes the whole "package" – quality housing, parks, schools, trails, downtown vitality, community image, and public facilities. Muscatine is fortunate to have a well-rounded package that is continually being improved. The ability to enhance the relationship between housing and amenities will strengthen the quality of life of existing residents and appeal to potential new residents.

Established and Intact Downtown

Downtown Muscatine remains largely intact with few demolished buildings. A new focus on downtown includes a hotel and convention center, better connections to the riverfront, and adaptive reuse of existing buildings for mixed-use commercial/residential space. Downtown not only can provide housing opportunities without requiring new lots or buildings, but also represents the image of Muscatine. A vibrant and diversified downtown attracts new residents and employers to the community. Additionally, connecting surrounding neighborhoods with downtown is an essential priority to stabilize these neighborhoods and generate interest in property maintenance and rehabilitation.



CHALLENGES TO OVERCOME

Muscatine is not without its own challenges that hinder the housing market. Challenges to overcome include:

- Effects of rental demand
- Negative tax rate perceptions
- Disparity in neighborhood perceptions
- Limited lot supply
- "For sale" shortage

Effects of Rental Demand

Muscatine has a high demand for rental options driven by the diverse workforce, leading to fewer available units. Rental housing is important to a market because:

- Rentals provide options for empty-nesters and seniors looking to move or downsize from their current owner-occupied home
- Rentals act as transitional housing options for those moving between housing types
- Young families, professionals, and new employees to the region rely on rentals as an affordable housing option or to "try-out" the community before deciding to buy a home

The lack of rental options in a market can have several negative effects on a market, including:

- Forcing potential new residents to look elsewhere for housing
- Discouraging reinvestment in existing properties
- Limiting the overall turnover of housing in the market
- Increasing rental prices and incentivizing single-family home conversions

Negative Tax Rate Perceptions

Comments regarding a high property tax rate in Muscatine occurred multiple times in the surveys and community discussions. These comments are not uncommon, especially in Iowa where a good amount of the population lives in rural areas. For Muscatine, low tax rates in Bettendorf skew the perception of taxes. Tax rates in Muscatine are not higher than comparable communities in the region, shown in **Figure 4.1.** Of the 900+ municipalities in Iowa, Muscatine ranks 149th highest for total city tax levy and 107th for consolidated tax rate (city, county, and school district levy). Compared to peer communities Muscatine ranks second to last in city levy rates and third to last in consolidated rates.

FIGURE 4.1: Tax Rate Comparison, FY17

	2010 POPULATION	CITY LEVY	CITY CONSOLIDATED RATE
Muscatine	**22,886**	**15.67**	**40.65**
Davenport	99,685	16.78	39.37
Bettendorf	33,217	12.55	33.83
Clinton	26,885	15.88	41.53
Burlington	25,663	15.94	40.93
Ottumwa	25,023	20.73	44.94
Washington	7,266	15.82	41.14

Source: Iowa Department of Management

Disparity in Neighborhood Perceptions

Like any community, Muscatine has neighborhoods that are in better condition than others. However, the perception from people, both those living and not living in Muscatine, is one of large disparities in conditions, safety, and image. These perceptions typically stem from minor visual cues such as unkept lawns, flaking house paint, or general lack of people walking through a neighborhood. Addressing these targeted issues to generate neighborhood pride can stimulate reinvestment from existing residents and potential new home owners looking for a lower priced houses to renovate.

Limited Lot Supply

The ability to generate movement in the housing market and better match higher income households with similarly priced housing is limited by the number of lots available to build on. There are a few reasons for the shortage in Muscatine:

- There simply are not shovel ready sites prepared for development. Private market housing development must produce a sufficient profit for the developer (revenue exceeding infrastructure, labor, material, and carrying costs). Topography challenges and the cost of infrastructure are the primary barriers in Muscatine.
- Banks play a role in lot development by providing financing to developers. The recession led to a restrictive lending market as risk increased. Lending practices since the recession have loosened, but developers have been slow to respond.
- Lots in the county are perceived to be more affordable than in the city. The actual costs to property owners in the city in the short-run versus long-run need to be considered for policies targeted to stimulate lot development in the city.

"For Sale" Shortage

Conversations with stakeholders indicate a shortage of homes for sale, and thus, movement in the housing market. However, data sources do not show as severe of shortage as the conversations suggested. These conversation were further supported in an unofficial review of online listings in August 2017 that showed only 50 homes, condos, or townhomes listed for sale in Muscatine – less than one percent of the total owner-occupied housing units. Like many markets this appears to be a newer trend. **Figure 4.2** compares different measurements of "for sale" homes in Muscatine.

Over the course of 2016, there were a total of 899 single-family units listed on the market, when considering the average days on market equates to an average of approximately 322 units listed at a given time. This includes units of all conditions and price ranges even though low quality homes and homes at extreme prices are not feasible for most households. When considering the average days on market for sold homes in 2016, approximately 261 units were listed at a given time. As a percentage of total owner-occupied (occupied or vacant) housing units, this means that approximately four percent (3.9%) of Muscatine's owner-occupied units are for-sale on the market.

In comparison, Census estimates for 2015 show 168 for sale units (only those that are vacant) with a margin of error of +/- 113 at the time of measurement.

FIGURE 4.2 : For Sale Home Comparison

	TOTAL OWNER UNITS - OCCUPIED AND VACANT (2015 ACS)	FOR SALE VACANT UNITS (2015 ACS)*	PERCENT	AVERAGE # OF UNITS FOR SALE (2016 MLS)**	PERCENT	ONLINE FOR SALE LISTINGS (AUG 2017)***	PERCENT
Muscatine	6,699	168	2.51%	322	3.9%	50	0.75%
Davenport	27,051	741	2.74%	-	-	293	1.08%
Bettendorf	11,024	109	0.99%	-	-	149	1.35%
Clinton	8,120	22	0.27%	-	-	181	2.23%
Burlington	8,148	142	1.74%	-	-	210	2.58%
Ottumwa	7,287	139	1.91%	-	-	171	2.35%
Washington	2,133	21	0.98%	-	-	45	2.11%

* Does not include for sale homes that may still be occupied
**Data not able to be obtained from peer communities
*** Houses, Condos, and Townhomes
Source: 2011-2015 American Community Survey; Multiple Listings Service; www.zillow.com accessed August 9, 2017

A STRATEGIC DIRECTION FORWARD

Muscatine has the framework in place to make it a growing and regionally competitive place to live. Muscatine boasts characteristics similar to many communities along the Mississippi River including a strong economy, regional population growth, new and growing community amenities, and a historic riverfront and downtown. How Muscatine chooses to leverage these strengths and differentiate itself from peer communities is a key component to future growth.

Although Muscatine is positioned to grow, housing activity remains low. The challenges facing the housing market in Muscatine presents problems for those in the workforce, seniors, and prospective new residents. A limited lot supply presents the most significant challenge to overcome. The construction of new homes meets an immediate need for households who can afford homes above $200,000. Additionally, new construction indirectly alleviates other housing challenges by opening existing housing and rental units at more affordable prices. The challenges will need to be addressed through policy, investment, and multi-organizational partnerships between the city, banks, employers, and Chamber of Commerce, among others.

Big Ideas and Directions Forward

Several big ideas emerged from the preceding chapters that will guide the way Muscatine can address the underlying causes of housing shortages.

Existing Housing Stock

New development is not occurring at a pace to support significant population growth. However, as programs and policies recommended unfold, the existing housing stock will remain an affordable option for households to enter home ownership. Maintaining the existing housing stock needs to begin today rather than after properties become blighted beyond repair. Policy priorities should incentivize housing reinvestment.

Housing Variety

The market must offer a variety of housing options to meet the needs and desires of diverse segments of the population both today and in the future. Variety should exist in both the rental market and the home ownership market across different price-points. Policies that focus on creating a variety of housing types at different price points will encourage mobility within the market - leading to more accessible and attractive options.

Lot Supply

Lot supply to support new development in Muscatine is low for a community its size, essentially nonexistent. Policy priorities need to increase the supply of affordable lots that accommodate the needs of middle income households. Lot price is driven by the cost of infrastructure and the supply and demand relationship of developable lots. Developers need to make profit; thus, high development costs are passed on to homebuyers. While higher priced lots meet a need in the market and provide the greatest profit margins, the number of affordable lots will start to be limited.

Rental Supply

The number of rental units available is low, but the demand for rentals is high as new workers, young professionals, and seniors all search for similar units. Low quantity and high demand is a recipe to affordability concerns for the workforce and lower income households. Strategic policy priorities need to grow the number of rental units in the community.

Invest for Success – A Neighborhood Approach

Locals know Muscatine by its neighborhoods, but providing a variety of quality housing options is only one piece of the housing puzzle. Communities that reinvest in their streets, parks, trails, infrastructure, and public spaces not only create a desirable place to live, but also can spur residents to reinvest in their properties. Priority policies should make investments that create and reinforce strong neighborhoods that provide amenities such as sidewalks, landscaping, buffers from adjacent land uses, and proximity to community features. Policies may include investments in code enforcement, nuisance abatement, and demolition/infill development.

Share Development Risks

Preserving the housing stock, expanding rental options, increasing lot supply, and increasing housing variety will not occur without some risk-sharing by all players in the local housing market. This includes the city, financial institutions, economic development agencies, and even employers to find new ways to address gaps in the private market. These players may have different roles in the policy priorities, but all need to be at the table.

These big ideas establish a path forward with a high-level perspective of what needs to be done. The next chapter provides practical and proven directions forward with evidence from real world case studies of how it can be done.

CHAPTER 5

DIRECTIONS FORWARD

An effective housing study provides leaders and stakeholders with a strategy to begin addressing housing issues and leverage housing assets and potential incentives to meet the needs of current and future residents. As indicated in the previous chapters, there is a connection between economic development, workforce development, and housing - indeed housing development is economic development. This section identifies strategic policies and programs that will support these efforts and the big ideas for the housing market in Muscatine.

INTRODUCTION

This chapter establishes a path forward through a housing program built around the big ideas identified in the previous chapter to address housing shortages by:

- Incentivizing investment in the existing housing stock
- Growing the number of rental units
- Increasing the supply of affordable lots
- Increasing mobility through additional housing variety
- Investing for success & creating strong neighborhoods
- Sharing risks to meet needs that the private market cannot meet alone

WHAT IS RIGHT FOR MUSCATINE?

As the study explores housing interventions and partnerships that can be used to generate energy in the housing market, it is important to note there is no silver bullet to all aspects of the housing market. For example, larger surrounding cities will always retain a portion of the people working in Muscatine for reasons unique to each household. Just as the county will attract households simply because some prefer a more rural environment. Further, there are aspects of the housing market, including higher-cost products, that do not require policy interventions. The tools are included as a buffet of options to help address the variety of issues facing Muscatine's housing market.

STRATEGIC DIRECTIONS

Through an approach that brings together partners, funding mechanisms, policies, and programs it is possible to deploy the most effective and complete strategy to improving the housing market.

The housing program is built around a structure including:

- Local Housing Partnerships
- Non-Profit Housing Developers
- Financing Mechanisms

Through these partners and financing tools, strategies of the housing program can be pursued.

The program focuses include:

- Lot Development
- Rental Development
- Affordable Equity Housing
- Neighborhood Reinvestment & Conservation
- Housing for Empty-Nesters to Seniors
- Community Investment
- Community Marketing

PROGRAM STRUCTURE

LOCAL HOUSING PARTNERSHIPS

The housing market touches many organizations both directly and indirectly – when the housing market operates effectively, many organizations benefit but when the market experiences availability and affordability issues, these organizations are limited by the housing market. Because each partner is impacted by the housing market, it is in the collective interest that each partner takes on a responsibility in a housing partnership to pursue the strategic housing goals.

Muscatine should develop a partnership with the flexibility to address the specific and diverse needs across the community. An effective community housing partnership should be able to coordinate and execute project development and financing while also providing expertise in marketing and management.

Any partnership should begin by seeking to establish a common purpose between each stakeholder. In other words, the reason why each organization will choose to participate in the effort to improve the housing market.

A Muscatine housing partnership should include the following organizations:

- The City
- Major Employers
- Lending Community
- Realtors and Builders
- Chamber of Commerce
- Muscatine Housing Authority
- Non-Profit Housing Developer

EXISTING CITY PROGRAMS

The City of Muscatine and the Muscatine Public Housing Department offers some programs for residents, including Section 8 housing vouchers. The programs detailed in this chapter expand to target a wider variety of housing types and income levels.

- Building Improvements Loan Program – A unique partnership between the City and three local banks to provide funding to downtown building improvements. Approved projects receive loans with a fixed rate at 1% below the prime rate, adjustable after the first 3 years (subject to normal credit standards). The minimum loan amount is $5,000, with $1 million committed to the loan program. The program is geared toward exterior improvements, but interior remodels, repair, and revitalization are eligible. These could include reuse for upper story housing.
- Tax Abatement Program – As allowed by Iowa law, Muscatine provides tax abatement for new construction, remodeling, rehabilitation, and additions to existing property. Taxes on the increase in property value from such improvements are exempt for 3-5 years, and for new construction limited to the first $75,000 of value added.

The City of Muscatine

The city is responsible for promoting the health, safety, and welfare of its residents including future generations through its policies and investments in community services. Many communities across the Midwest use tools at their disposal to support development that would not occur, "but for" their involvement; commonly, the "but for" test is applied to the use of tax increment financing but can be applied more broadly to the role of city interventions in the private market. The role of the City may vary based on the type of project but could include any of the following as needed:

- Review of land development regulations and guidelines to eliminate barriers to infill and affordable housing development, as consistent with the Comprehensive Plan.
- Assist with the acquisition and site preparation of infill redevelopment sites, including acquisition of abandoned properties under Iowa Code 657A . The provision of development ready sites entitles the city to request certain features within the redevelopment, including development standards that could encourage the development of affordable homes. Development standards that would encourage affordable price-points include maximum lot size, maximum of two garage stalls, maximum setback, and narrow lot widths. This support can also be delegated to the not-for-profit housing developer discussed later.
- Providing financial assistance through Community Development Block Grants, tax increment financing, and other programs. These funding programs can be applied in concert with efforts of the not-for-profit housing developer.
- Technical assistance and expedited land development processes for innovative proposals.
- Assistance with subdivision development through infrastructure and technical assistance. It is well-established that cities can support housing development of a certain type through the provision of infrastructure. This support can also be delegated to the not-for-profit housing developer.
- Code enforcement on property maintenance standards and conditions.

Muscatine has only used some of these tools in the past, notably a tax abatement program for new and expanding residential development in a designated Urban Revitalization Area. The program also applies to renovation or improvements in a designated blighted property sub district that includes a large portion of the central city around downtown.

The greatest opportunity exists in a targeted approach that layers multiple programs in an organization that is specifically focused on filling gaps in the market. The Opportunity Map in Chapter 4 proposes a more condensed area to target infill and stabilization policies and programs. As part of a housing partnership, a coordinated strategy becomes easier to implement and generates additional action from the private market and partner organizations.

NEWTON, IA: NEWTON HOUSING INITIATIVE

In an effort to stimulate housing development after a year with no new home construction, Newton, IA took it upon themselves by devoting $3.65 million in bonds to coordinated Housing Initiative. The goal of the Initiative is to protect neighborhood property values, increase curb appeal, and create momentum for housing development.

The dollars obligated by the city targets housing demolitions, public infrastructure, and private incentives to homebuyers. Most funds spent as of 2016 were on acquisition and demolition costs for over 50 homes. Other projects include installation of new playground equipment at a park, major street renovation, and installation of a sewer line.

Major Employers

One of the main reasons for this study emerged from the growing awareness that the housing market impacts major employers in their ability to recruit and retain employees. Each company invests a significant amount of time, energy, and money training their employees and, therefore, it is in their interest to support all aspects of retention including housing. While many elements of recruitment and retention fall within the walls of the company including wages, workplace culture, and opportunities for advancement, many employers have begun to recognize that housing (quality, affordability, and availability) plays a major role in their ability to recruit and retain talent. Employers can play multiple roles in the housing partnership:

- Direct construction of new ownership or rental units or support for the not-for-profit housing developer for the construction of new affordable housing products
- Rent subsidies and down payment assistance for employees residing within Muscatine. Certain employers operate a housing plan, much like a 401(K) plan, in which the employer provides a matching contribution to be used for a down payment on a home within the community or a specific part of the community.
- Marketing local housing opportunities including rental and ownership options, rehabilitation or first-time home-buyer programs.
- Helping to integrate new employees into the community through driving-tours of the city, welcome-liaisons, and social connections to local organizations such as young professional organizations.

HOUSING INCENTIVES AT SAINT LOUIS UNIVERSITY

Saint Louis University has provided a housing benefit to its employees through an Employer Assisted Housing Program (EAHP). The EAHP provides three benefits for the University employees:

- Housing information and education on home ownership
- When available, preferred rates and reduced closing costs on mortgage and refinancing costs through partnering institutions.
- When available, forgivable loans for eligible employees, applicable towards the purchase of a home located in the designated neighborhoods new campus.

This program applies to all current, full-time faculty and staff members. Properties eligible for the forgivable loan program must be located with specific revitalizations areas. In the SLU program the percentage of the loan that is forgiven increases with the number of years of employment after origination of the loan, up to 100% of the loan after five years of employment.



Lending Community

The lending community is intimately involved in all aspects of the housing market. While many aspects of their business and practice are tightly regulated, other aspects do permit innovation and pro-active participation in the housing market. The role of the lending community in a housing partnership may include:

- The creation of a lending consortium that would allow the community to share investment risk across multiple lenders. This concept is discussed further in the Financing Mechanism section of this chapter.
- The application of Community Reinvestment Act (CRA) funding to support housing initiatives led by the not-for-profit housing development corporation.
- In particular, banks can help finance non-traditional projects by pooling their resources to finance new development and reduce the risk for any one financial institution.

Realtors and Builders

The role for realtors, builders, and developers in the partnership will be as the contractors, marketers, and when appropriate as financial partners. Realtors in particular play an important role in a housing partnership that involves informing builders, cities, and the Chamber on the preferences of buyers. Realtor's secondary role involves marketing new housing, or rehabilitated homes, to potential residents and working with employers to match new recruits with housing that fits employees' needs.

Greater Muscatine Chamber of Commerce and Industry

The Greater Muscatine Chamber of Commerce and Industry (GMCCI) is an organization of businesses seeking to create a positive business environment in Muscatine County, but also advancing community quality of life. The stated Mission Statement is "a catalyst for advancing our region's economy, improving our quality of life and enhancing our members' success." Goals of GMCCI focus around economic development, quality of life, members' success, and organization improvement. As discussed previously, housing in Muscatine represents a significant economic factor both in the business of actual housing construction but also for its impact on providing a place for business leaders and employees to live.

The role of the Chamber in a housing partnership may include the following:

- Marketing housing development opportunities and shovel ready sites for development and redevelopment.
- Educating the public and its membership on the importance of housing to the overall economy and inviting members to expand their role in the partnership.
- Promoting housing incentive programs to employers and their employees.
- GMCCI could be the home of the not-for-profit housing development corporation. This would reinforce the role of housing as a contributing factor to the business community.

Muscatine Public Housing Department

Traditionally, housing authorities and public housing departments have focused their mission and programs on housing for a city's lowest income households through managed properties and voucher programs. However, many authorities are looking at stepping outside these traditional roles, and looking to be the home of non-profit development corporations. They will be an important partner in the future, especially as it relates to their knowledge of programs and management. Federal regulations and capacity may limit their role at times but their expertise and perspective on the housing market should not be overlooked.

NON-PROFIT HOUSING DEVELOPERS

As a player in the local housing partnership, the study proposes the creation of a not-for-profit housing development corporation to pursue many of the program goals listed in this chapter. This organization can reside within an existing organization such as an economic development organization, but with the expressed mission of implementing housing programs where the private market cannot find success. Its board of directors and stakeholders should be comprised of partners whose mission is impacted by the housing market. The not-for-profit can accept an assortment of funding sources, can implement a variety of housing programs, and can work on behalf of its partner organizations to strengthen Muscatine's housing market for the mutual benefit of all.

The benefits of the organization include:

- An entity dedicated solely to housing issues and representative of partner organizations including employers, institutions, the development community, and resident groups.
- The not-for-profit status allows the corporation to operate in markets where private developers cannot (low revenue price points or untested products)
- Executing and coordinating an assortment of housing programs and policies using an assortment of funding mechanisms including tax increment financing, charitable gifts and donations, and federal and state dollars.

WAYNE COMMUNITY HOUSING DEVELOPMENT CORPORATION

Wayne, Nebraska is a thriving community of 5,500 in Northeast Nebraska with a mixed economy based on a small state college, strong industries, and regional agriculture. Over 20 years ago, the leaders of Wayne saw the need to provide housing for their workforce and formed the Wayne Community Housing Development Corporation (WCHDC).

Growing out of the local economic development organization, WCHDC is a proactive nonprofit with the mission to improve the region through affordable housing development. Offering a purchase/rehab/resale program, home buyer education, and assistance on local projects, like new rent-to-own housing, WCHDC works to expand housing options for the local workforce.

FINANCING MECHANISMS

The Muscatine housing strategy must continually explore creative approaches to financing projects and initiatives. The following core mechanisms should form the base of the strategy.

- Lending Consortium
- Housing Trust Fund
- Tax Increment Financing (TIF)
- Tax Abatement
- State/Federal Programs

Lending Consortium

Many of the housing strategies must have a source of financing including the operation of the housing development corporation. Such a financing program should be designed for maximum leverage (in the language of community development, "leverage" is the ability of program dollars to generate private investment in response to the initial investment); shared risk; and quick turnover rather than long-term financing.

The development of a housing partnership should include a "lenders consortium" - a cooperative venture among lending institutions active in the Muscatine regional housing market to spread their individual risks. For Muscatine, this may just be a matter of growing the existing relationships that have been established with the Building Improvements Loan Program. In addition, these cooperative ventures can attract the support of other agencies such as the Iowa Finance Authority (IFA), the Federal Home Loan Bank, and the Iowa Economic Development Authority. A lending consortium is an ideal instrument to provide short term financing or "patient financing" for builders and contractors in the community, and to provide interim financing for projects developed by the housing partnership and city.

DES MOINES/POLK COUNTY: NEIGHBORHOOD FINANCE CORPORATION (NFC)

The NFC is a targeted neighborhood revitalization program offering purchase loans, refinance loans, home improvement loans, and exterior repair loans. A separate branch, NFC LLC, purchases and rehabs properties for resale. The primary goal of the NFC partnership is to promote homeownership and neighborhood reinvestment.

The ability for NFC to make an impact stems from the targeted approach to neighborhood investment. Different lending areas offer different loan programs and qualification criteria to address issues in the context of specific neighborhoods. The financial backing of NFC lies with its successful partnerships between financial institutions. As of 2017, $253 million has been invested in NFC from its partners.

For more information visit: http://neighborhoodfinance.org/

Housing Trust Fund

A housing trust fund provides a source of seed capital, unconstrained by program regulations, for a developer or development corporation to use for developing needed housing types. The popularity of trust funds can be attributed to their inherent flexibility. For the City of Muscatine, these dollars could be used to support construction of new entry level housing, rehabilitation of existing housing, or development of new rental housing. Support may include gap financing or even direct incentives to developers for the development of target market projects. Trust funds can be funded in several ways, including dedication of a specific share of local option sales tax, fees, local revenue bond issues, or grants and charitable contributions. Through charitable contributions to a trust fund, the city's employers could play a vital role in housing quality and choice.

Tax Increment Financing (TIF)

Tax increment financing (TIF) can be a valuable tool to support land acquisition and development financing that eliminates blight or promotes economic development, which includes public improvements for housing development. TIF uses the added tax revenue created by the redevelopment to finance project-related costs such as land acquisition and public improvements. The use of TIF to support development should follow the below principles:

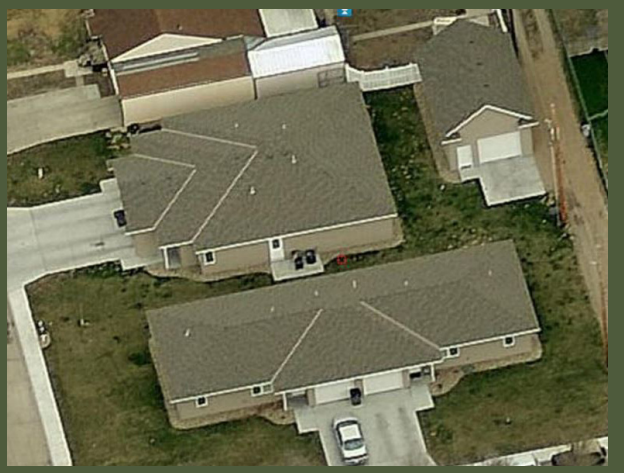
- To demonstrate that a certain housing product or price-point can work in Muscatine.
- To enable development that would not occur "but for" the use of TIF. This means that without assistance, the development (housing products, price-points, etc) would not occur.
- TIF is appropriate to support ownership options at price points below $225,000. The assessment should prioritize infill and redevelopment and projects where affordable housing is integrated seamlessly into a mixed income neighborhood.

GRAND ISLAND, NE: MICRO BLIGHT REDEVELOPMENT

The City of Grand Island has used tax increment financing to support small scale infill development in existing neighborhoods. Through the use of "micro-tax increment financing", the city targets small concentrations of blight (vacant lots or dilapidated structures that require demolition). By calculating the additional value that would be created with a new duplex or four-plex, the CRA then issues a grant or loan that is given or sold to a developer that can used to secure financing from a bank.

Allowable expense include: property acquisition, demolition, site preparation, utility extensions and connections, sidewalk and landscaping, TIF fees and contracts, city development fees, engineering and architecture costs, and interest and financing costs. In the below example, the City of Grand Island used micro-TIF to support the demolition of a dilapidated single family home (valued at $48,000) and the development of two duplexes with an estimated value of $320,000. The redevelopment removed a blighted structure, created an additional four-affordable housing units, and brought additional tax base to the city without requiring additional infrastructure.

- nifa.org/downloads/grassrootsfinancingnabity.pdf



Tax Abatement

A tax abatement program is used currently in Muscatine to reduce the costs of home rehabilitation and new construction. Tax abatement can come in a variety of forms, but simply provides an offset in property taxes paid by the homeowner. Lower taxes reduce the cost of homeownership and rehabilitation in the short-term and increase the number and quality of the housing stock for the city in the long-term. Muscatine should continue its tax abatement program, offering it in conjunction with other financing mechanisms and housing programs suggested in this study to realize the maximum benefit.

State and Federal Programs

Several State and Federal programs already exist and are available for communities to use. However, some programs require extensive application or qualification procedures. The housing partnership can help migrate through and market these programs and help builders, developers, and residents realize their benefits. Programs include:

Iowa Workforce Housing Tax Credit Program. Managed by the Iowa Economic Development Authority, this program offers tax benefits to developers undertaking housing development projects targeted at middle income households. The program requires a city to be designated as a "distressed" community in relation to low housing supply and high demand.

CDBG. The Community Development Block Grant (CDBG) program is a flexible program that provides communities with resources to address a wide range of unique community development needs including housing improvements. These funds are awarded through a competitive grant process. In terms of housing, CDBG funds are most often used for owner occupied housing rehabilitation activities, traditionally subject to affordability requirements. Grants generally create the greatest positive impact when they are geographically focused rather than distributed across the city.

State Trust Fund. Managed by the Iowa Finance Authority, the State Trust Fund works like a housing trust fund by offering funds through two programs aimed at providing affordable housing – the Local Housing Trust Fund Program and Project- Based Housing Program.

Iowa Finance Authority Programs. Multiple grant and loan programs are available for new homeowners, low income households, and renters.

Municipal Resources

State and Federal programs are not always guaranteed and municipal resources can be used to reduce risks from funding reductions at the State and Federal level. These resources include bonds or special sales taxes , the technical expertise that staff can apply to projects, the time and money saved through an expedited review process, and any funds the city may allocate to support the not-for-profit housing development corporation.

BURLINGTON, IOWA: IOWA 657A IN USE

The Code of Iowa allows cities to petition for title of properties deemed abandoned via specific criteria such as back taxes, deterioration, and shut off utilities, among other requirements. In 2017 the Iowa Supreme Court will hear a suit against this statue making the future unknown. However, several cities in Iowa continue use the program to return abandoned homes into productive housing, or in certain cases demolition.

Burlington, Iowa identifies abandoned properties through a nuisance inspector based on complaints, research on suspect properties, and proper notification. The initiation of 657A through acquisition and action takes at least 6 months up to a year. The city has leveraged the program to sell abandoned properties back to willing homeowners and local builders willing to "flip" these homes. Homes beyond repair are typically demolished and lots have been sold to adjacent property owners, the school district, or developed as public park space. In 2016 Burlington used 657A on 11 properties. While the city very rarely sees profit from acquiring and selling abandoned homes, the use of 657A has proven to have a positive effect on addressing vacant and abandoned buildings that create an appearance of blight and disinvestment in core city neighborhoods.

PROGRAM FOCUSES

The partnership structure and financing tools listed above can be used in Muscatine's housing strategy through a variety of program options. The strategy focuses on programs that provide:

- Lot Development
- Rental Development
- Affordable Equity Housing
- Neighborhood Reinvestment & Conservation
- Senior Housing
- Community Investment
- Community Marketing

Each program focus targets different housing goals. No single focus can be tailored to address all housing needs. Specific programs need to be targeted for low income households, market rate housing above $200,000, market rate rentals, housing variety, and housing reinvestment. However, programs complement each other as well. For example, the movement of households into new market rate housing units opens up existing, more affordable options for lower income households.

LOT DEVELOPMENT

The policies and strategies for lot development are directly impacted by a community's lot absorption rate. Muscatine is below the needed construction level to meet housing demand, but has proven an ability to absorb new lots in recent years. Realtors indicate nearly zero lots available for development in city limits. Recently lots have been offered at affordable prices resulting from financial troubles for certain developers after the recession. However, these lot opportunities have evaporated. Incentives and assistance should be provided to stimulate new and infill lot development that is affordable for households in Muscatine.

New Lots. If the current market evolves without public intervention, it will be through the driving force of the development community. If the development community drives new lot supply, the stock of affordable lots can become an issue. In the final sale price of the home, the cost of lot development (including streets, sewers, and stormwater infrastructure) must be factored into the final price. This is not the fault of the developer, they are for-profit businesses needing to recover their costs for infrastructure design and development.

Thus, to ensure an affordable lot supply as the housing program is implemented, incentives need to focus on bringing down the cost of lot development – most directly through infrastructure assistance programs. Assistance can be tied to development agreements that also require a variety of housing options that fill gaps in the market such as market rate rental, smaller footprint homes, and shared maintenance options such as condominiums and townhomes.

Potential programs or financing approaches for new lot development include:

Infrastructure investments for a share of costs. The public share might be from 30% to 50% of construction cost. For Muscatine, the city and its partners should require that units on these lots include variety in housing types, consistent with the Comprehensive Plan. Repayment is derived from the added property taxes created by new development.

Special assessments. In many communities, special assessments are used to finance infrastructure. While assessments reduce the initial purchase price of the house, they are repaid through monthly payments, and therefore add to the monthly and overall cost of the house.

Subordinate payments. Here, the city front-ends a portion of public improvements, repaid over a longer period through a second mortgage on the property. This reduces payments over special assessments by extending the loan term and reducing the principal.

Deferred payment. Here the city finances the infrastructure as a deferred loan. The infrastructure loan is paid back upon sale of the house. The repayment represents the same percentage of the sale proceeds that the initial infrastructure loan made up of the original price.

Grants. Grants from the Federal Home Loan Bank, USDA, or state-administered Federal programs such as CDBG or HOME can also help with infrastructure financing. It should be noted that the funds are often highly competitive.

Tax Increment Financing (TIF). TIF in Muscatine should be explored to use the added tax revenue created by the development to finance project-related costs such as land acquisition and public improvements.

It should be emphasized that whichever approach is taken to stimulate lot development, cities should avoid the development of large lots. This policy was also emphasized in the Comprehensive Plan. Large lots generate less tax revenue and thus take much longer for cities to recoup their investment. Additionally, the lower tax revenues mean less funding for infrastructure maintenance, street improvements, and public safety. Ultimately, cities should be striving to use infrastructure in the most efficient way possible.

Infill Development. Additionally, infill lot opportunities are abundant in Muscatine. Not all future housing needs can, or should, be supplied through new lots/subdivisions. Infill development has several benefits over new subdivision development. First, placing housing on vacant lots sustains the character of established neighborhoods rather than giving a perception of disinvestment. Second, roads and infrastructure are already in place that reduce the upfront cost of development. On the other hand, infill development generally does not cater to large scale projects, but rather new construction on a lot by lot basis.

WEBSTER CITY, IOWA: SUBDIVISION DEVELOPMENT

Needing home-sites and faced with a lack of interested or capable developers, Webster City developed the highly successful Brewer Creek Estates subdivision as a city project. The existing lots are almost fully built out and the city is looking to expand the development.



DODGE CITY, KANSAS: INFRASTRUCTURE DEVELOPMENT

Dodge City has successfully used a Kansas program called Rural Housing Incentive District to develop infrastructure without relying entirely on private financing or special assessment. Structured much like a TIF district, it reduces the lot cost and has been an essential tool for development of lots and housing in general for Dodge City.



SIOUX CENTER, IA: MODERATELY-PRICED HOUSING

Using a community land development corporation, capitalized by purchase of shares by citizens of Sioux Center, a new moderately-priced development was initiated. The program builds three to six speculative homes at a time, maintaining an available inventory. The proceeds of sales are then used to build the next increment of houses. The development group develops the lots from land purchased from the city. The housing is focused on the construction of moderately-priced housing and started the program with homes priced around $120,000. Over the years this has increased to $180,000 but efforts in 2016 are focused on keeping the cost closer to $150,000.



RENTAL DEVELOPMENT

New rental development in Muscatine is not keeping up with the high demand for market rate rental units. General economic theory would say that high demand increases the rents that households are willing to pay, thus attracting more rental development. However, other factors are driving the lack of rental development: primarily the low availability of shovel ready land for development, the upfront costs of development, and risk perceptions.

Rental development below demand presents concerns for Muscatine. Many households rely on renting. New rental housing and owner-occupied attached units should include market-rate rentals for professionals, workforce housing, housing for people with urgent needs in the lowest incomes, and seniors interested in downsizing. All of these options should expand the mix of housing choices in Muscatine.

Again, it is important to not confuse quantity with quality. Rental development should be incorporated at strategic and appropriate locations with quality design that complements neighborhoods. Muscatine needs to first provide new workers/residents more quality rental options as they "try out" the community. With a positive experience, many renters will eventually settle in as home buyers. Otherwise they will choose another place to rent and eventually buy a home. Potential programs or financing approaches for rental development include:

Site development assistance. Much like the approach for stimulating new lot development, similar site development assistance can be applied where a development agreement requires rental development. The goal being to bring down the up-front costs of site development or time that would be required for a developer to prepare a site themselves (grading permits, road approvals, etc.).

Downtown opportunities. The stock of upper story space in downtown Muscatine offers a wealth of opportunity for new residential space. Upper stories are not as condusive for retail space because it requires patrons to ascend stairs; however, residential in these spaces is ideal. It generates more foot traffic and spending downtown while offering consistent supplemental income to property owners. Some property owners have renovated upper stories for rentals, but many more have not or have low quality units that do not meet market demand.

Downtown rental development serves many benefits:

- Is unique from typical rental units in Muscatine, an attribute many young professional seek
- Contributes to the vibrancy of Downtown by bringing life to the district at all times of the day
- Adaptive reuse is more sustainable than demolition and reconstruction, keeping existing building in use and materials out of the landfill.
- Rentals provide an additional income source for property owners that is stable, versus retail and service income that may rise and fall with the economy.

Developer recruitment for unique projects. While some rental development has occurred in Muscatine there still exists a gap in some areas, including downtown and infill development. Many local builders may never pursue downtown or infill housing development, and understandably so if they have a housing model that works and continues to make a profit in the region. Therefore, marketing and recruitment of developers willing to undertake these types of housing development may be necessary to expand the market. These developers may already be doing developments in nearby metro areas, but may need incentives to consider Muscatine. Builders and developers can be recruited through the adoption of builder incentives for contractors who choose to build units in Muscatine at certain price points or housing types.

Funding sources/gap financing. Funding sources such as a lending consortium and housing trust fund can be used to develop new inventory, and tax credits may be employed to address the needs of lower income households. Tax Increment Financing, CDBG/HOME funds, and tax credits can also help create affordable multi-family housing. The housing partnership and lending consortium should be active participants in the financing of multi-family and mixed-income housing developments by distributing the risk of projects across several lenders. Mixed-income should be a key component of these projects, avoiding the creation of lower-income enclaves where stereo-types and misconceptions often develop. Additionally, the need for rental housing covers a broad range of incomes and projects should reflect this demand.

AFFORDABLE EQUITY BUILDING HOUSING

New owner-occupied housing can upgrade the city's housing stock by attracting new households looking to build equity in the city. Young households need entry level housing to build equity for the purchase of a move-up home later or to simply build their financial stability. New housing may be built either in existing subdivisions or on infill lots within built-up areas. Infill sites should be clustered in redevelopment areas, as discussed below. As a reminder, the definition of "affordable" is determined by a household's income. For the purposes of this section price points for affordable housing refers to options below $180,000.

Potential programs and approaches to provide affordable housing options include:

Rent-to-Own. A program that helps younger households build equity are "rent-to-own" programs. In the rent-to-own program, the housing partnership may build houses using the Low-Income Housing Tax Credit. A portion of the family's rent is placed in an escrow account for a future down payment. At the end of a specific period, the residents can then use the accumulated down payment escrow to purchase either a new house or an existing unit. Rent-to-own programs have the advantage of providing rental housing to residents, while incorporating aspects of owner-occupancy. Communities and counties in Nebraska are a case study of the model and have worked together with developers that specialize in or are familiar with this type of product to share project financing. Financing and development strategies of these programs and approaches may include:

- A local housing trust fund may provide recoverable, front-end funding for such items as project design;
- Dollars form the State Housing Trust Fund which may be given as grants to local housing trust funds or aid in the development of affordable owner-occupied housing;
- The not-for-profit housing developer could, potentially, serve as the master developer and contract with private builders for home construction;
- The lending consortium providing interim financing to support the project
- Low income housing tax credit, specifically for the rent to own model

Affordable lot development. Discussed briefly under strategies for new lot development, the creation of affordable residential development lots is essential to provide housing at lower price points in Muscatine. The impact of affordable lot creation is two-fold: first, affordable lots allow owners and developers to create units that are more affordable than otherwise possible; and second, the construction of new homes allows current homeowners to 'move-up' within the housing market thus opening-up additional workforce housing.

The development of affordable residential lots often requires financial assistance to reduce the cost of lot development that would need to be passed along to the developer or home buyer. Options for affordable lot development may include the use of tax increment financing or general funds to front-end the cost of lot development, the use of city labor for lot development, or builder incentives to encourage private developers to develop affordable lots.

Purchase/Rehab/Resale. In this program, houses are acquired and sold in a rehabilitated or "turnkey" state to owner-occupants. It recognizes the limited number of prospective buyers who want to carry out a major home rehabilitation project. This program works best when candidate houses can be purchased at relatively low cost. Under the program, a development corporation purchases existing houses, rehabilitates them, and resells them to new home-buyers. The lending community may participate cooperatively in this effort by providing interim financing. Mortgage financing for low- and moderate-income buyers may be assisted by CDBG or HOME "soft-second" loans. Realtors may also participate by reducing commissions on selected projects.

By using local dollars, the development corporation may be able to target those dollars to households at or above the area median income. These households are much more likely to be bankable and based on realtor input have the hardest time finding quality housing. There may also be the opportunity to expand the number of houses eligible for the program.

COLUMBUS, NE: NEIGHBORWORKS NORTHEAST NEBRASKA

Over a five year period NeighborWorks Northeast Nebraska has implemented a highly successful Purchase Rehab Resale program. Under the program a qualifying household identifies a home, an assessment of the home for structural stability is completed, followed by a NeighborWorks Northeast Nebraska purchasing the home to complete any repairs needed. Repairs can range from $2,000 to $25,000. Following completion of the repairs the home is sold to the qualifying household often with down payment assistance of 20% of the final purchase price, up to $20,000. For Columbus, Nebraska this has resulted in 140 homes being updated and owned, often by first time home buyers.

http://www.nwnen.org/what-we-do/homeownership-assistance/purchase-rehab-resell-program

Before



After



NEIGHBORHOOD REINVESTMENT AND CONSERVATION

As expressed throughout this study, the existing housing stock is the single largest asset in Muscatine. Muscatine has a wide range of neighborhoods, each with different conditions and character. Like other cities in eastern Iowa, Muscatine's housing stock is relatively older with the oldest homes surrounding downtown. Often lower income households and seniors do not have the capacity to invest in home repairs, ultimately leading to a home that will not resell or become deteriorated beyond repair. The same situation occurs with rental properties. Currently renters are willing to accept lower quality units because of the limited supply. Therefore, some landlords can continue to collect rents without reinvesting in the property.

To protect and sustain the city's stock of older housing (an important affordable housing resource) and use existing infrastructure in the most efficient manner, Muscatine should implement conservation and reinvestment programs. Potential programs and approaches to conserving and reinvesting in existing neighborhoods include:

Emergency Repair Programs. For very low-income residents, an emergency repair program should be established. This type of program is usually funded through Community Development Block Grant (CDBG) funds in the form of grants or forgivable loans. Emergency repair programs are designed to meet critical individual needs, but also to keep viable housing from deteriorating further. Thus, when funds are limited, assistance should be focused on fundamentally sound structures.

Homeowner Rehabilitation Programs. Rehabilitation programs can bridge that gap for homeowners by providing financial assistance for certain major repairs for low income households. Common qualifying repairs include roof replacements, siding or paint repair, deteriorated decks and porches, window replacement, and foundation repair. Any program in Muscatine should be paired with a structural assessment to prevent repairs that are merely cosmetic and don't fix underlying problems such as foundation crumbling, rotting wood, or moisture leaks.

IOWA CITY, IOWA: OWNER-OCCUPIED HOUSING REHABILITATION PROGRAM

The City of Iowa City will provide zero-interest loans and/or grants in order for homeowners to make improvements to their homes. Single-family owner-occupied homes within the Iowa City limits who meet income eligibility criteria, qualify.

Types of eligible rehabilitation

- Comprehensive rehabilitation
- Emergency repair assistance
- Housing Exterior Loan Program (can include rental properties)
- Exterior repair
- Residential accessibility for homeowners with disabilities
- Manufactured home repair
- Energy efficiency





Rental Rehabilitation Programs. Muscatine should also consider a rehabilitation program focused on rental properties that provides leveraged loans combined with code enforcement. Today's rental inspections ensure that units are meeting minimum standards at the time of inspection but with a tight rental market there is often no incentive for rental property owners to make improvements beyond the minimum required for the inspection. Many rentals are in small single-family homes. These homes tend to be some of the oldest housing and the least energy efficient units. This program should provide financing for the improvement of sound rental properties in need of rehabilitation and energy improvements.

A rental rehabilitation program should include:

- A broader and more comprehensive housing inspection program for units receiving assistance
- Focus on private financing with marketing assistance provided by housing partners for rehabilitation loans. The city could provide blended loans when some form of subsidy is needed.

Purchase/Rehab/Resale. As discussed under strategies for "Affordable Equity Building Housing", a purchase/rehabilitation/resale program is particularly useful in adapting older houses.

Land Assembly. One of the biggest hurdles to transformative infill development is the assembly of real estate. Most developers do not have the capital, time, resources, or inclination to assemble lots from multiple property owners. Using the strategy areas identified on the opportunities map in Chapter 4, the city and/or the development corporation should assemble lots in the most strategic way possible. Infill sites should be in areas that are substantially sound and attractive, albeit older, neighborhoods that will sustain and benefit from the higher cost of new construction. Ideal infill sites are clustered together, giving a new development project the critical mass necessary to provide security for buyers and increase values in the surrounding neighborhood. An infill program may include the following components:

- A geographic inventory of vacant lots and deteriorated houses completed by the city. This will assist the development company and city in defining target sites for new construction
- An aggressive program to acquire and demolish houses that are so deteriorated that rehabilitation is not feasible
- Negotiation with property owners to acquire targeted vacant lots
- In areas with a concentration of infill sites, preparation of a redevelopment plan that can guide developers and builders. For larger redevelopment projects, the community can also solicit proposals for a master developer to undertake the project.
- Where a concentration of contiguous infill sites cannot be found, the resources of multiple partners and programs can be applied to make a scattered site redevelopment appealing to a developer looking to use their resources to build more than one unit at a time.

Infill Gap Financing. Referenced throughout many of the programs and strategies for Muscatine, gap financing may be a necessary tool to make development on infill lots fiscally feasible. Older neighborhoods may naturally have lower property values than greenfield development sites (other than potentially historic districts which studies have shown tend to have higher property values). The appeal for a developer to build on these sites is limited by the lower return received from the sale of the lot/home. Programs developed through the housing partnerships that offer low interest loans or grants can fill the financing gap for builders and give the city leverage to ensure infill development matches the character of the neighborhood or provides a needed housing type.

Free or Reduced Infill Development Lots. Communities and not-for-profits organizations regularly can acquire property through estate gifts, tax delinquency, or property liens. While this land must be maintained, these resources can be used as an incentive to encourage new housing development. By offering free or discounted lots for new development, the total development cost is significantly less than in greenfield development and the city reaps the benefit of using its existing infrastructure while also directing investment to help stabilize existing neighborhoods. For strategic locations of the city, the community may choose to acquire multiple parcels to allow for a larger development project with greater impact. It may be appropriate to support the redevelopment of infill lots by using micro-tax increment financing.

Downtown Housing. Discussed previously under "Rental Development" interest in downtown living will only continue to rise as reinvestment in the district and the riverfront escalates. Those most interested in downtown are those wanting to be near amenities, notably young professionals and seniors. Downtown housing options can expand beyond rentals to include condominiums units that offer an equity building alternative. As the downtown population increases, innovative solutions to parking, including parking structures, and walkability should be explored.



HOUSING FOR EMPTY-NESTERS TO SENIORS

Muscatine's population is aging, creating a growing need to accommodate a senior population that wants to remain in the city. Fortunately, retirees and young professionals tend to have similar preferences, thus targeting these housing options satisfies two age markets and offers the opportunity to integrate these household within one development. It is important to note the term "senior housing" in many people's minds refers to nursing homes and assisted living facilities. While these are necessary facilities, much of the discussion in Muscatine focuses on independent living units that provide lower maintenance options for empty-nesters, retirees, and active seniors.

Approaches to accommodating senior housing options include:

Low Maintenance. Using many of the techniques outlined previously, a portion of new or infill development should include units with common maintenance, smaller square footage, and universal design standards. These units would be low maintenance and designed with accessibility in mind allowing seniors to remain in their own home for longer. Examples include townhomes, condos, or apartments.

Developer Recruitment. Like developing rental housing, housing options that appeal to seniors may not be familiar to local developers. Developing these housing types can be combined with many of the funding programs described above and efforts by housing partners to recruit developers that have experience and are willing to undertake such projects.

Affordable Alternatives. Affordability problems are often most severe among fixed-income elderly. The city should work closely with residents to identify programs and needs among the elderly population, and to investigate innovative approaches to developing affordable senior housing. Under one concept, the housing development corporation could purchase the resident's existing house for rehabilitation and resale to a young household, and apply all or part of the purchase proceeds to rent or equity in the new senior setting. This combines the purchase/rehab/resale program with a senior oriented development.

COMMUNITY INVESTMENT

Mentioned at the beginning of this chapter, housing development is economic development. Similarly, community investment is economic development. People do not live in the bubble of their own house. They want to live where there are nice parks, good schools, community events, safe streets and neighborhoods, and clear pride in the community. More and more households are judging whether they want to live in a community first and then look for housing options.

Visual signs such as improved streets, connected sidewalks, and polished parks go a long way toward positive first impressions for first time visitors, and reassure existing residents in the future of the city. Muscatine needs to continue investing in their infrastructure and amenities to build a brand for future growth. Community investment initiatives should include devoting (or adding) staff to property maintenance enforcement and inspections.

COMMUNITY MARKETING

The community and its offerings, including housing, is a product that needs to be marketed to attract new residents and spur population growth. However, residents should understand where their tax dollars are being invested in the community. The real cost of taxes and housing expenses in Muscatine should be made transparent through a public education campaign. Such a campaign could include graphically appealing fliers, social media efforts, and general information on the city website that details what services residents are getting for what they pay in taxes. Often people take for granted the costs to provide parks, trails, quality streets, libraries, police/fire protection, and other public service. A short and clear summary provides a quick reminder that puts expenses in perspective and explains the difference of living in the city versus the county.

PREMIUM PARK ENHANCEMENTS: BROOKINGS, SOUTH DAKOTA

The City of Brookings recognized the importance of Hillcrest Park and the opportunity to use its strategic location to market the premium image of the park but also the community as a whole. Located along U.S. Highway 14 between Interstate 29 and the downtown, in spite of high quality amenities, Hillcrest Park had an unassuming highway frontage and was frequently overlooked by visitors. Through a conscious investment in the image of this park – gateway signage, landscaping, and an iconic art installation – Hillcrest Park is now recognized as a premium amenity that reinforces the quality of the Brookings to residents and visitors alike.



CONCLUSION

A balanced approach is needed to bring positive change to the housing market to position Muscatine to better serve its present and future populations. Without intervention from the city and its partners, the housing market will lack affordable and quality accommodations for the workforce - the growth of the economy will suffer as a result. The housing study recommends the following actions, also summarized in the chart on the following page:

- A housing partnership should be assembled involving a wide range of community stakeholders. Through cooperation, it is possible for the many organizations impacted by the housing market to work toward improvement.
- An array of funding mechanisms should be assembled and applied, individually and in concert, to support housing projects and programs.
- A balanced approach of programs and projects designed to accomplish the strategic housing goals.

	Objective	Responsibility	Finance Tools
Lot Development	Infill and new lot development to provide for economic development and community growth	City, Lending Community, Non-Profit Developer, Other Developers	• Tax Increment Financing • Tax Abatement • State/Federal Programs • Lending Consortium • Housing Trust Fund • Municipal Funds, Loans
Rental Development	Providing housing options for individuals at all income levels, including higher market rate units.	City, Non-Profit Developer, Developers, GMCCI	• State/Federal Programs • Housing Trust Fund • Lending Consortium (gap financing for market rate units) • Tax Increment Financing • Municipal Funds
Affordable Equity Building Housing	New owner-occupied housing to upgrade the city's housing stock but also attracting. young households who want to build equity to be able to purchase a move-up home later or to simply build their financial stability.	City, Lending Community, Non-Profit Developers, Developers	• Housing Trust Fund • State/Federal Programs • Tax Increment Financing • Municipal Funds, Labor
Housing Reinvestment and Conservation	Capturing the benefits of the existing housing stock while providing updated, affordable, and/or needs for specific housing	City, Lending Community, Housing Partnership, Realtors	• State/Federal Programs • Housing Trust Fund • Tax Abatement • Tax Increment Financing • Municipal Funds
Housing for Empty-Nesters to Seniors	Providing various housing options for aging communities. Seniors and young professionals tend to have similar preferences; some housing developments can satisfy two different markets	City, Housing Partnership, Non-Profit Developer, Developers, GMCCI	• Lending Consortium • Housing Trust Fund • State/Federal Programs • Municipal Funds
Community Investment	Economic development will affect housing demand based on proximity to nice parks, good schools, community events, safe streets and neighborhoods, commercial activity, and clear pride in the community	City, Employers, School Districts, GMCCI	• Municipal Funds • Tax Increment Financing • State/Federal Programs
Community Marketing	Marketing the community to a large range of potential residents to spur population growth. This includes educating the public on the benefits of living in Muscatine.	City, Employers, School Districts, GMCCI, Realtors	• State/Federal Programs • Municipal Funds • Partner Organizations, GMCCI

APPENDIX

The appendix provides a summary of the Iowa Workforce Housing Tax Incentive Program criteria required to determine whether Muscatine qualifies as a distressed housing market. Information on each criterion is explained in further detail within the study for the City to reference.

EXECUTIVE SUMMARY – INDICATIONS OF A DISTRESSED HOUSING MARKET

An evaluation and analysis of the housing market in Muscatine shows conditions of a distressed housing market with a housing shortage relative to demand, coupled with affordability issues and low unemployment. Muscatine needs to implement programs and housing incentives to stimulate new construction, redevelopment, and rehabilitation to meet the needs of current and potential future residents who want to work and live in Muscatine. The following summarizes the conditions in Muscatine as identified under the criteria to be considered a distressed housing market under the Iowa Workforce Housing Tax Incentives Program and detailed within the housing study.

Criterion 1: "The results of a housing needs assessment submitted to the authority and the extent to which the assessment indicates a distressed housing market in the community."

The housing needs assessment was prepared by RDG Planning & Design, a third-party consulting firm. Conclusions in the assessment indicate a housing shortage, specifically in rental housing and lot supply. Affordability issues are a concern for those looking to enter the housing market. Muscatine's unemployment is low and many employees (42% in a workforce survey) are living outside the city and commuting to work.

Criterion 2: "The annual number of building permits issued in the community for the most recent three-year period and the extent to which a low volume of permits indicates that the local housing market is in need of additional incentives to increase development."

The program criterion "consider a low annual permit volume to be either 100 permits or less or a number of issued permits that is 1 percent or less of the community's currently available housing stock."

Residential building construction ranged from 13-44 permits per year since 2014 and well under the program criterion of 100 annual permits or less (page 32-33). Limited lot supply is a driving factor for the low building activity. While in many markets housing construction can be cyclical with years of significant construction followed by quieter periods, Muscatine's overall unit production remains low for a community over 20,000 people.

Criterion 3: "The homeowner vacancy rate in the community and the extent to which the rate indicates that additional incentives are needed to increase the available housing stock."

The program criterion "considers a vacancy rate of 1 percent to be low and a vacancy rate of 2 percent to be a typically acceptable rate on a national basis."

The 2015 homeowner vacancy rate in Muscatine (2.6%) is higher than comparable communities in Iowa, slightly higher than the statewide average, and above 2% based on the most recently available data (page 30-31). While not directly meeting the criterion, discussions with stakeholders indicate the number of vacant units may be a result of housing quality or higher priced homes over $350,000.

It is also important to note the American Community Survey is an estimate and shows a 1.7% margin of error for the 2015 rate. Whereas the statewide estimates for 2015 are more reliable with margins of error at +/- 0.3% and 0.1% respectively. This indicates a general trend in the state toward a tightening housing market.

Criterion 4: "The annual volume of homeowner unit sales in the community for the most recent three-year period and the extent to which a low volume indicates a shortage of available housing."

The program criterion "considers information indicating that the volume of sales in a community is materially lower than the volume of sales in substantially similar communities elsewhere in the state or nation."

Stakeholder discussions in the spring of 2017 indicated a severe shortage of for sale units, particularly in the $150,000-$180,000 price point. Data appears to support these claims, although there may be a mismatch between what people are willing to pay and the size of home they perceive they will get. The total active listings in Muscatine has dropped every year for the last three years. In 2016 there were 899 active single family listings (page 38-39). The total number sold has increased in the same period. The data shows increased competition for available units in Muscatine – more people are buying homes but fewer homes are being listed on the market – resulting in rising average sale prices. Data halfway through 2017 continues to show these trends.

While the availability of active listings may seem adequate to provide buyer choice at different price points, discussions with stakeholders suggest otherwise. Many units listed for sale are low quality, too expensive, or lack the variety to accommodate a wide range of household needs. For example, a one bedroom, one bathroom house will not comfortably accommodate a family of four. Certainly, many households could purchase lower quality homes or homes not meeting their needs; however, it is much easier for these households to look for options in other communities rather than sacrifice comfort and quality of life. Evidence for this may be shown through the average sales prices in Bettendorf above $280,000 in the past three years, the price point that typically characterizes new home construction.

Criterion 5: "The annual average length of time it takes to sell homeowner units in the community for the most recent three-year period and the extent to which the average length of time indicates high demand for housing in the community."

The program criterion "considers an average time of 90 days or less to indicate a high demand for available housing".

Local data for Muscatine shows the average days on market from 2014-2016 at 139 days (page 38-39). However, discussions with local realtors revealed the overall average is skewed by the longer time it takes to sell higher priced homes, generally those above $350,000. Low quality homes can also remain for sale for long periods of time and inflate sales data. Both are issues, indicating a mismatch between housing costs and the price points households can afford or housing quality households are willing to accept. When considering only those homes sold, the average days on market from 2014-2016 was 109.

Important to note, the average days on market is from list date to closing. It typically takes an average of 45-60 days from the contract to closing in the local market. Therefore, the time when a home is listed to when a contract is accepted lowers the actual time to sell below days. Realtors expressed that quality homes are starting to get offers above list price and within a few days of listing, reflected in the decreasing days on market in the last three years. From 2014 to 2016 the selling price has risen from 94% to 96% of the listed price.

Criterion 6: "The annual average rental vacancy rate in the community and the extent to which a low vacancy rate indicates high demand for housing in the community."

The program criterion "consider a rental vacancy rate of 5 percent or less to be a low vacancy rate."

According to the Census, Muscatine has not seen a rental vacancy rate below 5% in recent years nor has any comparable city in Iowa (page 30-31). However, the rental vacancy rate reported by the Census has inaccuracies in reporting and methodology. For Muscatine, the rental vacancy rate may be further inflated by major employers that own rental housing for seasonal interns.

Often when discussing rental issues, communities express a lack of rental availability, quality, and variety. Muscatine exhibits these issues, particularly for young professionals and new employees who are not able to immediately purchase a home. Through community discussions and community survey results, the actual rental vacancy rate in Muscatine appears to be much lower than reported by the Census.

Criterion 7: "The annual average length of time it takes to lease rental units in the community for the most recent three-year period and the extent to which the average length of time indicates high demand for rental housing in the community."

The program criterion "considers an average time of 30 days or less to indicate a high demand for available housing."

The time it takes to lease a rental unit is much less than selling a home. While data are not available for the average length of time to lease rental units, local realtors indicate that landlords do not need to use agents to rent units. This is reinforced by young households struggles finding rental advertisements, stating that one feels you have to know someone in the community to find a rental. Responses on the community survey also showed the availability of rental housing is poor in Muscatine.

Criterion 8: "The average housing costs in the community and the extent to which those costs are considered affordable."

The program criterion states, "the authority will only consider data from an industry standard housing affordability index."

An important metric in housing affordability is the percent of income that residents spend on their housing needs. According to the U.S. Department of Housing and Urban Development, "families who pay more than 30% of their income for housing are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation, and medical care." **Figure 2.23** illustrated this for Muscatine:

- Approximately 19% of homeowners spend more than 30% of their household's annual income on their house, including those with and without a mortgage.
- Approximately 43% of renters spend more than 30% of their household's annual income on their rent plus utilities. Often these households are single-income, working in the service industry jobs. While low compared to peer communities, the affordability of the rental housing market is important for people new to the community, and low levels of vacancy likely cause this to increase over time.

Furthermore, there are 2,429 households in Muscatine living at the income range $0-24,999. An affordable home for purchase would cost a maximum of $49,999 and there are an estimated 842 owner-occupied units within this value range. An affordable rental unit should cost no more than $400 per month and there are an estimated 593 rental units within this price range. Combined, there are a total of 1,435 units that should be affordable for households earning less than $24,999 per year. By subtracting the supply of affordable units (1,435) from the number of households in this income range (2,429), one can see that a shortfall of units exists – Explained further in the housing study

Criterion 9: "The average unemployment rate for the community and the extent to which a low unemployment rate contributes to increased demand for housing in the community."

The program criterion "considers unemployment data from both the community and the applicable labor shed area."

Muscatine's variety of major employers attracts workers to the region and contributes to a low unemployment rate, shown in **Figures 2.8-2.10** in the study.

Muscatine has a slightly higher unemployment rate than the state of Iowa, but a generally lower unemployment rate than comparable cities in Iowa and cities in the region. The same holds true when comparing the Muscatine Micropolitan Statistical Area with others in Iowa.

An unemployment survey for the Muscatine labor shed also shows a lower unemployment rate than similar labor sheds in the region. The higher reported rate by survey respondents than the Census or BLS statistics are a result of definition differences and methodology.

Criterion 10: "The labor shed wage applicable to the community and the extent to which low relative wages negatively impact the affordability of housing in the community."

The program criterion "uses labor shed wages as calculated by the Iowa department of workforce development for purposes of the high quality jobs program."

Muscatine falls within labor shed area 78 and is located in a distressed county. The 100% labor shed wage applicable to Muscatine as calculated by the Iowa Department of Workforce Development is $17.74 per hour, or roughly $36,900 per year. The 2011-2015 American Community Survey estimated the median earnings for those 16 and older at $13.02 per hour, or roughly $27,098 per year. Single person households, or duel income households, at this wage level are competing with higher income households for housing at the same price point.