



DISCUSSION ITEM

DATE: 03/29/21

STAFF: Jodi Royal-Goodwin, Community Development Director

SUBJECT FOR DISCUSSION

Data and Strategy Overview of Igniting Community Vitality through Housing

EXECUTIVE SUMMARY

The purpose of this item is to present and gather feedback on the Igniting Community Vitality through Housing Plan. This plan summarizes the current status of housing and proposes goals and strategies to promote a healthy housing market in Muscatine County.

GENERAL DIRECTION SOUGHT AND SPECIFIC QUESTIONS TO BE ANSWERED

1. Do the governing bodies support the proposed goals and strategies outlined in the Housing Plan?
2. Will each governing body consider future adoption of a resolution in support of the plan?
3. Do the governing bodies have any feedback on the appropriate strategies to be endorsed by each entity?

BACKGROUND/DISCUSSION

In recent history housing construction activity in Muscatine County has been minimal, approximately 50 units per year for the past decade. Some may ask why that is an issue given that the population has stayed about the same for decades. According to the U.S. Census Bureau the population of Muscatine County has remained nominally the same between 2010 and 2019, however the average number of persons per household was 2.6 persons in 2010 and 2.54 persons in 2019 adding a need for roughly 400 housing units.

The ongoing shortage of housing results in pressure to keep older homes in service longer. In the Midwest existing homes are typically “retired” at a rate of 6 per 1,000 every year, according to a 2018 study by Paul Emrath at the National Association of Home Builders. At this rate Emrath concluded that half of the homes built today would need to remain active for more than 150 years. While keeping the unit removal rate in the short or even medium term may be viable it seems unrealistic to expect a high proportion of units to remain in adequate living condition for that long.



At the regional rate of unit retirement Muscatine County would lose almost 100 units per year. Factoring this regional average against actual local development, the net unit production would be projected at a loss of 48 units annually. However, between 2010 and 2019 instead of the loss of 432 units we added 248 units. We can look around our community and see that homes can indeed last for a long time, but it depends on the care and maintenance provided throughout that time. While there are a number of beautiful, older homes in the area, there also a significant number in a varying state of disrepair.

In addition, housing constructed this century is substantially more efficient. So, another implication of this level of retention are from how much of the built environment is comprised of housing. Older homes are less efficient, costing more in both personal resources and increased use of natural resources, and frequently relegate lower income residents to lower quality living.

Finally, many of these older properties have been converted to rentals that suffer from minimal upgrades or are occupied by aging occupants that are no longer able to keep up with maintenance needs. As a result, the condition of this housing stock is often in poor condition when it is put back on the market, making it less attractive and/or affordable to new buyers. The culmination of these issues has resulted in a growing supply-demand imbalance and a readily acknowledged impact on the ability of local employers to attract workers.

With this knowledge the City of Muscatine commissioned a Housing Market Demand Study. This study was completed in 2017 (available at <https://www.muscatineiowa.gov/1160/Housing-Market-Demand-Study>) and while there were few shocking findings, it did verify a number of anecdotal conditions. These findings included:

- The number of workers commuting into Muscatine is almost double the number that commute out. (p. 30)
- The median year built for housing is 1958. (p. 36)
- Growth is stifled by local housing challenges. A 0.25% increase in population would require more than 800 net housing units in the next decade. (pp. 52 - 53)
- Residents and workers are interested in housing of all types. (p. 12)
- There was a shortage of almost 1,000 units affordable for families earning up to \$12/hour. (p. 44)
- 43% of renter households and 19% of homeowners are cost burdened. (p. 43)
- With a median home value of \$108,200, Muscatine was only lower than Bettendorf and Davenport for cities in Southeast Iowa. (p. 36)
- The median gross rent of \$762 in Muscatine was second only to Bettendorf. (p. 42)
- Due to a shortage of units affordable to families earning more than \$75,000 they appear to be out-competing lower income households. (p. 46)
- The City has a negative tax perception, but in reality, has the third lowest tax rate of comparable cities in Southeast Iowa. (p. 67)
- There are shortages in housing, especially of rental and lots for development. (p. 94)



- There is a shortage of for sale units, particularly in the \$150,000 - \$180,000. There is likely a mismatch between what is available for sale and what buyers are looking for, and while households could purchase a lower quality or a home not meeting all of their needs, it is much easier to look for their preferred housing in other communities rather than sacrifice comfort and quality of life. (p. 95)
- The rental market appears to lack availability, quality and variety, particularly for young professionals and new employees not able to purchase a home immediately. (p. 96)

At the time of the study, the consultants also conducted an “informal survey” which found only 50 homes listed for sale (p.68). As of Friday, that same survey would have found 36 units available for sale in the County, which was actually higher than any time in the previous two weeks. The formal study also reported that at the time Census Bureau data indicated there was a rental vacancy rate of 8.4%, which would not reflect a lack of rental availability. It is believed that this rate is inflated and reflects property owners reporting deteriorated units as rentals that are vacant but are neither currently being offered for rent nor in a condition that would allow them to be registered.

While this study focused on the condition of housing in the City, it did include data about Muscatine County as whole, which also showed housing need. It recorded the limited development activity throughout the County, data on population and households, and commute times that allow us to make a leap to believe there are shared issues. Wilton also completed a housing report for their community in 2017 which found unmet housing needs. There is also data regarding housing costs that indicate that housing, existing and new, in at least some areas of the County is at a substantially higher price point than within the City limits.

The 2017 study included an overview of policies and practices that could be used to begin addressing identified housing issues. Subsequent to the Housing Market Demand Study Muscatine County, the City of Muscatine and the Community Foundation of Greater Muscatine partnered to have a companion review of best practices and funding opportunities to inform policy decisions and local programs.

Following completion of the 2017 Housing Market Demand Study, there was additional activity creating new, quality units within the City, including the conversion of the Hershey Building, the development of Arbor Commons (the first significant subdivision in town in more than a decade), and 5 tax credit projects (2 complete and 3 starting). Unfortunately, we have also observed the continuation of some less favorable trends. Currently the County’s fair market rent (FMR) for a 2-bedroom apartment is \$912. This is a 10% increase from the 2020 FMR, and, per RentData.org, higher than 94% of Iowa communities and 79% of all areas for which FMRs are established. Additionally, the home value to income ratio for owner occupied units in the county has continue to edge closer to three (3), an additional indicator of affordability issues.

As a result, this past fall, at the urging of Supervisor Santos Saucedo, a small group began to develop a plan to take the conversation to the next level. The plan built on the previous reports and establishes definitive goals, provides a structure and potential strategies to address the needs of families that live or work in Muscatine County. It does not focus on affordable by income level, rather it includes affordability as a measure of meeting the housing needs of all workers. The plan is being presented now



to establish if the governing bodies agree with the concepts presented and if there is backing to consider a resolution of support and to identify strategies appropriate to each entity at a future meeting.

As you can see in the attachment there are multi-level goals designed to address factors impacting our community's ability to meet the needs of residents. These goals are based on data outlined in the report. Macro level goals were designed to support a thriving community with a prepared and engaged workforce. These high-level goals are:

- ✓ Economic Vitality
- ✓ Improved Health Outcomes
- ✓ Enhanced Educational Attainment

The overarching strategic goals are designed to create a housing market and community that families both want to and can afford to live in and would be the focus of evaluating the impact of all activity undertaken. These overarching goals are:

- ✓ Encouraging development - create partnership & expand funding sources
- ✓ Supporting affordable ownership - obtain & sustain
- ✓ Increasing availability of quality affordable units
- ✓ Preserving existing housing stock - affordability & quality
- ✓ Provide housing for special needs - supply & supportive services

Together these goals look to develop a healthy housing market, meeting the needs of all residents by breaking down silos with an awareness of who is working in what realms, expanding and targeting resources, and ongoing evaluation of activity and conditions. A healthy housing market has a continuum of housing that facilitates the natural progression from one phase of life to the next at a range of costs. As programs are developed and implemented the impact on other pieces of the system has to be monitored as well.

To this end the workgroup establish 3-year, quantifiable goals to support the strategic goals in a balanced manner as follows:

- ✓ Increase the housing supply by 300 units
- ✓ Upgrade 300 units of existing housing
- ✓ Improve rental inspection outcomes by 5%
- ✓ Increase the number of workers living in Muscatine County by 3%
- ✓ Reduce the number of school changes due to housing instability for children on free lunches by 50%
- ✓ Decrease the number of housing burdened residents by 9%



The proposed goals are intended to go beyond the status quo and stretch the partners to make a true impact on our community and residents.

For all of these reasons the proposed structure builds in such oversight. Action Teams, those organizations contributing to or working in specific areas of housing, will implement selected strategies, collect data and outcomes, and provide feedback to the Housing Council. The Housing Council would be comprised of individuals representing a range of organizations to prioritize and oversee activity, develop resources and evaluate the impact of activity on the overall issue of housing. It is anticipated this group would conduct at least an annual evaluation that would feed revisions to strategies.

The plan includes a pages long “strategy hub” that is a menu of strategies that may be use to reach the quantifiable goals. These pages also identify if an entity is or might be appropriate to work on such initiatives. These strategies are broken out into categories that focus on an activity, such as increasing or sustaining homeownership, improving housing quality, and stabilizing families as well as traditional areas like development and funding. Examples of included strategies are:

- ✓ Creation of a land bank
- ✓ Reduce restriction on infill and undeveloped parcels
- ✓ Advocate for expansion of the Iowa Housing Trust
- ✓ Create employer assisted housing program
- ✓ Expand housing for empty-nesters to seniors
- ✓ Permit accessory dwelling units
- ✓ Exterior repair or beautification incentives and education
- ✓ Encourage mixed income development
- ✓ Develop community awareness campaign
- ✓ Establish a revolving loan fund
- ✓ Fund a community grant writer

Strategies are not listed in any particular order or given any prioritization. The Housing Council would prioritize strategies based on the potential for impact, available resources, and need. Whatever strategies are chosen, to be effective funding must be sufficient to make a significant impact.

Housing stock is the single largest capital investment in a community and residents generally form their image of a community on the quality of neighborhoods and the housing. Stable housing allows people to fully engage in the community – getting to know their neighbors, shopping locally to meet their needs, engage as an employee and in social activity. When individuals feel valued and see themselves living here in 5, 10, 20 years they have an enhanced stake in the community and its success.

ATTACHMENTS

Igniting Community Vitality through Housing, 2021 Plan Draft