

# Affordable Rural Rental Homes: Housing Your Workforce and Your Grandma



New Partners for Smart Growth / St. Louis  
February 4, 2017 / Dan Carmody

# Vacancy rates of 50% or higher

## Common in Rural Communities



A major concern in  
virtually every Main Street  
town.

# Typical Building on Main Street

## DIY Developers



Two to three stories

2,000 – 5,000 sq. ft.

Masonry bearing wall structure

# Who's job is it?



- Many of these buildings are relatively small scale: 3,000 to 10,000 sq. ft.
- Professional developers rarely look for buildings under 30,000 sq. ft.
- Every community has to do it themselves.

# Development is a Team Sport

## Mirco Development



**Owner/  
Developer**

**Main  
Street  
Director**

# 4 Point Training Session

- Making a Market for Upper Floor Housing
- Assessing Building and Capacities
- Finance and Pro Forma
- Case Studies

18 presentations in 14 states since 2005



# Rich History and Great Stories



# Different Qualities of Life

Walkability, Farmers' Markets, and Third Spaces





# Leverages Previous Investment

## Streetscapes, Facades, & Parking Lots



# Demographics Drives Housing

21% of US households have school-age children

The most common household type found in 2010 US Census?

Couples with no kids

Second Place?

The Single Person



# Consumer Preferences Change

From family centric 1950's to diverse households



# Immigrants Drive Housing Demand

In Big Cities and Small Towns



# Hispanic Driven Revitalization

## Marshalltown, Iowa

- New Immigrant Groups
- 20% of the population is Hispanic
- Limited purchasing power now but will increase over time
- Hispanic groups are oriented to el centro and to becoming merchants



# Who's Living Downtown?

Singles, Couples, Empty Nesters



- **Building Owners**

- Thrifty
- Extravagant

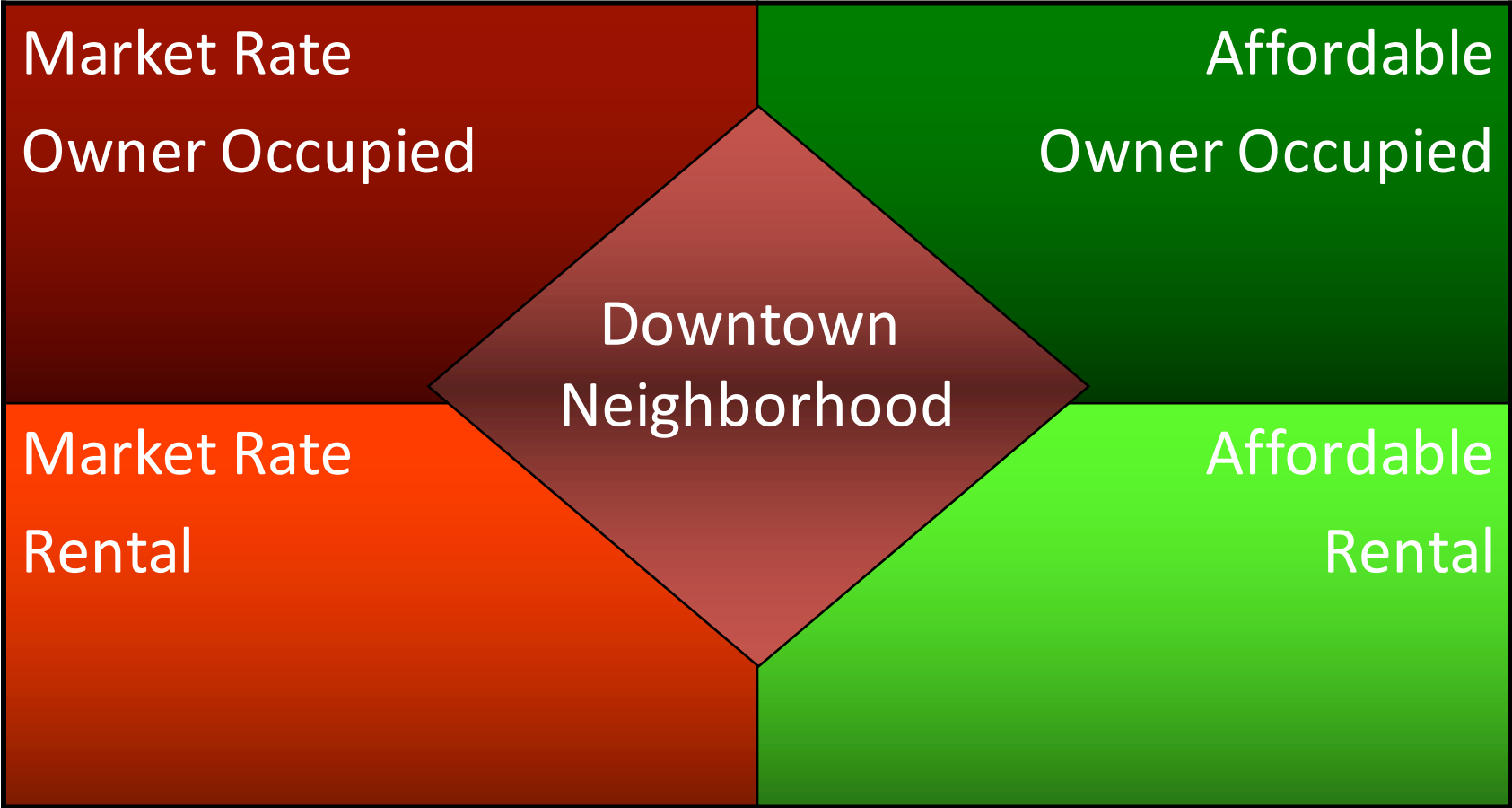
- **Rental Housing**

- Market rate
- Upscale
- Loft type
- Workforce housing
- Senior (old hotels)

- **Condos**

# Downtown is Everybody's Neighborhood!

Beyond Inclusion to Equity



# Government Housing

Section 8 Housing or Any Other Stigmatizing Name





# It's happening all across America

## In Cities and Towns of Every Size





# Many Ways to Fill the Gap

- Additional owner equity
- Historic or old building tax credit
- Brownfield Tax Credit
- Subordinated loans or grants – importance of local, simple solutions
- Reduce the scope of the project

# More than Cash Flow

## Other Project Benefits for the Property Owner

There are other financial benefits to owning real estate than cash flow:

- Tax Benefits
- Appreciation

An upstairs project provides unique benefits:

- Improving Value of First Floor Space
- Lower First Floor Utility Costs

# More than Cash Flow

## Other Project Benefits to Community Investors

Upper floor housing provides these direct impacts to improve the value of Main Street:

Greater safety from having more eyes on the street

Greater demand for goods and services.

Ten Years of Excellence: The Economic Impacts of Main Street Michigan, a study conducted by PlaceEconomics revealed the typical downtown couple will spend more than \$9,500 on goods and services beyond the \$9,00 in rent payments they make.

Every 10-15 residential units built supports one new retailer



Monthly Rent per unit	Allocation to Expenses	Monthly Net Operating Expenses (NOI)	Loan @ 7% 20 Yr Amort 5 Yr Balloon (c = .0931)
350	40%	210	27,068
400	40%	240	30,934
450	40%	270	34,801
500	40%	300	38,668
550	40%	330	42,235
600	35%	390	50,268
650	35%	422	54,458
700	35%	455	58,646
750	35%	488	62,836
800	35%	520	67,025
850	35%	552	71,214
900	35%	585	75,403
950	35%	617	79,592
1000	30%	700	90,225
1050	30%	735	94,737
1100	30%	770	99,248
1150	30%	805	103,759
1200	30%	840	108,270

# Rule of Thumb

How Much Debt  
Can You Service  
At Different  
Rents?



# Java Hut

13 North Vermilion  
Danville, 2003

Stories: Two

New use: Owner's  
residence.

Exits: One from second  
floor to the street

Square footage: 1800

\$ 56 sq. ft. / \$100,000



# Java Hut

13 North Vermilion / Danville, IL / 2003





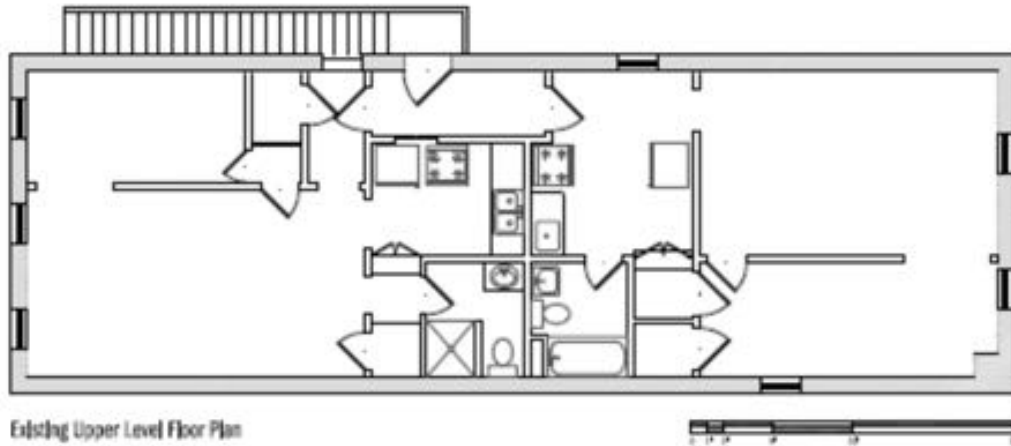
# 827 10<sup>th</sup> Street

Sidney NE

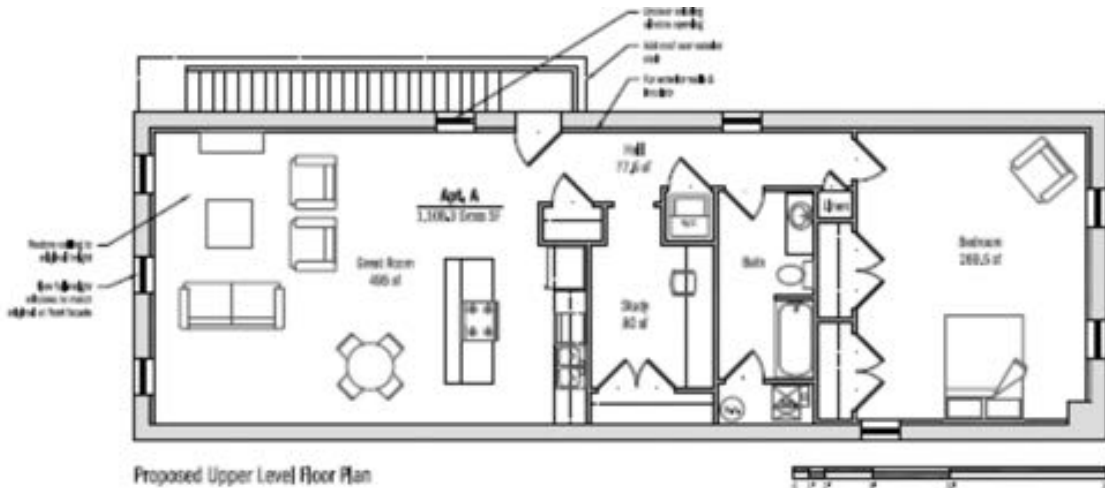


# 827 10<sup>th</sup> Street

Sidney NE



Convert  
from 2  
studios to  
1 one  
apartment



# Live Work Projects

## Work at many price points

\$300,000 – 500,000 per unit



\$300 – 500 rent per month



# Other Upper Floor Uses

Lodging / Hospitality



Calumet, MI

# Go Build A Great Town

## For More Information



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