



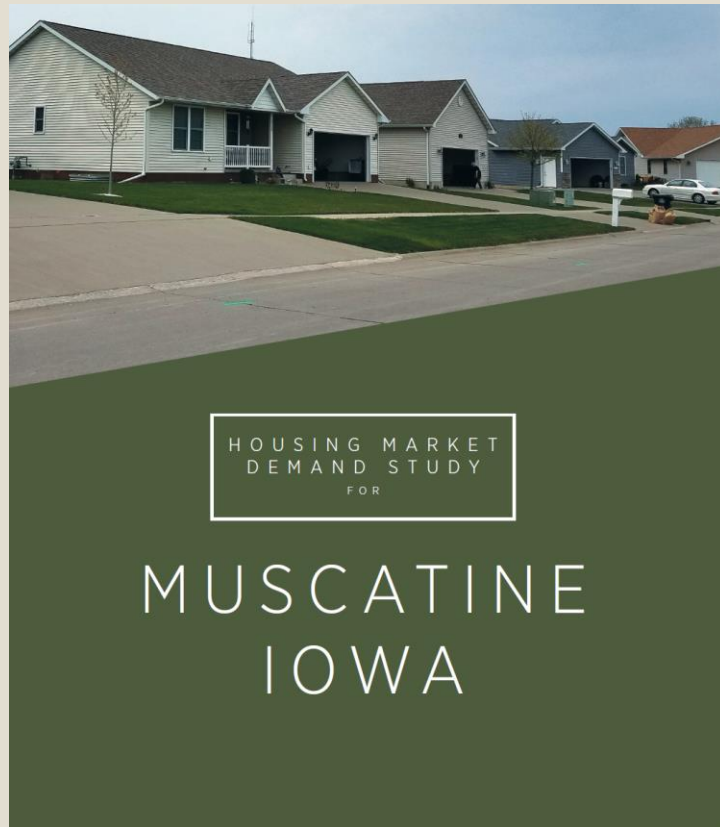
MAKING MUSCATINE BETTER: INCREASING ACCESS TO HOUSING TO IMPROVE QUALITY OF LIFE IN MUSCATINE

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Summary

- Muscatine is desirable community to live in
- It has a good economic base, decent schools and good amenities
- But housing costs are high, housing supply is meagre
- Increasing the supply of housing can improve quality of life in Muscatine

Recent Housing Demand Study



Role of housing for a good quality of life

- Housing for Economic Development
- Housing for Optimal School performance
- Housing for Health

Housing & Economic Development

Availability of decent, reasonably-priced housing

is important for a diverse labor pool

is a very important factor in location of new manufacturing and large businesses

Reasonably-priced ownership housing helps households build equity

Reasonably-priced rental housing helps households accumulate savings for down-payment and explore different neighborhoods and school districts before buying a home.

Construction of new housing

has a large economic base multiplier effect

Is an activity with few barriers to entry

Housing & School performance

Renter households that pay too much for housing:

- frequently move

- renter households are generally younger and have K-12 age children

- residential moves induce school mobility

- school mobility decreases childrens' performance on school test scores

Owner household with K-12 children that pay too much for housing:

- don't have enough resources for an enhanced educational experience

- if mortgage distress results in foreclosure then eviction, relocation and school change, all have significant negative effects on school performance and overall well-being of K-12 children.

Housing & Health

Owner households that pay too much for housing

May not have resources for proper upkeep of the homes (indoor air quality, energy costs, safety, appearance, home value)

May not have enough disposable income to pay for health expenses after paying housing expenses.

Renter households that pay too much for housing

May not have access to decent quality housing options (indoor air quality, energy costs, safety)

May not have enough disposable income to pay for health expenses.

What is reasonable cost housing?

Ownership housing that costs less than 30% for households (mortgage, interest, taxes, utilities and property insurance)

Rental housing that costs less than 30% for households (rent, utilities, and renters insurance)

Households that pay over 30% of income are deemed housing cost-burdened

Households that pay over 50% of income are deemed extremely cost-burdened

Households that are at or under 80% of Area Median Income

Median income in 2000 = \$38,122 (\$52,896)

Median income in 2016 = \$51,597 (IA median \$56,247)

80% AMI in 2016 = \$41,278

50% AMI in 2016 = \$25,799

30% AMI in 2016 = \$15,479

Housing Affordability Trends

- Trends in housing affordability in the US
- Trends in Housing Affordability in Iowa
- Foreclosure Trends in Muscatine

Housing Cost-burden in Muscatine

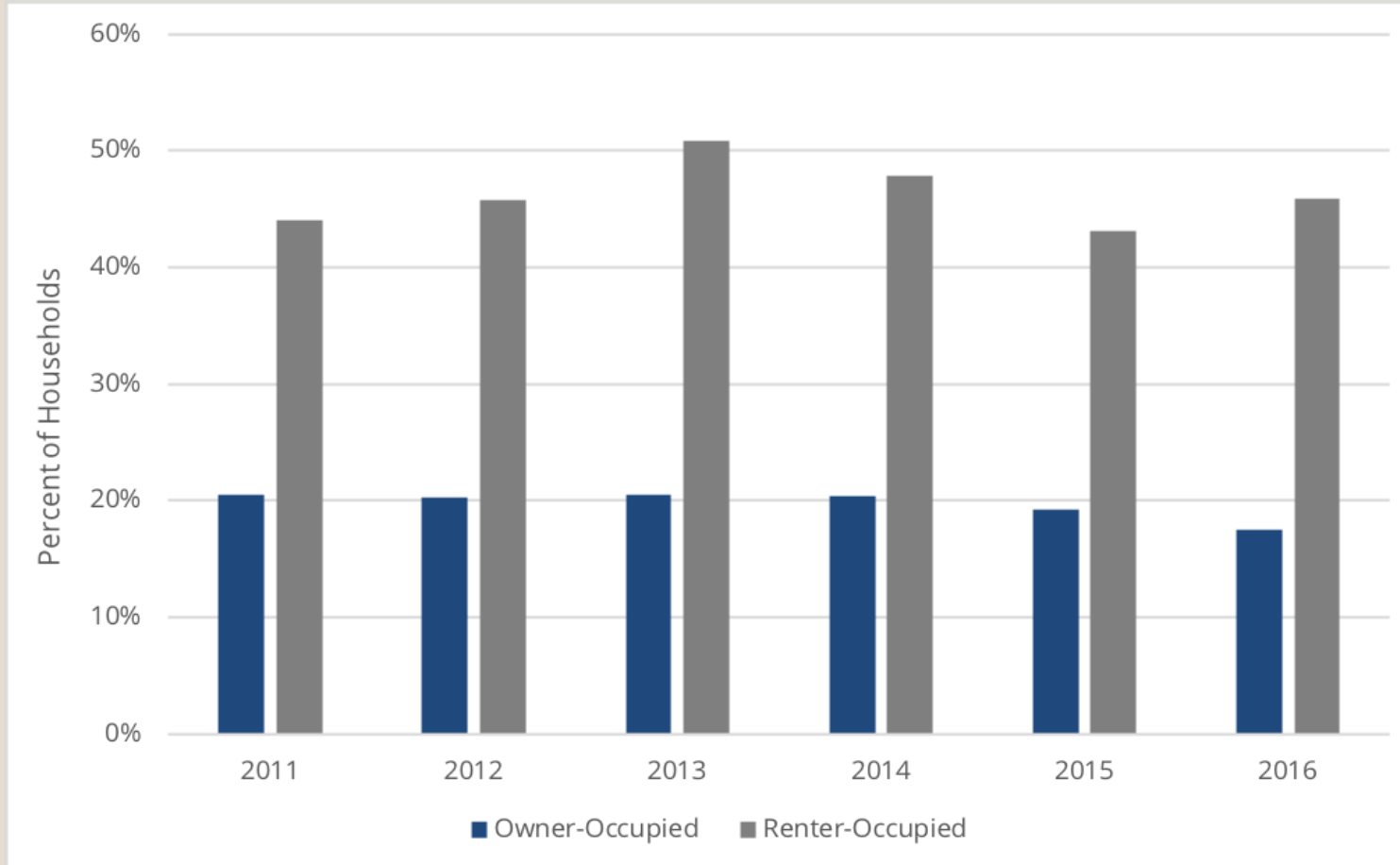


Figure 8: Source: Cost-burdened households American Community Survey- 2011, 2012, 2013, 2014, 2015 and 2016

Housing Cost-burden in Muscatine

Cost Burdened Households						
Year	2011	2012	2013	2014	2015	2016
Owner Units						
Total Units	6,427	6,212	6,274	6,477	6,303	6,403
Cost Burdened: Owner	1,312	1,280	1,324	1,279	1,197	1,121
Owner-Occupied	20%	20%	20%	20%	19%	17%
Renter Units						
Total Units	2,794	3,028	2,940	2,936	3,015	2,954
Cost Burdened: Renter	1,300	1,380	1,491	1,405	1,304	1,260
Renter-Occupied	44%	46%	51%	48%	43%	46%
Total Units						
Total Occupied Units	9,221	9,240	9,214	9,413	9,318	9,357
Total Cost Burdened Units	2,612	2,660	2,815	2,684	2,501	2,381
Total	28%	29%	31%	29%	27%	25%

Source: American Community Survey- 2011, 2012, 2013, 2014, 2015 and 2016

Housing Cost-burden in Muscatine

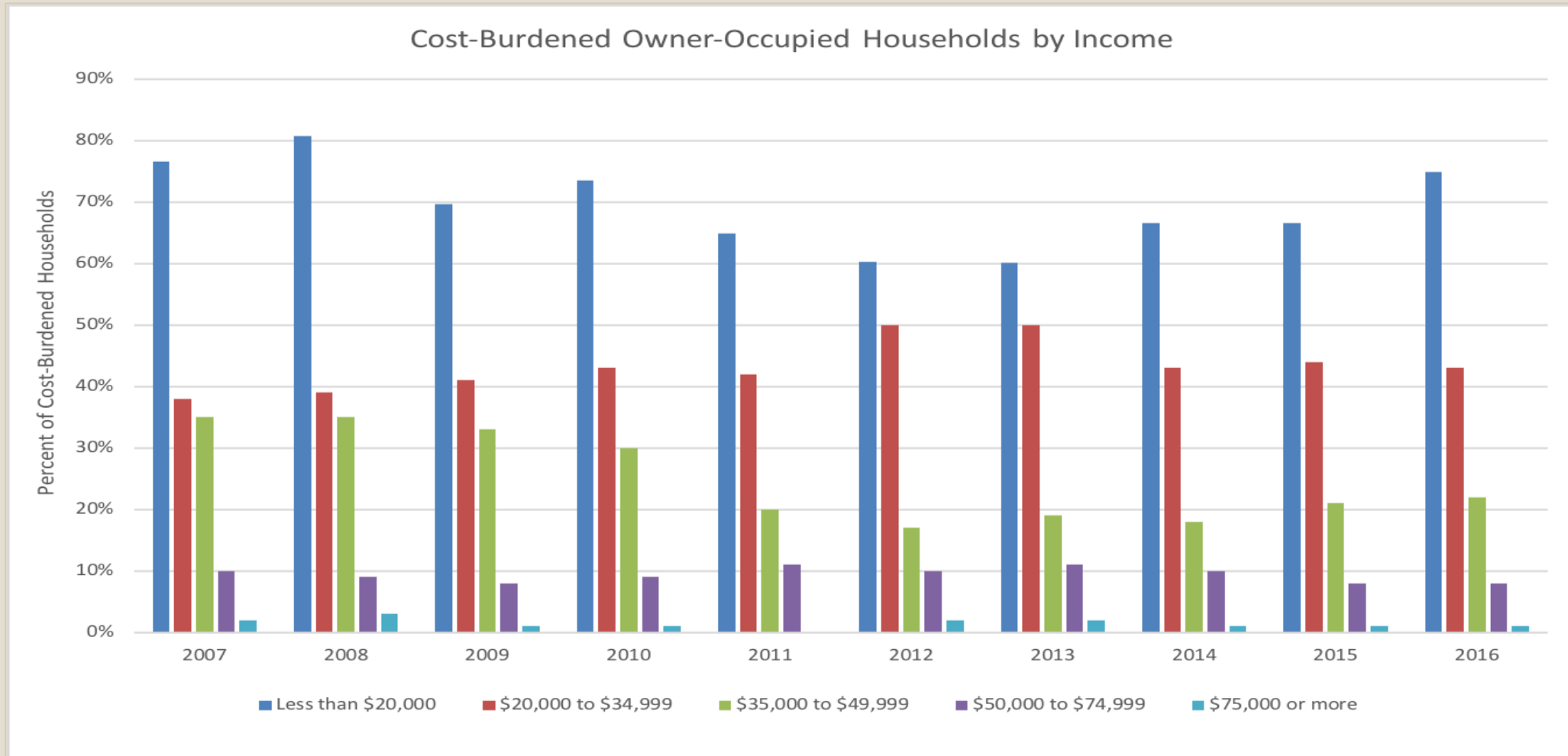


Figure 9: Owner-occupied cost-burdened households by income (Source: American Community Survey 2003 – 2015)

Housing Cost-burden in Muscatine

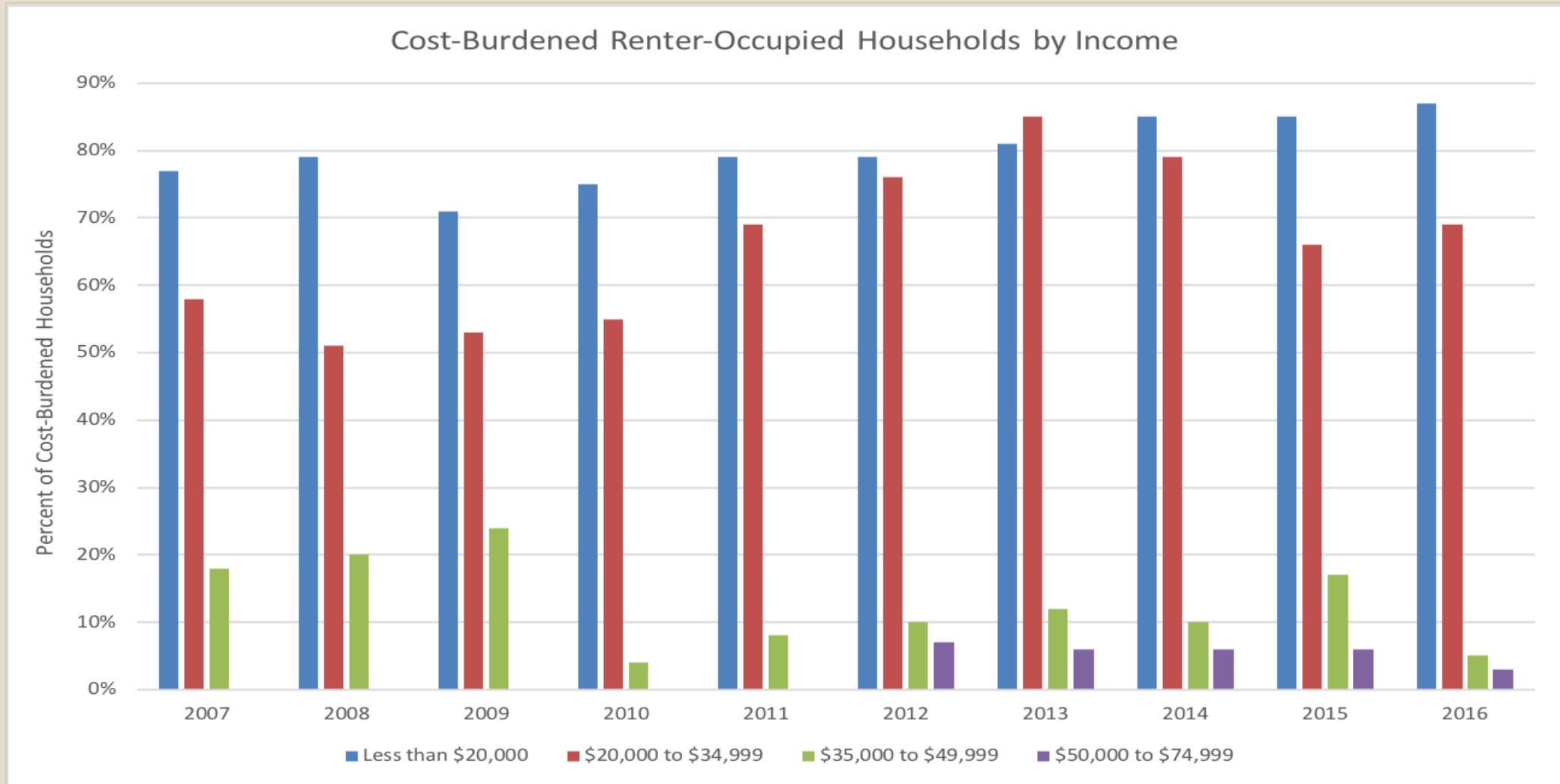
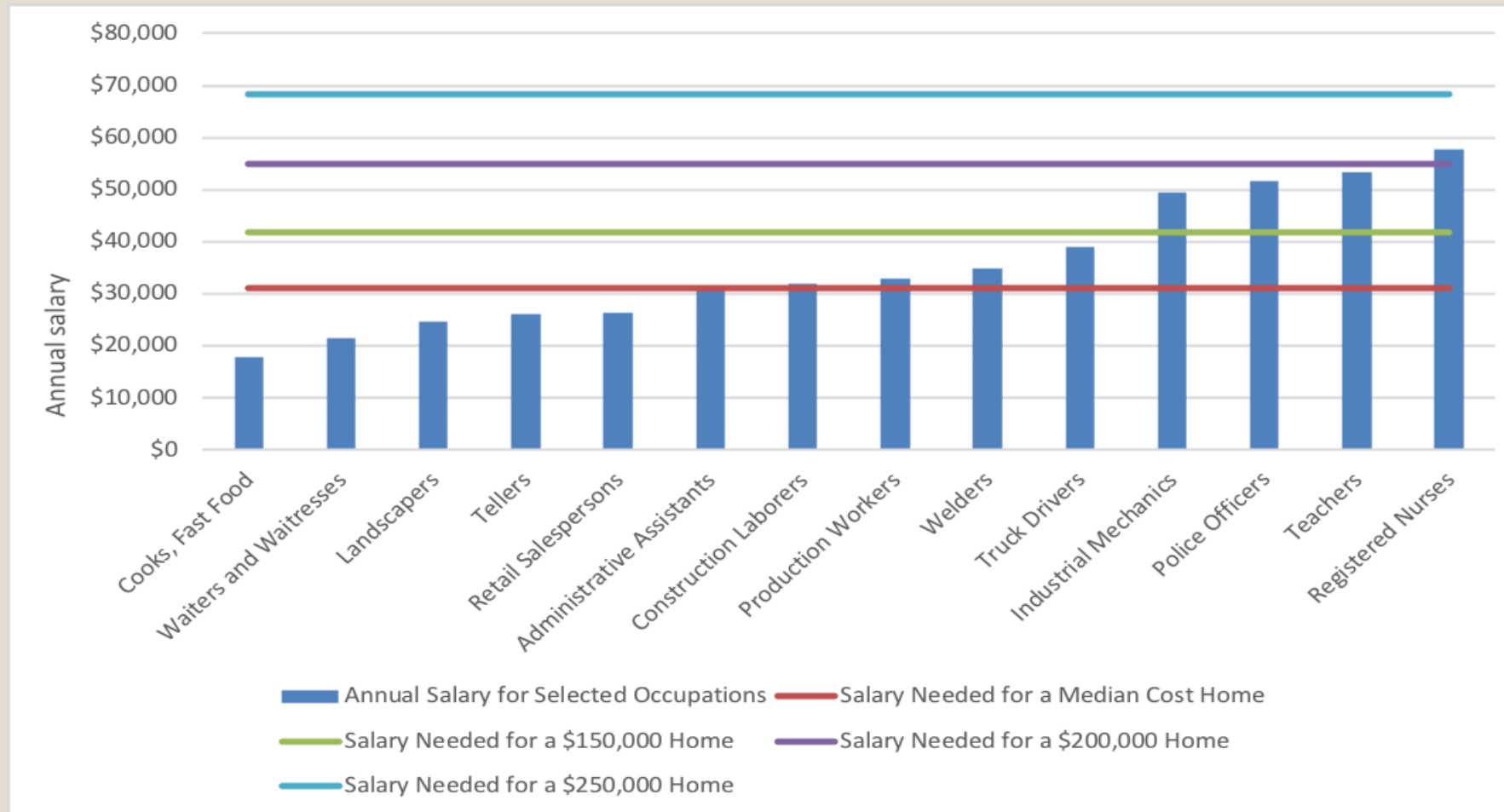


Figure 10: Renter-occupied housing cost-burdened households by income (Source: American Community Survey 2003 – 2015)

How affordable is housing in Muscatine?

Scenario A

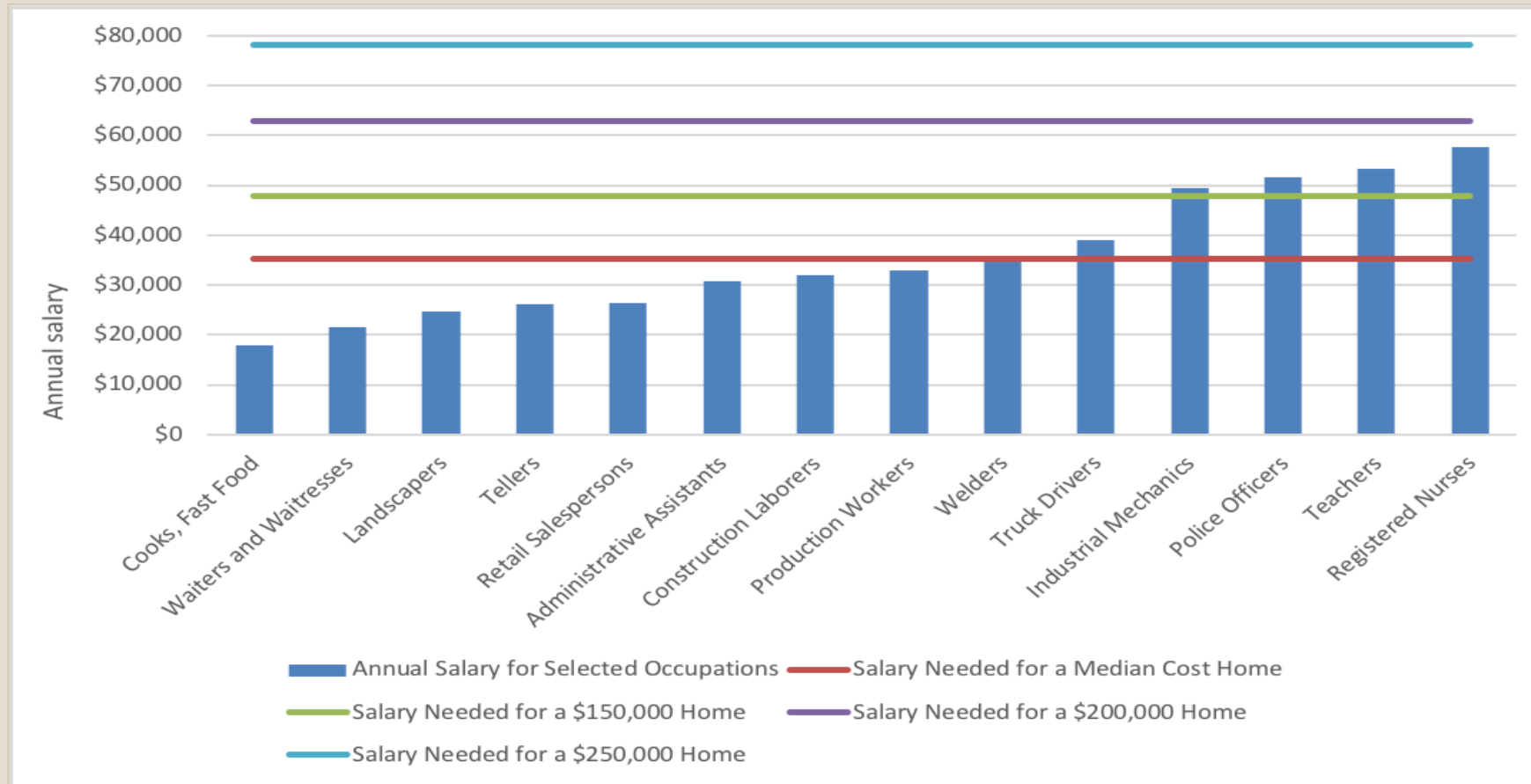


Assumptions

- 20% down-payment
- 4.5% interest rate
- 15% of monthly housing costs are for utilities
- Insurance costs

How affordable is housing in Muscatine?

Scenario B



Assumptions

- 3% down-payment
- 4.5% interest rate
- 15% of monthly housing costs are for utilities
- Insurance costs

Figure 4: Annual salary needed to afford a home with 3% down payment at 4.5% interest

How affordable is housing in Muscatine?

Rental housing

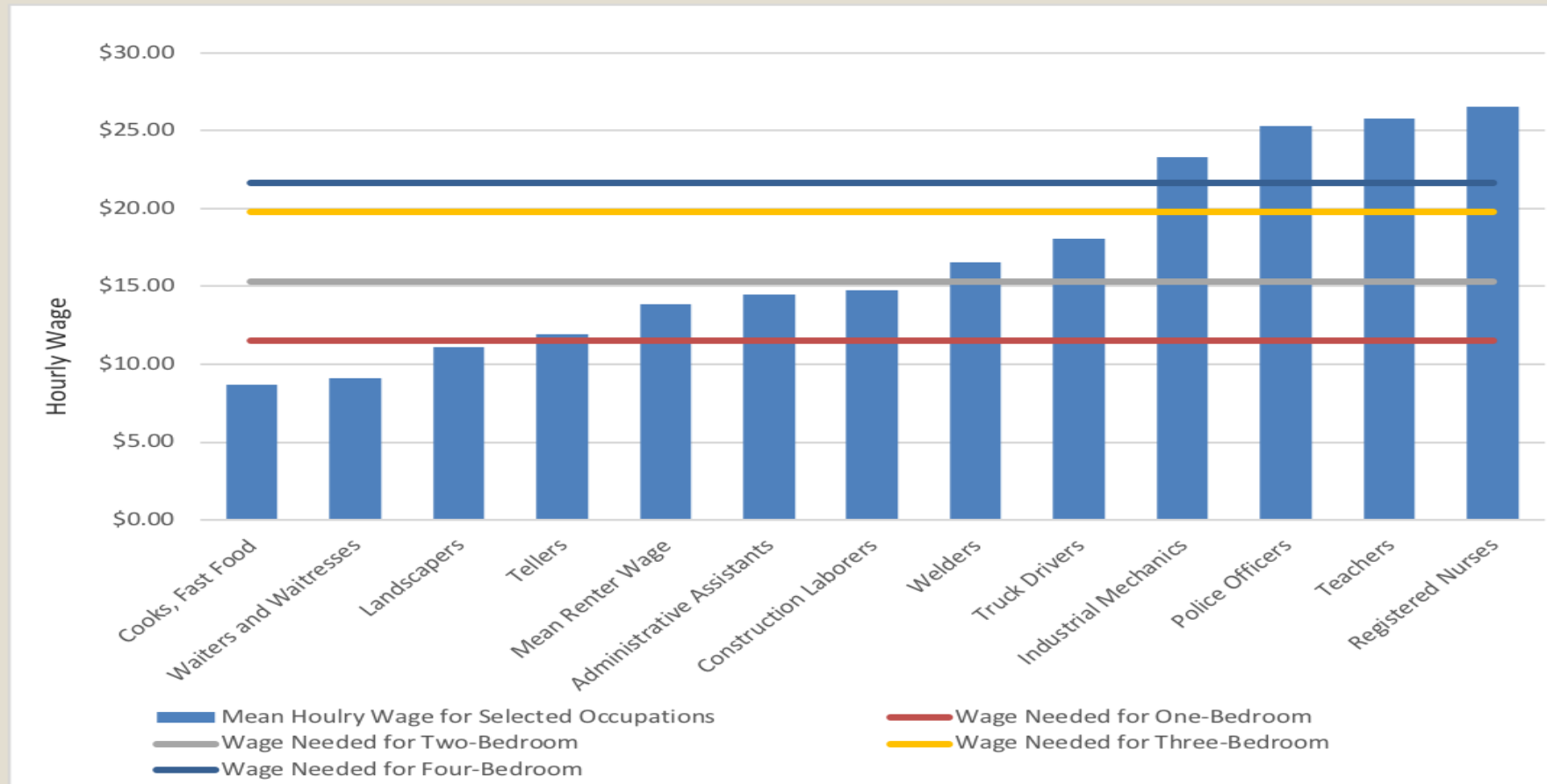


Figure 5: Hourly wage needed to afford rental units at different sizes

Housing Affordability in Comparison

	% 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, Muscatine Housing Demand Study

Key problems in Muscatine's housing market

- Low supply of new units
- Aging housing stock
- Lack of variety in existing and new housing stock --
diverse options demanded by consumers

Housing supply in Muscatine

Selected Housing Characteristics						
Year	2011	2012	2013	2014	2015	2016
Total Units	9,981	9,954	10,048	10,370	10,169	10,221
Households	9,176	9,240	9,214	9,413	9,318	9,357
Vacant Units	805	714	834	957	851	864
Vacancy Percent	8.1%	7.2%	8.3%	9.2%	8.4%	8.5%
New Units by Year	16	17	70	41	13	33
Source: American Community Survey- 2011, 2012, 2013, 2014, 2015 and 2016						

Housing Supply in Muscatine

New Residential Units			
	Single-Family	Multi-Family	Total
2010	24	12	36
2011	15	1	16
2012	17	0	17
2013	10	60	70
2014	33	8	41
2015	13	0	13
2016	3	30	33
	115	111	Total 226
Source: Muscatine Housing Market Demand Study			

Age of housing in Muscatine

Year Structure Built and Median Values by Age			
	Total	Percent	Median Value (\$)
	10,221	100%	
Built 2014 or later	0	-	-
Built 2010 to 2013	21	0.21%	-
Built 2000 to 2009	687	6.72%	\$170,900
Built 1990 to 1999	859	8.40%	\$104,900
Built 1980 to 1989	574	5.62%	\$132,400
Built 1970 to 1979	1,791	17.52%	\$135,100
Built 1960 to 1969	1,114	10.90%	\$129,800
Built 1950 to 1959	854	8.36%	\$114,300
Built 1940 to 1949	596	5.83%	\$86,100
Built 1939 or earlier	3,725	36.44%	\$91,900
Median	1958		\$109,000

Source: 2012-2016 American Community Survey

Potential new residents in Muscatine



Figure 7: Source: U.S. Census, On the Map Application and Muscatine Housing Demand Study

K-12 Students' performance

Muscatine Community School District 2016 - 2017 State Assessment Scores									
Grade	Subject	Percent Proficient	State		Difference				
3rd	Reading	75.4	75.4		0				
	Math	76.3	77.9		-1.6				
4th	Reading	69.5	75.3		-5.8				
	Math	70.3	78.4		-8.1				
5th	Reading	73.5	76.1		-2.6				
	Math								
6th	Reading								
	Math		Subject	English	Math	Reading	Science	Combined	State
7th	Reading		2013	21.4	20.8	22.7	22.6	22	21.7
	Math		2014	21.1	20.2	22.6	22.1	21.7	
8th	Reading		2015	20.6	20.2	22	21.6	21.2	
	Math		2016	18.1	18	20.2	20	19.2	
11th	Reading		2017	18.1	18.6	20.2	19.9	19.4	
	Math								
Source: Iowa Department of Education			Source: Iowa Department of Education						

Increasing the supply of reasonably-priced housing [from 30/year to 60/year]

The Private sector

Informing -- more conversations about the need for housing, dissemination of housing needs studies

Enabling -- changes to the zoning code (smaller lot zoning, more multi-family locations, scattered throughout the community, more flexibility)

Incentivizing

Creative financing

The Non-profit sector

More funding support

Public sector

Increasing local funding for housing programs

Housing supply price points

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

Suggestions for next steps

Goal – Stimulate new residential construction by providing builders incentives to bridge the cost gap between existing homes and new construction.

Funding – Utilize bonding capacity to create a fund of stimulus dollars

Cost Effectiveness -- Investment will be recouped over time through additional property tax revenue

Suggestion for affordable single family home

Basis of Design: 3 Bedroom/2 Bath; 1600-2000 Square Feet ; Attached Garage

Market Price of Existing Home: \$120,000

Cost to Build New:

- Structure: \$148,000 (Source – RS Means Square Foot Data)
- Land: \$10,000
- Total: \$158,000
- Difference between new and market rate: \$38,000

Subsidy Option 1:

- City Provides Land: \$10,000 City Provides 50% Development Incentive: \$9,000
- Sale Price of New Home: \$139,000 (\$940/month) City Recoups in about 10-11 years

Subsidy Option 2 (Energy Star):

- City Provides Land: \$10,000 City Provides 100% Development Incentive: \$18,000
- Sale Price of New Home: \$120,000 (\$900/mo) City Payback Time: 18 Years recoup time 9 Years

Suggestions for new affordable duplex housing

Basis of Design

- **2 Bedroom 1 Bath Duplex ; 1000 Square Feet ; Attached Garage**

Cost to Build New

- Structure: \$212,500 (Source – RS Means SF Data) Land: \$10,000
- Total: \$222,500 Cost Per Unit : \$111,250 (\$750/mo)

Subsidy Option 1:

- City Provides Land: \$5,000 City Provides 50% Development Incentive: \$5270
- Sale Price of New Unit: \$101,000 City Payback Time: 8 Years

Subsidy Option 2 (Energy Star):

- City Provides Land: \$5,000 City Provides 100% Development Incentive: \$10,540
- Sale Price of New Home: \$101,000 City Payback Time: 13.4 Years

Increasing energy efficiency of homes

Energy costs in an average home:

Purchase Price: \$120,000 Annual Property Tax: \$2,500

Annual Energy Cost: \$2,325 Monthly Housing Cost: \$961

Energy costs in an energy efficient home:

Purchase Price: \$150,000 Annual Property Tax: \$2,900

Annual Energy Cost: \$1000.00 Monthly Housing Cost: \$961

Improve existing owner housing

The city could provide matching grants to homeowners who are willing to take advantage of state and federal energy efficiency upgrades

- Provide better explanation and marketing to demonstrate that savings in utility bills can cover the costs of improvements
- Research refunds and rebates through utility company

Maintain quality of rental housing stock

Ensure the quality of existing rental housing stock by stringently implementing an annual inspection program.

- Salaries of inspectors can be paid from inspection fees. Data indicates that there are around
- Inspector could also make spot checks and recommendations for energy improvements to landlords along with information on existing programs.

Funding

City of Muscatine Bonding Capacity			
Debt Service-Total Taxable Valuation	Total Bonding Capacity (5%)	Current Bond Totals	Remaining Bonding Capacity
\$913,442,529	\$45,672,126	\$37,650,000	\$8,022,126
Source: Iowa Department of Management 2018			

Thank you!

