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
- Local Government
  Zoning/Code
- Leasing
- Tax Accountant
- Appraiser
- Architect +
- Historic Preservation Consultant
- Historic Preservation Consultant
- Contractor +
- Financier
- Assessor
- SHPO/NPS

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

Market Rate
Owner Occupied

Affordable
Owner Occupied

Market Rate
Rental

Affordable
Rental

Downtown Neighborhood
Government Housing

Section 8 Housing or Any Other Stigmatizing Name
It’s happening all across America
In Cities and Towns of Every Size
What is the Gap?

• Expected income does not provide enough cash flow to service debt and/or provide a return on investment to the owner.

• The amount of conventional debt a unit can service provides a good measure of when and what level of public intervention is needed to assist with upstairs development.
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.
<table>
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<th>Monthly Rent per unit</th>
<th>Allocation to Expenses</th>
<th>Monthly Net Operating Expenses (NOI)</th>
<th>Loan @ 7% 20 Yr Amort 5 Yr Balloon (c = .0931)</th>
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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 10th Street
Sidney NE
827 10th 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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