



Pottawattamie County Workforce Housing Strategy

Summary Report

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and Iowa West Foundation
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Introduction

Pottawattamie County's communities need more workforce housing to continue to grow and support businesses in the area.

The Board of Supervisors of Pottawattamie County and Iowa West Foundation hired Development Strategies to prepare a Workforce Housing Study and Strategy. The intent is to understand the need for workforce housing and identify a strategic plan for the county and foundation to work together to support new workforce housing development. The focus geography for this study, as detailed on the next page, is the rural portion of the county located outside of Council Bluffs.

Much of Pottawattamie County experienced moderate to strong growth over the past decade, yet relatively few new homes were added to the market and almost all of the homes were single-family homes at market prices, typically above \$250,000.¹ Meanwhile, major employers like OSI, Jack Links, and Menards continue to add jobs, yet workers are not able to find suitable housing nearby. In fact, many workers at these facilities commute from Omaha and other cities in Nebraska.

One of the main challenges in providing workforce housing is development economics—it simply costs more to build a new home than what the “workforce affordable” sales price range is. In other words, some sort of gap funding is needed to make workforce housing development possible.

There are other challenges that make providing workforce housing uniquely difficult in Pottawattamie County:

- In many communities, workforce-affordable housing is primarily provided by older existing homes. However, the housing market is very tight in Pottawattamie County cities, so there are rarely many units on the market at a given time.
- Other rural markets have access to programs like workforce housing tax credits and other rural-focused incentives. Pottawattamie County is part of the Omaha-Council Bluffs Metropolitan Statistical Area (MSA), so it loses scoring points on applications because the region is not classified as “rural”. Existing programs and policies simply aren’t producing enough units.
- Development-ready land is scarce and is hard to come by.

In the face of these challenges, as well as others that are summarized in this report, it is prudent to be strategic and align resources in a new way.

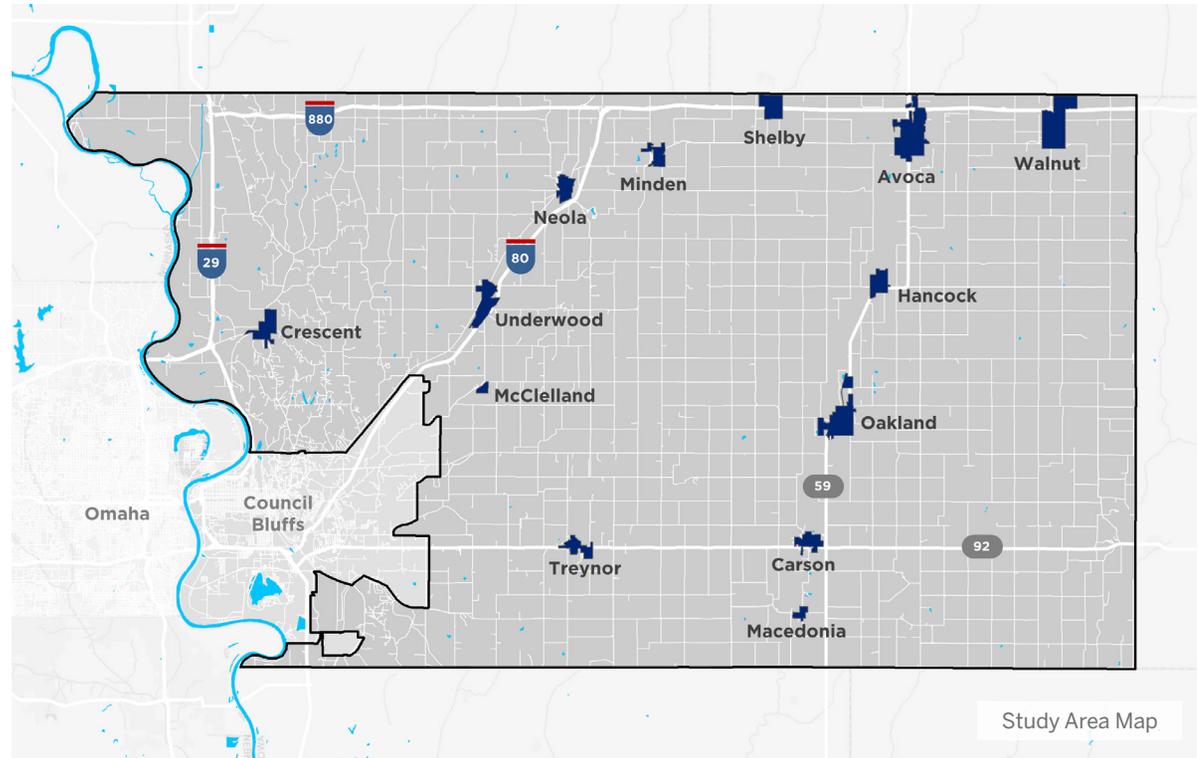
The purpose of this report is to summarize the analysis and key conclusions and is divided into the following sections:

- Introduction
- Framing the Need: Population, Jobs, and Housing Trends
- Development Feasibility Analysis
- Key Challenges
- Strategic Framework
- Conclusions and Recommendations

Study Area Definition

The study area is shown in the map to the right and includes rural Pottawattamie County outside of Council Bluffs. As the map shows, a portion of the county located outside of Council Bluffs is also excluded. This area includes subdivisions that are generally adjacent to Council Bluffs and, in some cases, are working to be annexed. These areas are excluded because they are more suburban than rural and would skew some of the analysis.

This study began during the course of a concurrent regional housing assessment and strategy for the Omaha-Council Bluffs area. This is why the focus of this study is the area in Pottawattamie County outside of Council Bluffs. While there is overlap in terms of housing need between Council Bluffs and the rest of the county, the rural nature of that area requires a different approach because resources available and capacity to implement various interventions are different. Overall, the intent is for the two studies to complement each other, together providing frameworks for a more equitable housing environment in the Omaha-Council Bluffs region.

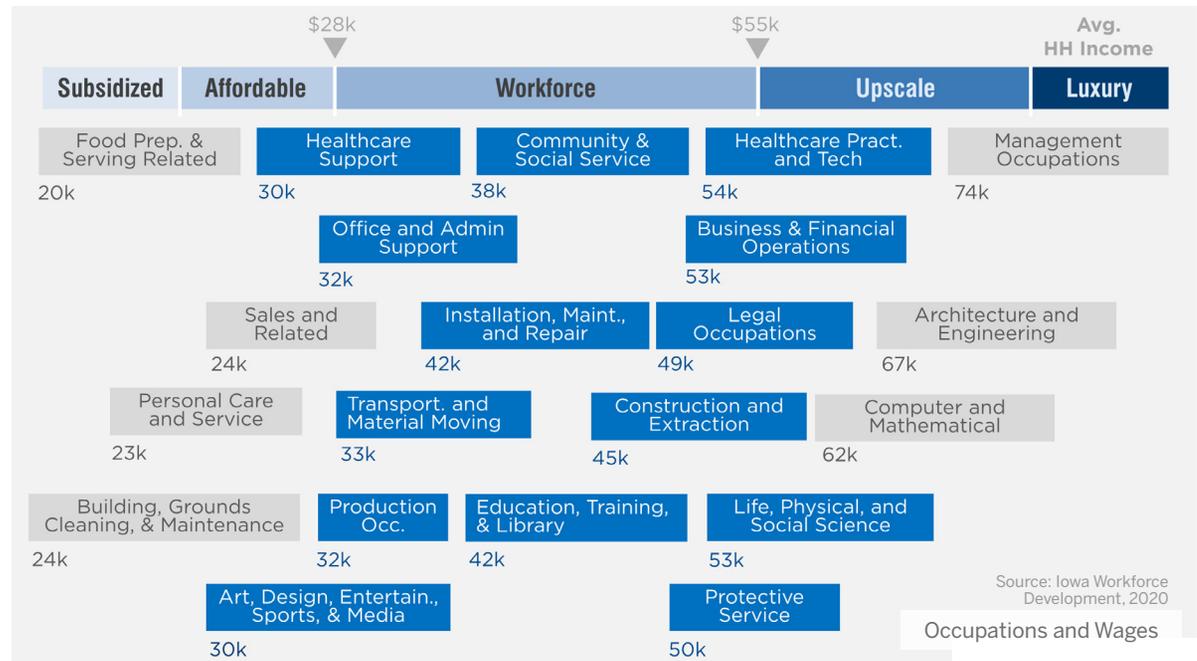


Defining Workforce Housing

What is workforce housing? Answering these questions is a critical first step in this study. Traditionally, workforce housing is characterized as serving those workers and residents that are employed in production, education, healthcare, and similar fields. This translates into household incomes of 60 percent to 120 percent of the area median income, which would range from approximately \$50,000 to \$70,000 in Pottawattamie County for a four-person household. This is not representative of the workforce in the county, so the range was adjusted to \$28,000 to \$55,000 based on prevailing wages. This translates into the following housing affordability ranges:

- \$120,000 to \$250,000 for a for-sale home
- \$500 to \$1,200 for monthly rent.

Approximately 20 percent of all households in the study have incomes within the workforce housing range.² The graphic to the right illustrates what occupations fall within the workforce housing range—for a single-earner household, almost all of the occupations fall within the range.





Framing the Need

This section summarizes key conclusions related to the need for workforce housing in the study area. A broader analysis of demographic and economic trends informs these key conclusions.

- The study area grew at a faster rate (3.3 percent) than the county (2.3 percent) during the past decade.² Some cities such as Treynor, Neola, and Oakland grew at even higher rates.
- Median household income in the study area (\$76,000) is 30 percent higher than in the county. Approximately 20 percent of all households in the study area have incomes within the workforce range of \$22,000 to \$55,000.² The high median household income in the study area and in cities such as Treynor and Underwood, indicates potential to afford higher home prices and rents given the right product. However, many higher income households live in more affordable homes because of the lack of higher-priced options.

- The median home value in the study area (\$200,000) is 30 percent higher than the county.² Cities within the study area include a range of home prices, some having stronger housing markets than others. Recent sale prices indicated that new homes in the workforce housing range are rare. Existing homes, which are infrequently listed for sale, sell quickly and are more likely to be workforce affordable. This reinforces the economic challenges of housing development and land costs within the study area.
- The study area has approximately 9,500 housing units and more than 90 percent are single-family homes. Just over 70 percent of the housing units in the study area are owner-occupied, which is slightly higher than the county.²

Key Metrics	Pottawattamie County	Study Area
Population	95,300	22,600
Population Growth (10 yr.)	2.3%	3.0%
Households	37,700	9,000
Household Growth (10 yr.)	2.6%	3.7%
Median HH Income	\$59,000	\$76,000
Median Home Value	\$155,000	\$200,000
Owner Occupied	67%	72%
Housing Units	40,000	9,500
% Single Family	77%	91%
% Family Households	66%	73%
Avg. Household Size	2.5	2.5

Source: ESRI 2020

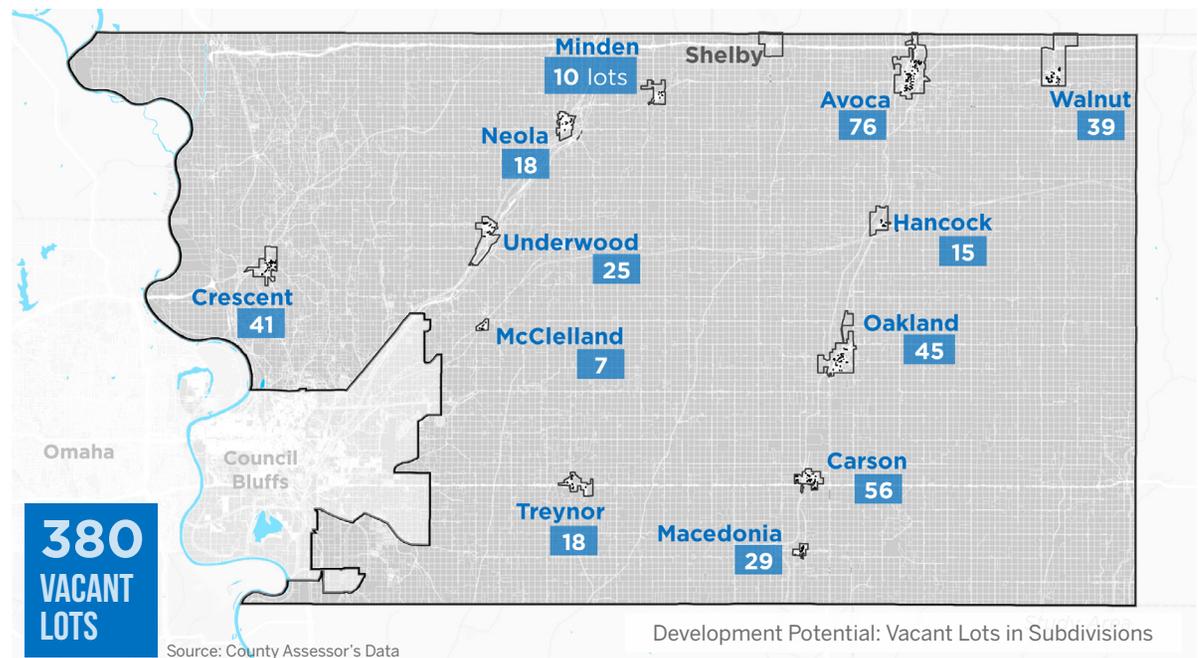
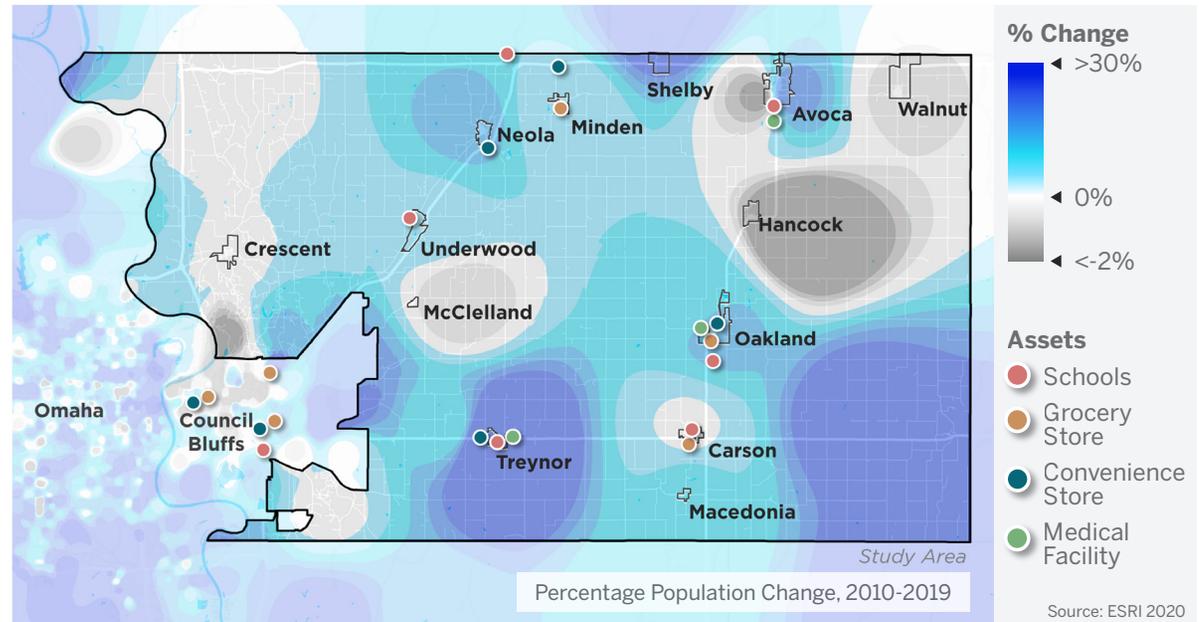
Key Conclusions

Several cities are experiencing growth, but few lots are currently available.

Many cities within the Study Area experienced noticeable population growth in the last decade. Treynor, Oakland, Avoca, and Neola together added nearly 100 households. Proximity to amenities like schools, grocery stores, convenience store and medical facilities is one of the contributing factors to the growth.

However, most cities within the study area have limited lots available for development and are 'landlocked' because they are surrounded by large, active farms. While communities such as Avoca, Oakland, Walnut, and Carson have some potential for infill opportunities, others have little to no land availability. These factors put added pressures on an already tight housing market, creating challenging conditions for developing workforce housing.

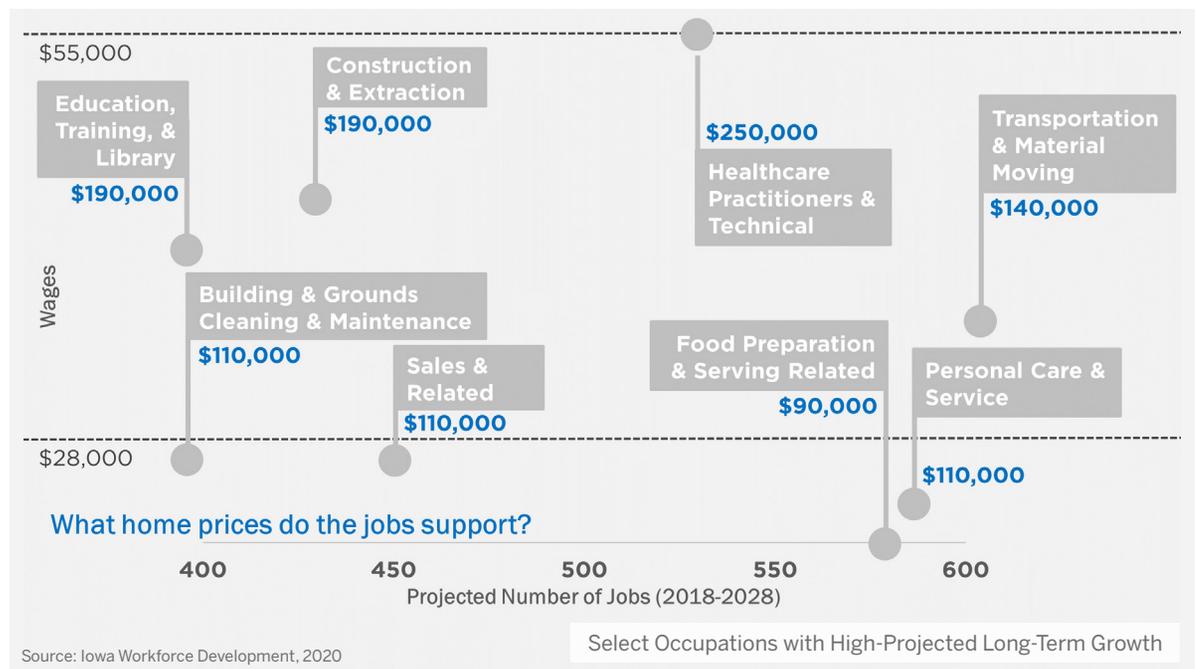
The graphic to the bottom right shows a total of 380 vacant residential lots, both infill and in new subdivisions, in all of the cities. As discussed on page 13, there is a need for more than 800 workforce units in the study area over the next 20 years to meet existing and future demand, in addition to both affordable and market-rate homes. It is important to continue to identify potential residential development areas to meet demand for all types of housing.



Projected job growth indicates need for more workforce housing.

Employment projections for the region indicate that jobs with long-term growth potential, such as healthcare practitioners, transportation, and material moving occupations, pay wages in the workforce range of \$28,000 to \$55,000.³ This reinforces the need for more workforce housing in the Study Area.

Quality workforce housing is a key factor for large employers in the county to attract and retain talented workers. Additionally, the development of workforce housing will support community stability and growth in cities in the study area. Developing partnerships with large employers will be a key part of the housing strategy.

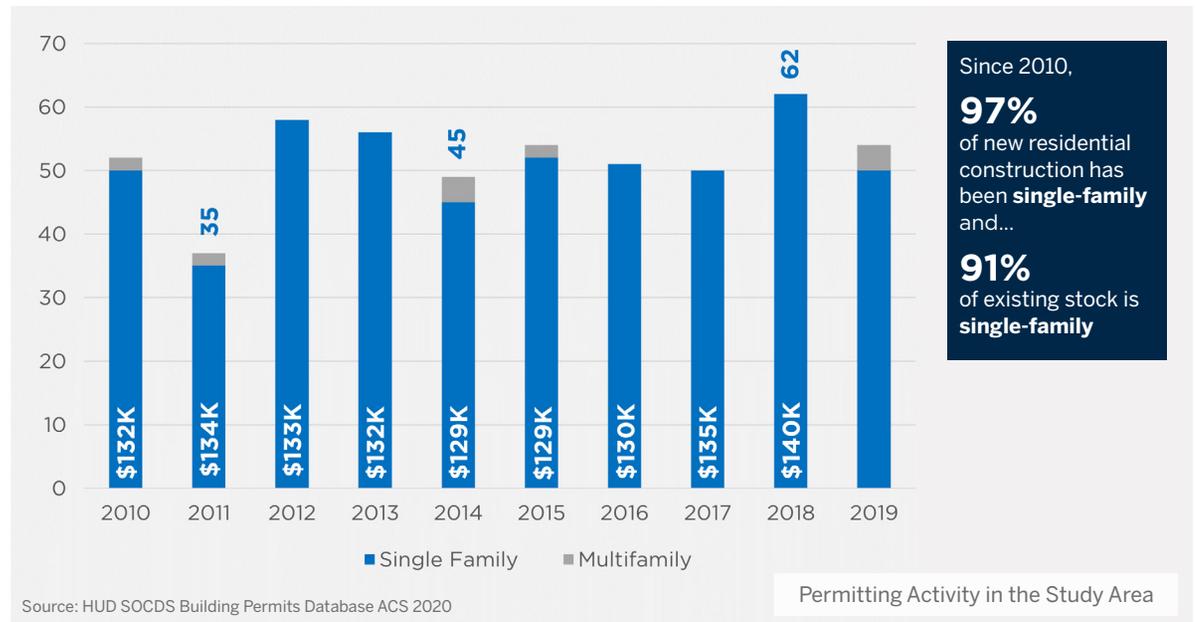


Historic production has not met workforce housing needs.

Housing supply in the study area is predominantly single-family. Over the past 10 years, 97 percent of all new permits were for single-family housing.⁴ At the same time that development is focusing on single-family housing, the cost of delivering that housing continues to rise, due in large part to increases in the cost of lumber.

A quick scan of housing availability in the study area cities indicates that most workforce affordable homes recently sold or listed at the higher end of the range. This further illustrates the challenges of providing housing at more affordable workforce prices. The persistent lack of new housing at a more affordable price shows the economic challenges created by rising construction costs and limited land availability. These challenges were expressed during many conversations with community stakeholders.

One way to free up more housing across the workforce price range would be to introduce new housing types, such as senior housing and even higher priced homes. This would allow households that can afford higher prices to move out of more moderately priced homes, which would produce “churn” in the market.



▼ \$28k		▼ \$55k		Avg. HH Income	
Subsidized & Affordable		Workforce		Upscale	
156 S Chestnut St., Avoca, IA	604 Hope Ave., Underwood, IA	119 Terrel Ave., Treynor, IA	119 Powells Ln., Crescent, IA		
Built 1910 1,376 SF \$66 PSF	2BR 2Bath: \$90,750	Built 2020 1,496 SF \$164 PSF	4BR 2Bath: \$246,000	Built 1991 1,362 SF \$168 PSF	2BR 3.5Bath: \$229,000
406 Clayton St., Macedonia, IA	1021 Silver Ln., Crescent, IA	137 Hillside Dr., Minden, IA	13925 290th St., Treynor, IA		
Built 1894 1,423 SF \$63 PSF	4BR 2Bath: \$90,000	Built 2011 2,033 SF \$110 PSF	4BR 3Bath: \$223,000	Built 1971 1,936 SF \$116 PSF	3BR 4Bath: \$224,000
				Built 2006 1,883 SF \$228 PSF	3BR 4Bath: \$430,000

Source: Sale Prices from Zillow, 2020

Recently Sold: Examples by Affordability Range

Current demand estimates suggest a mismatch between what is available and what households can afford.

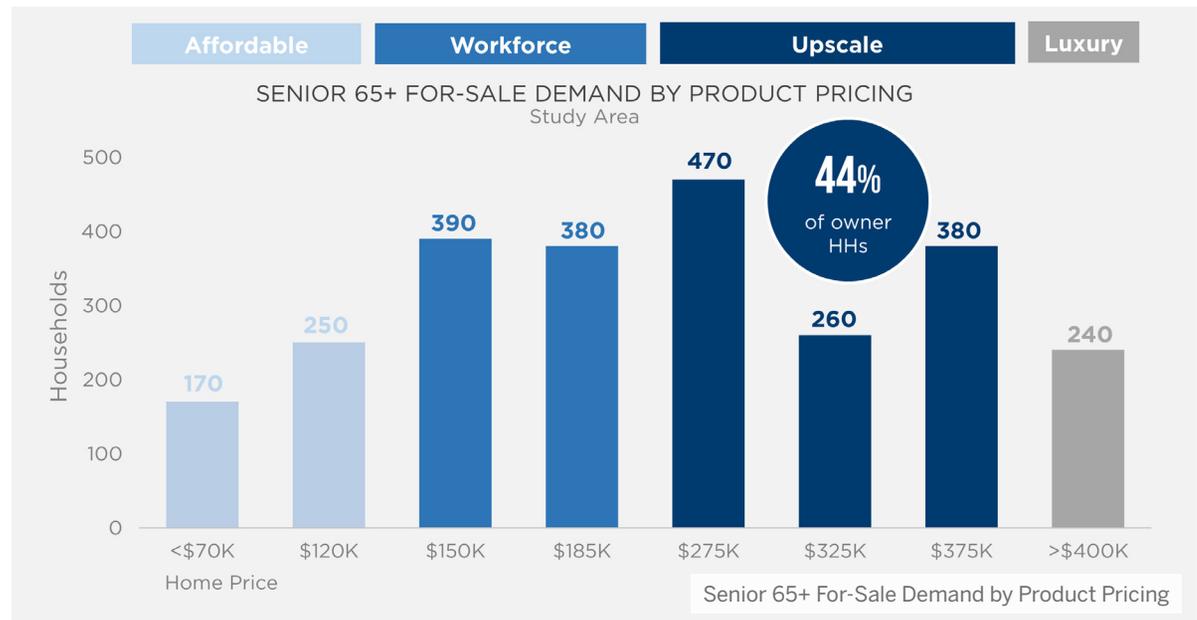
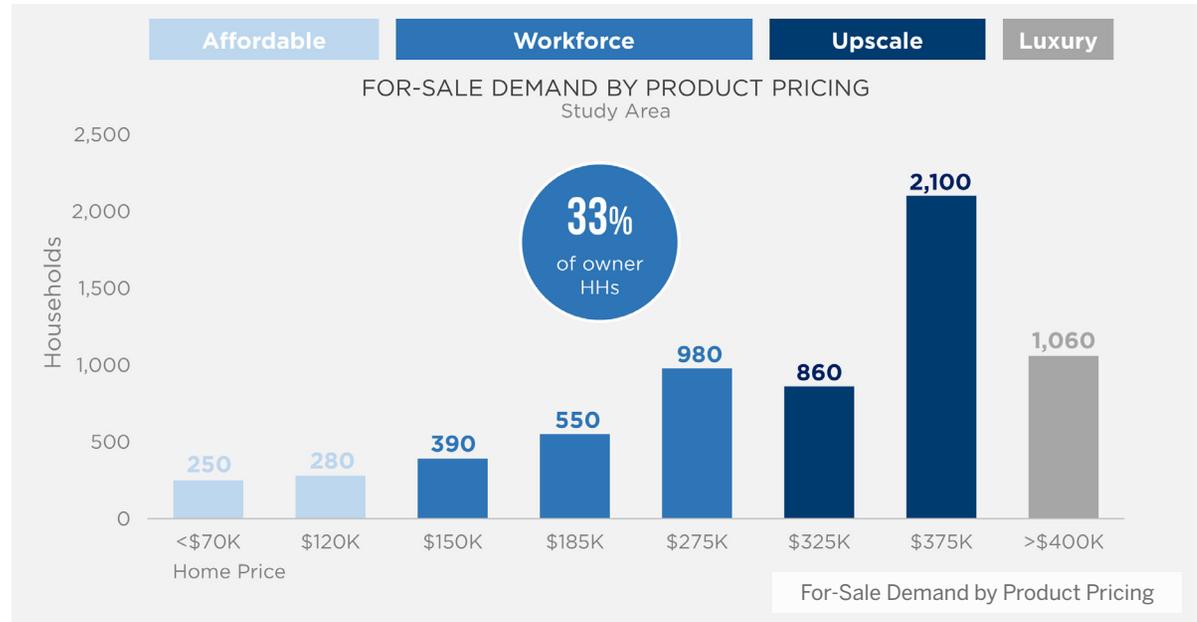
The graphic to the right shows the distribution of households across the housing affordability range. While there are many households that can afford workforce prices, many households, particularly in the cities, have incomes that support housing prices higher than the workforce range. If quality, higher-priced housing were available, it would allow these households to move us, freeing up the workforce housing stock.

Almost 33 percent of the 6,470 owner households in the study area have incomes that support workforce affordability, yet 45 percent live in such housing. Approximately 62 percent of area homeowners can afford homes above \$275,000.²

It is important to note that the fact that so many households could afford more expensive homes does not mean that there is equal demand for these homes. Many households choose to live in a less expensive home, or do not want to move out of their current home. However, even if 10 percent of these households were interested in new, more expensive homes closer to their “affordability” range, it would create demand for nearly 500 homes priced \$275,000 and up, which vastly exceeds current supply.

Current “pent-up” workforce housing demand is estimated at 350 units.

Given these complexities, there is no single solution. There is a role for both new infill and repair and renovation of the existing stock.



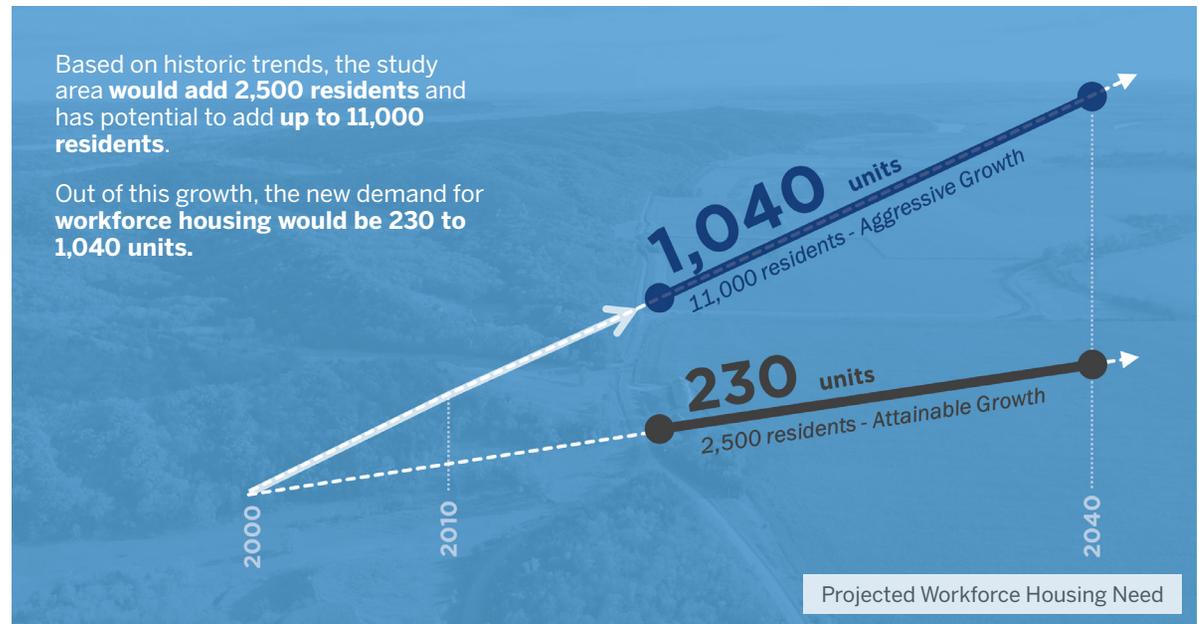
Population projections indicate a wide range of demand, and this will have different levels of impact in different cities.

Future demand projections were calculated using two sources: historic trends and current share of study area population, and projections from MAPA's Heartland 2050 planning process. The graphic at the top right shows the workforce housing demand that would be created by the population growth projected in those two scenarios. The upper line shows aggressive, growth in the study area, which would represent 45 percent growth over the next 20 years. The bottom line is a more realistic scenario based on current trends.

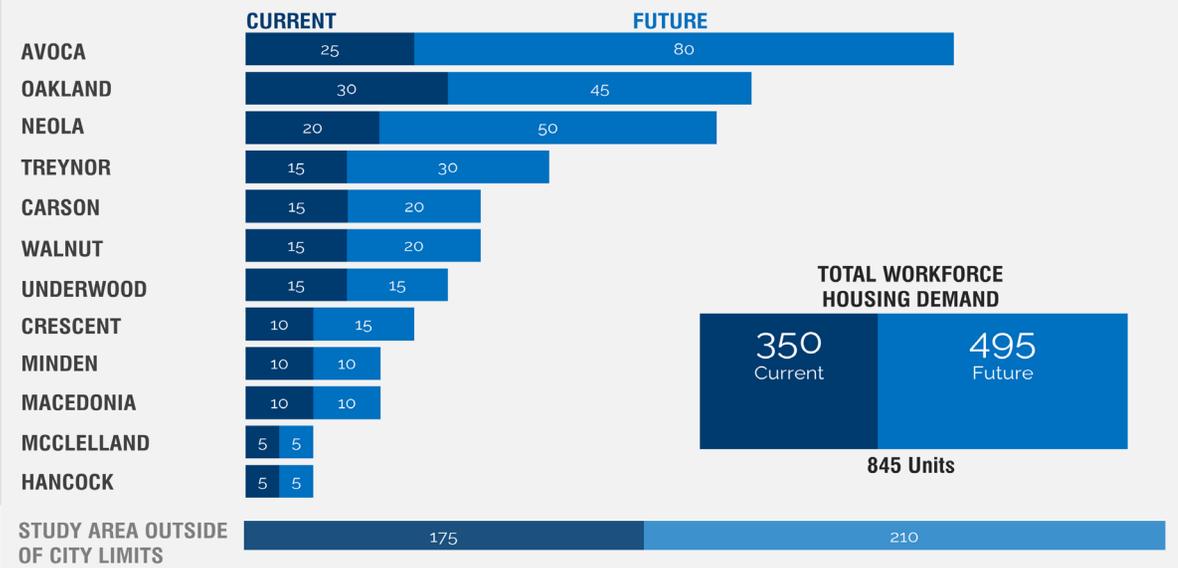
The intent of this analysis was to consider what is possible. City officials were polled during a stakeholder calls to understand what they saw as realistic and desired for their communities. Almost all responses indicated that the realistic scenario is most appropriate in their communities and in the study area.

The table to the bottom right combines current and projected demand for workforce housing in each city. This establishes an important baseline estimate of workforce housing need that each city can use to plan appropriately. There is a need for approximately 845 workforce affordable units to meet current and future demand in the study area. Of this, demand totals 480 units in current city boundaries. (175 units current demand and 285 units future demand) The 380 residential lots show on page 8 are not sufficient to meet just workforce demand.

Housing demand at all price points was also estimated and those results are included in the City Data Books in the appendix.



CURRENT AND FUTURE (20-YEAR) WORKFORCE HOUSING UNIT DEMAND



Development Feasibility Assessment

The economic feasibility of building, renovating, or rehabilitating different types of housing affects the ability of developers to add these units to the market and meet demand. Understanding the factors that affect feasibility will help to guide the use of incentives and investment tools in the Study Area.

The previous sections outlined the housing needs for the study area and identified demand for a broad range of housing types and price points, including those that cannot easily be delivered by the market. Meeting these needs will require some type of incentive, subsidy, or other support. Feasibility assessment evaluates the level of support needed to successfully deliver these

different types of housing, which informs the role and potential impact of available tools and resources.

One must first understand the economic feasibility of building, rehabilitating, or renovating a single housing unit to understand the scale of impact possible through an incentive or subsidy program. This evaluation—feasibility analysis—seeks to evaluate the two sides of this feasibility equation:

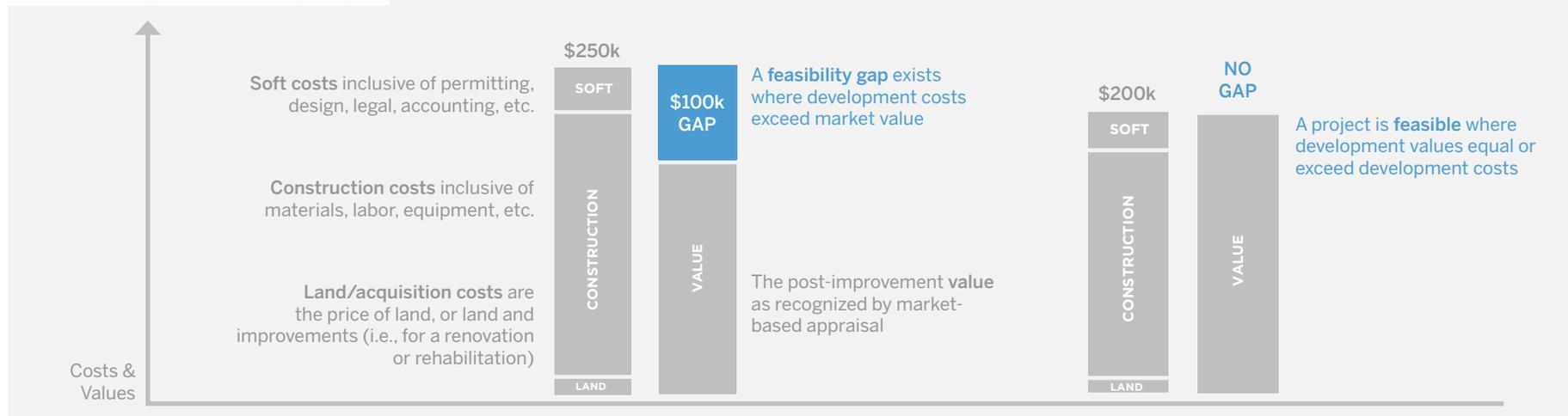
- The typology- and market-specific costs to deliver a single unit of housing, including purchase/acquisition, construction, and soft costs.
- The market value of the housing product, based on target rents or sale prices, standard financing terms, a modest profit, and stabilized occupancy. Where development value exceeds development costs, a housing unit can typically be delivered without the support of incentives

or subsidy. Where development costs exceed development value, there is a feasibility gap, which incentives or subsidy can help fill.

This methodology was used to analyze the feasibility of the following four housing typologies that will be suitable to support demand for workforce housing in the Study Area:

- New multifamily construction suitable for the market
- New single-family construction in traditional subdivisions
- New infill single-family construction
- New townhome construction
- Renovation of existing single-family homes

Illustrative Diagram of Feasibility Analysis



Scenario 1

New Multifamily construction suitable for market

While the primary focus of this study is on for-sale workforce housing, there is demand for rental options. Rental options could take many forms, including single-family homes or townhomes, which would have similar economics as for-sale options. A more traditional apartment building is also an option. It is important to note that any multifamily building would need to be designed in a manner that is acceptable to the communities.

A two-story apartment building with approximately 20 units is fairly common in smaller cities in the Midwest and would meet a segment of demand for workforce units in the study area. For this analysis, it is assumed that all units will contain two bedrooms and approximately 800 square feet. Land costs are estimated at \$87,000 per acre (\$4,400 per unit), hard construction costs are estimated at \$110 per square foot, and soft costs and developer's profit are estimated at 20 percent of hard construction costs. To break even, a rent of \$1,150 per month would need to be charged, which is above the workforce range. There is, at minimum, a \$15,000 per unit gap between construction cost and market value for rents to be reduced into the workforce range.

Scenario 2

New single-family construction in traditional subdivisions

Based on the supply data for housing in the community, the cost to purchase and develop the one-third acre site is estimated at \$45,000. Hard construction costs are estimated at \$194,000 per unit (\$130 per square foot and 1,500 square feet). Soft costs include design fees, holding costs,

financing, and profit are estimated at \$55,000 (27 percent of hard costs). Based on these estimates, a price point of \$285,000 is a general minimum to develop a new single-family home, sell it and make a reasonable profit as a builder. This is the lower end of what new single-family homes are sold for in the study area.



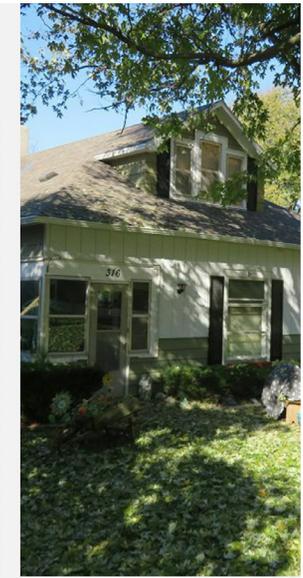
**MULTIFAMILY
NEW**



**SINGLE FAMILY
NEW**



**DUPLEX
NEW**



**SINGLE FAMILY
RENOVATION**

Feasibility Gap: Per Unit Summary

Scenario 3

New infill single-family construction

Most infill development lots would not support construction of a traditional new single-family home because they are typically smaller. Thus, an infill home would be smaller—1,200 square feet in this scenario. Most infill homes have a one-car garage and the estimates for this scenario are based on the homes that Oakland Industrial Foundation has been able to produce over the past several years. With hard construction costs of nearly \$110 per square foot, site acquisition costs of \$20,000 (assuming demolition of an existing structure), site preparation costs of \$20,000, and profit and soft costs of 25 percent, this unit would cost approximately \$210,000 to produce. At this price-point, new single-family infill homes are within the workforce housing price range. They are feasible to develop without any subsidy, given that such lots are available. Suitable lots without structures would reduce the development cost by approximately \$5,000.

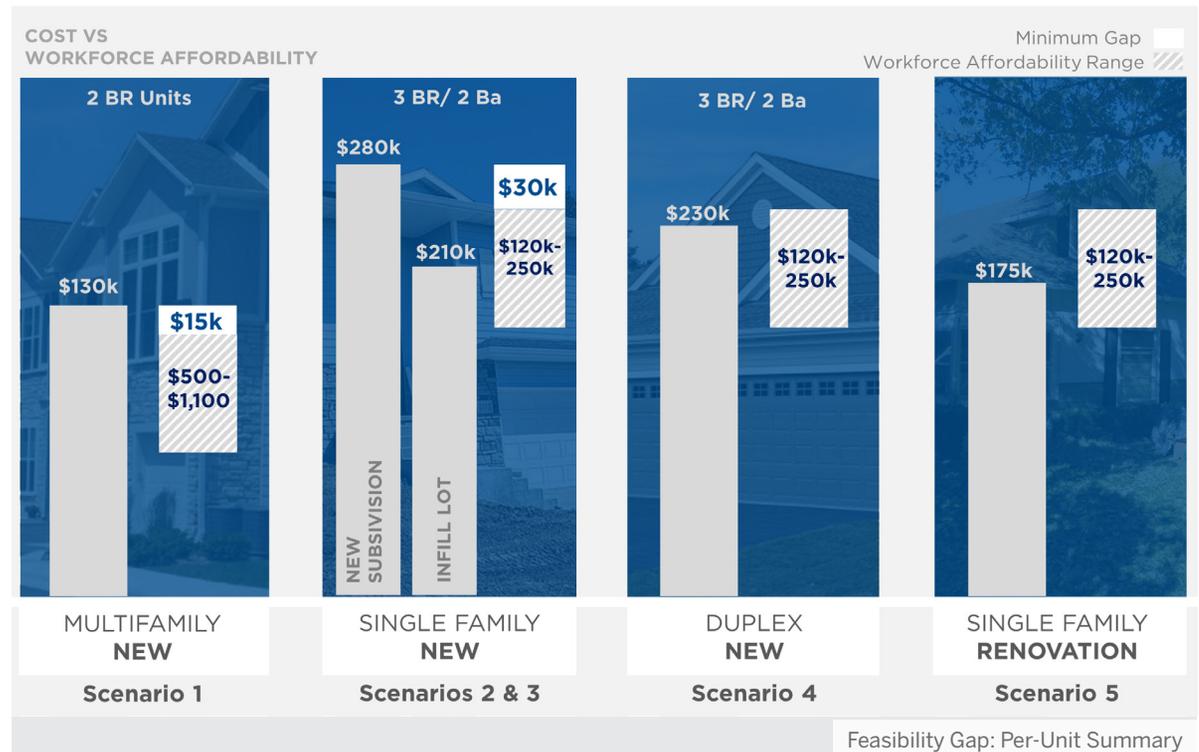
Scenario 4

New townhome construction

Historically, townhomes are more efficient to produce than single-family homes because they require a smaller lot and share a demising wall. In our model the hard construction price is nearly ten percent lower than a stand-alone single-family home. Assuming a slightly smaller home of 1,350 square feet, the hard construction cost is just over \$160,000. Adding site acquisition, site preparation, and soft costs results in a total cost of approximately \$230,000. While at the higher

end of the range, these units still fall within the workforce housing price range and can be feasible without subsidy. The units could be made more affordable with gap funding, which would lower the purchase price, and more townhome units could be produced with finite resources than single-family homes.

A major barrier to townhome construction in many of the cities is current zoning code, so there is opportunity to revise policies to allow this building type.



Scenario 5

Renovation of existing single-family homes

A significant portion of the existing housing stock could be repaired, renovated, and/or rehabbed to meet the projected workforce housing demand.

Current market values for homes in suitable condition for renovation were estimated based on recent sales data. An older home in the study area would cost approximately \$70,000. Depending on the amount of work required, modest renovations can range between \$40,000 to \$65,000 and can replace some of the more important systems making the home move-in ready. Based on these costs, such renovated homes will cost approximately \$130,000 to \$175,000. These units are well within the workforce housing price range and will be feasible to develop without any subsidy. This typology can partly meet the workforce housing demand, freeing up resources to be used to support new construction.

A major challenge is that there are not many houses for sale in the study area at any given time. Finding homes to renovate will be difficult and, while an important component of meeting workforce demand, will not provide a substantial number of new units.

Overall Need

What will it take to meet the need?

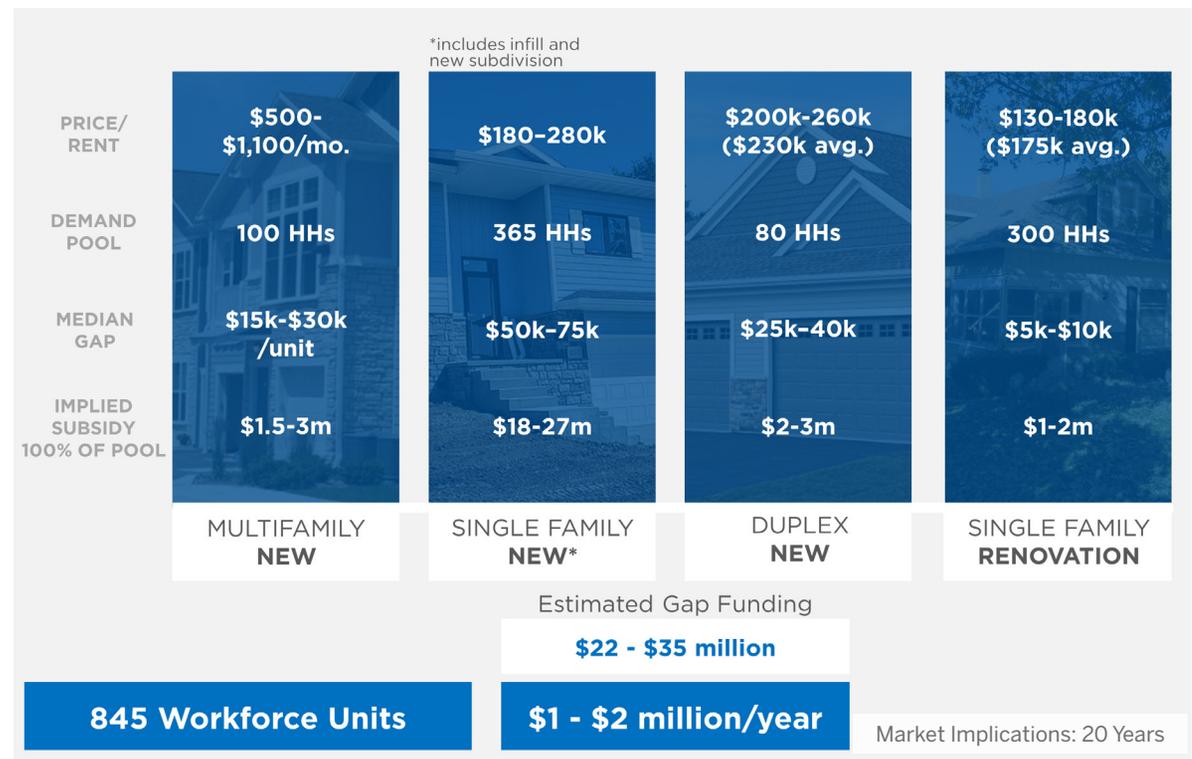
With an understanding of the feasibility gaps for developing different types of housing products at workforce affordable prices and rents, it is possible to quantify what it will take to meet the need over the next 20 years.

An approximation of a reasonable distribution of units among the evaluated housing types was made to determine the overall gap to support the development of all of the workforce housing units needed to meet projected demand. As

summarized in the graphic below, the per unit gap varies depending on product type. It is smallest for renovation and largest for new single-family construction.

The total estimated gap funding need is \$22 to \$35 million, or about \$1 to \$2 million per year for the next 20 years.

It is important to understand that incremental gains toward meeting these amounts is still a success and an incremental approach may be needed.



Key Challenges

Demographic and market analysis and several conversations with local leaders and stakeholders led to a thorough understanding of challenges specific to providing workforce housing in rural Pottawattamie County.

As summarized in the previous section, data and market analysis leads to several important conclusions about the housing market in the study area and what current and future workforce housing needs are. However, the data does not tell us about what is happening on the ground in each community—past efforts to support new housing development, current initiatives, and aspirations for growth.

Conversations with community stakeholders, including elected officials, city clerks, business representatives, realtors, builders, and others, provided valuable insight about the challenges of providing workforce housing in the study area. These insights are combined with conclusions from the demographic and market analysis to form the following six key challenges.

1. Land is not available for residential development in most of the cities.

Treynor, Carson, and Avoca have subdivision currently under development, and another subdivision is planned in Treynor, while the Fieldcrest subdivision in Underwood is expanding. Late next year, land may become available for new residential construction in Minden, but that has taken years to secure. Otherwise, most cities have relatively few lots available for infill development and no sites identified or secured for new home construction. The primary reason cited for this is that, as rural and agricultural communities, most of the cities are landlocked by active farms.

Land adjacent to city limits is typically part of large tracts of farmland. Thus, there is a need for a strategic approach to working with land holders/farmers to acquire a portion of this land for residential development—perhaps in 10 acre increments, particularly in locations where expanding infrastructure is most feasible and cost effective.

2. The cost and process of expanding infrastructure to serve new development is prohibitive.

Several cities have made investments in their infrastructure in recent years to support new

- 1 **Land is not available for development.** The cities are landlocked by farmland and landowners do not want to sell.
- 2 The **cost of expanding infrastructure** is prohibitive even when land is available.
- 3 Land costs and **the economics of development** make building new workforce housing impossible without subsidy.
- 4 Smaller cities do not have the **capacity** to pursue grants and other funding tools.
- 5 The **housing market is tight**: any available units are rented or sold quickly.
- 6 There are **not enough housing developers** willing to build in rural cities.

Key Challenges: What We Heard

development or industrial expansion. Expanding infrastructure is particularly challenging for small cities because of the significant capital outlay required—it represents a higher degree of risk than some cities are comfortable with, especially when the expansion is speculative. That is, taking on bonds or committing general funds to a large infrastructure project to support housing development when there is not a concrete plan to develop homes is not prudent for most cities. Therefore, there is a need to prepare for infrastructure expansion as other activities, such as identifying land for development and attracting builders, are under way.

3. As demonstrated in the feasibility analysis, the economics of development make building new workforce housing without subsidy almost impossible.

One of the primary reasons local builders cited for not building workforce housing is that it does not make economic sense and that they would consider building such units if gap funding were available. Lot costs have been relatively consistent in rural Pottawattamie county—typically ranging from about \$35,000 to \$45,000, which includes the raw land and infrastructure development. There is no tangible way to lower site development costs, and vertical construction costs are also on the rise. Housing products like townhomes or apartments help bring down per unit development costs, but design changes are not enough to provide workforce units for families

(i.e., three-bedroom or larger units) in the study area. Thus, some sort of gap financing beyond what is available today is needed to increase and accelerate the production of workforce housing. It is important to coordinate any new funding program with efforts to secure land for development and align policies, such as zoning, that support the development of more diverse housing types.

4. Some of the cities in the study area do not have the staff capacity to pursue grants or other funding tools.

Apply for, receiving, and following through with the monitoring and implementation of grants can be time consuming and require specialized training. Most of the cities have volunteer elected officials, and several only have part-time staff. This limits the ability of some cities to pursue funding opportunities to pay for infrastructure improvements, acquire land, and other activities that could support workforce housing development.

5. Most of the stakeholders we interviewed mentioned that there are very few homes on the market, for-sale or for rent, at any given time and that homes sell quickly.

A tight real estate market constrains communities in a number of ways. In the context of workforce housing, existing homes are most likely to be in the workforce affordable range. However, with limited supply at any price point, those homes

are going to whomever can move the fastest to purchase a home. There are limited “move up” options, or options for seniors to downsize. Thus, there is a need to diversify the housing stock broadly by adding new units at higher price points, senior housing options, and workforce housing options. Creating new opportunities in the cities will open up some of the existing stock as workforce affordable housing.

6. There is a limited supply of home builders in all of Pottawattamie County and most cities reported that it is difficult to attract a builder, as well as subcontractors.

The typical method of building new subdivisions—a developer purchases land, plats and subdivides it, installs infrastructures, and builds homes or sells lots to other builders—is not underway in most of the cities. Historically, some subdivisions took a long time to sell lots and most builders do not want to take on the risk of carrying land costs (i.e., real estate taxes and loan payments). Further, because of the scarcity of vacant land that is relatively straight forward to acquire, it is difficult to a builder to see a straightforward path to building housing in many of the cities. For Council Bluffs builders, there continues to be opportunity in that area, and there is less risk. Smaller cities have to be more proactive than larger ones to attract builders and show a clear path to land control, utility availability, and financing.

Strategic Framework

Continuing to build local partnerships and expand on best practices will be key to providing new funding sources, local capacity, and policy changes needed to create more workforce housing.

Rural communities across the Midwest face a wide range of housing challenges and rural Pottawattamie County is no different. As state and federal programs become more competitive and funds scarcer, cities and regions are having to work together at a more local level to address these challenges head on. Fortunately, Pottawattamie County has several strengths and assets to build on. One strong model for local partnerships in locally-driven infill development is the Oakland Industrial Foundation.

There are several major employers, quality schools, safe communities, and efforts underway to support economic growth. There are also strong partnerships emerging and continuing, whether it be with Iowa West Foundation, Pottawattamie County, and individual cities; or with builders partnering with Treynor to complete their subdivision; or Oakland Industrial Foundation to work with the city of Oakland to remove dilapidated homes and replace them with quality workforce affordable units. New tools, partnerships, and approaches must emerge to support these efforts if the county is to begin to

solve its workforce housing challenges.

The following strategy recommendations are grouped into three categories:

- Expand gap funding resources
- Increase the capacity of cities and their partners
- Adopt proactive policies that support workforce housing development.

As will be discussed in greater detail in the recommendations section, no one strategy or action will solve the workforce housing challenge. Certain strategies, such as securing sites and forming an attainable plan to extend infrastructure, will be necessary to attract builders and efficiently use gap funds. Where possible, new tools should be paired with existing ones to maximize their impact. For instance, it is likely that a lot of eligible homebuyers do not utilize the state's mortgage and down payment assistance programs, like FirstHome and Homes for Iowans, because suitable homes are not available. While these programs do not directly help builders produce workforce affordable homes, they help households secure an affordable place to live.

Each grouping of strategies has various tools or tactics that apply, and those will be summarized on the following pages.



Expand gap funding resources

1

One clear observation throughout the course of this study is that the existing tools and programs are not enough to meet workforce housing needs. Part of this is because Pottawattamie County is considered to be part of the Omaha-Council Bluffs metropolitan area, and it also has a high median income relative to many rural counties in Iowa. This affects scoring for projects that might pursue competitive tax credits, such as Low Income Housing Tax Credits or Workforce Housing Tax Credits. There are few other grants or programs applicable to workforce housing. Gap funding tools include grants, low-interest loans, equity positions, funds to guarantee loans, and similar programs. These programs typically involve public-private partnership, wherein governmental entities, philanthropies, corporations, lenders, and large employers work together to provide the needed funds to make development feasible.



Increase the capacity of cities and their partners

2

There is a need for each city in the study area to strategically plan for and implement housing efforts. Securing land for housing, working with banks and builders, and applying for grants for housing and infrastructure can be a long-term process. There is a need for consistency and follow-through. Expanding capacity could take a number of forms, including expanding the Industrial Foundation model from Oakland to other cities, groups of cities, or the county; and, funding a housing specialist position to serve all cities in the county.



Adopt proactive policies that support workforce housing development

3

Certain policies, such as zoning or county real estate tax rules, impact what types of housing can be built and the cost of building new homes. Adjusting regulations and policies to make a greater variety of workforce housing development more efficient and straightforward is an important component of this strategic framework. County officials and other leaders should continue to work with state officials to shape policies for state-level programs so that rural Pottawattamie County has better access to those resources.



Strategy 1

Expand funding resources to support workforce housing development.

Cities, counties, and regions across the country are changing how they approach affordable and workforce housing development. Local participation, control, and support are becoming more critical to meeting this critical need. Places are creating more flexible tools than can meet housing needs more quickly and efficiently. Examples of this include grants, low-interest loans, employer participation, and similar tools. These programs are frequently administered through a Housing Trust Fund, a local foundation, or an appropriate governmental department.

Given the lack of new workforce housing development in the study area over the past decade, the strong current and projected need for such housing, the tight housing market that is limiting choices at all income levels, and the challenging economics of housing development, new gap funding tools are essential to produce more workforce housing in Pottawattamie County.

The following paragraphs summarize different types of funding programs that will enhance the ability of the housing ecosystem to deliver workforce affordable units.

Gap Funding Program

A gap funding program subsidizes the gap between cost and value to support a specific housing type at a specific level of affordability. It is effectively a grant and those who provide the funds do not expect a return. Gap funding programs can be an important stimulus to get the desired housing development out of the ground quickly. However, they can be controversial in that they are a one-time injection of capital into a project; controversial because some potential funders want to see the money returned like a revolving loan, or participants want a longer-term stake or equity position in a project to ensure its long-term success.

As discussed on page 17, the total gap to provide the number of workforce housing units needed to support growth in the study area is estimated at \$22 to \$35 million over 20 years, or \$30,000 to \$50,000 per unit. In this context, a gap funding program could fulfill a range of needs.

For instance, a gap funding program could focus on covering land acquisition and development costs, effectively lowering the lot price for home construction. It could also apply to a project as a whole, or on a home-by-home basis. Ideally, this type of program would coordinate with other available resources, such as FirstHome or Homes for lowans, or leveraged as matching funds for Community Development Block Grant to support infrastructure development.

Low Interest or Zero Interest Loan

Low interest loan programs provide loans at below-market rates in a second position to a primary mortgage for a similar term. These types of loans are typically available for developers of multifamily housing, but could be structured to be provided directly to a qualifying homeowner. Although there are limited precedents, low interest loans could be provided for construction or infrastructure costs. A low interest loan program could also be structured as a revolving loan fund, wherein the fund is initially seeded with enough capital to make several loans, and recapitalizes as loans payments are made and interest charges are collected.

Predevelopment Loan

One of the challenges in developing workforce housing in the study area is getting a development concept to the entitlement process. A predevelopment loan program would give smaller developers and non-profits a source of capital to fund legal fees, options for purchase, architecture plans, engineering studies, and other up-front soft costs that are necessary to start the development process. Such a loan would be offered at favorable terms (i.e., below-market interest), and would be paid off when a project obtained construction financing, so the length of the loan would be relatively short term and the fund would revolve relatively quickly.

Equity Fund

Some potential investors are willing to provide patient capital with below-market return expectations. This type of investment—an equity fund—is becoming more common. Whereas typical equity funds pursue returns of 12 percent or higher, a fund focused on workforce housing might charge only five to six percent. The investor pool wants their money back some day, but are willing to commit funds for a long-term equity position in a project. This type of fund is a good tool to attract capital from local investors that want to support the development in their community.

Loan Guarantees

Another challenge in developing housing in rural communities is obtaining traditional financing due to the perceived risk that investing in rural markets is greater than in larger/urban markets. This is even the case when a project “pencils out.” When this occurs, a developer either has to put additional equity/cash into a project or abandon the development. A loan guarantee program helps to mitigate the risk of providing financing that is considered riskier because a fund guarantees that payments will be made. A loan guarantee program can be used to support homebuyers as well.

Programs that fall under these categories that have been successfully implemented are summarized to the right. While any of these programs would individually help meet the workforce housing need in Pottawattamie County, it is important to create the right mix of funding options. It is also critical to utilize existing programs where possible, thereby leveraging multiple tools to meet the need.

Precedent Initiatives

Schwan Food Company Employer-Assisted Housing Program Marshall, MN

Schwan is a food products company with a large workforce in Marshall, MN. Recognizing that the availability of affordable homes would impact the company’s ability to maintain a stable workforce, Schwan established an employer-assisted housing (EAH) program in 2000. The program supported workforce housing development in partnership with the Marshall Economic Development Authority, and provided financial assistance and homebuyer education to qualifying buyers (earning up to 80 percent of the area median income). In the first seven years of the effort, Schwan’s EAH program resulted in the development of 120 homes, and the participation of 40 Schwan employees. Following these early efforts, Schwan moved to pool its investments in affordable housing with others in the area, leveraging its resources to create a greater impact.

Workforce Housing Program Jackson/Teton County, WY

The Jackson/Teton County governments collaborate to provide housing that supports its workforce, oriented primarily to tourism in the Jackson Hole area. Workforce homes in the program are both rental and for-sale, provided by a combination of the Jackson/Teton County Housing Authority (dedicated to ownership units) and private developers who set aside deed-restricted workforce units in projects that receive incentives. Teton County has a 1 percent Special Purpose Excise Tax that has funded portions of the Housing Authority’s workforce housing activities.

The program includes no income or asset limits, but tenant/owner households must have one person who works full-time in Teton County, and must earn at least 75 percent of their income from a local business.

Federation of Appalachian Housing Enterprises (FAHE) Revolving Loan Fund Kentucky, Virginia, West Virginia, and Tennessee

The FAHE revolving loan program was established in 1981 to provide predevelopment, bridge, and construction loans to member groups developing affordable homes in Appalachia. This revolving loan fund was designed to make development possible where it otherwise would not be, due to the financial risk and expense of development in the region. Through 1998, the FAHE housing loan fund originated, held, and serviced 459 purchase or rehabilitation loans for homes serving families with incomes below 80 percent of the area median income. FAHE now also provides permanent financing (up to 35 years) and working capital to meet organizational needs.

(Source: Homes for Working Families, Metropolitan Planning Council, Teton County, WY government website Housing Assistance Council, FAHE)

Strategy 2

Increase the capacity of cities and their partners to create new opportunities for workforce housing development.

The lack of workforce housing development in most of the cities in rural Pottawattamie County is not a result of market forces—there is certainly market demand for this segment of housing. The economics of development certainly play a large part; however, funding alone will not lead to more workforce housing development. One of the key barriers to developing workforce housing is the lack of site to build it. Local officials have certainly attempted to work with landowners to acquire land adjacent to city limits, but a more organized approach is needed.

This study provides the estimated workforce housing need for the study area and in each city (in the City Data Book included in the appendix). Understanding the need allows the amount of land needed to be estimated, as well as an evaluation of the best location for housing based on existing infrastructure. Each city, then, can create a strategic housing plan to identify ideal locations for housing, what infrastructure investments are needed, and what policy actions are needed to support workforce housing. To do this, most of the cities need assistance—more capacity to plan effectively, pursue funding opportunities, and implement actions.

Funded Staff Position

More and more communities, including counties, are funding staff positions to implement housing strategies, similar to economic and community development positions currently in place. In Pottawattamie County, key roles for this position would be:

- to work with each community to develop a housing plan,
- identify potential sites for development,
- work with landowners to make the land available,
- identify and apply for funding like CDBG to support needed infrastructure investment,
- identify city and county policies that limit workforce housing development and recommend changes,
- recruit builders and financial institutions to support workforce housing development,
- administer new funding initiatives, and
- other pertinent tasks.

Industrial Foundation Model

As previously discussed, the Oakland Industrial Foundation has been successful in building infill workforce housing and their model could be applied to individual cities, groups of cities, or county-wide. The intent is to create an entity focused on infill development that improves housing conditions, provides workforce affordable units, can raise funds as a non-profit, and partners with cities to carry out these activities.

An important challenge of the Industrial Foundation model is that the Oakland organization has been volunteer-led since its inception. They worked with the city to identify and acquire vacant properties, then acted as the general contractor for the projects, hiring architects, trades, and other professionals. The organization was initially funded with a grant, and has tried to at least break even with the sale of each home.

A funded staff position could help cities or groups of cities create the organization and work with the volunteer board to meet their goals and objectives. They can also work with Oakland Industrial Foundation to create a best practices guidebook to help other cities build upon a successful model.

Builder Recruitment

One of the key challenges facing Pottawattamie County cities is the capacity of home builders and their willingness to take on development projects in rural communities. This challenge is not unique to Pottawattamie County, but is a limitation that must be addressed to make progress in terms of workforce housing development.

A major factor contributing to this challenge is the homebuilders focus their resources where they are most confident they can sell homes. It is about economic risk and profit. With this in mind, it is imperative to make new development in rural communities as straightforward as possible to attract builders.

In the context of workforce housing, this means that:

- Provide the conclusions of the housing needs assessment showing demand for a variety of housing types.
- Potential building sites need to be identified, if not secured through a purchase option or other contractual means.
- A concrete plan to provide utilities to the site should be in place, including the plan to pursue grants and other funding sources to pay for improvements.
- Partnerships with local banks to provide construction financing and mortgages should be in place. This will help reduce risk.
- Zoning and other entitlements should be set up for quick approval.
- Workforce housing gap funding should be identified and lined up. In some communities, it may include allowing for a guaranteed profit amount per home, to help mitigate builder's risk.
- Continue conversations with potential builders about what would make workforce development attractive to their business model.
- Allow for workforce housing to be integrated into larger subdivisions.

The housing staff position could spearhead many of these efforts.

Strategy 3

Adopt proactive policies that support workforce housing development.

A key theme of this strategic framework is to create an environment where developing housing, especially workforce housing, is more straightforward and streamlined. In conversations with city stakeholders, it was pointed out that current zoning in many cities does not allow for much housing diversity, including townhome units in new subdivisions. While city staff is responsive and easy to work with, this adds another step and more time that a developer must take in attempting to develop workforce housing.

Zoning

Zoning regulations should be evaluated to determine if they restrict housing types that would help meet workforce demand, namely townhomes and small-scale apartment buildings. If modifications are needed to accommodate these housing types, it will be important to engage with community members to educate them on why such changes are important, determine what is acceptable, and where such housing is desirable. Any rezoning or special use application process should be made clear for prospective developers.

Real Estate Taxes

According to multiple developers interviewed throughout the course of the study, the county assessor would usually change the classification of subdivided residential land from agricultural to residential three years following the platting of the property, whether or not any improvements were constructed. This added to the carrying costs of doing rural residential development.

The county assessor reviewed this practice in late 2020 alongside state statutes that state that land in a subdivision plat shall not be assessed in excess of the land value as acreage for five years after the recording of the plat, or until improvements are adjusted. The county assessor indicated that the statute will be applied on future subdivisions, as is required by law⁵

State Programs

While it is important that city and county officials maintain a working relationship with state officials on a number of topics, it is also important to advocate for policy changes that give rural Pottawattamie County Cities improved access to some programs, such as Workforce Housing Tax Credits and Low Income Housing Tax Credits. As demonstrated by this study, there is substantial need for workforce housing and meeting that need will support industry growth, which supports broader state initiatives.

Conclusions & Recommendation

This assessment of housing needs and strategies is guided by three core ideas that together recognize the complexity of the Study Area. The key is balance—each perspective must be appropriately emphasized in the study of housing needs and the corresponding strategies to meet those needs.

Addressing workforce housing needs is a multi-faceted challenge that many communities are facing—particularly rural communities. There are certainly effective programs and success stories across the country. However, no single community or county has “figured out” how to work with the private market to provide enough workforce housing.

This does not mean that there are not precedents to draw from. Many metropolitan regions are actively addressing affordable and workforce housing challenges in new and innovative ways. There are lessons that can be learned and programs that can be adapted for the unique context of Pottawattamie County. In fact, most of the strategies described in the previous chapter reflect an alignment of these concepts to the county’s rural context.

Ultimately, Pottawattamie County is ahead of the curve and will serve as a model to other rural places as programs and initiatives are successfully implemented.

Where do we go from here?

Pottawattamie County has many programs and relationships in place that will support implementation, including the Pottawattamie County Housing Trust Fund, and ongoing collaboration with Iowa West Foundation and MAPA, Advance Southwest Iowa Corporation activities, and WIDA. However, it is critical to be strategic about how different approaches are implemented over the next several years.

It is neither prudent nor practical to implement all of the strategies at one time. Rather, we recommend phasing various programs and initiatives over time in order best leverage finite resources.

The graphic on page 28 illustrates a recommended implementation framework. It is organized to demonstrate the need for early action as well as initiating longer term strategies. There is a need to address the challenges early on through capitalizing new programs and modifying policies to better support workforce housing development. As early successes occur and capacity is built, the breadth of what is offered should be expanded to include a wider variety of production tools. A long-term goal is to set the cities up for ongoing success, which includes securing land for development.

The specific programs or initiatives listed in the framework graphic are an example of what implementation could look like over the next decade. It is important that Pottawattamie County, the cities, and their partners work together to determine which strategies make the most sense for the community. There are

certain programs that may not work in the current context, or may not work in year one or two, but might in year five after the organizational infrastructure is built to support this work.

For instance, one of the recommendations is a land acquisition fund. It is important to know what land might be available for workforce housing for this fund to be effective. One of the key challenges in most of the cities is the lack of available developable land, so an acquisition fund may not be effective until potential sites are identified.

Set the Table

The goal of the first two to three years of efforts should be to expand capacity to address housing needs, change existing or create new policies to support workforce housing development, solidify partnerships, and create pilot programs or funds to address the economic gap that currently exists.

With expanded staff capacity, for instance, early actions should focus on implementing a new gap funding program, perhaps administered through the Pottawattamie County Housing Trust Fund. At the same time, staff should work with individual cities to identify regulatory limitations to acceptable housing types like townhomes that would help meet workforce housing needs, and provide model regulatory language that cities can adopt.

As relationships are built, it is important to lay the foundation for long-term impact. This includes helping individual cities identify potential housing sites, working with landowners on estate planning and possible disposition of land that would support housing development, and setting up

metrics to help evaluate progress over time.

Expand the Breadth

The intent of this next level of effort is to build upon the early successes and expanded capacity by introducing new programs that broaden the resources that communities and developers have to produce workforce housing.

Solidify the Strategy

Thinking long-term, it is important to secure housing development opportunities. This is where the early efforts to build relationships and work with large property owners on estate planning, land donations, or selling portions of their land will pay off.

Next Steps

In many ways, this study represents the first step in addressing workforce housing needs. It identifies the scale of the need and strategies that can be employed to meet those needs over time. However, the work of meeting the workforce housing needs in Pottawattamie County is just beginning. It is imperative to move toward implementation in a way that makes sense for the county, the cities, and their many partners.

An implementation plan should be created, and recommended action steps are summarized in a separate memo.

Recommended Strategy Implementation Phasing

SET THE TABLE

- Build Capacity
- Establish Policy Framework
- Pilot New Program (Funds)
- Create Early Success

EXPAND THE BREADTH

- Expand Resources
- Increase Production
- Align with Existing Programs

SOLIDIFY THE STRATEGY

- Secure Long-Term Opportunities

Funded Staff Position
Model Zoning Regulations

Gap Funding Program
Real Estate Tax Policy

Industrial Foundation
Model

Equity Fund
Predevelopment Loan

Low / Zero Interest Loan
Loan Guarantees

State Programs

Land Donations

Acquisition Fund

SHORT TERM

MID TERM

LONG TERM

New and Ongoing Efforts

Evaluate Zoning Regulations
Estate Planning

Identify Potential Housing Sites

Program Evaluation

Continued Efforts

CITIES Program
Industry Recruitment

Civic Projects
Infrastructure Programs

Community
Development

Footnotes

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