

MASON CITY HOUSING INITIATIVE

Received February 2023

Adopted May 2023



Acknowledgments

The project team would like to acknowledge the contributions from public members of the community. We were fortunate enough to receive a great amount of feedback from the public through our open house meetings, online surveys, and small group dialogs. Members of the Steering Committee also gave countless hours of their time to share their ideas and expertise in the creation of this plan. It is the combination of the community and these leaders that will provide the spark for change and begin to see progress toward a more diverse housing market in Mason City.

Steering Committee Members

Robin Anderson	Mason City Chamber of Commerce
Brett Schoneman	Schoneman Realtors
Sara Rye	Clear Lake Bank & Trust
John Robbins	Cerro Gordo County Planning
Jacquelyn Arthur	Laird Law Firm
Jen Arends	United Way of North Central Iowa
Melissa Schoneberg	Habitat for Humanity of N Central Iowa
John Lee	Mason City City Council
Myrtle Nelson	North Iowa Area Council of Governments
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Completed with assistance from:



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Introduction

There is no shortage of articles and news segments highlighting the current national housing crisis impacting all levels of housing but especially the low to moderate income households – those making at or below the area median income. The City of Mason City identified this challenge and hired McClure's Community Development team to create a Housing Market Study and Needs Analysis. The intent of this study was to discover a meaningful sense of the Mason City housing market as well as an understanding of key housing issues for decision makers and community members. The goal was to provide a measured assessment of present and future unmet housing demand and a deeper understanding of the housing demand over the next five to ten years. The desired result is a basis for community leaders to plan housing policies, affordable housing strategies, and to meet the needs specific to the local economy and the community at large.

Process

Timeline:	May 2021 – December 2021
Steering Committee:	6 meetings
Public Input Sessions:	3 meetings
Public Participants:	300+ via surveys, public meetings, small group conversations



Former YWCA building located at the corner of West State Street and South Adams Avenue

WHAT'S TRENDING?













DEMOGRAPHIC TRENDS

- + DATA SOURCES
- + POPULATION SHIFT
- + EMPLOYMENT TRENDS
- + INCOME BY RACE
- + COMMUNITY TRENDS
- + HOUSING AFFORDABILITY

01

CHAPTER

By the Numbers

 <p>2.6% overall population decline since 2010</p>	 <p>2.9% unemployment rate in 2019 (pre-covid) <i>Slightly higher than statewide but considered "full employment".</i></p>	 <p>22.0% high level of education and health care</p>	 <p>16.4% level of employment in the manufacturing industry</p>
 <p>16.7% lower median household income than the statewide figure</p>	 <p>11.6% poverty rate (only 0.5% greater than the statewide figure)</p>	 <p>64.3% household owners <i>slightly lower than statewide figure of 71% owners</i></p>	 <p>35.7% household renters <i>slightly higher than statewide figure of 28.9% owners</i></p>
 <p>\$114,900 home value is lower than state level of \$147,800</p>	 <p>14.8% owner rate, higher than state level</p>	 <p>39.6% renter rate, higher than state level</p>	 <p>\$723 median monthly rent, slightly lower than statewide rate of \$789</p>

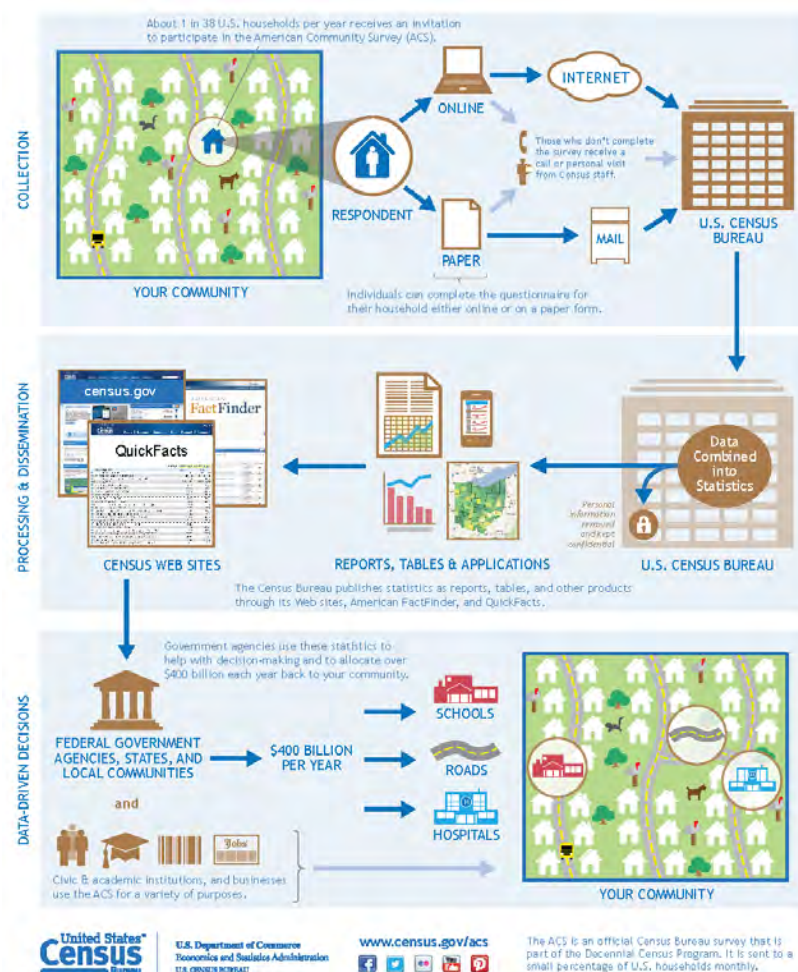
Data Sources

The United States Census is conducted every ten years to update information through census tracts. The decennial census supplies information that shows both past trends of a community and helps to prepare for its future. Starting in 2010, the Census created a shortened 10-question form that goes out to every household to be completed and returned every 10 years.

American Community Survey (ACS)

The American Community Survey (ACS) is an ongoing statistical survey that samples a small percentage of the population every year, replacing the extended census form completed every 10 years. **Figure 1** below depicts the American Community Survey process. The survey asks about age, sex, race, family and relationships, income and benefits, health insurance, education, veteran status, disabilities, place of work, mode of transportation, place of residence and costs for essentials. These surveys are combined with previous years' surveys to form a composite estimate. ACS statistics give the community relevant information they need to plan for investments and services. This annual program has five-year estimates that give a more accurate account of local data and trends. The ACS has a margin of error, but it is the most accurate and recent information available without conducting a full community survey or waiting until the next Census.

Figure 1: American Community Survey Process

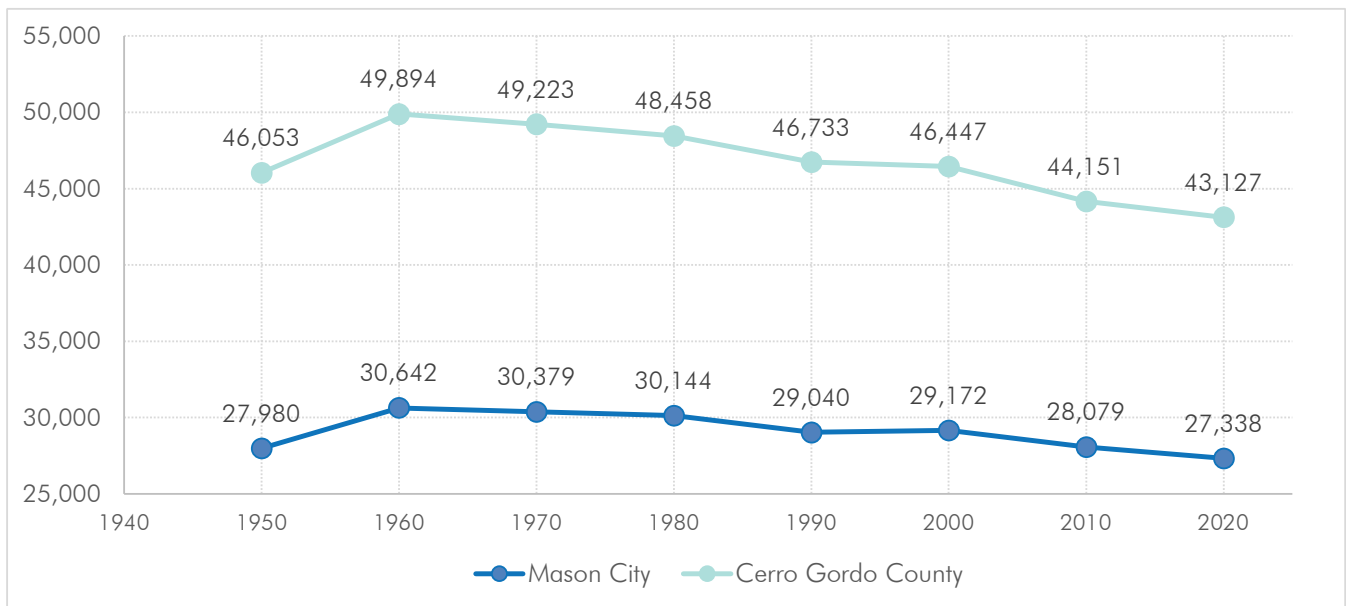


Demographic Shift

Population Trends

The basis for any housing study is understanding the population trends and then breaking down the data by other characteristics to determine the housing needs of the community. For Mason City, the population in 2000 was 29,330 people but has since experienced a decline – from 28,079 people in 2010 to 27,338 people in 2020. Over the past decade the population declined by -2.027% annually. During this same period, Cerro Gordo County also experienced a decline. However, the share of Mason City's population loss – 741 people- accounted for 72% of the county's overall decline versus 48% in the past two 10-year periods. More people are choosing to live elsewhere in the county, whether that's just outside the Mason City's jurisdiction or in another community within Cerro Gordo County.

Figure 2: Population Change 1950 - 2020



Source: US Census Bureau 1950 - 2010; ACS Five-Year Estimates 2019

Age Cohort Comparison

There are three primary age groups or cohorts in which people can be categorized – Adolescent (birth to 19), Workforce (19 to 59), and Seniors (60+). Each cohort represents a different set of housing needs, as Adolescents and their families will require more bedrooms than empty nesters in the Senior cohort. When comparing the 2010 Census data to the 2019 American Community Survey (ACS) Five-Year Estimates, some key trends emerge:

- The Senior cohort experienced positive net growth of 1,184 people, representing an 18% increase over the 2010 cohort total.
- On the other hand, the Adolescent cohort experienced a decline of 792 people representing a decline, and the Workforce cohort lost 1,317 people, representing 9.0% decline.
- The age shift to Seniors raised the median age from 39.9 years old in 2010 to 43 years old in 2019.

Table 1: Age Cohort Comparison - 2010 & 2019

	AGE GROUP	2010 POPULATION	2019 POPULATION	CHANGE 2010 - 2019	COHORT TOTAL CHANGE
ADOLESCENT	0 to 5	1,802	1,381	-421	-792
	5 to 9	1,534	1,327	-207	
	10 to 14	1,755	1,810	55	
	15 to 19	1,985	1,766	-219	
WORKFORCE	20 to 24	1,797	1,631	-166	-1,317
	25 to 34	3,332	3,451	119	
	35 to 44	3,438	2,917	-521	
	45 to 54	4,243	3,336	-907	
	55 to 59	1,883	2,041	158	
SENIORS	60 to 64	1,432	1,866	434	1,184
	65 to 74	2,170	3,021	851	
	75 to 84	2,055	1,661	-394	
	85+	699	992	293	

Source: US Census Bureau 2010; ACS Five-Year Estimates 2019

Income by Race

There are significant disparities in the homeownership rate by race and ethnicity across the nation. Mason City can help identify and address these disparities by better understanding the breakdown of race and ethnicity in their community. When compared to the state of Iowa figures, Mason City mirrors what is seen at the state level with a predominantly white population – 88.6% locally and 85.7% for Iowa. The share of Hispanic and Latino people is also very similar with 6.3% in Mason City and 6.0% statewide. The remaining segments of the population are much more varied. For example, the population that identifies as Asian accounts of 0.7% locally and 2.4% statewide.

Figure 3: Mason City | Race/Ethnicity Totals

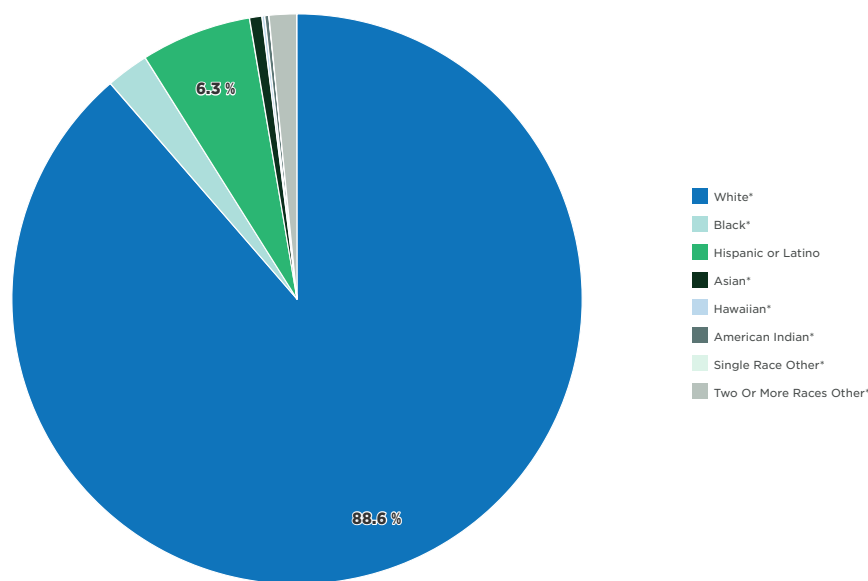
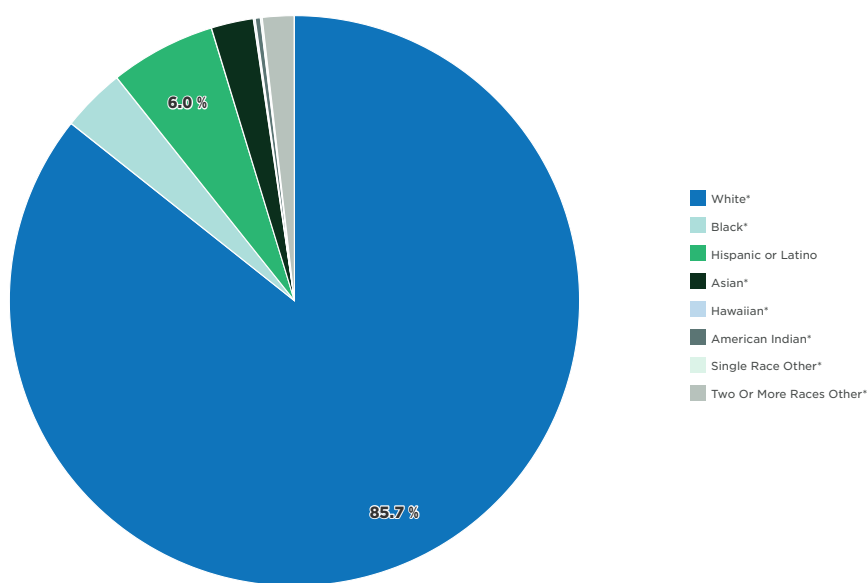


Figure 4: Iowa | Race/Ethnicity Totals



Household Size

Household size for Mason City has been below that of the statewide average at least since 1990 when there were 2.51 persons per household on average statewide, versus 2.35 within the city. Both the local and statewide figure has slowly declined since this time down to where it's at today, 2.4 persons per household at the state level versus 2.1 persons per household in Mason City. At the same time, the number of total households has increased from 12,108 in 1990 to 12,546. The result is more physical housing units with less population living in Mason City. The cohort comparison can help explain this phenomenon a bit with a larger share of the population in the Senior cohort, with typically households of one or two people. We're also seeing smaller numbers in the Adolescent and Workforce cohorts that typically make up the larger households.



Average Household Size

2.1

People

Mason City, IA

2.2

People

Cerro Gordo County, IA

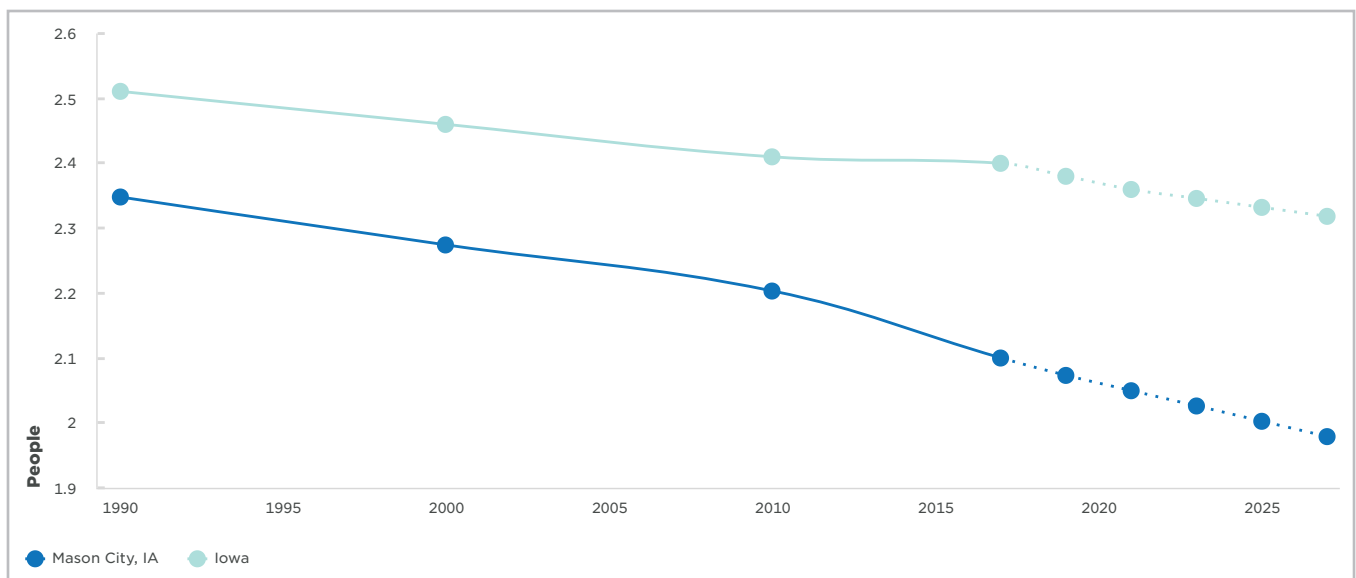
2.4

People

Iowa

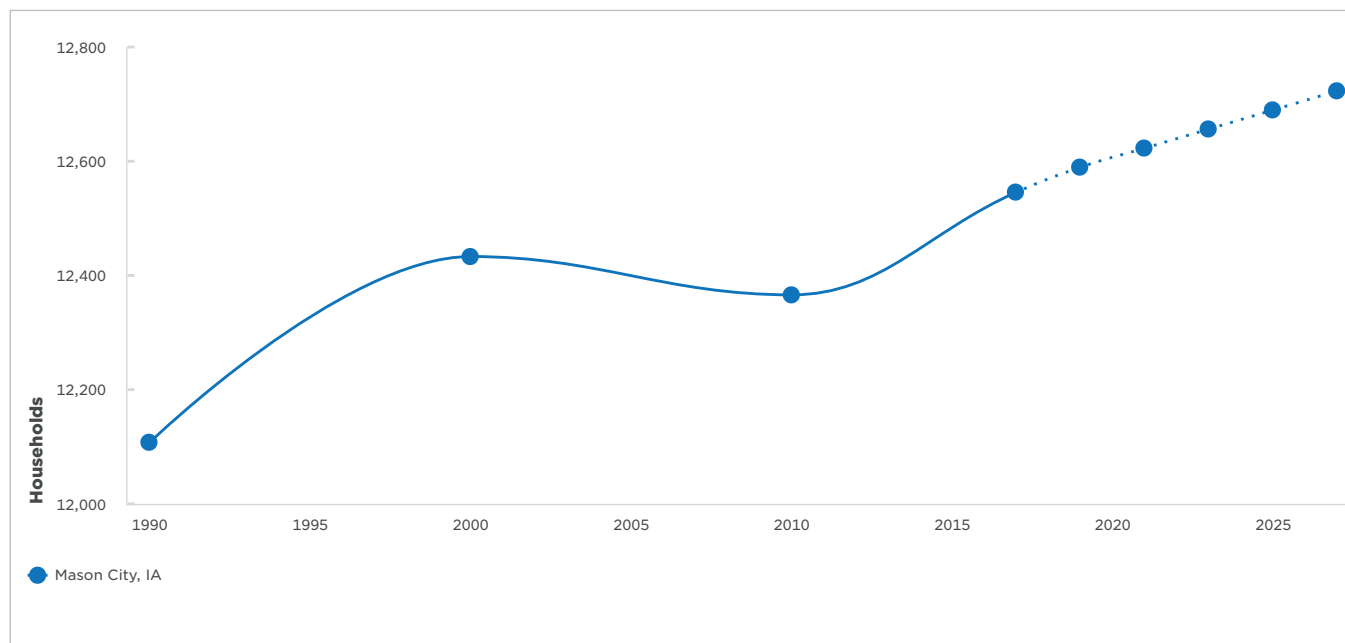
Sources: US Census Bureau ACS 5-year 2015-2019

Figure 5: Average Household Size



Source: US Census Bureau 1950 - 2010; ACS Five-Year Estimates 2019

Figure 6: Total Number of Households



Source: US Census Bureau 1950 - 2010; ACS Five-Year Estimates 2019

Employment Trends

Labor Force Participation

Mason City's labor force participation rate is on par with that of Cerro Gordo County and the state overall. As a result of the Great Recession, Mason City experienced a long decline in the number of people employed, with a trough in 2015 with 14,569 people employed and rebound peaking in 2019 with 15,082 people employed. However, unemployment rates dropped precipitously during the same period from 7.2% in 2009 to 2.9% in 2019. One caveat is the impact of the Covid-19 pandemic that pushed labor force participation down to 2014 figures and unemployment upwards to 5.7%, the highest it has been since 2012.

Labor Force Participation Rate

66.4%

Mason City, IA

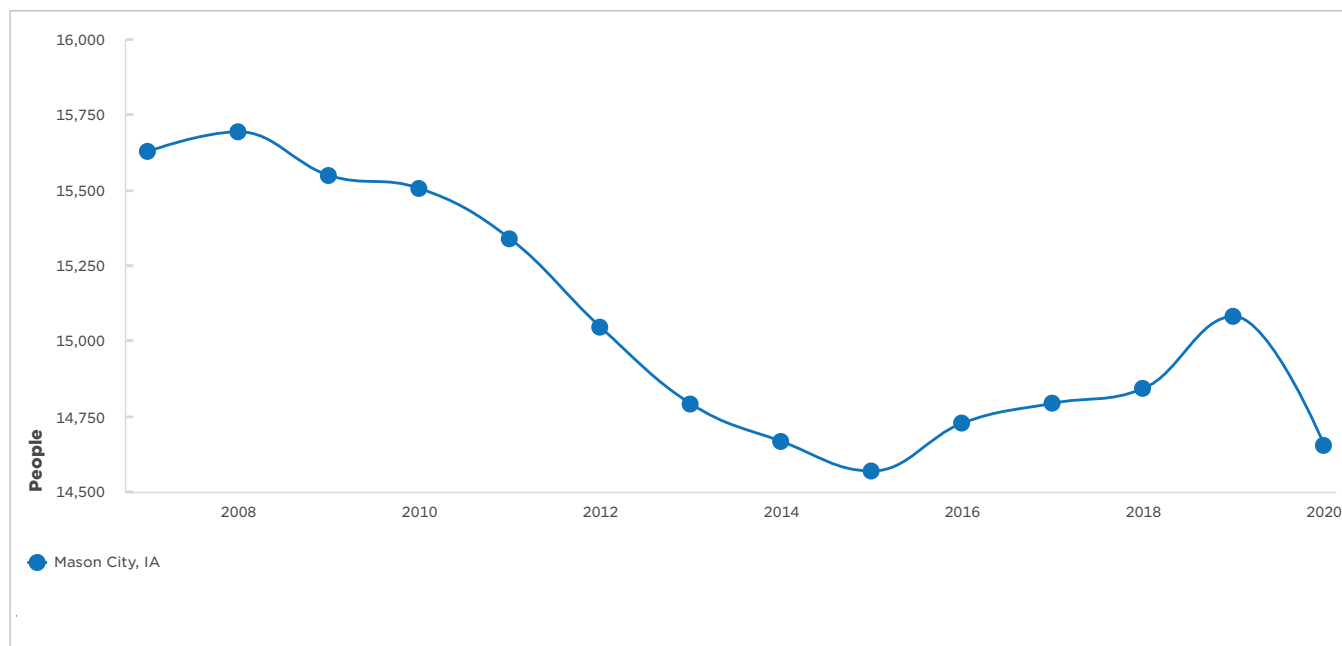
66%

Cerro Gordo County, IA

67.3%

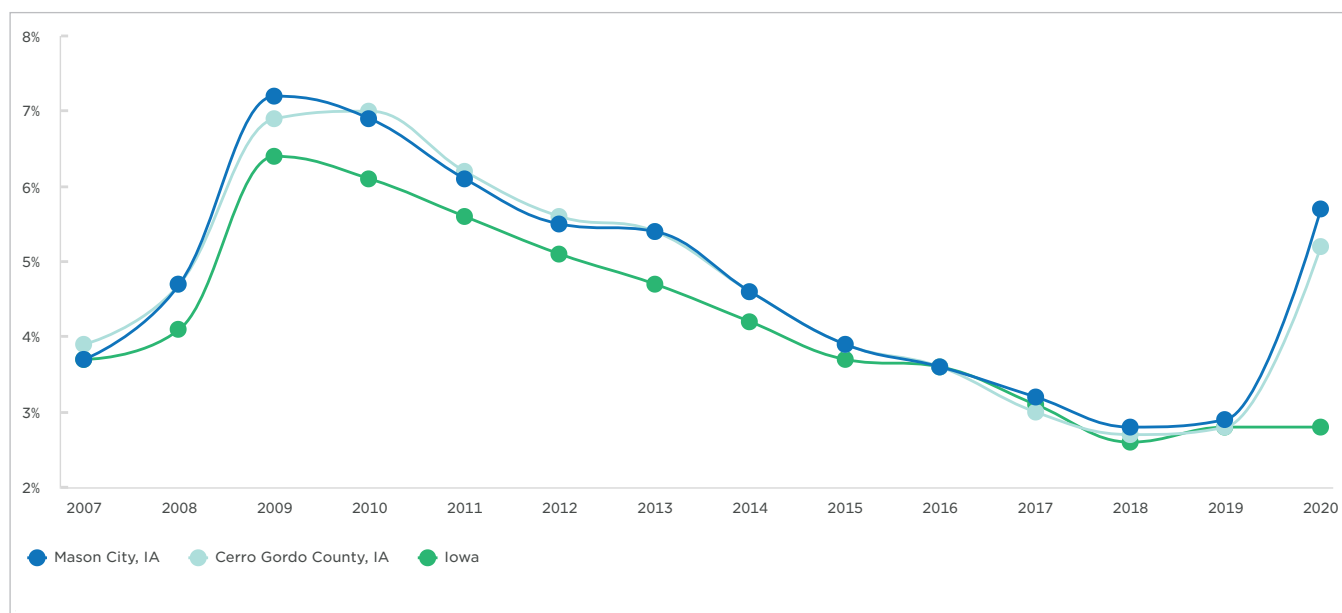
Iowa

Figure 7: Labor Force Participation (2007-2020)



Source: Bureau of Labor Statistics (BLS)

Figure 8: Unemployment Rate (2007-2020)



Source: Bureau of Labor Statistics (BLS) LAUS

Median Household Income

Median household income is a standard metric of what a typical household could afford for housing and other goods. Mason City's rate of \$50,397 is \$10,126 or 16.7% less than what is experienced at a statewide level. When compared to the county, these rates are more in line: just \$3,566, or 7.1% less than Cerro Gordo County.

The chart below breaks down the median household income by income ranges compared between Mason City and the state of Iowa. Nearly 1 in 4 (23.2%) of households in Mason City have a median household income of less than \$25,000, versus 1 in 5 (18.4%) statewide. Even with this larger share of lower income households, the rate of poverty is only slightly higher than that of the state figure – 11.6% versus 11.1%. Higher poverty rates can mean higher affordability challenges unless offset by lower housing costs.

The comparison of income groups between Mason City and the statewide figures will help provide a better indicator of where disparities may arise. For instance, income groups below \$50,000 make up a greater share in Mason City - 23.2% - than what is experienced at the statewide level (18.4%). This trend is almost the exact inverse at the other end of the spectrum, with the share of households earning incomes of \$100,000 or more is less in Mason City – 17.3% - than what is experienced at the statewide level (25.2%).



Median Household Income

\$50,397

Mason City, IA

\$53,963

Cerro Gordo County, IA

\$60,523

Iowa



People Below Poverty Level

11.6%

Mason City, IA

9.9%

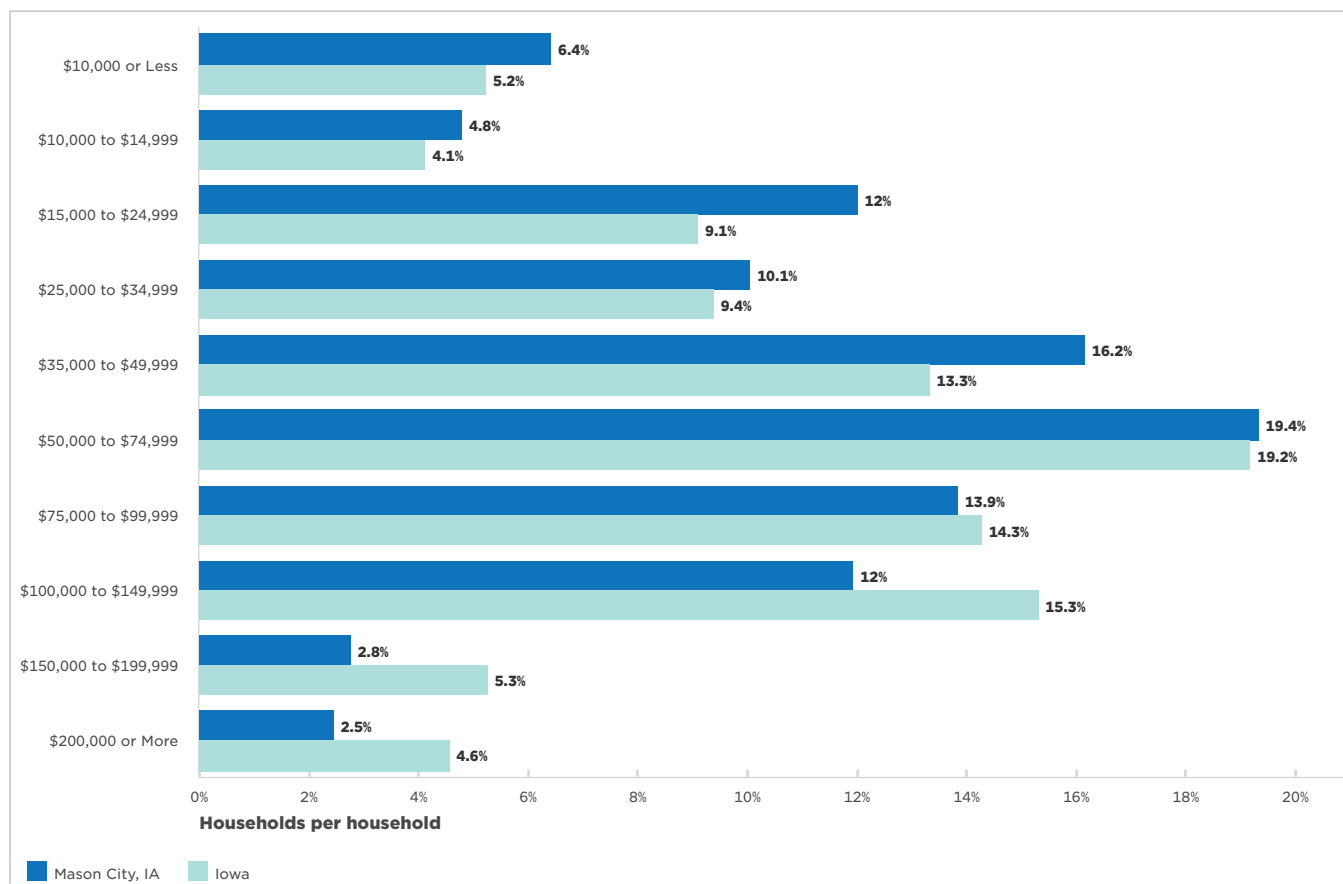
Cerro Gordo County, IA

11.1%

Iowa

Source: US Census ACS 5-year

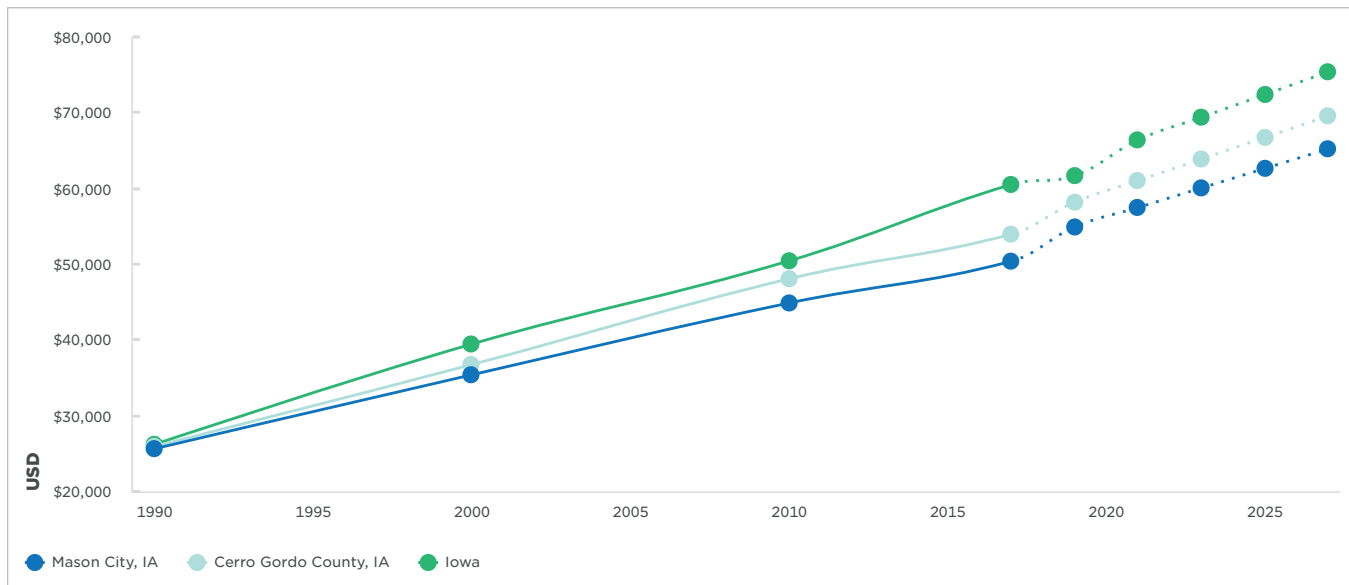
Figure 9: Household Income Comparison – Mason City & Iowa



Source: ACS Five-Year Estimates 2019

Comparing these household incomes over time also highlights the housing affordability challenge for Mason City. In 1990, the median household income for Mason City, Cerro Gordo County, and Iowa were relatively equal, around \$26,000. But these figures began to diverge in 2000 with Iowa increasing its income by \$13,240 to \$39,469, or 50.5%; Cerro Gordo County increasing by \$10,759 to \$36,759, or 41.6%; and Mason City increasing by \$9,755 to \$35,408.92 or 38.0%. While the trend continued, the increment change has slowed pace with the most recent decade calculation, yielding an equal increase of nearly 22% growth.

Figure 10: Median Household Income Comparison (1990 – 2019; Projection 2023-2027)



Source: US Census Bureau 1990 - 2010; ACS Five-Year Estimates 2019

Homelessness

Whether you see it or not, individuals and families suffering from homeless are in every community. The HUD definition of homeless is limited to an “Individual or family who lacks a fixed, regular, and adequate nighttime residence” (Category 1). Those people who are “couch hopping” with family or friends are not considered homeless by this definition, however, they are unable to secure affordable housing.

The data available to account for Mason City’s homeless population is limited. The U.S. Census Bureau includes a count of 83 individuals categorized as living in “Other non-institutional facilities” which includes group homes, missions or shelters. Another resource is the U.S. Department of Housing and Urban Development (HUD), which conducts an annual assessment in mid-March to determine a “point in time count” of all homeless individuals across the country. The headcount is conducted on a single night, which is helpful to create a baseline but leaves many people out of these totals.

The figures captured by HUD’s Annual Assessment report is aggregated at the state level. The 2020 report showed the State of Iowa was experiencing an increase of 14.3% (332 people) in homelessness and a more dramatic increase of 77.1% (145 people) for those classified as unsheltered homelessness. Chronic homelessness across the state was also up 11.3% (34 individuals) year over year, classified as people who have experienced homelessness for at least a year.

Limited local data for Mason City is provided by individual service providers. Northern Lights Alliance for the Homeless is one of these service providers who reported 46-56 homeless people in their care at any given time in 2020. Other indicators of homelessness are meals served as part of the Community Kitchen, which totaled nearly 55,000 meals served in 2020, up 22% or 10,000 meals from 2019. The Mason City Community School district reported that 110 students were without a permanent residence in 2020.

Even though data on the number of homeless is incomplete, the evidence is clear that providing affordable housing options for individuals and families at all income levels needs to be included in the overall housing strategy. Applying for state and federal resources to build new income-restricted housing should be framed as serving an unmet need for the community.

54,864

Free Meals Served

The Community Kitchen (2020)

22%

Year over Year Increase in
Free Meals Served

The Community Kitchen (2020)

110

Students without
Permanent Housing

Mason City Community School District (2020)

Commuting Trends

Commuting provides an indicator of the amount of time it takes residents of Mason City to travel to work daily. Mason City residents have an average commute of 15.8 minutes, which is lower than the countywide and statewide mean – 16.9 and 19.3 minutes, respectively. A lower commute time indicates opportunity in and around the community, which is backed up by the long term growth of employment mentioned in a previous section (see **Figure 7**). However, further analysis of the laborshed shows Mason City as a regional hub for employment.

Commute Mean Travel Time

15.8

Minutes

Mason City, IA

16.9

Minutes

Cerro Gordo County, IA

19.3

Minutes

Iowa

Sources: US Census Bureau ACS 5-year 2015-2019

Figure 11 on the following page exhibits the inflow and outflow of workers into Mason City. The most recent data shows that 10,610 workers come from outside Mason City for employment. In contrast, nearly 5,387 workers reside in Mason City but leave the community for employment. Lastly, 7,595 residents both live and work in Mason City. The result is a net job inflow of 5,223 workers, which presents an opportunity to convert these commuters to residents and grow Mason City’s population.

Figure 11: Inflow and Outflow of Mason City Workers

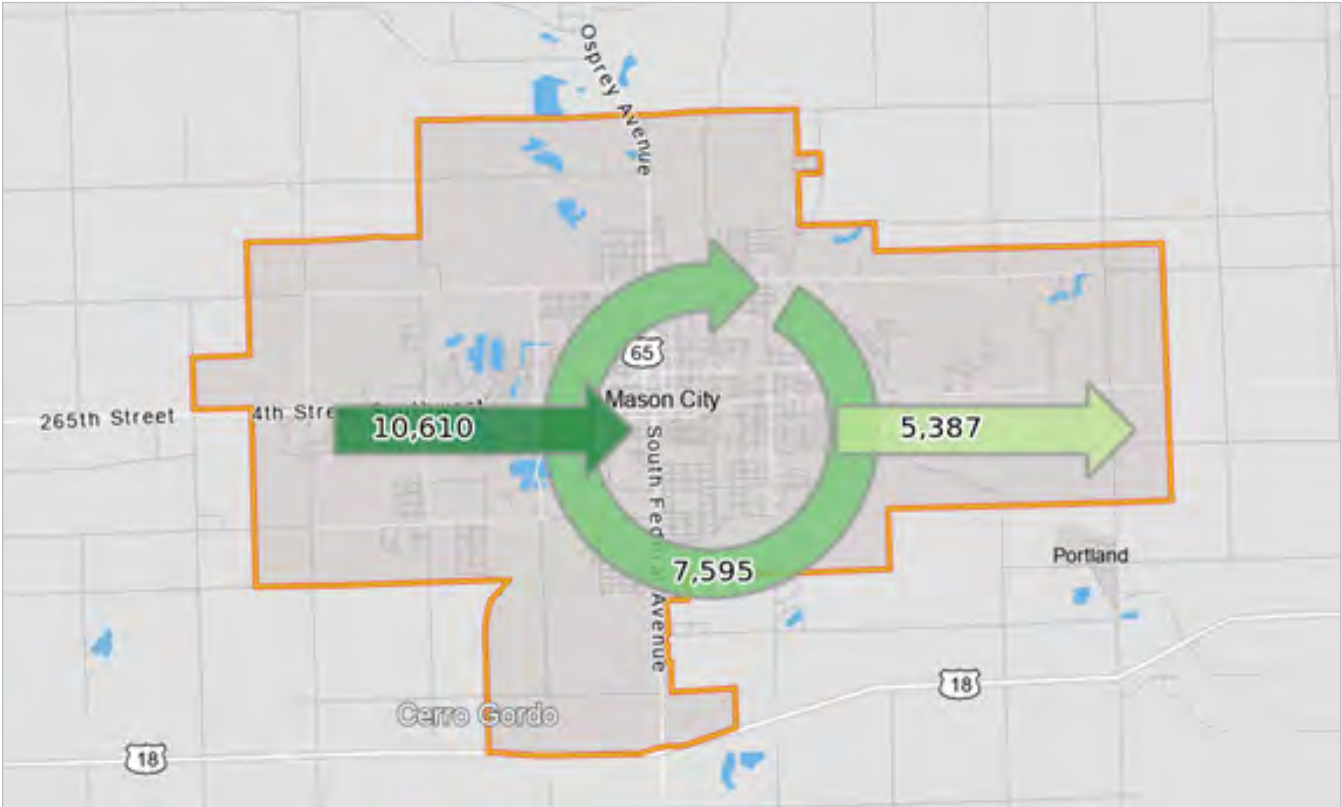
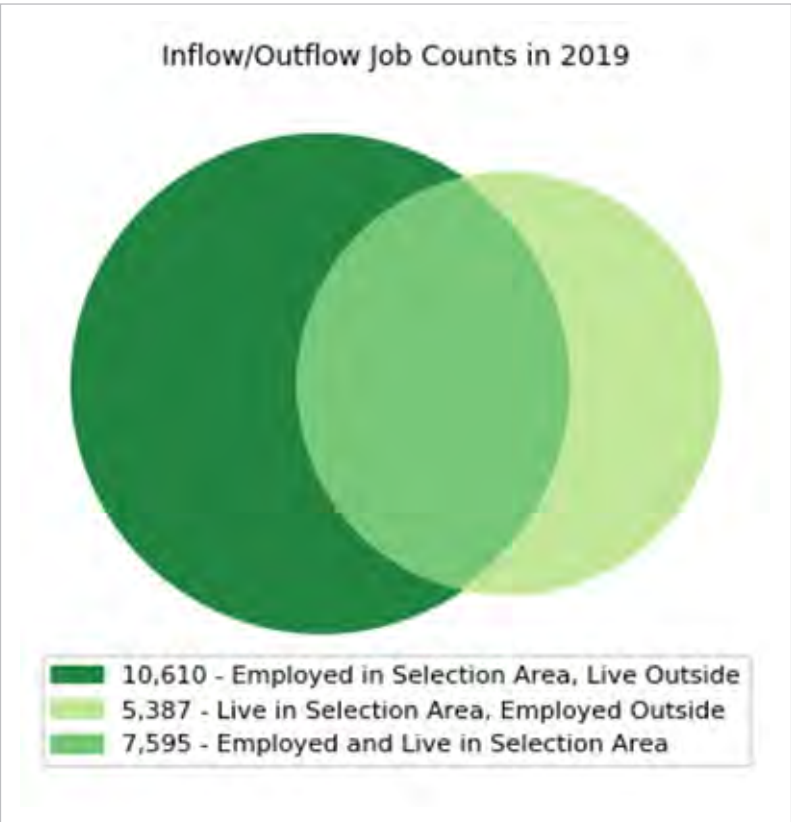


Figure 12: Inflow/Outflow Employment - Venn Diagram



Source: U.S. Census Bureau, LEHD Origin-Destination Employment Statistics via OnTheMap

Further analysis into the Inflow/Outflow data highlights the similarity and differences between these three groups – Outflow, Inflow and Interior. Considering workers age, nearly half of all workers are within the 30 to 54 age group across all three categories. The share of workers 29 or younger is the lowest share in the inflow and interior categories – 24% and 22%, respectively- however, the share of young outflow workers is slightly higher, with 28% outpacing the share of workers aged 55 and older at 26%.

The earnings or monthly take home pay presented a similar breakdown. The greatest share of high income jobs is attributed to inflow workers, accounting for 4,742 or 45% of this category. Outflow and interior categories has similar trends, with the greatest share of their workers in this high earner category – 41% and 42%, respectively. The low income earners within the outflow and interior categories total 3,347 workers, making up to \$1,250 per month. These workers are likely minimum wage workers or working in a part time capacity, and likely face housing affordability challenges, especially in a single-income situation.

The breakdown of workers by industry demonstrates the greatest variability among the three attribute classifications. The share of Goods Producing workers is lowest within the inflow category, with only 14% or 1,459 workers in jobs within agriculture, construction, and manufacturing. The share of All Other Services accounts for the greatest share among all three categories, reaching more than half of the workforce. Jobs in this category include financial activities, professional and business services, education and health, and leisure and hospitality.

Table 2: Inflow/Outflow Analysis

	Outflow		Inflow		Interior	
	Count	Percent	Count	Percent	Count	Percent
Workers by Age						
Aged 29 or younger	1,519	28%	2,571	24%	1,655	22%
Aged 30 to 54	2,490	46%	5,245	49%	3,716	49%
Aged 55 or older	1,378	26%	2,794	26%	2,224	29%
Earnings						
\$1,250 per month or less	1,456	27%	2,535	24%	1,891	25%
\$1,251 to \$3,333 per month	1,740	32%	3,333	31%	2,518	33%
More than \$3,333 per month	2,191	41%	4,742	45%	3,186	42%
Industry by Class						
Goods Producing	1,166	22%	1,459	14%	1,437	19%
Trade, Transportation, and Utilities	1,559	29%	2,564	24%	1,203	16%
All Other Services	2,662	49%	6,587	62%	4,955	65%
Total Jobs	5,387	100%	10,610	100%	7,595	100%

Source: US Census ACS 5-year (2019)

Housing Trends

Evaluating the housing occupancy and tenure data helps to better understand if the available housing stock is meeting the needs of the current residents. The share of owner-occupied versus renter-occupied units is a major indicator within this category, highlighting the ability for new residents to move in and existing residents to move up and out as families grow and change over time.

Occupancy Status

The share of owner-occupied units versus renter-occupied units is 64.3% owner to 35.7% renter. The state and national averages provide useful context for understanding a locality's homeownership rate and the change over time in that rate. For the most recent data collection period of 2019, Mason City's figures are in line with the overall national average but relatively diverging from the statewide figures. Between 2000 and 2019, the homeownership rate in Mason City fell by 3.3% but grew both statewide and nationally, 8.2% and 10.7% respectively.

Owner Occupied Housing Units

64.3%

Mason City, IA

71.1%

Iowa

64%

United States of America

Renter Occupied Housing Units

35.7%

Mason City, IA

28.9%

Iowa

36%

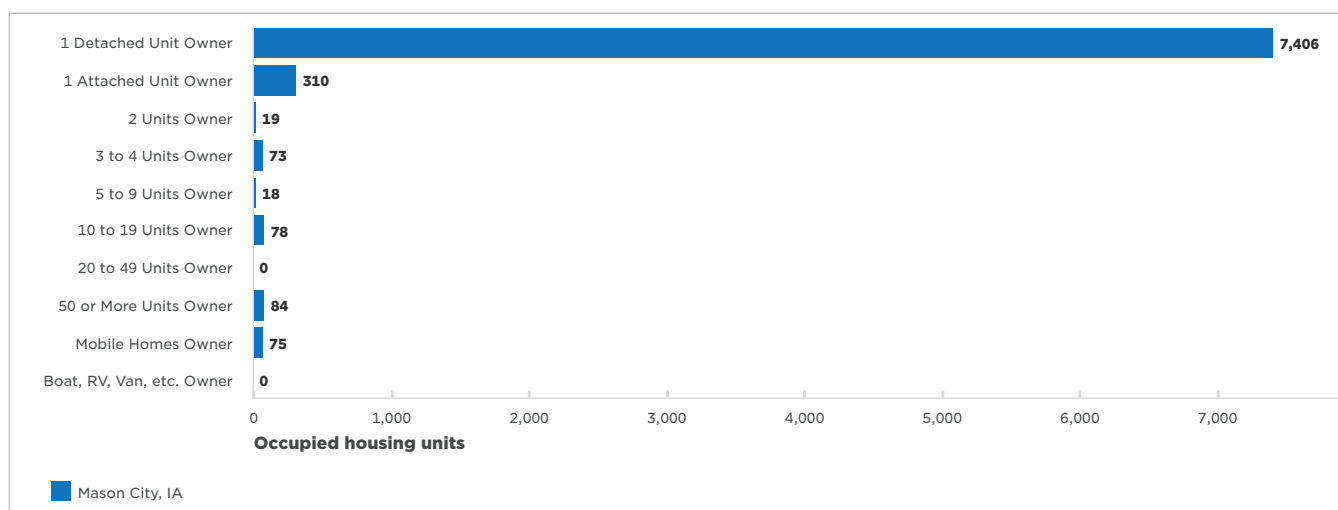
United States of America

Source: U.S. Census ACS 5-year (2019)

Owner-Occupied Housing Characteristics

A majority of owner-occupied housing units are single family detached units totaling 7,406 units or 91.9%. This perfectly aligns with the state but exceeds the national rates observed at 82.5%. The second most observed owner-occupied housing type is one unit attached, accounting for 310 units or 3.8%. These units are defined as a single family dwelling that is attached to or shares a common vertical wall with one or more other dwellings such as a townhome or duplex. Again, these figures align with the state observed figures but are below the national share of one unit attached homes accounting for 5.9% of all owner-occupied housing units.

Figure 13: OWNER - Number of Housing Units in a Structure



Source: U.S. Census ACS 5-year (2019)

Another key indicator of availability and demand in a community is vacancy. The preferred standard for a housing vacancy rate is between five and six percent to help ensure the availability of housing options. The 0.9% vacancy rate in Mason City is relatively low, but only slightly lower than the state and national figures. The low rate can be attributed to a number of factors including the 2008 flood which removed 162 housing units either through demolition or flood mitigation buyouts. While many buyouts were concentrated in the East Oak Park neighborhood near East Park, the program was relatively distributed across the community. The city also has a program to raze vacant and derelict structures to improve public safety. However, many of these lots remain vacant due to the challenge of placing today's conventional housing on smaller, infill lots. Combining lots is one potential solution, although vacant lots side-by-side are not always easy to come by and the new home may seem out of place with the makeup of the existing neighboring properties.



Homeowner Vacancy Rate

0.9%

Mason City, IA

1.5%

Cerro Gordo County, IA

1.4%

Iowa

Median Home Value

\$114,900

Mason City, IA

\$128,600

Cerro Gordo County, IA

\$147,800

Iowa

Source: U.S. Census ACS 5-year (2019)

Households classified as cost burdened are yet another indicator of challenges with housing affordability in a community. The definition of a cost-burdened household is allocating 30% or more of a family's overall income towards housing related expenses (i.e. rent or mortgage and utilities). The Selected Monthly Owner Costs as a Percentage of Household Income data taken from the 2015-2019 American Community Survey 5-Year Estimate Census shows households with a mortgage. 14.8% of owner-occupied households in Mason City are considered cost-burdened, versus 15.5% at the county level and 16.8% statewide. With that said, the median value of owner-occupied housing is \$81,600, nearly half the statewide median of \$151,900. The lack of new units and prevalence of older housing stock in Mason City help further illustrate the complete story that the community has a housing shortage.

OWNER | Excessive Housing Costs

14.8%

Mason City, IA

14.5%

Cerro Gordo County, IA

16.1%

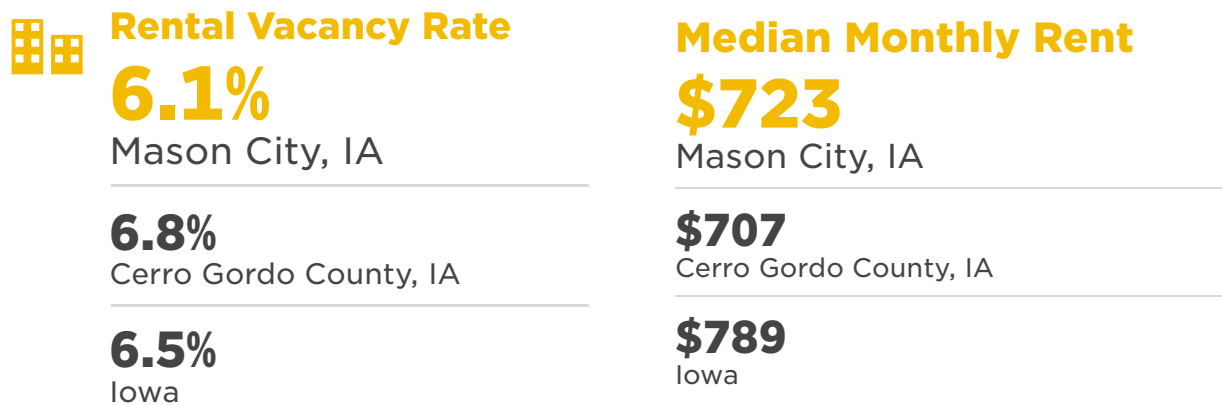
Iowa

Source: U.S. Census ACS 5-year (2019)

Renter-Occupied Housing Characteristics

Rental housing is an important component of any community’s housing stock, providing long-term and transitional occupancy options. Rental housing accounts for 35.7% of the total share of housing stock which is above the statewide share of 28%. However, this figure aligns with other communities of its size such as Ft. Dodge, Ottumwa, and Clinton.

The vacancy rate further highlights the availability of housing and potential opportunity for redevelopment. The share of units classified as rentals are 6.1%, which is slightly lower than the county-wide and statewide figures. While this figure is just above the optimal vacancy rate of 5%, local leaders question these vacancy rates as rental housing continues to be a top challenge for attracting new workers and families to the community. Further analysis is needed as, these leaders believe a sizable portion of these vacant rental units are in serious disrepair and should no longer be considered habitable. This analysis is examined in Chapter 3.



Source: U.S. Census ACS 5-year (2019)

The share of cost-burdened rental households is another indicator that more affordable housing options are needed. Nearly 40% of renters - or 2 out of every 5 renter-households - are considered cost burdened allocating 30% or more of their overall income towards housing related expenses (i.e. rent and utilities). While this is not dissimilar to county and statewide figures, this is 2.7x greater than owner-occupied households. Median rental costs of \$723 would be considered under the cost-burdened status with a household income of \$26,028 or a worker earning \$13.56 an hour.



RENTER | Excessive Housing Costs

39.6%

Mason City, IA

38.2%

Cerro Gordo County, IA

39.5%

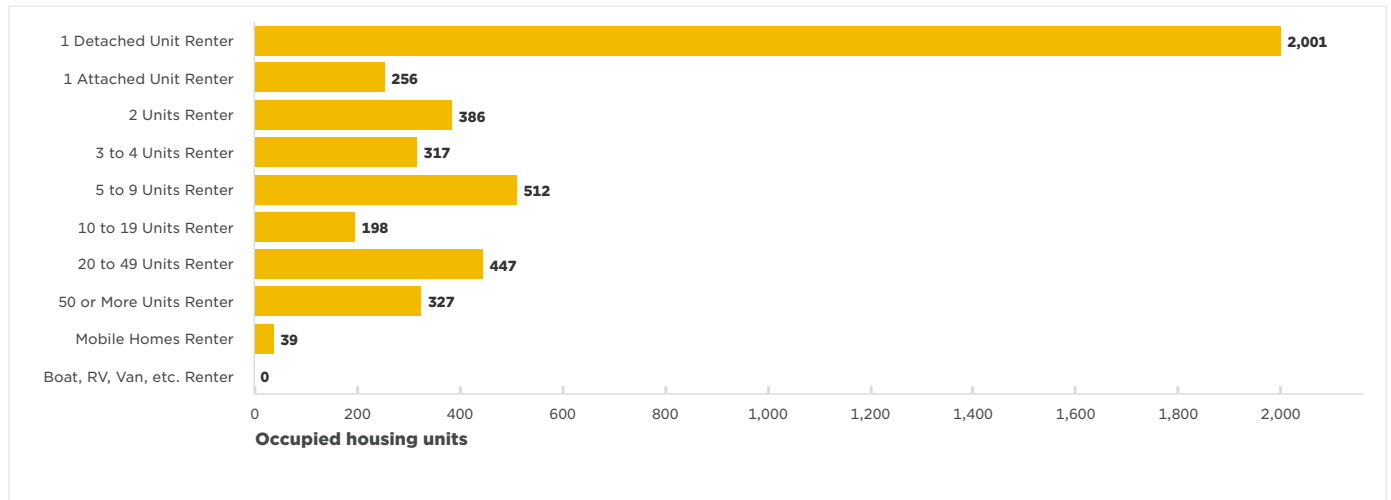
Iowa

DEFINITION: Gross rent accounts for 30% or more of total income

Source: U.S. Census ACS 5-year (2019)

The vast majority of rental units is made up of single family detached units, which indicates a lack of housing diversity for rental options. The completion of The River project in fall 2020 helped to address some of this unmet need with 113 new apartment units and 20 townhome units. The pace at which these units were filled indicate a need for additional rental units of this nature.

Figure 14: RENTER - Number of Housing Units in a Structure

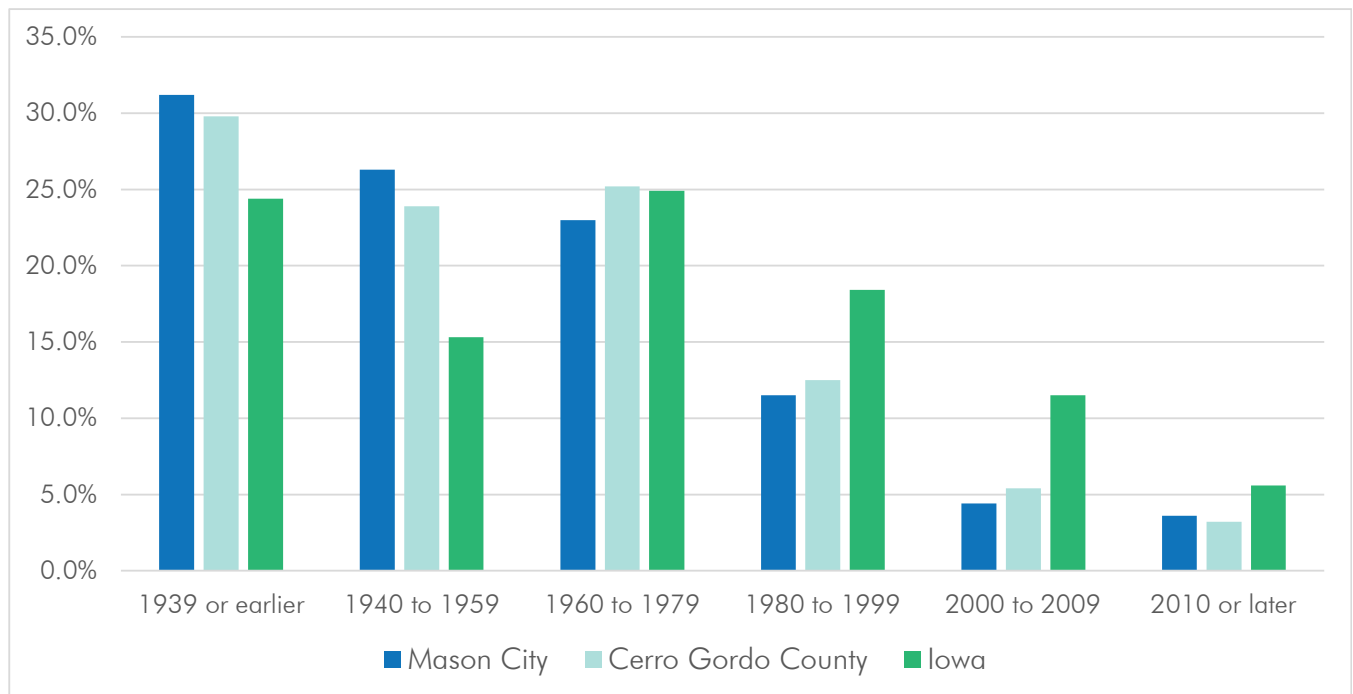


Source: U.S. Census ACS 5-year (2019)

Housing Stock

According to the ACS, Mason City has an existing housing stock total of 13,684 units. Nearly 58% of the existing housing stock was built prior to 1960, compared to 39.7% at the statewide figure. Older homes can have electrical, plumbing and mechanical systems that do not meet current building code standards. This may result in less energy-efficient heating and plumbing systems, which increases utility costs to the homeowner. Older houses may also be too small or poorly laid out to fit the needs of today's housing market, which impacts Mason City's ability to attract new residents. For instance, many older homes have a single bathroom to serve an entire family, while most people expect at least two bathrooms in their house.

Figure 15: Housing Stock Ages: Total Number of Built Housing Units by Decade

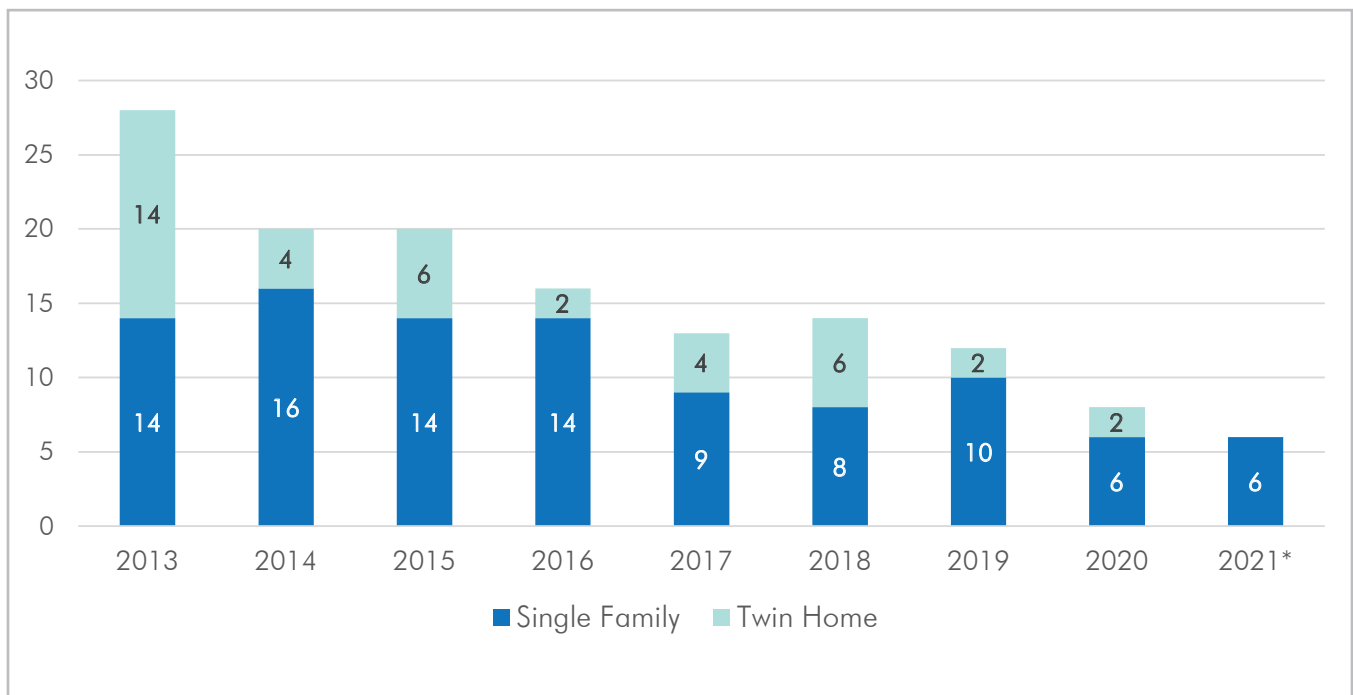


Source: U.S. Census ACS 5-year (2019)

Permit Data

New residential construction permit data from 2013 through October 2021 was provided by the Development Services Department. When all housing permits were totaled, the average annual permit total for newly constructed single-family units was 11 units versus five units for twin home construction for a total of 97 single family units and 40 twin home units during this period. These units account for nearly 1.4% of all single family detached and attached units (i.e. single family and twin home units). During this same period, there were a total of 173 multifamily units built with 32 senior condo units in 2015 as part of the Prairie Place project and 133 of these units built as part of The River project south of downtown. These new units account for 7.0% of all multifamily units in Mason City, with nearly all of these new apartment units located near downtown.

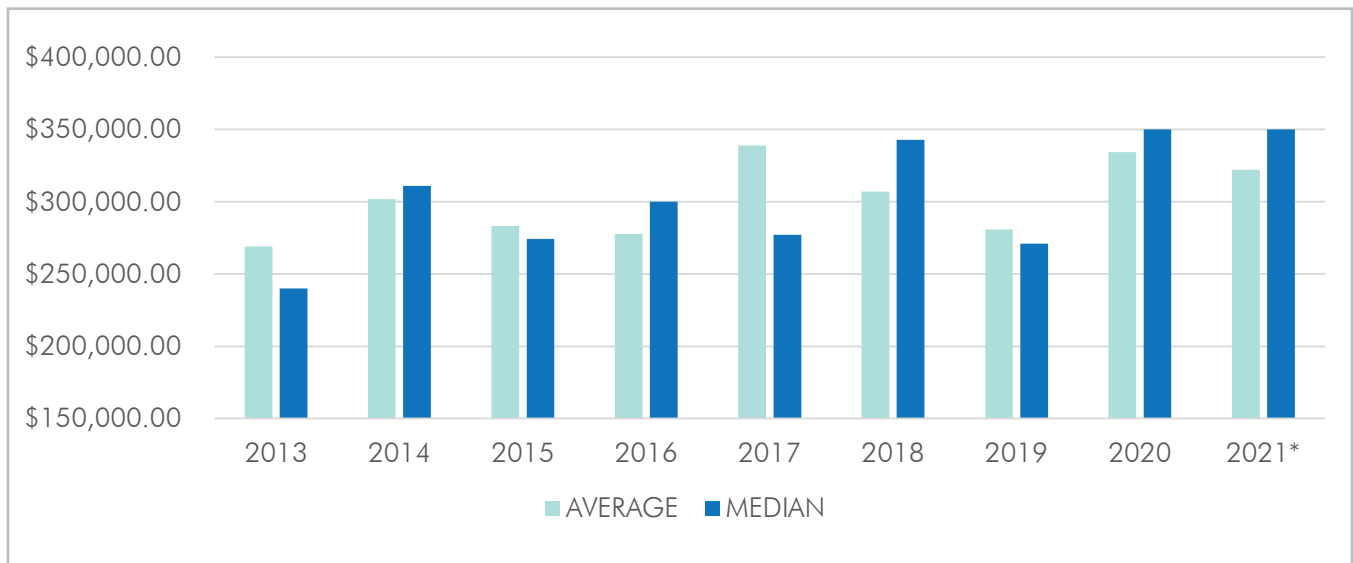
Figure 16: Permit Totals by Housing Type



Source: City of Mason City Development Services Department (Q1 2013 - Q3 2021)

The building project valuation provides further insight into the estimated value of these newly constructed housing units. **Figure 17** on the following page exhibits the average and median valuation per unit for single family and twin home units constructed since 2013. These values are estimates provided as part of the permitting process to determine the permit fee, typically less than 0.5% of the total estimated value. The average value is typically less than the median value, demonstrating a larger share of the homes are valued below the median. The larger the gap between the average and median value, the larger the disparity in value between more affordable homes and the high-end housing. But when the average is greater than the median - such as in 2017- this is caused by a share of unusually expensive homes that skew the average price more than the median price.

Figure 17: Average & Median Permit Valuation – Single Family & Twin Home Units

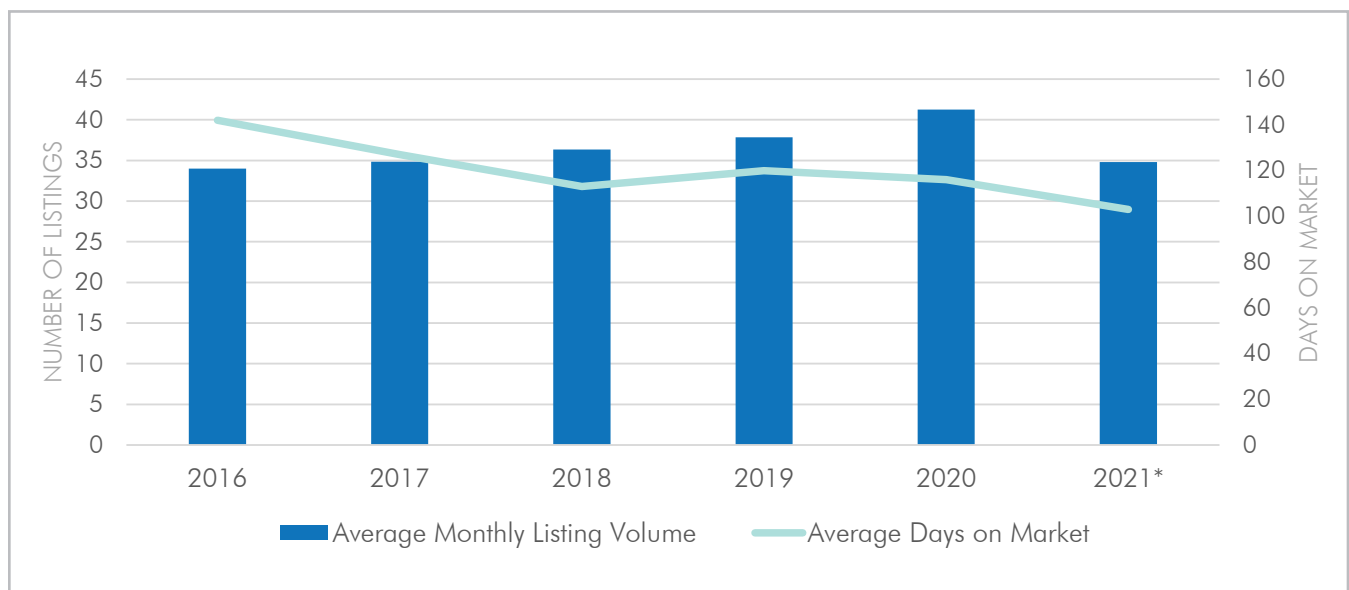


Source: City of Mason City Development Services Department (Q1 2013 - Q3 2021)

Real Estate Sales Data

In any given market the general rule of thumb for the ideal availability of for-sale products is between 3% and 5% of the total owner-occupied housing units. This level of available units would allow for easier access into the housing market and better movement within the market. With an estimated total of 8,063 owner-occupied units (2019 ACS), the ideal number of available units would be 240 to 400 units. Since 2016, Mason City has had a monthly average of 34 to 41 units on the market at any given time, less than 0.5%. During this six-year period homes remained on the market for 120 days, with sales resulting in 95% of the asking price.

Figure 18: Average Number of Real Estate Listings & Average Days on Market



Source: Greater Mason City Board of REALTORS® (2016 - Q2 2021)

Demand for housing is further indicated by the recent increase in share of listings sold. While the total number of annual listings varied slightly year to year, the percent of listings sold increased from ~80% in years 2016-2019 to 99% in 2020. The following are additional takeaways from the real estate sales data collected from 2016 through 2020:

2 or Less Bedroom
Units

31%

Share of Total Listings

117

Average Days on Market

\$92,437

Average Sale Price

3 Bedroom
Units

44%

Share of Total Listings

120.6

Average Days on Market

\$102,667

Average Sale Price

4+ Bedroom
Units

25%

Share of Total Listings

134.2

Average Days on Market

\$204,285

Average Sale Price

Source: Greater Mason City Board of REALTORS® (2016 -2020)

WORD ON THE STREET

PUBLIC ENGAGEMENT

- + PUBLIC INPUT SESSIONS
- + HOUSING SURVEY RESPONSES
- + FOCUS GROUP + INTERVIEWS

CHAPTER

02

Engaging the Community

Collecting input from Mason City leaders and the broader community was vitally important to define the City's immediate, short-, and long-term housing goals. A variety of tools were deployed to collect this qualitative data from a diverse group of community members. The primary engagement methods used were public input sessions utilizing volunteer-led interactive stations and online and printed surveys distributed to the general public and the local workforce - both residents and commuters. Key stakeholders from service providers to contractors and builders also were invited to participate in a number of focus groups conversations and one-on-one interviews.

Process

Timeline:	June 2021 – August 2021
Public Input Sessions:	2 meetings with interactive stations
Focus Groups:	6 sessions
One-on-one interviews	12 interviews



Feedback collected at a Public Input interactive station

Public Input Sessions

At these sessions six interaction stations were setup at the Mason City Chamber of Commerce meeting room. Each station asked a question for participants to answer, either by writing down their response on a poster board, placing dots on a map, or selecting their preference out of a variety of available options. The following is a collection of responses collected:

Station 1: What do you like best about living in Mason City?

- Schools
- Rural aspect, small size living
- Family friendly
- Arts and architecture
- No traffic
- Many services available
- Great place to raise a family
- Great recreation around town (Lime Creek, bike paths)
- History, culture
- Accessibility to amenities (stores, hospital)

Station 2: What is the biggest opportunity for improvement in the community?

Affordable Housing:

- Safe affordable housing that is handicapped accessible for all income levels
- Safe, affordable low to medium income housing

Blight:

- Improve enforcement of rental inspections to increase safety
- Blighted housing, drug use
- Many rental properties are blighted

Social Services:

- Safe housing for survivors of domestic abuse
- Mental health care
- Those in poverty, homeless or unable to sustain housing
- Community first and [desire to build] first tiny housing village with faith community involvement
- Increase space and services for homeless
- Bed bugs, pests, rental home improvement

Workforce:

- Employment opportunities
- If we were to experience a population boom, our city could not handle it.

General:

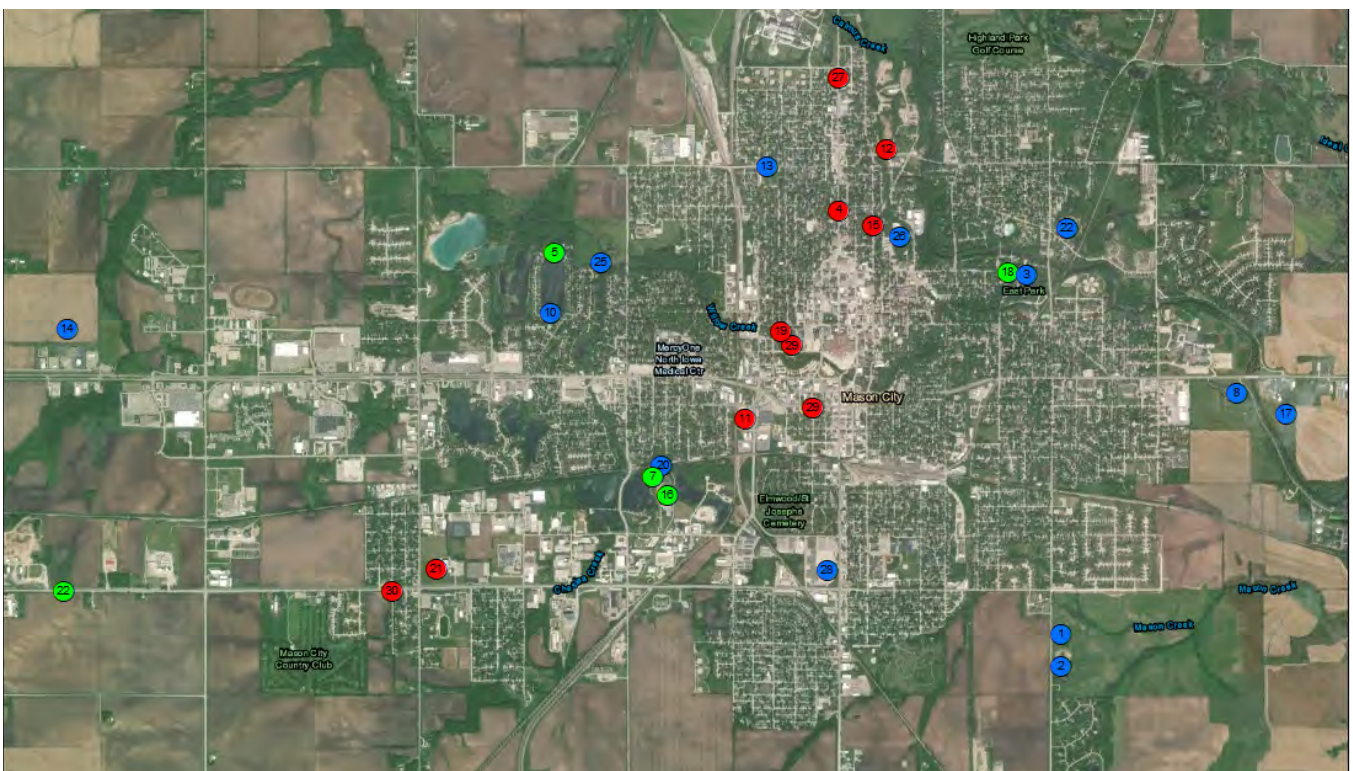
- More contractor capacity to improve older houses (maintenance)
- Integrated housing for different socio-economic statuses
- Encourage elderly to move to great housing options and free up homes for young families

Station 3: Mapping Exercise

The Mapping Exercise asked participants to place dots on a map of Mason City to identify a key feature they believe to be an asset to the community (green dots) or would like to see improved (red dots) such as housing (where to locate new, renovate existing), and roads/infrastructure (improvements). Participants were also encouraged to dream a little during this exercise and highlight new amenities or housing types they'd like to see (blue dots) such as a new park space or tiny home village. Dots were numbered and comments were collected to provide context to each participant response.

The map below demonstrates the variety of responses collected. A full account of each response can be found in Appendix A - Public Engagement Report.

Figure 19: Mapping Exercise



Highlighted Comments Via Numbered Dots:

- | | |
|--|---|
| 1 Tiny home development | 22 Bike trail to Clear Lake |
| 4 Continue cleanup of North End | 27 Improve housing around gateways to the community |
| 8 Develop east side | 28 Southport site - tiny home development |
| 13 Develop west side by cinema, apartments | 29 Blighted |
| 21 Add permanent support housing, handicap | |

Station 4: Visual Preference Survey

The next station requested participants to review a variety of single-family and multifamily housing options and neighborhood types, and place dots on the images they liked (green) and disliked (red). Each of the three categories had 10 options to select from and no limit on the number of options they could choose. Comments were collected by staff and volunteers who were present to provide instruction and solicit further input. Images with green frames were the highest ranked in each category, with those in yellow receiving a mix of positive and negatives responses and, lastly, those with a red frame receiving mostly negative responses. Those images with no frame were provided with two or less responses and have more marginal support than the other options.

Single-Family Housing Types:

- The ranch home type with the front porch was most liked image (#8)
- Front porches, rear-loaded garages were also highly preferred (#2, #3, #9)
- Homes with garages at the main focus point received mixed responses (#7, #10)
- Senior housing a major highlighted need (#7)
- Participants noted a need for pedestrian-friendly housing and image #4 did not provide sidewalks
- Overall comment - need for new homes with smaller square footage



Red dot x 0 Green dot x 3



Red dot x 0 Green dot x 1



Red dot x 0 Green dot x 2



Red dot x 1 Green dot x 0



5



x 0



x 3



6



x 0



x 3



7



x 2



x 2



8



x 0



x 4



9



x 0



x 1



10



x 1



x 2

Multi-Family Housing Types:

- The top choices for multi-family units were downtown focused with higher-density designs (#6, #7); both traditional and modern styles were accepted
- Other preferred options were two story buildings that tend to fit with new single family material choices (#3)
- Another preferred style was older, more traditional duplex/triplex/fourplex units that easily blended into single family neighborhood (#8)
- The size and scale of some of the multifamily buildings played a factor into the limited appeal (#1, #2, #4)
- Overall comment - “[need] Safe and affordable housing to support victims and survivors of domestic abuse/sexual assault – 2nd chance”



x 0



x 1



x 0



x 1



x 0



x 2



x 0



x 1



● x 2 ● x 2



● x 0 ● x 7



● x 0 ● x 5



● x 0 ● x 2



● x 0 ● x 0



● x 2 ● x 2

Neighborhood Types

The purpose of this section was to determine the preferred form and layout of the neighborhood and focus less on the individual housing unit presented. The following is a collection of responses attributed to the participants' selections:

- The downtown neighborhood type was the top preferred choice among all the options (#3)
- The more traditional neighborhood similar to those found around the downtown area were the second most preferred neighborhood type (#6)
- Images depicting pedestrians freely walking and biking were also highly desired (#2, #4, #8)
- Large acreages were identified as less desirable from the standpoint that Mason City should not dedicate its limited resources to promoting these housing types when the free market can accommodate this housing product (#1)
- High-density duplex/triplex/quadplex units with little or no space between buildings was the least desired neighborhood form (#10)



● x 4 ● x 1



● x 0 ● x 3



● x 0 ● x 7



● x 0 ● x 2



5



x 0



x 0



6



x 0



x 4



7



x 0



x 2



8



x 0



x 3



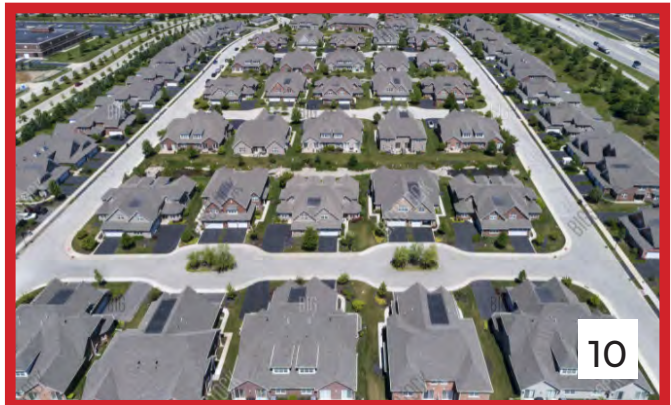
9



x 0



x 3



10



x 4



x 0

Station 5: Scaled Response

The final station was setup for participants to provide a response that matches their level of agreement with each statement. The scale was setup from 1 - Strongly Agree to 5 - Strongly Disagree, with variable options in between. Below is an overview of the scores collected and ranked from those statements with the highest level of agreement (and thus have the lowest score).

Score: 1.20 Members of the community would benefit from financial literacy training to better understand how to apply for a home loan.

Score: 1.25 Neighborhoods should allow a mix of housing types – single family, duplex/ townhomes, multifamily – to support affordable housing.

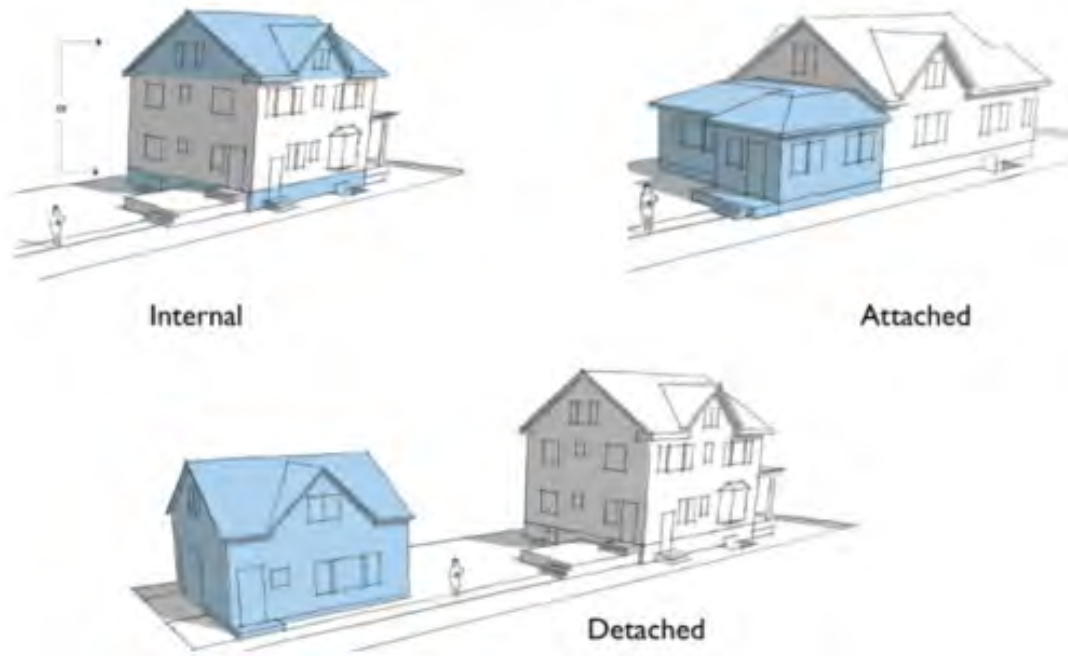


Birdland Park Pocket Neighborhood | Des Moines, IA

Greater Des Moines Habitat for Humanity led an effort to build out a neighborhood of 23 single-family cottage homes that had their frontage on a courtyard and rear parking/garage off a paved alley. This pocket neighborhood was built on a vacant tract of land within an existing neighborhood on 40'-50' wide lots. Homes sold for \$140,000 to \$150,000 when first made available in 2019.

Score: 1.30 Accessory dwelling units (aka “granny flats”) should be allowed on single family lots as a viable option to support affordable housing.

What is an ADU?



Score: 1.36 The City of Mason City should dedicate budget funds to support builders/developers to build new affordable housing.

Score: 1.40 The City of Mason City or another local agency should create an owner-occupied rehab program (i.e. grant or loan) that makes funding available to property owners.

Score: 1.55 Tiny homes (less than 500 sq ft) should be considered a viable option for affordable housing.



elevatebranson.org | Branson, MO

Proposed tiny home village to provide affordable housing and support homeless and near homeless individuals in and around Branson, MO.

Score: 1.70 The City of Mason City or another local agency should create a rental rehab program (i.e. grant or loan) that makes funding available to landlords willing to maintain or lower their rents to make required upgrades.

Score: 2.08 The City of Mason City should dedicate more of the budget to expand code enforcement operations (i.e., tickets for weeds/tall grass, garbage, inoperable vehicles, etc.).

Score: 2.30 The City of Mason City should dedicate budget funds to support builders/developers to build new market rate housing.

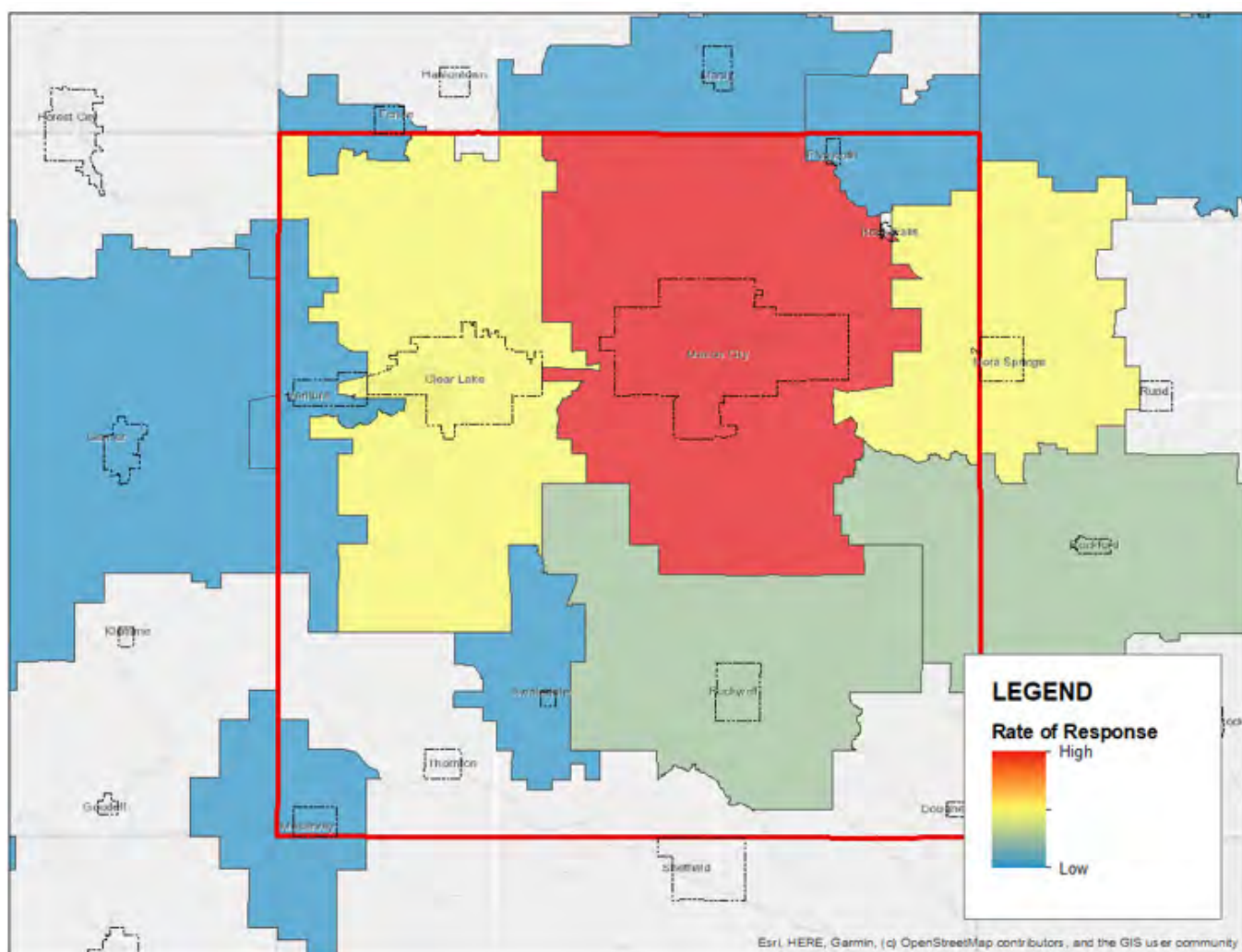
Score: 4.36 I am aware of the current residential incentives available through the City of Mason City.

Housing Survey Responses

City staff helped to distribute the housing survey via social media and through other partner organizations, including the Steering Committee members and their networks. Printed versions, both in English and Spanish, were made available at City Hall, the library, and other strategic locations throughout the community, including housing service providers. The North Iowa Corridor EDC also created a special eNewsletter for their members to encourage major employers to solicit participation from their workforce - both residents and those commuting into Mason City for employment. Participants were asked to provide their home postal zip codes to add further context to the responses received.

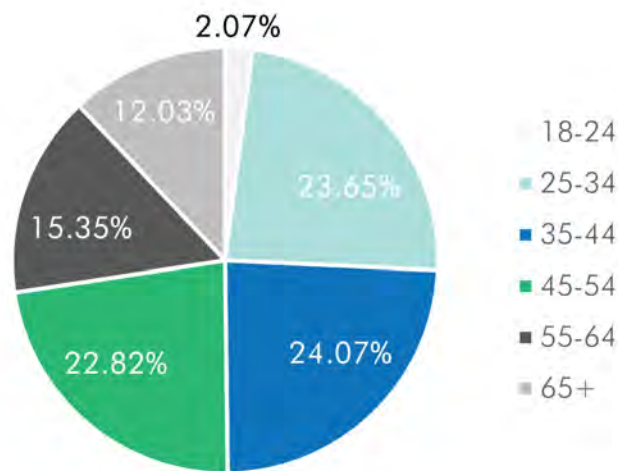
The map below highlights the location of participants across northern Iowa. The majority of participants - 75% - currently live in Mason City. The other top resident locations were Clear Lake and Nora Springs each with 9 responses, followed by Northwood, Rockwell, and Rockford each with 4 responses. The importance of these home responses is to understand what can be done - if anything- to get these commuters to convert to Mason City residents.

Figure 20: Survey Responses - Home Zip Code



Demographics of Participants

Age of Participants



93.4%

Percent of participants self identify as White or Caucasian

41.7%

Share of participants that work for Local Government

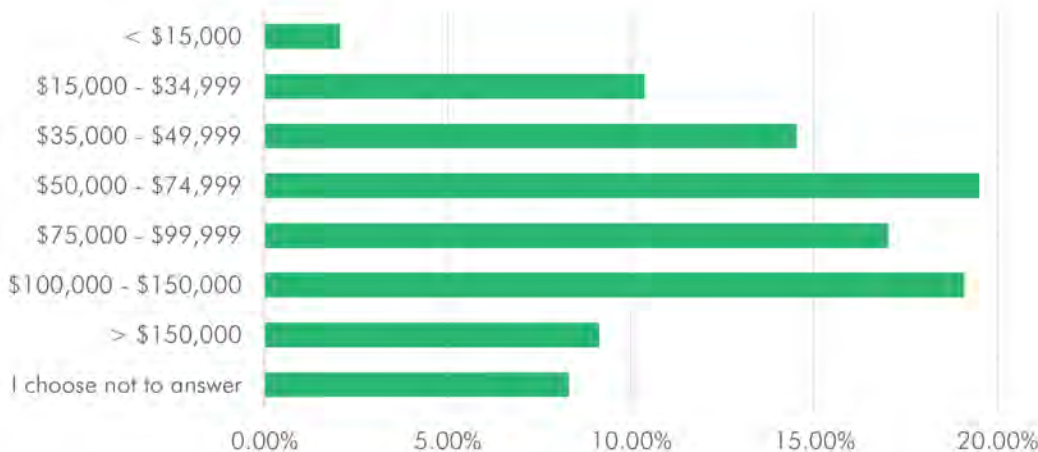
Employees of the City of Mason City and Cerro Gordo County responded at a much higher rate than any other worksite

77.9%

Commute is less than 15 minutes

56.6% less than 10 minutes; 21.3% 10-14 minutes

Income of Participants



76.0%

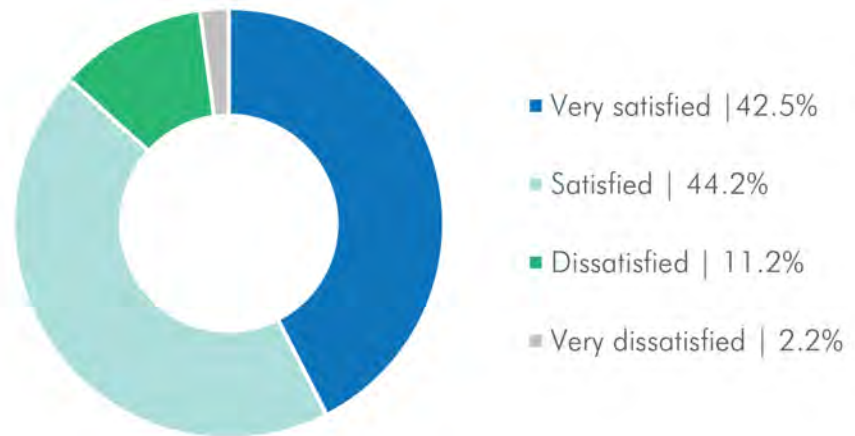
Percent of participants who own a single-family home

62.4%

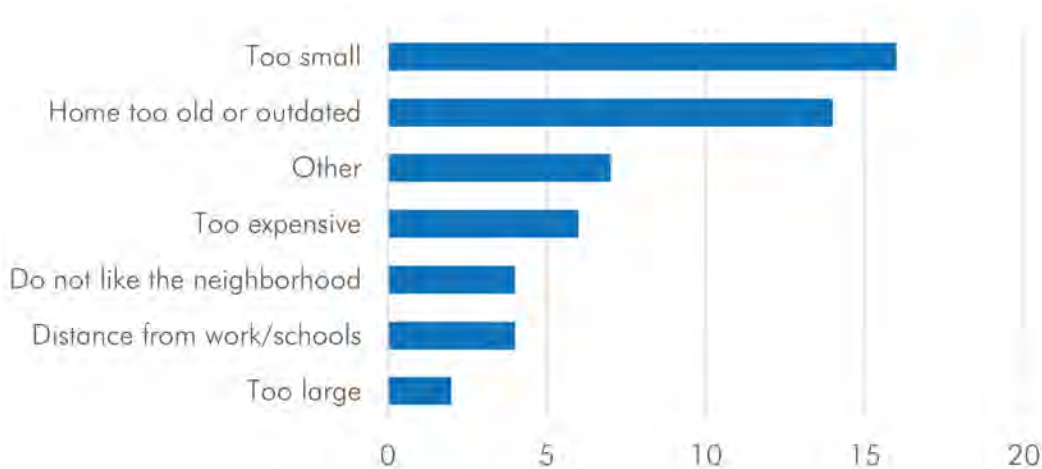
Percent of participants with no children currently living in their house

Overview of Survey Responses

How satisfied are you with your current housing?



For those dissatisfied, what are your main reasons that you are dissatisfied with your current housing (select all that apply)?



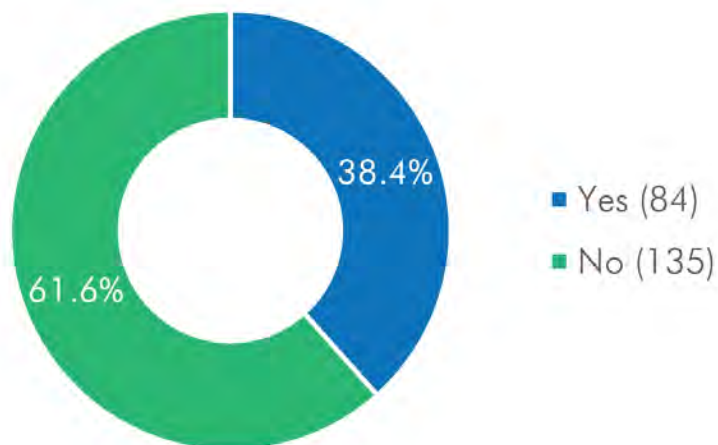
60%

Percent of dissatisfied participants are renters versus 26% owner-occupied

83%

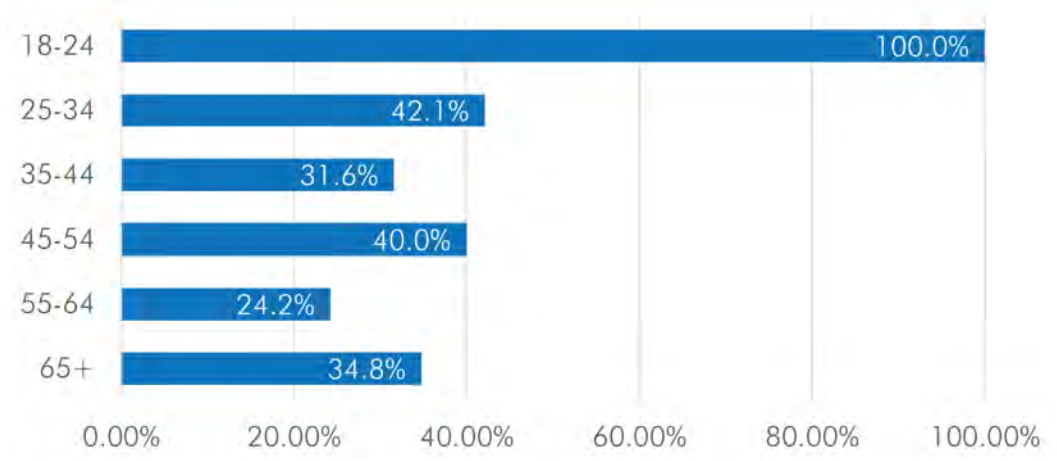
Percent of dissatisfied participants with no children in the household

Do you plan to find new housing within the Mason City area in the next two to five years?



*24 participants skipped this question

Share of Age Cohort who Responded "Yes"?



Which one of the following housing types would you prefer?

Top Three Responses Listed by Occupancy Type:

Owner

1. Single Family (market rate)
2. Modular Home
3. Two-Family

Renter

1. Apartment/Condo (market rate)
2. Single Family (market rate)
3. Senior Housing (market rate)

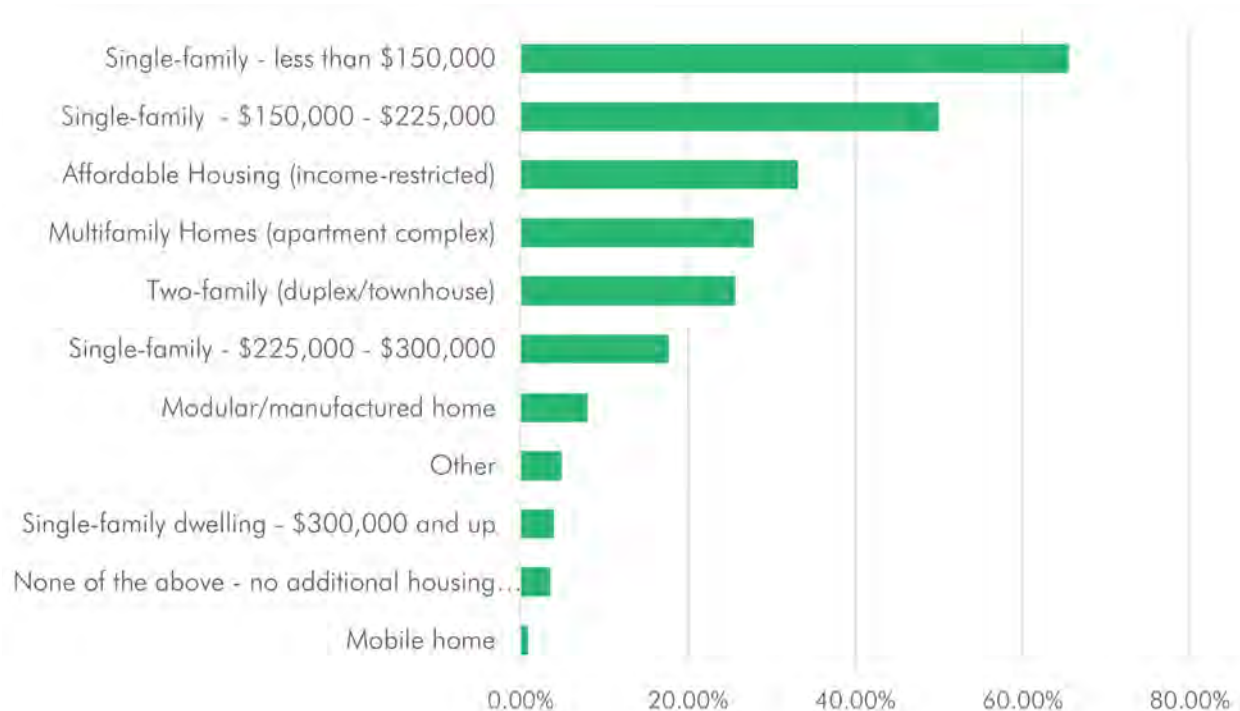
If you were interested in purchasing your first home or wanted to purchase a new home, what would you consider to be your main barrier(s) to ownership? Select all that apply.



“Other” Responses:

“Availability”
 “Just moved, need to learn the area”
 “I would like to own but may move”
 “I want to live outside the city”
 “Availability of the right house in the neighborhood of choice”
 “Want to find a house with dry basement”
 “Not enough good paying jobs to afford decent housing”
 “Speed of sale” - limited availability and sell too quickly

What kind of housing should be built in Mason City? Select your top three choices.



“Other” Responses:

“Affordable rentals”

“Pet friendly”

“Prices that seniors can afford”

“Large lots on edge of town”

“Tiny homes”

“Some kind of subsidized housing”

“High-end condominium”

“Subsidized condos/townhomes for ‘empty-nesters’”

“Comfortable, quality rental apartments and rental single-family homes are few and far between”

If you were thinking of moving to a new neighborhood in Mason City, what amenities would you be looking for? Select your top three choices.

50.0%

Outdoor Recreational
Amenities

(trails, lakes, bike paths)

48.2%

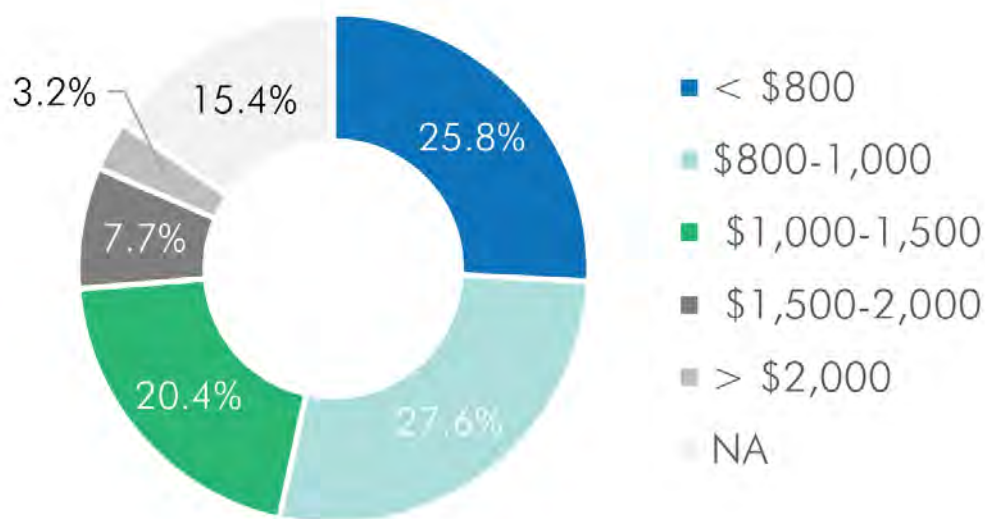
High Speed Internet

34.0%

Restaurants /
Entertainment

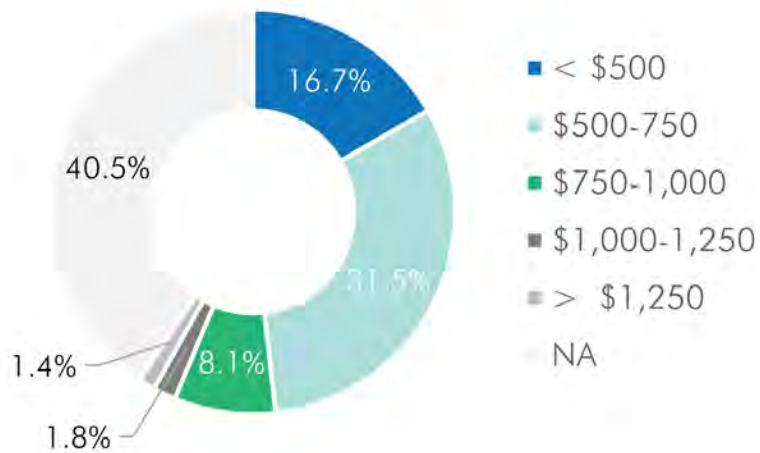
What would be your maximum monthly budget for a mortgage?

Single-Family | Owner Occupied

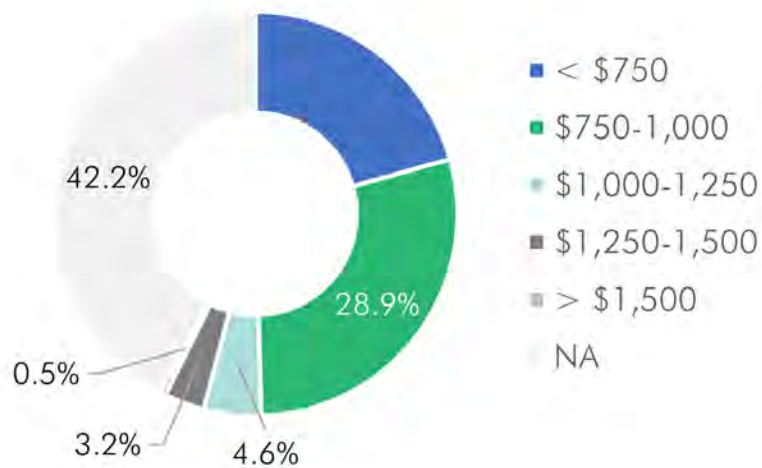


What would be your maximum monthly budget for rent?

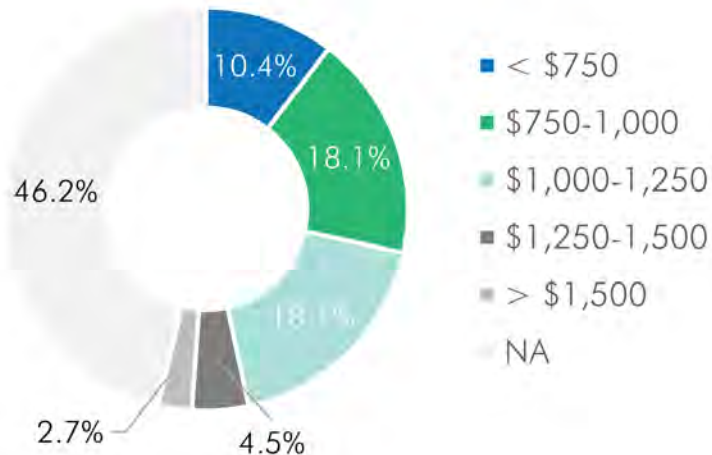
1-Bedroom / Renter-Occupied



2-Bedroom / Renter-Occupied



3-Bedroom / Renter-Occupied





The River Townhomes

Please use this space to provide any additional feedback you feel is relevant to the development of new housing in Mason City.

Several primary themes emerged from this question. They include affordability, location and new development-related concerns as well as issues of housing maintenance, quality, and quantity. Specific community input associated with each of these themes is included verbatim in the text below.

Affordability:

- Young families need more housing that is affordable.
- Rental prices are out of control in Mason City. If moving to Mason, we would only consider purchasing. In my experience, there are also very few ethical landlords in Mason City.
- Mason City is in desperate need of affordable housing.
- Low income housing is greatly in need.
- Lower rent for those that do not make a lot or are on a fixed income. The rent is too high in this town.
- I wish that builders would build more affordable townhomes/condos.
- I work with the homeless population and people at risk of losing housing. There is definitely a need for more affordable housing.

- The apartments at The River are very nice, but the rent is much too high for the square footage available.
- The townhomes are too expensive for a single person who is 50 years old. Need more affordable townhomes. Also need to expand the program for homeowners that have old houses that need money to help pay for updates.
- Affordable housing is great, but you also have affordable utilities, amenities, and taxes. You have to be able to really afford to live somewhere, not just be able to cover rent/mortgage.
- It would be nice to have affordable apartments that are well managed/maintained. I know that when I first moved to Mason City it was hard to find a place that I felt safe/comfortable living in as a single woman.
- When I was renting, I had an IMPOSSIBLE time finding affordable options in good neighborhoods. The River is very nice, but costs as much as my current mortgage payment on a \$230,000 house... Most people my age cannot afford to purchase a home and are in need of affordable housing.
- While it does not apply to me, I know several people struggling to find rentals or stay in their current rental. The town of Mason City is seriously lacking in affordable housing for low income and fixed income families/individuals. Even with assistance from Section 8, the amount they are allow for a rental is far lower than the current rents in the city.
- There is a lack of affordable housing as well as high end rental options.
- There is a lack of affordable housing in Mason City – not fair market rent units, but those that low-income or the “working poor” can afford on top of rising utility, food, and gas costs. Some of the units available now that are affordable are in very marginal condition and lack security or even the basics, such as kitchen appliances. If you truly know what the community lacks in terms of housing, this survey needs to be handed out – in paper, not online – at the Community Kitchen, at the bus depot in Central Park, at the mall or library where people are taking advantage of the air conditioning, and through partnering with local social service agencies to help distribute the survey. I had no idea this initiative was going on and happened upon this survey accidentally. Now, I realize the goal of the survey isn’t the needs of the population I’ve discussed, but imagine if consideration was given to ALL citizens equally – the economic impact THAT would have over time? What a welcoming reputation Mason City would have!
- There is a need for more lower and middle income homes.



Mason City Central Park at Dusk

- Need more newer apartments to rent for better prices... Would love to think about moving into The River, but the cost of even a studio is terrible... Can't even afford a one bedroom.
- Need affordable decent housing for seniors in secure setting.
- Affordable, quality housing with good neighbors.

- I've encountered a beautiful 3 bedroom - 3 bath house to rent in mason city; although, the rent was high enough where we would only be left with 800 left to pay utilities/groceries/gas/ spending money. The house was everything I wanted to rent; unfortunately, owner was not willingly to allow two feline cats that are litter trained and bathed well enough that shedding is very minimal; also, no trampolines or pools could be put outside the home - and I have a 10

year old, so not kid friendly; the neighborhood is perfect and next to my son's school and the HS so he would have no issues since it would be in between; I've tried to look at other houses but the houses were in bad areas where I don't feel safe., next to busy streets, too much water gets in the basement, or the house isn't suitable to our needs. I wish there was



Mason City from the Brick and Tile

something like the house we found through Runde, but they declined to do a walk through on the rental and the lease was so absurd we couldn't even consider the house with all the ridiculous rules the realtor gave us. It's heartbreaking because my son is getting older and taller. The apartment we are in now is spacious but not spacious enough for my little family. We ran out of cupboard space, not enough drawers, not enough bedroom space either. I hope we can get more houses around Mason City so I can consider long term here.

- Most of these questions were geared at my personal situation and this survey will likely reach a professional segment of the population. There is a much larger segment of the population that needs affordable options in line with the local economy (manufacturing, retail, food, single parent lead). Rentals are overpriced and often in poor condition. This is the segment of the population I work with and even with housing assistance to supplement, housing options are few and I am often amazed with the poor standards (safety, quality) available in our community.
- Seniors can't afford to rent or buy. All rent is 500.00 and up its hard to pay that when you only get 900.00 per month s.s. you can't qualify for help if you have any savings.
- Something will have to give. Either wages and incomes will have to rise to cover increasing costs of housing and basic necessities, or housing will have to become more affordable and available to workers in low-wage jobs.

Location/New Developments:

- I would like to be on the south side of town; however, there needs to be a grocery store in that area.
- In any new development, small parks should be included. Community gardens should be incorporated into multi-family developments. A dog park here and there would be good too.
- Largest concern in looking for a new neighborhood in Mason City is noise from railroads and neighborhoods with rundown properties. These will be the driving factors for my decision.
- Mason City does not have many areas in town to build affordable single family homes (\$250,000 or less). People don't want to build on vacant lots as the neighborhood are shit holes. Mason City needs to get control of the rental housing units and have landlords maintain the property to the neighborhood level (fix the screen doors hanging on frames, mow the lawns regularly, trim the volunteer trees growing next to the foundations, pick up the piles of junk in the yards). A great place to develop single family homes would be out by NIACC – south and east of NIACC. Larger lots with minimal restrictions on type or size of house.
- When developing new housing and neighborhoods, we need to make sure they are walkable and contain the ability for people to spend time outside in a safe environment.
- Would like it if we had more lots available to build in different areas.
- We do not need any more apartments, we need a development with twin homes so we can get older population to move out of their homes so families can buy affordable housing. For this to happen, it will take forward thinking on the city. They will need to be willing to put the streets and utilities in for the developers to be able to build affordable homes. Tax abatement will not work in today's world. No development will happen if they think tax abatement will work.
- A 50 to 55 plus modular or stick built home in a low traffic area. Around 100,000 with no HMO.
- Make sure underground drainage preceded new developments in an area.
- Single family small retirement homes in a community would be a great asset.
- The old sears center, or north across from the cement plant or south across from bliss all have ample space. My friend in Grimes has a townhome with a combined, living room, dining and kitchen all open to each other, but spacious, 2 bedrooms, 2 bath, 2 stall garage and a full basement and a tiny porch and yard area. Priced way below what you can find in Mason City. I would gladly sell my 4 bedroom home with a large yard to a family if I could afford that in Mason!
- There are retired people in this community that don't want to live in senior housing and like the diversity of people that need housing that is decent, affordable housing that one can afford on Social Security income. There is also a need for housing with garages.
- No new subsidized housing projects, it creates too many social problems.

Maintenance:

- Start going after the people that own dozens or hundreds of rentals and make them clean up their act before you go picking on small landlords and homeowners who are just trying to get ahead in an area with very few opportunities that pay more than \$40,000 a year.
- Get rid of the slum lords or raise the low income guidelines.

Quality:

- Renovate or remove rundown homes. Create nicer low-income housing instead of junky homes.
- Replace rundown homes with single family homes rather than apartments and multi-family homes.
- We need some new housing stock and options – especially designed like The River. We are losing people because we don't have high quality rentals with amenities like a garage and laundry. I had the same problem when I relocated to Mason City a few years ago. Thanks for the chance to give feedback.
- There need to be more apartments that cater to business professionals who are also pet owners. I live at The River currently and absolutely love it! But there needs to be more complexes like this in Mason City.
- A program to help fix up downtown second story apartments and the older homes around the perimeter of the downtown core would be great.
- Development and refurbishment of blighted areas should be highlighted by the city, and not further development of new/vacant land. Our taxes are too high - it's time to sequester spending - not to increase taxes. Also, our city is not operated as a "tight ship." There is not enough accountability and hard work by its employees.
- Housing selection for low income disabled individuals is way too limited. I found this out while searching for a disabled friend. Restrictions are too restricted for these individuals. Rent is too high, deposits are sometimes double. Landlords don't keep up property standards. Filthy conditions of apartments. Management Companies limited in who they will rent to and requiring income to exceed 3 times the monthly rent.
- I believe Mason City is pretty good at this already, but I think it's important for this particular town to reuse existing spaces and when building to encourage Prairie School style and other forms of architecture that are relevant in the area. That will continue to draw people. The town has a unique aesthetic. It works.



Mason City Harry D. Page House

- I think the City needs to offer incentives for people who already own their home to fix them up. I also believe we should require stricter standards in regards to landlords and we should not give them incentives to fix up their properties. This is their business, and they should be required to keep them up to date and within City codes.
- In order to draw young professionals to the area, good quality market-rate housing is really important! As a young professional who moved here from a large metropolitan area, the rental options 5-ish years ago were terrible, and all the good options fill up really quickly.
- Mandatory background checks for potential tenants. Well maintained properties, inside and outside. Landlords must listen to their tenants and take their needs and wants seriously. Ban the Kents, Runge, and Hardy from operating anything. They don't give a rat's behind about fairness and safety about their tenants and those who live in the neighborhood. Housing for singles with income less than \$15K, and couples less than \$30K. When I moved to MC, safety was more of a concern than anything. I know that I'm one of the many who will say that.
- Mason City needs to make an effort to engage landlords who owned dilapidated housing units around town. Many of the units, which I have visited as a result of a previous job, would not meet HUD Housing Quality Standards. It's frustrating that landlords aren't being held accountable for the safety and livability of their properties.
- Mason City should have an adequate shelter for those who are homeless. Should also have a rent assistance program for those who struggle with housing. Enforce landlord standards- various things break and are not fixed timely.
- Priority is affordable, safe, quality housing for single individuals and families whose gross salary is under \$80,000 a year.
- Providing safe and healthy housing that is affordable for seniors, single adults, and young families is crucial.
- Safe neighborhoods.
- Single Family Home with 1 or 2 bedrooms and double stall garage.



Mason City GC Stockman House

Quantity:

- Everything in Mason City in my price range has been bought by people renting them out.
- We lost more than 160 homes in the 2008 flood...We need more housing in order to grow!
- I do not know a single young person in or moving to Mason City that hasn't struggled finding rental properties with good landlords. In fact I have had friends not move to Mason City when they wanted to due to lack of rentals/apartments. One of those people nearly did not take a job at my employer because he could not find housing. If we want young people to move here we need the kind of housing they are looking for (i.e., rental townhomes and apartments).
- I moved to Mason City 8 years ago and when I arrived, it was very difficult to find an apartment to rent. There was only one option that I could find. Mason City needs more transition housing for young professionals to rent for a few years until they get into a financial position to purchase their first home. The new "River" complex would have been a great option if it were available when I moved here.

Other:

- Currently Mason City has a very negative stigma attached to it and there are very few areas that are enticing to out of town people to move into. The crime rate isn't helping the situation.
- Mason City is a low rent community because low wages are dominant.
- Taxes need to be leveled out, way too high a tax rate on one house while houses around you are way less for same lot size and similar houses.
- The city is wasting too much money on that Music Man Square, Southbridge Mall and that hotel which would be better used for creating affordable housing.
- Updated/better zoning ordinance that is less ambiguous and significantly more user friendly. Also should be necessary for City to have a Zoning Ordinance that has hyperlinks in Table of Contents to navigate to section of interest for potential developer and existing property owners. This would prevent individuals from contacting City staff for simple questions that require simple answers.
- Violence and safety (lack thereof) in some Mason city neighborhoods is a critical priority!
- We have to[o] many agencies that are bring in homeless or troubled people into this community without any background checks. This is taxing every entity of the city and it is destroying the housing in Mason City. The older neighborhoods are being degraded as well as some of the newer ones.



Mason City Andrus Duplex

Focus Groups + Interviews

Key stakeholders and housing service providers were invited to participate in focus group conversations to gain more direct input regarding the housing challenges and opportunities facing Mason City. One-on-one interviews were also offered to include those unable to participate in the larger focus group discussion or who were recommended as important individuals to hear from. Below are high level themes and comments provided from these conversations.

Shortage of Rentals – Low Turnover

The current rental market is very tight with very low turnover. Many participants noted that of the “available” rental options, many are blighted and unlivable by most standards with property owners taking advantage of renters.

Lack of Resources to Address Renovations

There are many wonderful, older homes scattered throughout the community in need of some TLC. But homeowners and property owners are unable to afford the renovations with their limited financial resources.

Lack of Available Contractors/Trades

Those property owners that are willing and able to make renovations have trouble hiring a qualified contractor or trade (i.e. electrician, plumber) to complete the work. The North Iowa Area Community College (NIACC) has a very popular Building Trades program that has a waiting list but need additional staffing and funds to expand the program.

No Designated Point of Contact for New Residents

When new residents or prospective residents come to Mason City, many felt it was unclear who they should connect with to learn more about local services. The Mason City Chamber was noted as one of the primary resources employers suggest to their new employees.

Senior Assistance to Age in Place

There is a high demand for housing options that allow seniors (65 and up) to maintain their independence while downsizing to a more manageable housing situation. Townhomes and condos are the preferred option. The Village Cooperative was noted as a great example of desirable senior housing. Others also suggested individual homes on small lots with association fees to maintain the exterior would do well.

Desire for More Mixed Housing Options

Participants noted a continued need for a greater mix of housing types to be added to neighborhoods such as duplex, triplex, and fourplex. This increased density would help reduce the construction cost and provide more units in areas where people want to live.

Desire for Increased Code Enforcement

While no one wants unnecessarily onerous regulations, many participants noted a need to increase code enforcement to improve areas where absentee property owners are present. The emphasis is on exterior improvements although some participants noted the hidden issues of rental properties where tenants fear eviction should they complain about their poor living conditions.

Lack of Financial Education – “Not Purchase Ready”

Many participants noted the lack of financial literacy among the general public. Property owners especially highlighted this issue, as many rental applicants had been denied due to poor payment history or credit scores. Any type of free education to support better budgeting and financial planning would be beneficial to transitioning renters who desire to purchase their first home.

Crime Issues

As a regional hub and larger community in north central Iowa, there is an element of crime that is a turn off to some people looking to move to Mason City. While there are real challenges facing the community, some felt these claims were overblown or mostly perception.

Homeless Challenge

A few participants highlighted the “invisible” issue of homelessness. Unless you’re looking for them, you won’t see this population during the day. The Covid epidemic has made this issue more pressing as school and employer shutdowns pushed some people to seek out assistance. Local efforts have stepped up, but the need continues to grow.

School Quality Issues

While many praised the quality of the local schools, some participants noted some issues - real or perceived - with Mason City Community School District. New residents to the community said they were encouraged by coworkers to look at open enrollment to schools in surrounding communities. Like all school districts with diverse socio-economic households, Mason City CSD has its challenges but has done a good job to address these issues and continues to improve.



Mason City Prairie Place Senior Living

MEET THE CHALLENGE

ISSUES + OPPORTUNITIES

- + The Affordability Factor
- + Future Demand
- + Development Opportunity

03

CHAPTER

Introduction

The previous two sections – Demographic Profile and Public Engagement – provided the quantitative and qualitative evidence needed to highlight the opportunities and challenges facing Mason City. This section goes more in-depth on these topics by establishing a baseline demand for new housing as well as utilizing geographic information systems (GIS) data to identify opportune areas for development, both new construction and revitalization of existing housing units.



Example of a well-maintained historic Neoclassical style home overlooking Willow Creek and the Meredith Willson footbridge

The Affordability Factor

The demographic analysis in Section 1 identified affordability as one of the top challenges Mason City homebuyers and renters face in attaining newly constructed housing units. Whether it is insufficient resources to afford a down payment, difficulty qualifying for traditional housing loans, or becoming cost-burdened by mortgage payments requiring more than 30% of their monthly income, these issues cause weaknesses in Mason City's ability to transition residents from rental units to owner-occupied housing and attract new residents to the community.

Affordable housing is a term that has various definitions according to different people and is a product of supply and demand. The U.S. Department of Housing and Urban Development (HUD) defines affordability as the ability of household to pay no more than 30% of its annual income on housing (including utilities). Families who pay more than 30% of their income for housing (either rent or mortgage) are considered cost burdened and may have difficulty affording necessities such as food, clothing, transportation and medical care.

The term "affordable housing" can also refer to income-restrictions applied to qualify for certain housing units. In some cases, individual properties have income restrictions set anywhere from 30% to 80% area median income (AMI). Rent is not based on income but instead is a contract amount that is affordable to households within the specific income restriction segment. Moderate-income housing, often described as "workforce housing," refers to both rental and ownership housing and is more broadly defined as households earning between 50% and 120% AMI. Households above the 80% AMI threshold but below the 120% AMI ceiling may qualify for certain state and federal programs for reduced rents or down payment assistance, albeit at a much-reduced rate than those households classified as affordable, below 80% AMI.

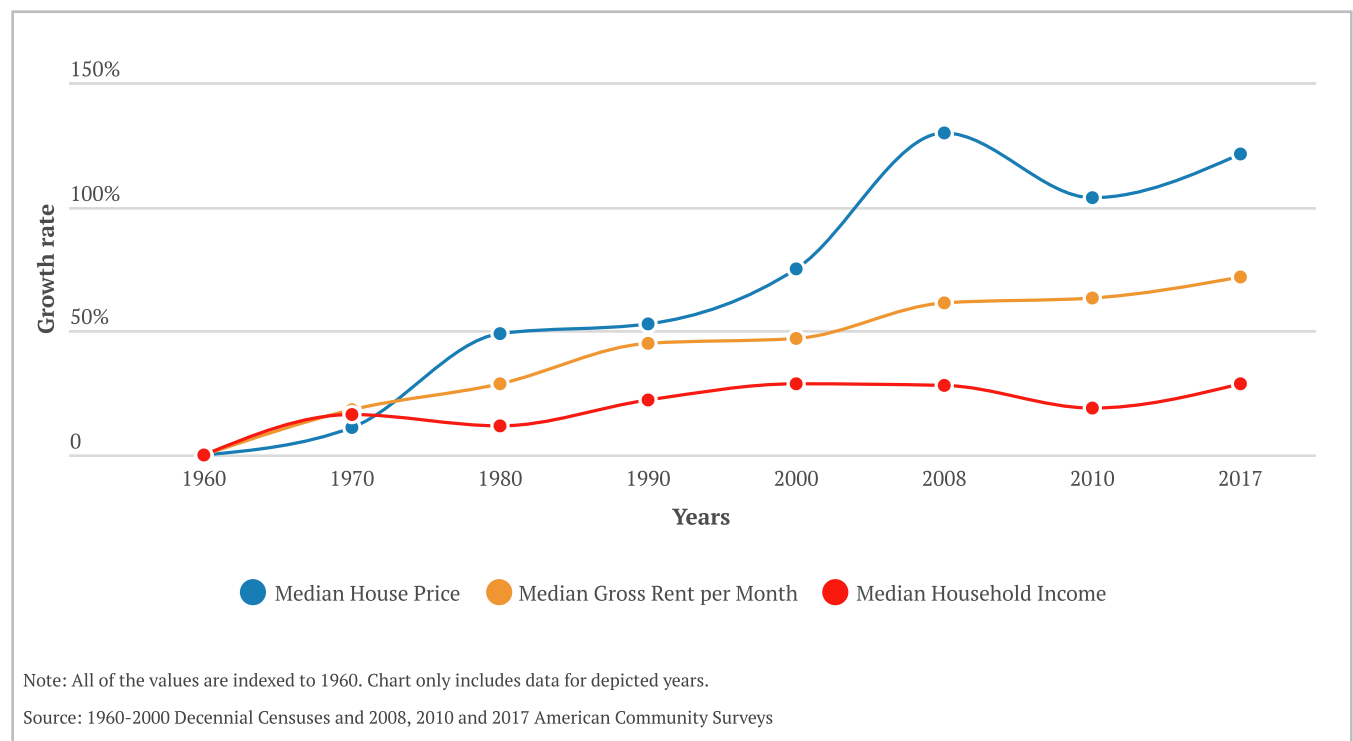
Table 3: Cerro Gordo County HUD Income Eligibility (2021)

	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
30% Limits	\$ 15,500	\$ 17,700	\$ 19,900	\$ 22,100	\$ 23,900	\$ 25,650	\$ 27,450	\$ 29,200
Very Low Income	\$ 25,800	\$ 29,500	\$ 33,200	\$ 36,850	\$ 39,800	\$ 42,750	\$ 45,700	\$ 48,650
60% Limits	\$ 30,960	\$ 35,400	\$ 39,840	\$ 44,220	\$ 47,760	\$ 51,300	\$ 54,840	\$ 58,380
Low Income	\$ 41,300	\$ 47,200	\$ 53,100	\$ 58,950	\$ 63,700	\$ 68,400	\$ 73,100	\$ 77,850

The Iowa Finance Authority completed a study in August 2021 that identified a statewide need of more than 47,000 new homes in the next decade to accommodate population growth. Of that total demand, nearly 40% of those units need to have rents or mortgages that are affordable to Iowans earning 80% or less of the area median income (AMI), equal to \$47,964 a year. When applied to Mason City, nearly 49.5% of the population falls into this income qualification, compared to just 41.1% statewide.

But keeping new construction affordable continues to get more difficult. Since 1960, median home prices increased 121% nationwide, but median household income only increased 29%. Renters are also struggling with the median gross rent increasing by 72%, more than twice the growth seen by adjusted incomes, making renting costlier than ever and saving for a future home difficult if not impossible.

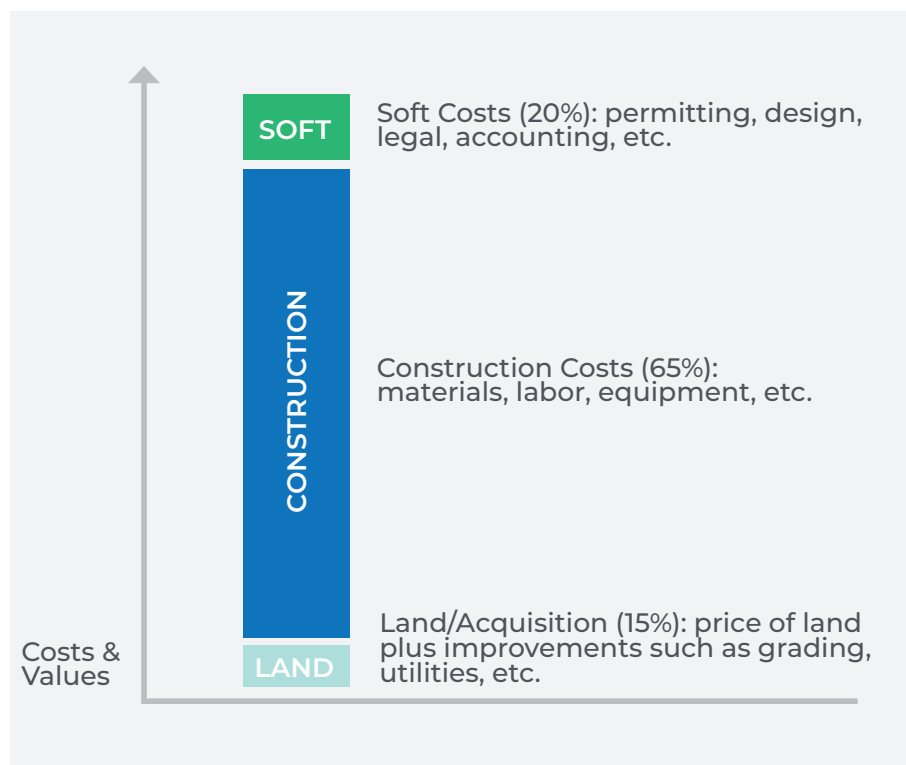
Figure 21: Growth Rate of Median Home Prices v. Median Household Incomes v. Median Rents Nationwide



URL source link: <https://listwithclever.com/research/home-price-v-income-historical-study/>

The problem lies in the feasibility gap. Where development value exceeds development costs, a housing unit can typically be delivered without the support of incentives or subsidy. However, where development costs exceed development value, there is a feasibility gap, which can be filled by local incentives to either lower the cost for the builder or a subsidy to the end user to offset the high cost to purchase or lease a housing unit.

Figure 22: Cost Breakdown for Building a House

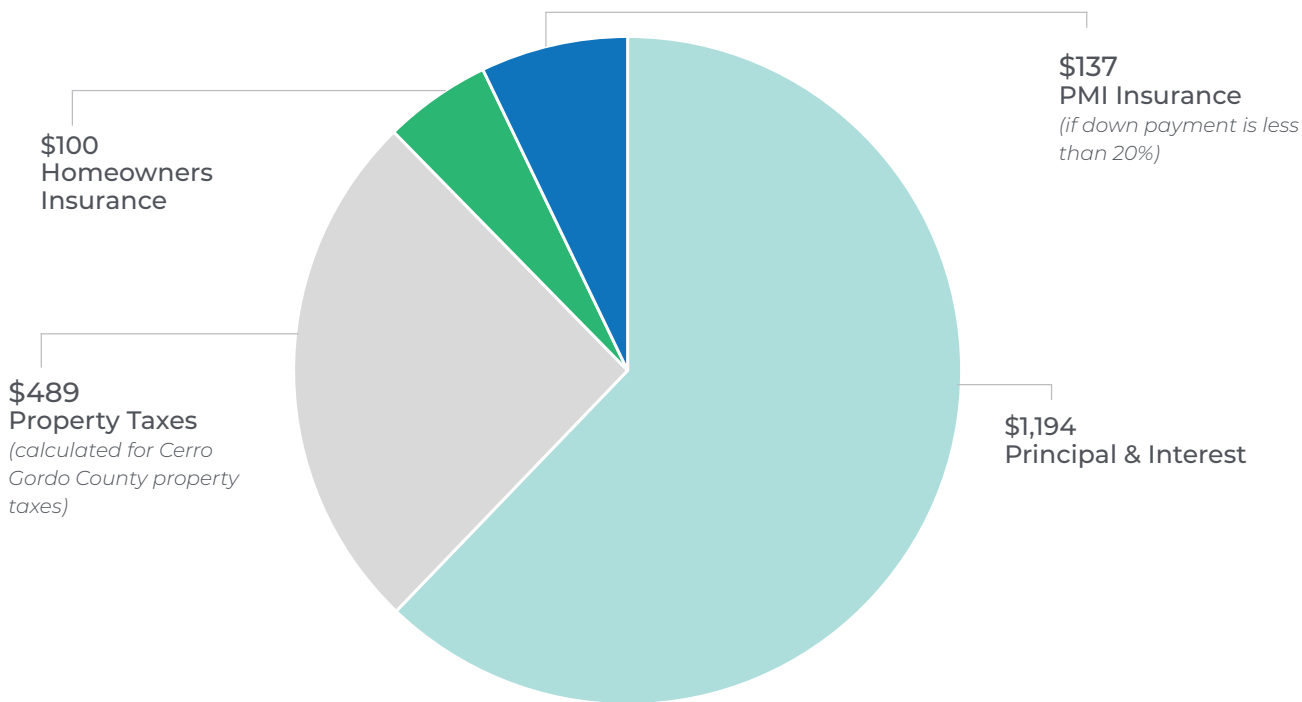


The economic feasibility of building new or renovating any existing residential housing unit starts with evaluating the costs and market value of the final product. The market-specific costs to deliver a single unit of housing includes the purchase/acquisition of land and/or the existing structure, construction (i.e., materials, labor, equipment, etc.), and soft costs (i.e. permitting, design, legal, accounting, etc.). The market value of the finished housing product is dependent on local factors including the target sale prices or rents with stabilized occupancy, standard financing terms, and a modest profit. The figure above illustrates both instances.

According to a recent study completed by [Forbes](#), the current average cost to build a new 2,000 square foot home in the state of Iowa is estimated at \$214,040, or \$107 per square foot. Once you add the cost of land (10%-15%), realtor fees (6%), and the builder's profit (10%), the final sale price would be \$280,000. If a buyer chooses to purchase this home and make a 5 percent down payment - typically the minimum amount allowable- he or she would need to have \$14,000 in cash for the down payment plus \$7,000 to pay toward closing costs (2.5%). The remaining mortgage balance would be \$266,000. A mortgage with the dynamics listed below would cost the end buyer \$1,780 in total monthly expenses per month.

Figure 23: Breakdown of Monthly Mortgage Expense

Estimated monthly payment (PITI): \$1,920 (30-year fixed loan at 3.5% w/ 5% down payment):*

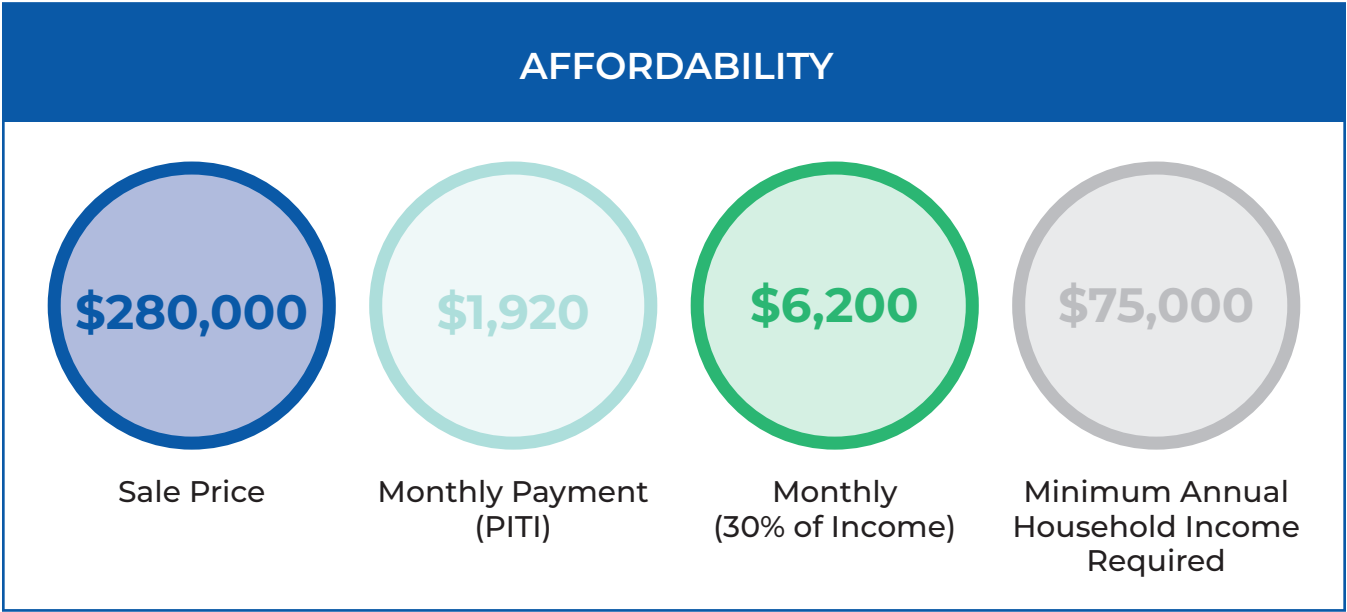


*Source: Fannie Mae Homebuying Financial Calculator;
tax levy data via Cerro Gordo County Assessor Office*

**PITI = Principal, Interest, Taxes, and Insurance*

In order to afford this home at \$280,000, the homebuyer would need to have an annual income of nearly \$75,000 - or \$6,200 a month - to qualify for financing. Of the current households in Mason City, only 31.2% could afford this home. Note, the homebuyer with this level of household income would be at the ceiling of what they can afford without the hitting cost burdened threshold (i.e., 30% of income toward housing expenses).

Figure 24: Gross Income Required to Afford Total Housing Costs: \$280,000 Sale Price



Although affordable housing is typically associated with an income-restricted property, there are other housing units in communities that indirectly provide affordable housing. Existing, older housing stock that was built without utilizing any subsidy or incentive yet are attainable by a large segment of the population are considered “naturally-occurring” affordable units or workforce housing. The rental rates or property values on these units are lower based on a combination of factors including but not limited to the age of housing stock, location, condition, size, and functionality of space.

According to the Joint Center for Housing Studies of Harvard University, the “naturally-occurring” housing stock supplies three times as many low-cost affordable units than assisted projects nationwide. Unlike income-restricted rental developments, most of the workforce housing units are scattered across the community in individual single-family homes, small multi-unit properties (i.e., one to four units) or in older multifamily structures. Further analysis and maps are available in the section below titled Development Opportunity starting on page 69.

Future Demand

In Section 1 of this plan, the household income and housing expenses were analyzed independently. However, the availability or lack of attainable housing units can be derived by comparing the distribution of household incomes with housing costs and provide a high-level estimate of supply and demand to meet local housing needs. **Figure 25** extrapolates the availability or lack of housing units based on the definition of affordability without being cost-burdened – spending less than 30% of a household's income on housing expenses.

The figure was created utilizing three major data inputs via the US Census – household income range, owner-occupied valuations, and monthly rental housing expenses. The number of households within each income range determined the level of demand for a housing unit within their affordability range - twice the household income for homeowner units and no more than 20 percent of household income for renters. When the number of households exceeds the number of units available, those households must find alternative housing options in a different affordability range - either a more affordable price point or a higher price point resulting in a cost-burdened household. Should the number of units exceed the number of households, it indicates there is surplus of housing at this price point.

Below are the highlights from this data:

- There is high demand for the most affordable housing options, with a deficit of 1,535 units for homes priced below \$50,000 and rents of less than \$500 per month.
- There is a surplus of 2,515 in the low-moderate income range of \$25,000 - \$49,999. A large portion of these surplus units are likely accommodating households in the \$25,000 or less income range.
- There is a demand for nearly 800 units of homes priced in the \$150,000 to \$250,000 range and/or rental units priced at \$1,000 - \$1,499 per month.
- There is a slight demand for housing for households with incomes of greater than \$150,000, although homes priced at \$300,000 or greater are currently being taken care of by the free market as the prominent price point of newly constructed homes.

It should be noted, this analysis is meant to illustrate a larger trend in how existing units are being occupied. While it does identify opportunity to build new housing units at a specific price point, it is not intended to be prescriptive or provide an exact market demand.

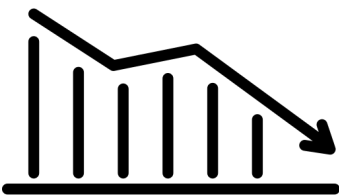
Figure 25: Housing Demand/Deficit by Household Income and House Price Points

Income Range	\$0 - \$24,999	2,923 total households	-1,535
Owner	Less than \$50,000	497 available units	
Rent	Less than \$500	891 available units	
Income Range	\$25,000 - \$49,999	3,294 total households	2,515
Owner	\$50,000 - \$99,999	2,870 available units	
Rent	\$500 - \$999	2,939 available units	
Income Range	\$50,000 - \$99,999	2,428 total households	-149
Owner	\$150,000 - \$199,999	984 available units	
Rent	\$1,000 - \$1,499	190 available units	
Income Range	\$75,000 - \$99,999	1,739 total households	-565
Owner	\$150,000 - \$199,999	984 available units	
Rent	\$1,000 - \$1,499	190 available units	
Income Range	\$100,000 - \$149,999	1,501 total households	-230
Owner	\$200,000 - \$299,999	1,135 available units	
Rent	\$1,500 - \$1,999*	136 available units	
Income Range	\$150,000 - \$199,999	350 total households	-4
Owner	\$300,000 - \$499,999	346 available units	
Rent	\$2,000 - \$2,999	0 available units	
Income Range	\$200,000 or more	311 total households	-131
Owner	\$500,000+	142 available units	
Rent	\$3,000 or more	38 available units	

Source: US Census ACS 5-year (2020)

Demand for housing can come from several sources, including: household growth, changes in housing preferences, replacement need of aging housing stock, and workforce demands. Unless there is enough desirable vacant housing available, new housing must be built to accommodate an increase in households. Demand is also affected by shifting demographic factors such as the aging of the population, which dictates the type of housing to be built. New housing to meet replacement need is required, even in the absence of household growth, when existing units are not marketable in their current state and when renovation is not feasible because the structure is physically or functionally obsolete.

Population growth is a major contributing factor to housing demand. However, the population trend noted in Part 1 was an annual decline of 2.3% with a small portion of that population loss attributed to moving outside the city but within Cerro Gordo County. In conjunction with population is the housing size which is also in decline from 2.5 person per household in 1990 to 2.1 persons per household in 2019. At the same time, the number of total households has increased from 12,108 in 1990 to 12,546. While there is a decline in overall population, shrinking household sizes necessitate new housing construction to accommodate changing demographics as well as housing preferences.



2.3%

decline in population
since 1990



2.1

Persons per household
in 2019, down from 2.2 in
2010 and 2.27 in 2000

Demand | Owner-Occupied

One method used to estimate the demand for new construction is applying the home turnover rate. The turnover rate is derived from the US Census data accounting for annual housing mobility. The most recent data available in 2019 estimated 17,584 people lived in owner occupied housing. During that same year 798 people moved out of their current residence in Mason City. A total of 476 or 2.7% remained in Cerro Gordo County, which is then utilized as the annual average turnover rate.

Another factor in this demand model is the estimated share of existing homeowners turning over that would prefer to purchase new housing. Throughout the United States, approximately 15% of all home sales in 2021 were for new construction homes. For Mason City, only 3.9% of homes sold in 2021 were less than ten years old. Considering the age and condition of Mason City’s housing stock, we estimate that at least 8% of the households turning over will desire new housing.

The last factor to consider is the demand from new residents. While the population is currently stagnant or a slight decline, business expansions or new incentives to relocate to the community can help increase the demand for housing. Over 10,000 people commute into Mason City to work daily. If just 2% of those commuters were converted into residents, Mason City could see an influx of 200 workers plus their families.

Once total demand is calculated, this figure needs to be broken down by unit type; single-family housing versus multi-family units such as duplex, townhomes, and condos. Mason City’s current owner-occupied housing types are predominantly single-family units, accounting for 91.9%. Based on the share and continued growth of seniors, it is recommended a larger portion of new housing units be multi-family units. The proposed share is 75% single family to 25% multi-unit products to provide a more balanced market.

Table 4: Ten-Year Housing Demand Estimates – Owner Occupied

Total Owner Households	8,063
Turnover Rate (2021-2031)	27.0%
Desire for New Housing	5.0%
Total Ten-year Housing Demand	109
Single Family Units (75%)	82
Multifamily Units (25%)	27

Demand | Renter-Occupied

The method used to derive the rental demand estimates is essentially the same as the owner-occupied units, but using rental market data. The annual housing mobility data for rental housing accounts for 8,410 renters. For 2019, the most recent available data, an estimated 2,222 people moved out of their current rental residence in Mason City. Of that figure, 1,115 or 13.7% of all renters moved to new housing within Cerro Gordo County, which is then utilized as the annual average turnover rate.

The second factor is the estimated share of existing renters turning over that would prefer to lease a new housing unit versus an existing option. Considering the age and condition of Mason City’s rental units, we estimate that 5% of the rental households turning over will desire new rental units.

The final factor to consider for rental housing demand is the breakdown of Market Rate versus income-restricted affordable units. The share of rental households considered cost burdened is 41.2%. Another consideration is the income eligibility requirements under the US Department of Housing and Urban Development (HUD). For example, a two-person household with \$35,400 meets the 60% income limits. The rental households that earn a median income below \$35,000 account for 51.9% of all renter households. For these reasons, 40% to 50% of all new rental units should be classified as income-restricted or be leased at a price point that supports this segment of the population.

Table 5: Ten-Year Housing Demand Estimates – Renter Occupied

Total Renter Households	4,483
Turnover Rate (2021-2031)	137.0%
Desire for New Housing	5.0%
Total Ten-year Housing Demand	307
Market Rate (60%)	184
Workforce Housing (20%)	62
Affordable/Income-Restricted (20%)	61

Demand | Commuter Conversion

Another factor to consider when estimating household demand is the commuter conversion factor. While the population is currently stagnant or is in a slight decline, business expansions or new incentives to relocate to the community can help increase the demand for housing. Over 10,000 people commute into Mason City to work daily. If just 2% of those commuters were converted into residents over a ten-year period, Mason City could see an influx of 200 workers or households plus their spouses and children. We'll assume 50% of these residents will want new housing options and maintain the balance of owner to renter households, 65% and 35% respectively.

Table 6: Ten-Year Housing Demand Estimates – Commuter Conversion

Daily Commuters	10,610
Outside Demand - Commuter Conversion	2.0%
Desire for New Housing	50.0%
Total Ten-year Housing Demand	106
Owner-occupied (65%)	69
<i>Single Family Units (75%)</i>	52
<i>Multifamily Units (25%)</i>	17
Renter-occupied (35%)	37
<i>Market Rate (60%)</i>	22
<i>Workforce Housing (20%)</i>	8
<i>Affordable/Income Restricted (20%)</i>	7

Total Demand

The ten-year housing demand based on the turnover rate and commuter conversion methodologies totals 522 new housing units. This is broken down to 178 owner occupied units and 344 renter occupied units. The owner-occupied units are further broken out with 133 single family units and 44 multifamily units, such as for-sale duplex, townhomes, and condo units. The renter-occupied units are further broken down into market rate versus affordable and workforce units. A total of 207 renter units should be leased at market rate, while there should be 69 workforce units and 68 affordable/income-restricted units built over this ten-year period. The detailed breakdown of housing demand can be found in the found in the table below:

Table 7: Ten-Year Housing Demand Estimates – Total

Total Ten-year Housing Demand	522
Owner-occupied (34%)	178
<i>Single Family Units (75%)</i>	133
<i>Multifamily Units (25%)</i>	44
Renter-occupied (66%)	344
<i>Market Rate (60%)</i>	207
<i>Workforce Housing (20%)</i>	69
<i>Affordable/Income Restricted (20%)</i>	68

Development Opportunity

With a demand calculated, the next logical step in the housing development process is identifying where to locate these new housing units. ArcGIS mapping was utilized to help establish a few models to identify opportunities to locate housing in infill lots throughout the community. While a new subdivision may be necessary to accommodate all the projected single-family growth, filling existing vacant lots was identified as a top priority of the Steering Committee members.

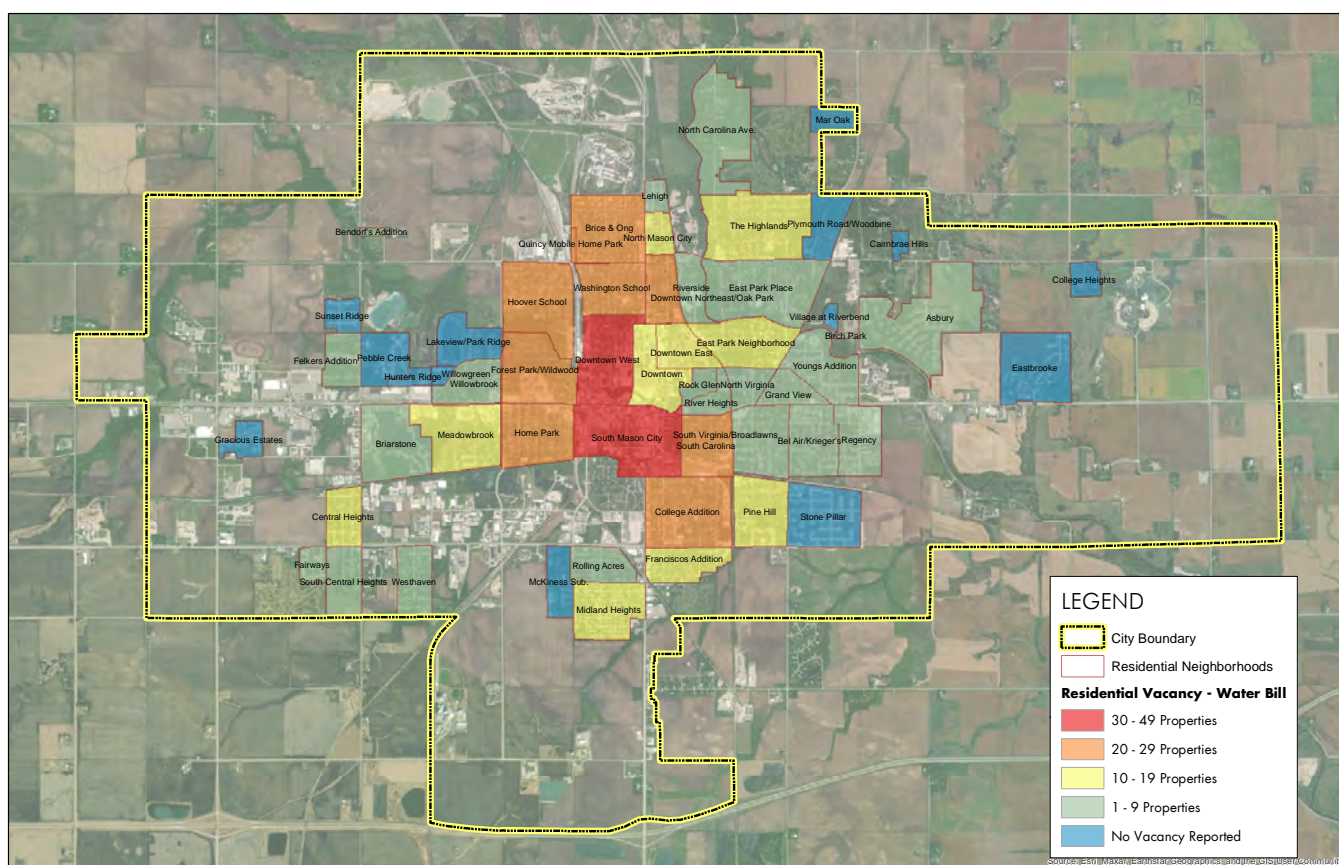
Vacancy can be described as a parcel of land or lot with no improvements or structures. It can also be defined as an underutilized property with no residents. The US Census accounts for 1,138 vacant units in Mason City. Of this total, there were 290 vacant rental housing units accounting for 6.4% of the overall rental units, which seemed inaccurate to many members of the Steering Committee.

Table 8: Total Vacant Units by Vacancy Classification (per US Census)

Total	1,138	100%
For rent	290	25.5%
Rented, not occupied	0	0.0%
For sale only	76	6.7%
Sold, not occupied	126	11.1%
For seasonal, recreational, or occasional use	110	9.7%
For migrant workers	0	0.0%
Other Vacant	536	47.1%

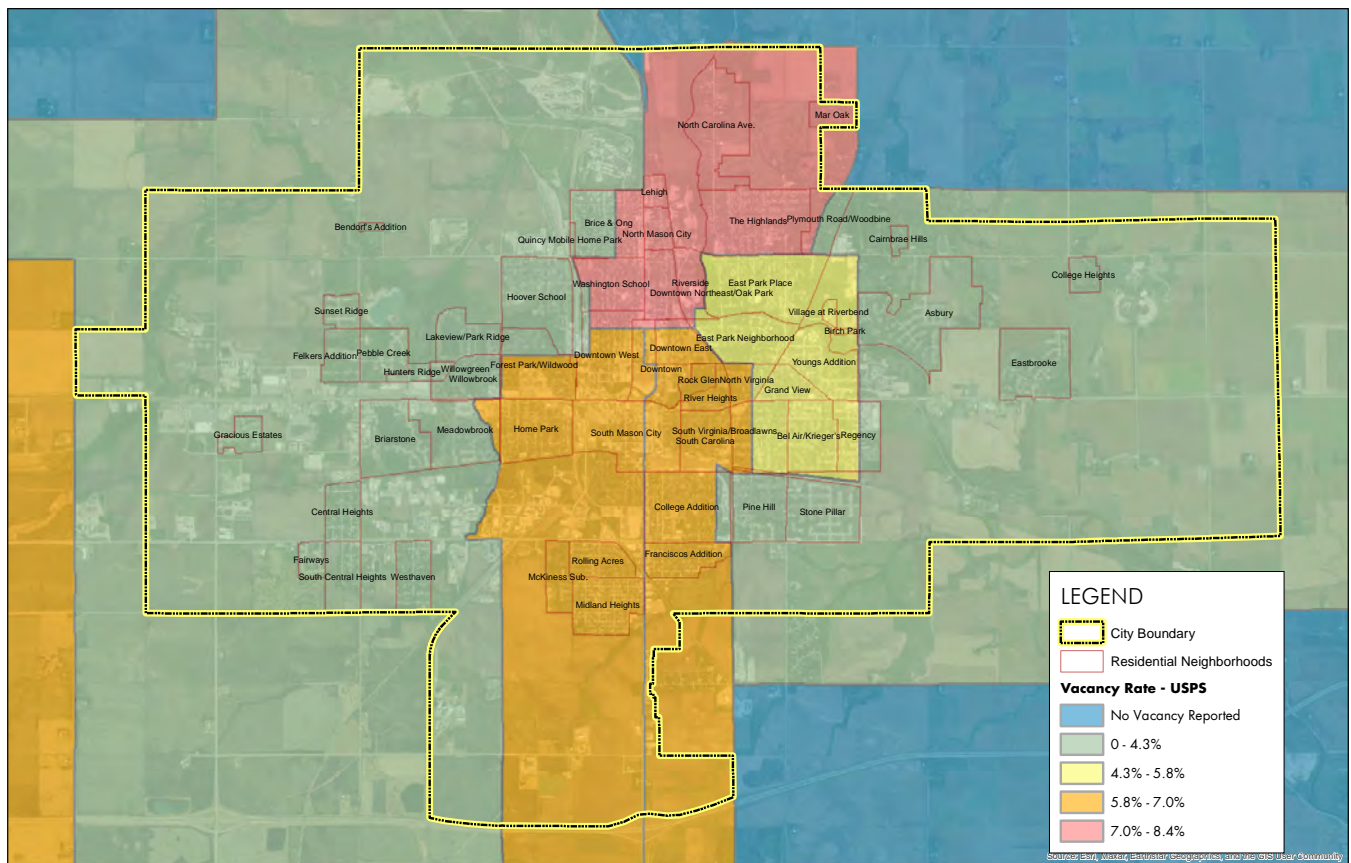
City staff noted that there was a number of these vacant rentals units, should really be classified as abandoned or derelict units. Further analysis was conducted utilizing the Mason City Municipal Water Bill counting service disconnects as an abandoned unit. There were a total of 636 total properties with service disconnect at the time this study was completed, not distinguishing between owner-occupied or rentals.

Figure 26: Vacancy By Neighborhood - Municipal Water Utility Service Disconnect



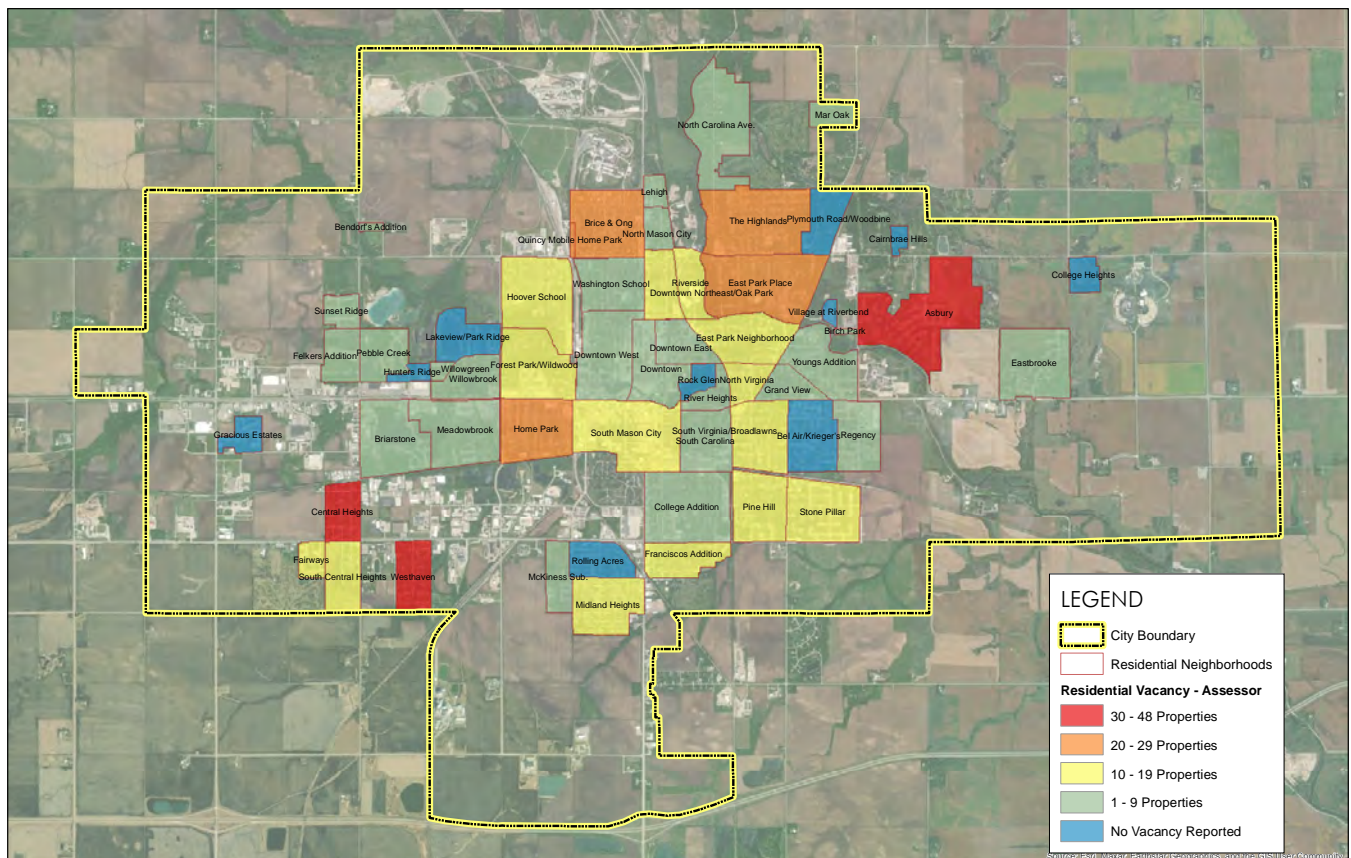
Another source of vacancy data is collected by the U.S. Postal Service. Each quarter, the U.S. Postal Service releases data on addresses with undeliverable mail classifying these units as “vacant”. The data is provided at the Census Tract level. The newer subdivisions on the eastern most side of town including Asbury, Eastbrooke, and Stone Pillar, have Mason City’s lowest vacancy rate of 2.6%. The northeast section of town including the neighborhoods Rudd Park, Harding Elementary School Area, and North Mason City have the highest vacancy rate of 8.4%. The area including downtown and directly south also reported a high vacancy rate of 7.0% The western half of Mason City (west of Pierce Avenue, north of 1st Street NW) has the second lowest vacancy rate of 4.3%.

Figure 27: Vacancy By Census Tract - USPS Undelivered Mail



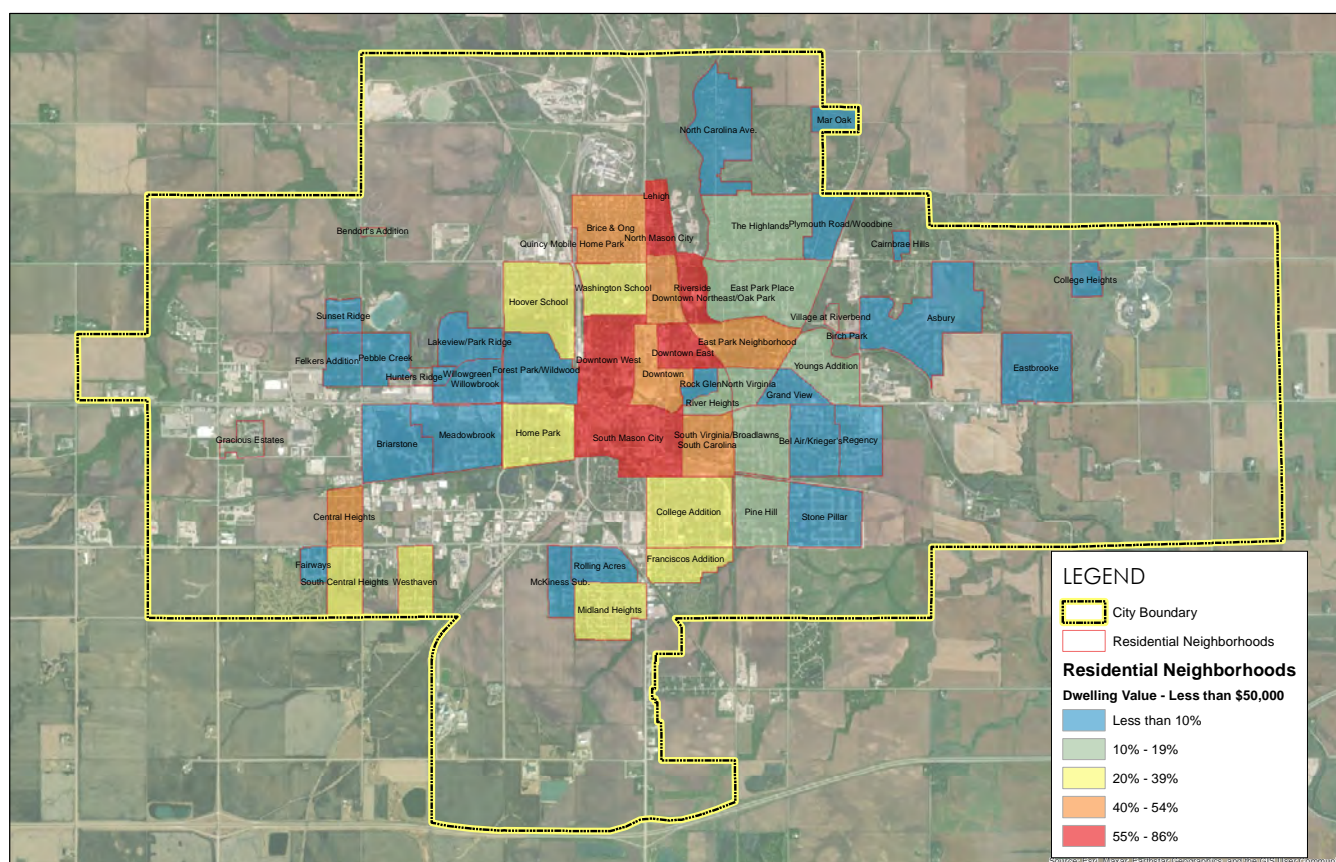
The final source of vacancy data used to identify development opportunities was the parcel data provided by the Cerro Gordo County Assessor. These ArcGIS mapping files include a number of attributes including property use, value, ownership, etc. The County identified vacant parcels using a specific land use code, 010. However, further analysis was needed to remove any flood impacted parcels purchased by the City through FEMA's buyout process as these areas are to remain passive greenspace (i.e., disallow any future residential development).

Figure 28: Vacant Parcels By Neighborhood - Assessor Class Code



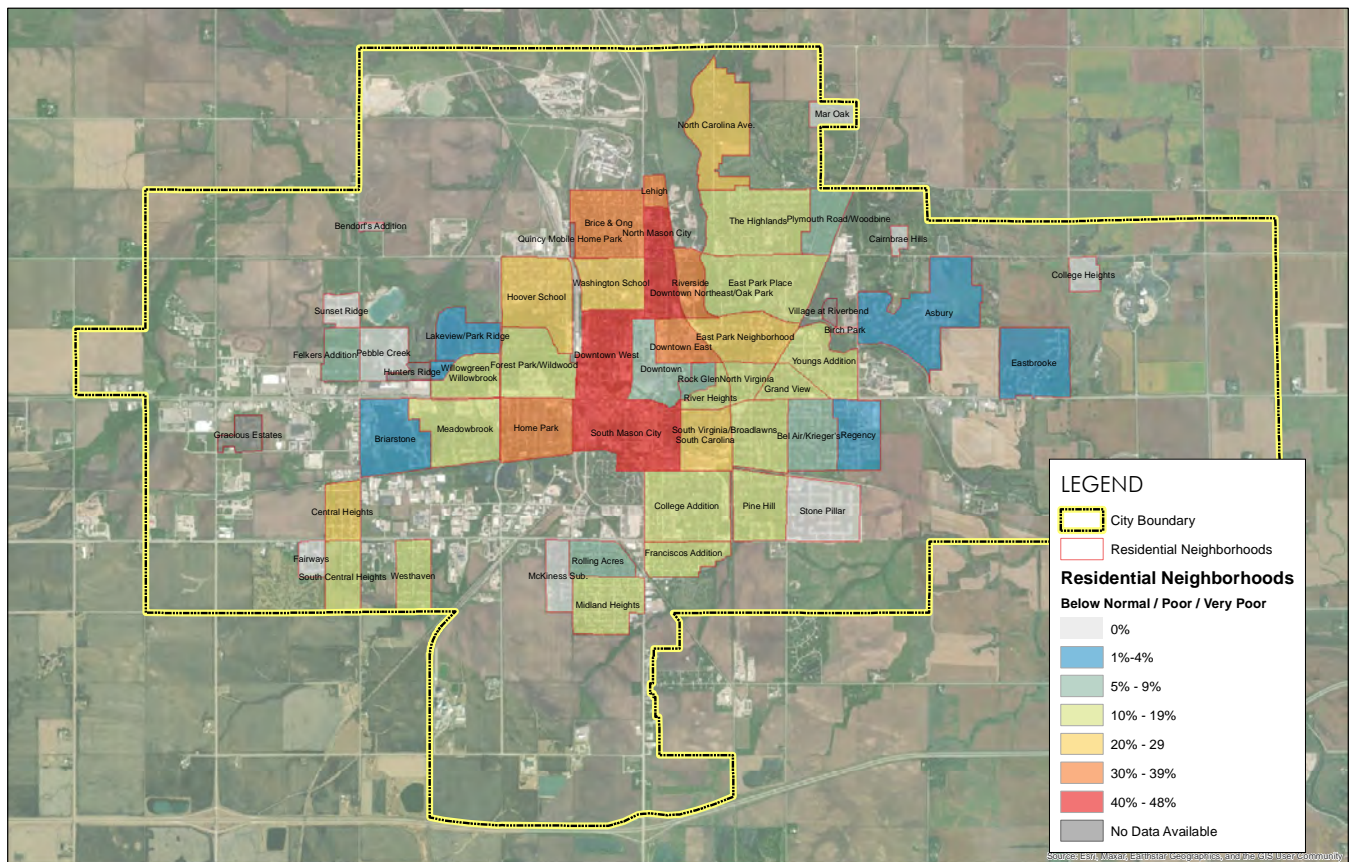
Properties with low assessed dwelling values may be an opportunity for reinvestment of the existing home or redevelopment of the lot to site a new home. Properties with dwelling unit values below \$50,000 were identified as low market value as part of this exercise, and are also considered naturally-occurring affordable housing or workforce housing. The map below highlights neighborhoods with a high volume of these parcels with dwellings classified as low market value. Note more recently developed residential neighborhoods such as Asbury, Eastbrooke, and Lakeview have no dwellings valued below \$50,000. Leigh (86%), North Mason City (71%), South Mason City (69%), and Downtown West (65%) have the highest ratio of homes with values below \$50,000. State and federal programs are available to help these low and moderate-income households make improvements with grants and low- or zero-interest loans. Details on these programs can be found in the Funding Resource Guide, **Appendix B**.

Figure 29: Dwelling Value by Neighborhood - Less than \$50,000



The last data point considered for redevelopment is the property condition. The Mason City Assessor has the responsibility to assess all real property within the city including residential, commercial, industrial and agricultural classes of property. Properties are revalued at least every two years. As part of this assessment, the assessor assigns a property condition from Excellent to Very Poor. The map provides the ratio of properties classified as below normal, poor, or very poor relative to the total number of residential units within the neighborhood area. A total of 10 neighborhoods had no dwellings classified as “poor” quality, according to the assessors. South Mason City, (48%), North Mason City (46%), Downtown NE/Oak Park (45%) and Downtown West (43%) have the highest incidences of homes with poor property conditions. There were also four neighborhoods with no property condition data available. One explanation for this is that mobile homes are not designated with a property condition. Another reason some properties are not assessed is based on their taxable status (i.e. religious or non-profit).

Figure 30: Property Condition by Neighborhood - Below Normal / Poor / Very Poor



An interactive mapping platform with all of these GIS maps can be found at the City of Mason City’s Development Services homepage under Housing Strategy.

CALL TO ACTION: HOUSING DEVELOPMENT STRATEGY + BEST PRACTICES

- + Increase Diversity of Housing Options
- + Residential Improvements Should Follow Infrastructure Improvements
- + Further Expand Code Enforcement to Clean Up Neighborhoods
- + Target New Development of Affordable/Workforce Units on Infill Lots
- + Need to Expand/Attract Availability of Contractors
- + Create Community Development Corporation (CDC) to Fill the Gap in Affordable Housing Development
- + Seek Alternative Incentives to Support the Development of Workforce Housing
- + Review/Update City Ordinance to Allow for Cottage Courts and Tiny Housing, Where Necessary
- + Seek Ways to Revise City Review Process, Permit Fees

CHAPTER

The Overarching Goal.

EXPAND THE INVENTORY OF QUALITY, **[ATTAINABLE]** HOUSING UNITS

Growing the available inventory of housing units – both renovated and new construction – will ensure that Mason City is positioned for continued growth and success. This effort will require a sustained and concerted commitment from a coalition of public and private partners working collaboratively for the greater good of the community. As detailed in the following sections, multiple strategies and specific tactics should be pursued to effectively and efficiently grow the volume of available units.

Strategies to Enact Goal

1. Increase Diversity of Housing Options

One of the most straightforward methods of expanding available housing units in a community is diversifying the kinds of units that can be developed. For instance, creating smaller units that require less maintenance are often appealing to an aging population. When older residents move into these new homes, the homes they have occupied – sometimes for decades – are opened to individuals or families looking to purchase their first homes.

While the concept of “density” can seem contradictory to single family neighborhoods, in reality, a “missing middle” approach would help address affordability issues and be constructed at a scale – four units or less per lot – that seamlessly integrates with existing homes. Specific housing types for Mason City to consider include duplexes, fourplexes, cottage courts, and multiplexes.

Figure 31: Depiction of Missing Middle Housing

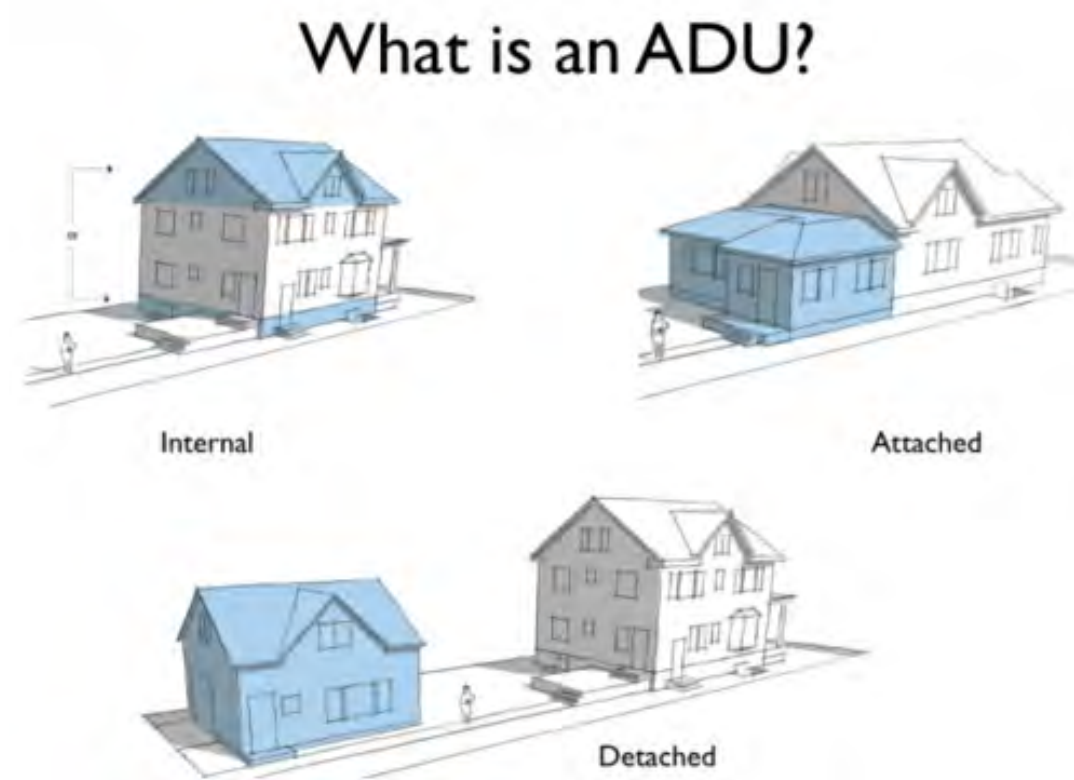


Source: www.MissingMiddleHousing.com

The “missing middle” housing concept was adopted in the City’s most recent update to the Zoning Ordinance in 2018 with new amendments adopted in June 2021. The Z2 Sub-Urban District is the least dense residential zoning district classification, and it allows property owners the ability to place a duplex unit on corner lots. The Z3 General Urban District is the next least dense district classification, that allows mansion apartments and multiple flat units up to eight separate apartments as long as their massing and overall design are compatible with the surrounding properties. The Z3 District also allows “multiple flats,” which is defined as a multi-story building containing 9 or more units.

Accessory Dwelling Units (ADUs), also known as “granny flats”, are currently allowed in Mason City. Described by the American Planning Association as “a smaller, independent residential dwelling unit located on the same lot as a stand-alone (i.e., detached) single-family home.” Mason City recently adopted new regulations that expands the ability for a homeowner to establish an ADU on their property. The City defines an ADU as a separate space between 400 and 800 square feet that is freestanding, anywhere within an accessory building, or within the main building - provided that there is direct access between the main building and the ADU. Previous code only authorized a single occupant and allowed an ADU to be located in the upstairs portion of a detached garage.

Figure 32: Depiction of Accessory Dwelling Unit (ADU)



An additional opportunity to explore is more intentionally creating mixed income neighborhoods. Affordable units in these areas often are better constructed and have better access to amenities than affordable units built on a new development on the edge of the community with limited walkability. This community integration also helps remove, or at least minimize, the perceptions that often accompany affordable units. It is important to note, however, that mixed income neighborhoods are not the end all solution; they have the potential to address an important component of Mason City's housing challenge but are merely one tool in developing more units.

AFFORDABLE HOUSING PROGRAMS

All Federal Home Loan Banks (FHLBs) are required to establish affordable housing programs. More specifically, FHLBs are required to set aside 10 percent of their respective earnings for the program. Funds are to be used for the purchase, construction, or rehabilitation of owner-occupied homes for low- or moderate-income households (those with incomes at 80 percent or less of area median income).

BIRDLAND POCKET NEIGHBORHOOD

The City of Des Moines was hit hard during the floods of 1993 and 2008. Perhaps no area of the City was more impacted than the Birdland area, which once included 270 homes; after the floods, only 54 remained. After going through state and federal processes, the area was ripe for redevelopment led by Greater Des Moines Habitat for Humanity (GDM Habitat).

In 2019, GDM Habitat completed the Birdland Pocket Neighborhood in the area. So far, 34 homes have been added in and around the area, including 23 single-family units built along a shared courtyard. Through GDM Habitat's sweat equity model, sale prices of the homes were kept affordable for new residents who infused the area with new energy. In addition to the development of new homes, repairs were also made to over fifty homes in the Birdland area, furthering GDM Habitat's investment in the area.



Figure 33: Layout View of Birdland Park Pocket Neighborhood



Image source: Greater Des Moines Habitat for Humanity

2. Residential Improvements Should Follow Infrastructure Improvements

Though often overlooked until there is an issue, infrastructure expenditures comprise a large segment of Mason City's budget. Naturally, it follows that the City wants to maximize its return on this investment and align its residential growth with planned infrastructure system enhancements and expansions. The City can take on a number of tasks to ensure investments in housing and infrastructure are complementary and coordinated:

- Target resources to reinvest in neighborhoods where future infrastructure investments have already been planned via the Capital Improvements Program (CIP). While investments are planned throughout the community, three to five priority areas should be identified for immediate attention. These should be identified through the potential for private investment to augment public investments and the area's visibility (e.g., is it along or near a major corridor or gateway to the community?). A review of property values and conditions based on information from the County Assessor also should be considered as part of this prioritization; it is far easier to proactively invest in an area that could be considered transitional before disinvestment occurs.
- In a similar vein, encourage higher density through the creation of narrower lots in certain areas of Mason City. This approach will allow for the creation of more units in certain areas defined by the City, thereby opening the opportunity to build on both previous and planned infrastructure investments. It should be noted that, in most areas of the community, the zoning ordinance already allows for narrower lots.
- Develop an educational campaign to illustrate the tax revenue per square foot for various development types. Typically, certain developments, such as big box stores, are perceived to generate more tax revenue than others. However, on a per square foot or per acre basis, higher density developments almost always outperform big box stores. An educational campaign can help garner more public support for these developments in the community.

3. Further Expand Code Enforcement to Clean Up Neighborhoods

One of the most arduous tasks in a community is ongoing maintenance throughout the hundreds of parcels. The task of ensuring tidy properties in smaller communities is complicated by the personal relationships that abound in these places. It can be difficult for a code enforcement officer to require family members or friends to clean up their properties but is most certainly a necessity for the greater good of the community.

The City's current efforts to clean up neighborhoods include the demolition of blighted properties through procedures such as Iowa Code Chapter 657A. In the December 2017 Iowa Supreme Court case of *Eagle Grove v. Cahalan Investments*, justices upheld Section 657A.10A of Chapter 657A allowing cities to petition a district court to transfer ownership of abandoned properties to the city. Abandoned is defined as meeting a number of conditions including, but not limited to, delinquent payment of property taxes or special assessments, unoccupied by owner or lessee, disconnected utility service, or the property poses a hazard to public health. These procedures are used as a last resort when a property owner refuses to comply with the local laws and regulations or is non-responsive to requests by the City to resolve the issue.

One of the first steps to begin addressing maintenance concerns is an educational campaign. This should be a multi-faceted campaign, with information about City requirements as the starting point. From there, additional collateral should include information on resources to help community members unable to address maintenance needs, including the Neighborhood Improvement Matching Grant Program. Created in 2002, the program provides neighborhood associations in town a matching grant of up to \$1,000 each for neighborhood improvement projects. These could include things like general clean-up projects, sidewalk repairs, security lighting enhancements, or welcome signs. It should be noted that these grants require one-to-one matches, though these can come in the form of volunteer labor, service, material, or equipment donations as well as cash. A final educational brochure should focus on enforcement measures the City may use to address lingering issues; however, prevention of these issues should be the focus.

Complementary marketing materials should be developed to better share existing resources. The North Iowa Community Action Organization and the Elderbridge Agency on Aging are two resources that help provide options for seniors to downsize, while the United Way 211 offers a great way to connect to local resources. City leaders should develop a key resource guide as a quick reference for all City staff and make this information readily available to the broader community.

Linn County offers a great model for Mason City leaders. Their Older Adults Resource guide provides an extensive list of service providers and their contacts along with details on the type of programs and services available from each organization. The guide is updated annually and published on the County's website for public use as well as an internal guide for their staff to offer assistance when necessary.

Beyond education, the City needs to consider hiring additional staff to expand enforcement operations. To make this work most impactful, the City should target specific neighborhoods, corridors, and community gateways rather than a scattershot approach throughout the community. This focused effort will yield faster, more concentrated results, building additional buy-in for the work.

The City should also consider contracting with the North Iowa Area Council of Governments (COG) to expand their current initiatives and provided additional help to homeowners with their distressed properties. The partnership should also seek out grant funds to support this unique approach. Community Development Block Grant (CDBG) rehabilitation funds are already used in parts of the community, but additional resources will be needed to take a more holistic approach in addressing the City's property maintenance issues.

The third element in addressing these issues is to pull neighborhoods together in a more concerted fashion. Community leaders could create a block party toolkit to create stronger neighborhood connections while encouraging property clean-ups; a tool lending library with materials to support neighborhood clean-up efforts could be included as part of the toolkit.

Alternatively, a general neighborhood clean-up program would support neighbors in need while strengthening social connections in neighborhoods. Habitat for Humanity has already worked with high school students in a similar fashion on the North End, with public and private partners providing equipment.

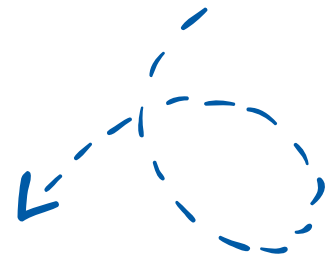
AMES STREET 'N' GREET BLOCK PARTY TRAILER

The City of Ames' Street 'N' Greet Block Part Trailer is available for rent from May through October. The trailer includes the essential supplies for neighborhood gatherings: Street barricades, folding tables and chairs, a canopy tent, portable lighting, and outdoor games. The trailer is available free of charge to community residents. More information on the trailer can be found at <https://www.cityofames.org/living/street-n-greet-block-party-trailer>.



City of Ames Street 'N' Greet Block Party Trailer

Image source: City of Ames



CENTRAL IOWA NEIGHBORHOOD IMPROVEMENT EFFORTS

Greater Des Moines Habitat for Humanity's Rock the Block© program “brings homeowners, volunteers, and Habitat for Humanity together to support low-income residents with needed repair, maintenance, weatherization, safety, accessibility, and beautification of homes. Homeowners can apply for the program and are accepted based on their household income.” The program typically focuses on exterior repairs, critical home repairs, weatherization, and accessibility.

Another approach used in Greater Des Moines was dubbed “Blitz on Blight.” Using funds from the local option sales tax, City leaders targeted over 200 properties identified as public nuisances in 2019. Some of the properties were demolished, while others have been rehabilitated and returned to the property tax rolls.

Taking this work a step further, Central Iowa leaders launched Invest DSM with a vision of creating “vibrant, healthy, thriving neighborhoods.” A partnership between the City of Des Moines and Polk County, Invest DSM works to revitalize overlooked neighborhoods in the capital city. Invest DSM began its work in four target areas and aims to expand to other areas in the coming years.



City of Des Moines Blitz on Blight Demolition Project
Image source: Des Moines Register (January 8, 2020)

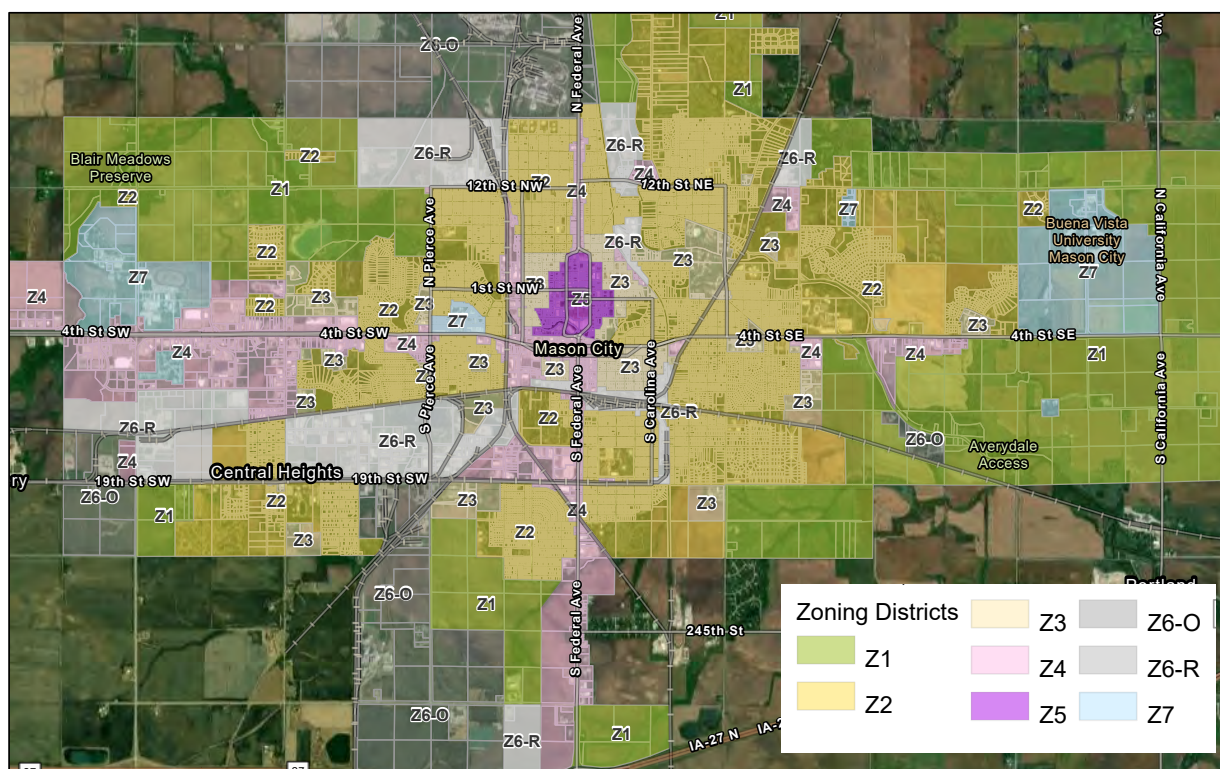
4. Target New Development of Affordable/Workforce Units on Infill Lots

Another means of effectively developing workforce housing units is focusing on infill lots. These lots already have infrastructure nearby, reducing development costs and minimizing the development timeline. Further, this approach builds on the social infrastructure that already exists in Mason City, driving the sense of community and embeddedness across different housing products.

As infill opportunities are reviewed and pursued, it will be critical to ensure the selected product is appropriate and marketable in the identified neighborhood. In some areas of the community, for instance, higher density construction – duplexes, triplexes, and fourplexes – is already allowed by right in zones Z3 General Urban District and Z4 Multi-use District; see the accompanying zoning map to identify these areas. These areas should be strategically targeted to help the City efficiently add more units while complementing the existing fabric of the community.

When possible, available infill lots should be packaged to make redevelopment more appealing to potential developers; economies of scale make such projects more feasible. As possible, GIS mapping should be used to target these areas throughout the City.

Figure 34: Mason City Zoning Districts



5. Need to Expand/Attract Availability of Contractors

As with many industries and smaller communities, finding skilled labor to construct housing units is a challenge in Mason City. Fortunately, state leaders understand the issue facing Iowa municipalities, and opportunities for partnerships at a more local scale abound.

North Iowa Area Community College (NIACC) is one such potential partner thanks to their Building Trades Certificate. The yearlong program is targeted at those individuals interested in pursuing careers in residential construction and includes both classroom and hands-on learning opportunities. The program is so popular that it is at capacity and needs to be expanded to help address the shortage of available contractors. To accomplish this, additional instructors need to be hired. Area economic development officials need to collaborate with NIACC to develop the capital stack necessary to accomplish this and, as a result, grow the program. Future Ready Iowa, outlined below, should be explored as part of this effort.

Area leaders also need to explore incentives for local contractors. These may come in the form of forgivable loans or down payment assistance so that their employees are able to purchase these homes, among other ideas. To be truly successful, it will be imperative that any such incentives are supported – both politically and financially – by multiple community groups with vested interests in growing the availability of labor. This approach will maximize the impact of the programs and increase the chances for success.

FUTURE READY IOWA

Created in 2016, Future Ready Iowa aims to grow Iowa's talent by ensuring at least 70 percent of Iowans have education or training beyond high school. This goal comes out of the recognition that advanced knowledge and technical skills are required in today's global economy. Future Ready Iowa currently provides funding through a number of programs, including Last-Dollar Scholarships that support training in multiple construction and engineering careers.

6. Create a Community Development Corporation (CDC) to Fill the Gap in Affordable Housing Development

Affordable housing development has been described as being at a crisis point across the United States. Community Development Corporations, or CDCs, are one tool to help combat this issue. These nonprofit, community-based organizations are mission-driven and focus on revitalizing the areas in which they are located – typically low-income, underserved neighborhoods that have experienced significant disinvestment over the years.

Mason City is fortunate to have multiple entities already working in the housing and community development realms, including the North Iowa Corridor Economic Development Corporation. As of January 2022, the group has established the non-profit legal framework for creating a CDC under the name North Iowa Corridor Housing Development Corporation (HDC). One of the first opportunities for the HDC is educating the community or providing coaching services to enhance financial literacy in relation to home ownership. This approach would both introduce the community to the HDC and promote existing service providers in the area, strengthening the unified approach of the HDC.

It should be noted that Habitat for Humanity of North Central Iowa already serves many of a CDC's functions, albeit in a limited capacity, positioning the organization to play a pivotal role in supporting the efforts of the newly established North Iowa Corridor HDC. Habitat offers significant experience in working to qualify individuals and families for its programs, something that will be critical for the HDC. Habitat's current income guidelines for the six-county area it serves are illustrated in the following chart.

Table 9: Habitat of Humanity Household Income Eligibility Guidelines

Family Size	Minimum Income	Maximum Income
1	\$15,255	\$30,510
2	\$17,435	\$34,870
3	\$19,615	\$39,230
4	\$21,775	\$43,550
5	\$23,530	\$47,060
6	\$25,265	\$50,530
7	\$27,015	\$54,030
8	\$28,755	\$57,510

Beyond income guidelines, Habitat requires that a potential homeowner have the ability to pay the monthly mortgage and a willingness to partner. Habitat homes are not gifted; they are bought and require up to 500 hours of sweat equity. The North Iowa Corridor HDC also has plans to develop its own affordable rental units and self manage them as part of their mission.

7. Seek Alternative Incentives to Support the Development of Workforce Housing

Developing the capital stack to support the creation of workforce housing is a continual challenge. The challenge is compounded in smaller communities outside of metropolitan areas, where there are not as many developers, finding the labor to construct homes can be daunting, and bringing in supplies and materials can be cost prohibitive in and of itself. Fortunately, Workforce Housing Tax Credits exist to help address this challenge and, as a result, the overall shortage of workforce housing that is needed to support local communities.

In Iowa, the Iowa Economic Development Authority oversees the program, which awards up to \$1 million per project in the form of a refund of sales, service, or use taxes paid during construction. The Workforce Housing Credit program targets abandoned, empty, or dilapidated properties, including grayfield or brownfield sites, upper story housing, and new construction in areas where workforce housing needs can be demonstrated. Applications that include both renovations and new construction are more likely to receive the maximum award.

HOMES FOR IOWA

The Homes for Iowa program was established in 2018 and was endorsed by Governor Kim Reynolds as a solution to address the need for more affordable housing options in communities throughout Iowa. The nonprofit is run in partnership with Iowa Prison Industries to build modular homes near the Newton Correctional Facility in Newton, Iowa. Offenders provide the labor while being offered the opportunity to learn a new skilled trade, including an apprenticeship curriculum that can then be transferred into a journeyman's program once released. The resulting product is an affordable, three-bedroom/two-bathroom 1,200 square foot home that can be placed on crawlspaces or basements and is targeted towards families making \$100,000 or less per year (adjusted gross income).

Councils of Governments (COGs) throughout Iowa are the designated contacts for anyone interested in purchasing a home through the program. They are tasked with project management, including construction management, in some regions. The COGs' involvement helps keep the final product price down, from \$140,000 to \$160,000 depending on finishes, the addition of a garage, and foundation costs.



Image source: Homes of Iowa

8. Review/Update City Ordinance to Allow for Cottage Courts and Tiny Housing, Where Necessary

Another method of increasing housing stock is by allowing for cottage courts and tiny housing in the community. The creation of these units can reduce or eliminate the barriers typically associated with housing, ultimately moving Mason City closer to realizing its goal.

Of course, there are regulatory issues associated with non-traditional housing types. The State of Iowa currently uses a modified version of the 2015 International Residential Code that does not address the specific challenges facing tiny homes, such as clearances for lofted spaces used to gain greater utility. The 2018 International Residential Code adopted Appendix Q to address standards for dwellings that are 400 square feet in area or less—commonly classified as “tiny houses.” In order for tiny homes to be legal in Mason City, the City must adopt Appendix Q to its existing building code for residential use.

It should be noted that NIACC has experience building a tiny home. Through the school's Building Trades program, NIACC students worked with an area resident to make their design for a tiny house to reality. An overview of the process is accessible at <https://youtu.be/slbpQIFSnhM>.

GRINNELL GARDEN COTTAGES

Looking beyond tiny homes, Grinnell Garden Cottages LLC focuses on developing pocket neighborhoods throughout Iowa. Homes and lots are smaller and, thus, more affordable. These neighborhoods generally include eight to twelve homes grouped around a shared green space and encourage a true neighborhood feel.

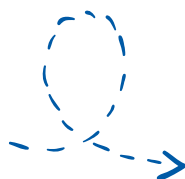
In Grinnell, there are twelve cottages that consist of two and three bedrooms. These single-story and story and a half homes range in price from \$189,000 to \$279,000, making them affordable to households earning \$45,000 or more.

Figure 34: Rendering layout of Grinnell Garden Cottages



TINY HOME COMMUNITIES

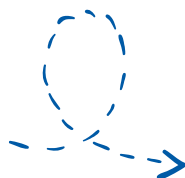
Proving to be more than a trend, tiny home communities continue to pop up around the United States. Examples include:



Caravan

Portland, Oregon

6 rental units ranging in size from 120-170 square feet



Cedar Springs Tiny Village

Cedar Springs, Oregon

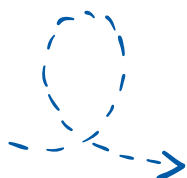
30 lots (some waterfront) for tiny homes, advertised as “simple living on the lake”



Community First! Village

Austin, Texas

40 micro homes, 100 RVs, and 20 canvas-sided cottages providing affordable, permanent, and supportive housing for disabled and chronically homeless



WeeCasa

Lyons, Colorado

22 units for short-term stays and vacations

9. Seek Ways to Revise City Review Process, Permit Fees

There is a sentiment amongst area developers, whether real or perceived, that the City's development process could be streamlined. Recognizing this, the City recently revised its review process as part of the ordinance update. To complement this effort, the City can enact a handful of additional steps to streamline the development process. One of the simplest things the City can do in a matter of weeks is develop an FAQ document to proactively address the issues raised most often in the development process.

Permit fees should also be reduced or eliminated in certain instances to support the type of development in targeted neighborhoods. While it may seem nominal, this move may be enough to drive the creation of targeted housing types in certain neighborhoods, such as the North End. The same approach could be taken with Habitat for Humanity and other local nonprofits to encourage the creation of more units. Additionally, the City may explore discounting or waiving utility connection fees in certain areas. This approach could be open to anyone investing in targeted neighborhoods.

Lastly, in these targeted neighborhoods, local funds could be allocated to programs to support low-to-moderate income (LMI) households for down payment assistance. This funding can be provided for new residential development projects that utilize tax increment financing (TIF) to support infrastructure build out. State law requires the portion of tax increment gained from this different has to be set aside for LMI initiatives such as down payment assistance or reinvestment in targeted neighborhoods. Coming up with a down payment is often one of the biggest barriers in purchasing a home, so this could be transformational for the community, especially LMI households who make less than 80% of the area median household income, equal to \$40,312 or less.

EPILOGUE:

WHAT COMES NEXT?

- + Development Resources
- + Twinhome Multifamily Community Proforma
- + Historic Restoration Multifamily Proforma

05

CHAPTER

Conclusion.

Without intervention from the City and their partners, the housing market challenges highlighted in this assessment will continue to result in a loss of population, which negatively impacts the local economy. To address these issues directly, this closing chapter will provide a high level proforma, or financial model, to outline the process to bring two potential development opportunities from concept to construction: a multifamily twinhome community and renovation of an abandoned building downtown. It should be noted these projects are intended to be used as thought experiments to determine the viability of these proposals and provide the first steps in the due diligence process. While both development partners noted in this chapter are interested in the further study of these proposals, neither one has signed any agreement or fully committed themselves to these projects.

Development Resources

When seeking to build a project, developers must also take into consideration their return on investment for a project on a particular site in comparison to another location. The return on investment or ROI is made up of the overall cost of construction and projected long-term management expenses compared to the expected cashflow of the property. If the expected cashflow does not provide an appropriate ROI, then the development will not move forward without a subsidy to reduce costs or higher rental rates to increase cashflow.

The goal of these chosen development partners is to see a positive return on their investment while keeping rents at an attainable level. This is achieved by collaborating with community leaders to identify financial incentives to create a win-win outcome for their residential projects as well as the community.

The primary tools utilized for development are tax abatement and the application of Tax Increment Financing (TIF). Tax abatement freezes the site's assessed value before construction, which reduces the developers ongoing property tax expense. On the other hand, TIF provides a tax rebate allocating future property taxes collected on the property to repay the developer for incurring the expense of building out the infrastructure. Both incentives typically run up to 10 years, but could go beyond this period with special permission from the various taxing authorities – primarily the city, county, and school districts.

The use of these tools is typically seen as mutually exclusive. For that reason, a developer must choose which one best suits their financial model. The use of each of these financial subsidies are explored in both proposals.

Another potential funding resource to support these proposed housing projects is the Iowa Economic Development Authority's Workforce Housing Tax Credit Program. A builder could receive up to \$30,000 per new or renovate housing unit, plus a refund of state sales tax for supplies and services. There are no income restrictions for the homebuyers, however, the program stipulates the cost of construction – land and improvements - cannot exceed \$266,320 per single family unit and \$218,022 per multi-unit. The program is offered as a competitive application process with an annual set aside amount of \$17.5 million for projects in rural communities and a maximum award of \$1.0 million per project.

PROJECT 1 | Twinhome Multifamily Community Proforma

While a duplex or fourplex unit is not unique, laying out the development like a private neighborhood is not currently a housing product available in Mason City. The typical layout of these homes is a three-bedroom unit, with at least one bathroom. These housing products look more like single family homes than a rental unit with private exterior entrances, attached garage stalls, and patio areas to enjoy the outdoors. Like a condominium property, the exterior maintenance is completely taken care of by the management company, with these fees included in the monthly rent, not an additional expense to the renter. These types of homes are attractive primarily to seniors looking to downsize and find a housing option on a single level. However, many young professionals and families with small children share the same desire for low maintenance living and find this type of housing appealing.

Kading Properties is a long-standing professional real estate development, commercial real estate, and property management company that has served small-sized cities throughout central Iowa since 1976. Their mission is to provide comfortable, safe, and affordable workforce housing. With townhomes in 20 communities, Kading expects to grow their service area beyond central Iowa and has already entered the northern Iowa market, with a 170-unit development in Storm Lake. In the past decade Kading has tripled its size of operations, now managing more than 1,900 front doors across 13 counties.

Figure 35: Kading Properties Sunrise Pointe in Storm Lake (Rendering)



Image source: Kading Properties

Since its founding, Kading has worked closely with local government and planners, economic development groups, and social services organizations to offer quality homes in a variety of price points that are right for each community. Kading specifically works to fill an important need for rural Iowa communities. They serve cities primed to grow but lacking workforce. Their product allows many middle-income workers to move from the outer fringes of a region, reducing commute times for the worker, increasing economic activity, and anchoring more citizens to the city where they work. Without local, attainable housing to support the workforce, communities become stagnant or even begin to decline.

Figure 36: Kading Properties Villa Twinhome model – 3-bedroom, 1 bathroom Unit



Image source: Kading Properties

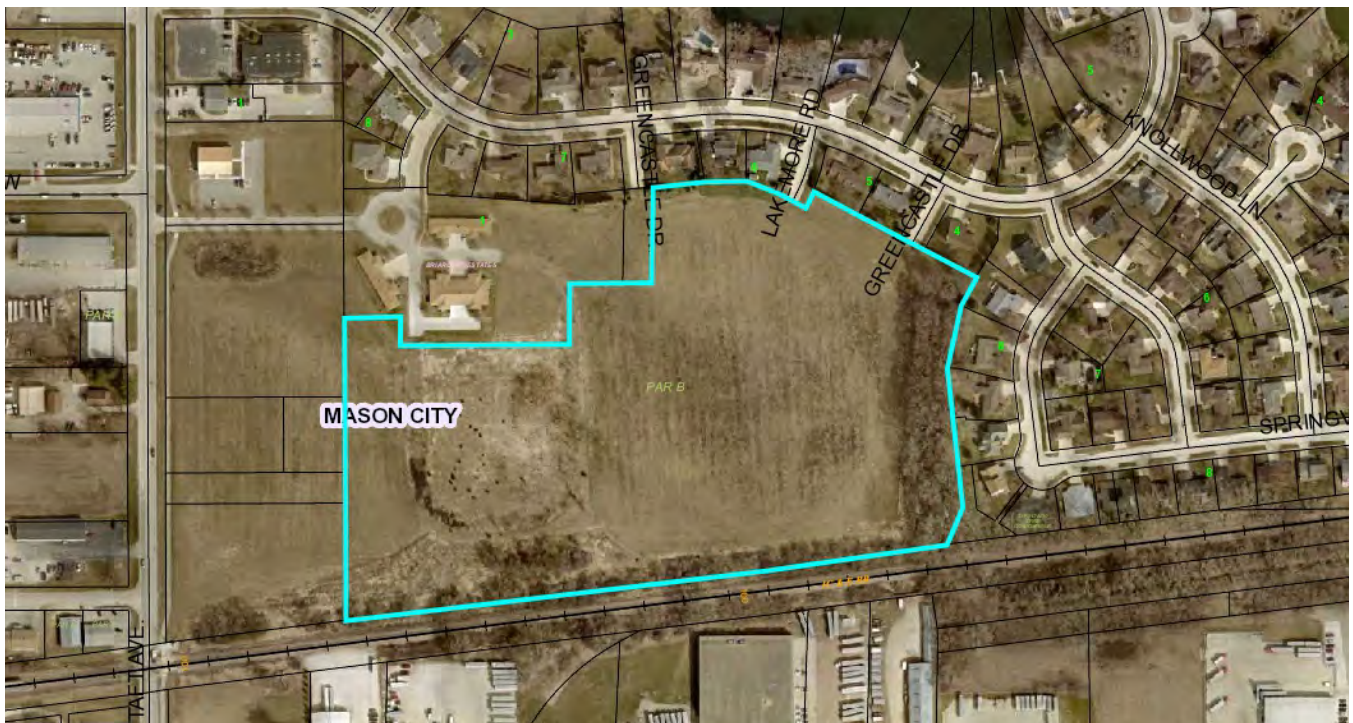
Project Cost Breakdown

Land Costs

One of the first criteria Kading focuses on is the availability of land. They prefer a property with at least 10 acres of land in order to site no fewer than 40 units and provide greenspace to the tenants. Another criterion is local control over private roads. This allows them to build out and maintain the infrastructure themselves for the long-term, which presents an opportunity for cost savings since their in-house skilled trades can install and make necessary repairs.

City leaders identified a handful of development opportunities with the potential to meet Kading's development criteria. Some were redevelopment sites with existing structures on the property in need of demolition while others were undeveloped or unfinished subdivision projects. Of the options presented, Kading chose to move forward with a due diligence review on a 20-acre parcel south of Briarstone Lake on the southwest portion of town.

Figure 37: Proposed Development Site - Briarstone Estates



Multiple developers have considered this site for an opportunity to locate new low-density housing in the past, but none have been able to make it work. Instead of for-sale single-family lots, Kading proposes to provide a mix of for-rent single-family housing and townhomes. This strategy would locate lower density single-family and twinhome style units adjacent to the existing single-family homes, while providing townhomes in groups of four or six units on the southern and western portion of the site. Rezoning the site to a Z3 General Urban District would allow up to 8 units per acre. However, nearly 20 percent of a developable site is set aside for streets and on-site water retention, a local requirement of any new development. The 20 acre site would yield 16 acres of developable land, so this site could hold up to 120 new residential rental units. However, this proforma or financial model used a total of 80 units.

The price of the land is dependent on a number of factors including, but not limited to, location, adjacent uses, and access to existing utility services. For this particular site, it is well suited for a medium density project such as the one proposed with adjacency to existing residential and direct access to a main thoroughfare, Iowa Highway 122/4th Street SW, via South Taft Avenue. While utilities are adjacent to the site, there is still a substantial cost associated with the buildout of the parcel, which reduces the projected sale price of the parcel.

The most recent sale of this parcel of land was in August 2021 for a price of \$100,000, or \$4,940 per acre. The projected sale price for this site to Kading would be \$200,000, or \$9,886 per acre.

Infrastructure

Embedded in the cost of development is the cost to extend infrastructure to the site – water, sewer, gas, and streets. To estimate the cost to install these services, an average cost per linear foot is used as a tool in the early due diligence process. This linear measurement can be tied to the street network or the lot width. For this proforma, the lot width was used. Infrastructure costs in 2022 can run \$750/linear foot up to \$900/linear foot; the average of \$825/linear foot was used for this proforma.

A total of 80-units was the estimate figure used to build out the proforma for this 20-acre site. The mix of units on the site include 20 single-family units, 30 twinhome units (two units per structure), and 30 townhome units (six units per structure). The breakdown of housing products and the lot widths to accommodate this mix of units is estimated as follows:

Table 10: Total Linear Feet by Housing Product Type

Product Type	Number of Structures	Number of Units	Linear Feet Per Unit	Total Linear Feet
Single Family	20	20	80'	1,600'
Twinhome	15	30	45'	1,350
Townhome	5	30	25'	750'
Total	40	80	NA	3,700'

When the total linear feet calculation of 3,700 feet is applied the average cost per linear foot of \$825, the estimated infrastructure costs total \$3,052,500.

Construction Costs

The cost of construction, commonly referred to as “hard costs”, are any expense directly related to the tangible construction of the project. These costs include the materials, structure, and any necessary landscaping. Much of these expenses revolve around labor and materials, which are easier to predict based on past experience and the current list price of various products. Since 2020, hard costs have dramatically increased from the price of lumber, glass, and steel to the finished products such as windows, doors, and bathtubs. These products have experienced increases from 20% up to 300% in the case of lumber. As supply chains improve and labor begins to come back online full-time, these prices are expected to decline, albeit not to pre-pandemic levels.

To estimate the cost of building these residential units, estimators use the average cost per square foot as a preliminary metric. For construction prior to 2020, the cost to build a residential unit was a range of \$100 to \$500 per square foot, based on quality of the finished product. The price used to estimate the hard costs for this medium density residential project was \$110 per square foot, a 20% increase over pre-2020 figures of \$92 per square foot.

Table 11: Hard Cost Estimate by Housing Product Type - \$110/sq ft

Product Type	Number of Units	Square Feet Per Unit	Total Cost Per Unit	Total Cost Per Product
Single Family	20	1,200 SQ FT	\$132,000	\$2,640,000
Twinhome	30	1,100 SQ FT	\$121,000	\$3,630,000
Townhome	30	1,380 SQ FT	\$151,800	\$4,554,000
Total	80	NA	NA	\$10,824,000

Soft Costs

Soft costs are any costs that are not considered directly related to the hard costs. These costs are generally associated with tasks such as architectural and engineering design services, permit and survey fees, and financing. In addition to these costs, developers typically include a fee to cover their administrative expenses and provide them with funds to pay their income.

Soft costs can be a sizable portion of the overall project budget. In these preliminary stages of the project due diligence process, developers use industry averages to determine an estimated cost associated with each of these soft cost line items applied to the total hard costs. The estimated total for hard costs – land acquisition, infrastructure buildout, and construction – equals \$14,076,500. The table below applies these industry standard figures to estimate soft costs:

Table 12: Soft Cost Estimate by Housing Product Type - \$110/sq ft

Soft Cost	Percent Of Total Hard Cost	Expense Total
Architectural/Engineering Fees	6%	\$844,590
Construction Loan Interest	4%	\$563,060
Developer Fee	10%	\$1,407,650
Subtotal – Soft Costs		\$2,815,300

An additional soft cost associated with commercial construction are local permit fees. Each local government has their own formula for establishing these fees, which are used to cover the cost of inspections and other city staff time associated with a project. Mason City provides a specific permit fee for projects of \$1,000,000 and greater of a base of \$4,265.50, plus an additional \$2.50 for each additional \$1,000 in projected value. A project of this size and scope would have a projected permit expense of \$43,995.

The table below provides an overview of the total costs associated with development this 80-unit, medium density neighborhood:

Table 13: Total Project Expenses

Total Housing Units		80 units
Land Costs		
Cost of Land/per acre		\$9,886
Total Acres		20.23
Subtotal		\$200,000
Infrastructure Buildout Costs		
Cost per linear feet		\$825
Frontage/lot width		\$3,700
Subtotal		\$3,052,500
Construction Costs		
Cost per square foot		\$110
Total Finished Area		98,400
Subtotal		\$10,824,000
Total Hard Costs		\$14,076,500
Soft Costs*		
Architectural/Engineering Fees	6%	\$844,590
Construction Loan Interest	4%	\$563,060
Developer Fee	10%	\$1,407,650
Local Permit Fee**		\$43,995
Total Soft Costs		\$2,859,295
Total Expenses		\$16,935,795
Cost per Unit		\$211,697

Bank Financing

For this thought experiment, a loan through the U.S. Department of Housing and Urban Development (HUD) was used to calculate financing costs. The HUD 221 d4 loan product used to finance this project provides a number of benefits over traditional bank financing options. Chief among these benefits is the loan product provides one of the lowest long-term fixed interest rates, currently set at 4.2% or a rate 0.5% lower than a standard loan. In addition, these favorable rates can be fixed for up to 40 years versus a 30-year ceiling for a standard financing product. There are some drawbacks to consider including a minimum project cost of \$6 million, annual auditing and property inspections, and an extended closing period of up to 8 months.

The terms of the HUD 221 d4 financing is outlined in the table below:

Table 14: Estimated Bank Financing – HUD 221 d4

Loan Amount		\$16,891,800
Down Payment	20.0%	\$ 3,378,360
Closing Costs*	1.3%	\$ 219,593
Term - Years		40
Interest		4.20%
Monthly Mortgage		\$59,116

Projected Net Operating Income (NOI)

Net operating income or NOI compares the projected cashflow of the project with the estimated expenses of the ongoing operations of the property. The first step is to determine the projected cashflow. The breakdown of estimated lease rates by unit type found in the table below. At 100% occupancy, these units have the potential to collect a cashflow of \$89,500 per month or \$1,074,000 annually.

Table 15: Estimated Cashflow by Housing Product Type

Product Type	Number of Units	Rent Per Unit	Monthly Total	Annual Total
Single Family	20	\$1,400	\$28,000	\$336,000
Twinhome	30	\$1,100	\$33,000	\$396,000
Townhome	30	\$950	\$28,500	\$342,000
Total	80	NA	\$89,500	\$1,074,000

The ongoing expenses are then calculated and subtracted from the cashflow to determine the NOI. Expenses include vacancy (i.e. a unit without paying tenant), property insurance, maintenance (i.e. mowing, snow removal), property management fees, minimal utility fees for communal areas, and miscellaneous or reserves for unexpected expenses. These expenses can equal 20 to 30 percent of the overall cashflow. In addition to these expenses, the monthly bank financing and property taxes are included in these calculations shown in the table below.

Table 16: Net Operating Income Calculation

	Monthly	Annual	Percent of Cashflow
Rental Income	\$89,500	\$1,074,000	NA
Vacancy	-\$4,475	-\$53,700	5%
Bank Financing	-\$59,116	-\$709,387	66%
Insurance	-\$4,000	-\$48,000	4%
Taxes	-\$23,501	-\$282,012	26%
Maintenance	-\$4,475	-\$53,700	5%
Management	-\$4,475	-\$53,700	5%
Utilities	-\$895	-\$10,740	1%
Misc./Reserves	-\$2,667	-\$32,000	3%
Subtotal Expenses	-\$103,603	-\$1,243,239	116%
NOI	-\$14,103	-\$169,239	-16%

Note, the negative NOI presented in the table above highlights the need for the developer to collaborate with city leaders and request some form of local support to help bridge the gap.

Local Financial Support

The City has indicated they would prefer to use tax increment financing or TIF as a tool to support this new housing opportunity. The potential development property – outlined in red in **Figure 38** – is not within one of the designated urban renewal areas (URA) - highlighted in orange and green below. The current URA plan only allows the use of TIF for economic development purposes, so the planned housing project outlined in red cannot be annexed to the existing URA. A new urban renewal plan for the project area, allowing for housing development, would be necessary.

Figure 38: Mason City Urban Renewal Areas

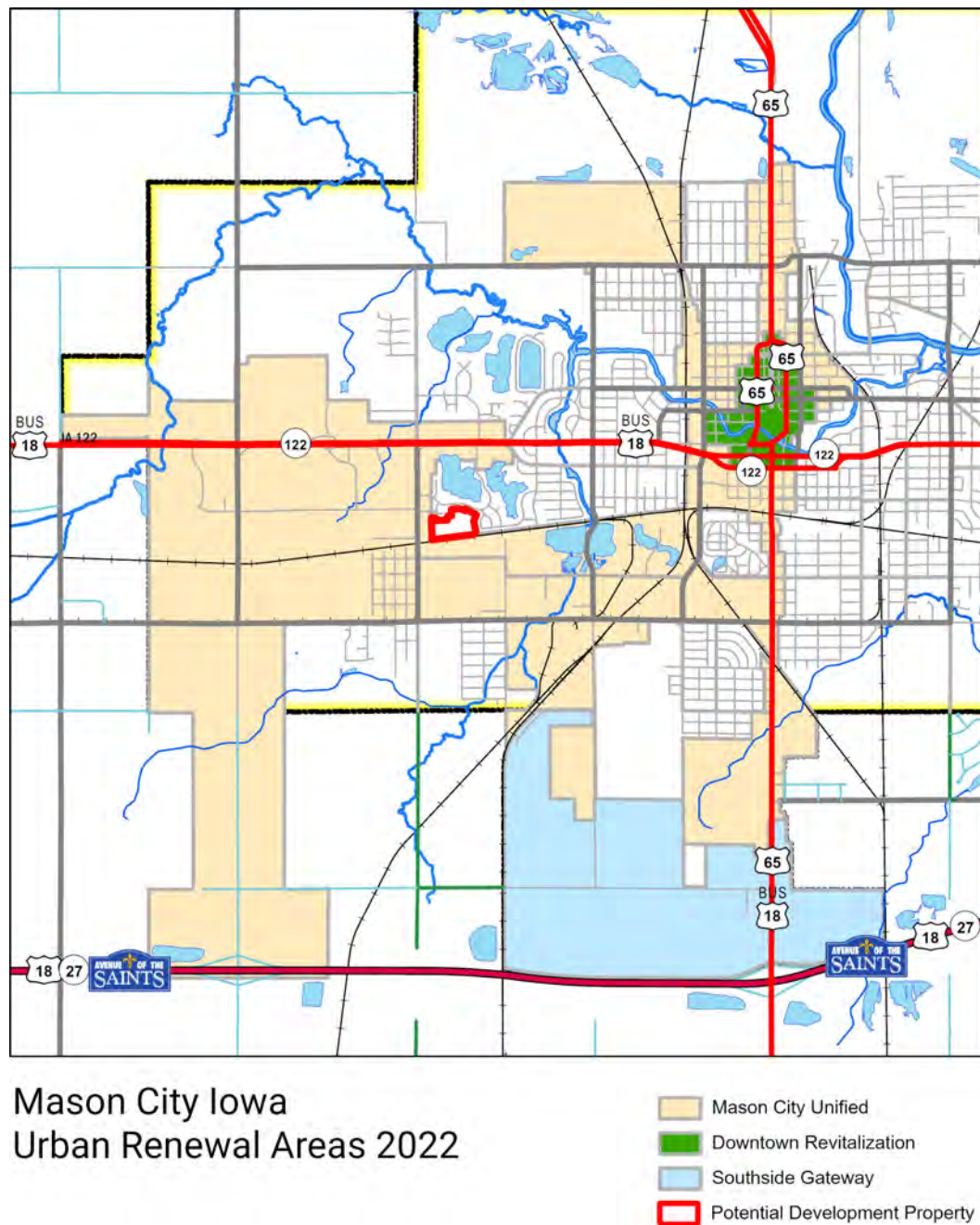


Image source: City of Mason City

Once the new Urban Renewal Area is established, the City will create a separate TIF district for the chosen site and an increase in property taxes would be collected over a period of at least 10 years. Per state regulations, a portion of these funds equivalent to the local population of low to moderate income households must be set-aside to support new housing or rehabilitation of existing units targeted at this segment of the population. LMI funds can be allocated to organizations or projects that seek to build housing, such as Habitat for Humanity or the newly created North Iowa Corridor Housing Development Corporation (HDC).

According to the US Census data, Mason City’s LMI population accounts for 44.4 percent of the total population. Therefore, 44.4 percent of the increase in property taxes collected will be set-aside to support LMI programming, with the remaining 55.6 percent of funds going directly toward the infrastructure costs for this proposed multifamily project. When applied over a 10-year period, the TIF collected averages \$285,000 per year with \$128,000 allocated to the LMI set-aside, and \$160,000 rebated back to Kading for the purpose of paying off the debt accrued from the infrastructure buildout. The TIF rebate is applied annually, which nearly closes the gap reducing the negative annual NOI to -\$9,239 or -\$115 per unit.

Further breakdown of the per unit to a monthly NOI yields only -\$9.62 which can be bridged by modest annual increases in lease rates, which makes this project feasible, although not very profitable. It’s recommended that Kading apply for further subsidy via programs, such as the Workforce Housing Tax Credit program, which would provide up to \$1.0 million in tax credits. Additional state and federal programs are available but typically require a portion or all of the tenants qualify for income restricted status - household incomes as low as 30 percent area moderate income (AMI) up to 80 percent AMI.

Table 17: Net Operating Income with TIF Rebate

	Monthly	Annual
Rental Income	\$89,500	\$1,074,000
TIF Rebate	\$0	\$160,000
Subtotal Expenses	-\$103,603	-\$1,243,239
NOI	-\$14,103	-\$9,239
NOI Per Unit	-\$176	-\$115

PROJECT 2 | Historic Restoration Multifamily Proforma

Mason City has a downtown full of historic buildings including the restored Historic Park Inn, the last remaining hotel designed by Frank Lloyd Wright. In recent years there has been an interest to redevelop these abandoned and underutilized historic buildings into a mix of residential housing and commercial/office use. While there have been a number of notable success stories, Mohawk Square is one property that has remained vacant and has continued to deteriorate.

Figure 39: Mohawk Square – Former Mason City High School (1918 – 1966)



Image source: Globe Gazette Newspaper

Mohawk Square, as it is known today, is located at 22 N Georgia Avenue just east of downtown. The original structure was built in 1918 as part of a larger campus and served as the high school facility for the Mason City Community School District and the Mason City Junior College. The school district closed the entire building in 1966 when a new larger school facility was built to accommodate the growing student population.

Mohawk Square was used for the North Iowa Area Community College until a new campus was built east of the city. In 1978, the building was privately purchased and converted into office space, primarily serving state and local social service agencies. The building continued in this capacity for more than 40 years until May 2019, when a severe rainstorm caused a portion of the roof to collapse. The property owner was required to close the building due to safety concerns. There remains a large hole in a portion of the roof which has allowed for unmitigated water infiltration and other natural elements since its abrupt closure more than three years ago.

While there is interest from developers and investors, the structural integrity of the building is in question and remains a major barrier to redevelopment. The City has secured an option to purchase the property from the current owner. The intent is not for the City to own the facility long-term, but to allow the City to perform a survey on the integrity and safety of the building and then provide an estimate of necessary repairs.

Development Partner

Overland Property Group (OPG) is a developer who specializes in historic renovation projects such as Mohawk Square. Their development company is headquartered out of Salina, Kansas, but they have more than 3,500 units under management throughout the Midwest down to Texas. They currently have properties in Storm Lake, Pella, and Washington, Iowa, with plans for new housing projects in Carroll and Boone. They have completed innovative historic rehab housing projects as well as luxury new build residential units for both market rate and income-restricted properties. Independent senior living communities are also one of the primary residential products OPG offers.

OPG utilizes a mix of financial tools to support their development projects in addition to local support. These programs include the Low-Income Housing Tax Credits (LIHTC), the state and federal historic tax credits, and redevelopment tax credits through the state of Iowa. The combination of these programs helps to fill the gap in projects that would otherwise not be feasible solely with traditional financing.

Low-Income Housing Tax Credits (LIHTC) provides investors with a direct reduction in their federal tax liability in exchange for designating a portion of their rental units as affordable housing at below-market rates. In return, investors receive tax credits paid in annual allotments, generally over a 10-year period. Property owners are required to keep these units rent restricted and available to low-income tenants for at least 30 years after project completion. Projects can be new construction, substantial rehabilitation of an existing property, or an acquisition and rehabilitation project.

There are two primary subsets of this highly competitive program: the 4 percent and the 9 percent tax credits. The 4 percent program provides a 30 percent subsidy towards new construction that uses additional subsidies or the acquisition cost of existing buildings. The 9 percent program provides a 70 percent subsidy towards new construction without any additional federal subsidies.

Figure 40: Overland Property Group – Lee Mercantile Lofts | Salina, KS



Image source: Overland Property Group

The federal government allocates these funds to each state on an annual basis. The Iowa Finance Authority oversees the administration of these funds and projects must meet one of the following income requirements to be eligible for funding:

- 20 percent or more of the units in the project will be occupied by individuals or families whose income is 50 percent or less than the area median gross income (AMI) and the unit is rent-restricted.
- 40 percent or more of the units in the project will be occupied by individuals or families whose income is 60 percent or less than the area median gross income (AMI) and the unit is rent-restricted.
- 40 percent or more of the units in the project will be occupied by individuals or families whose income is 80 percent or less than the area median gross income (AMI) and the units are rent-restricted, as long as the average income/rent limit in the project is 60 percent or less AMI.

The AMI for Mason City is \$80,300, a family of four could earn up to \$40,150 under the 50 percent threshold or \$64,250 under the 80 percent threshold.

The second notable program OPG utilizes for their development projects is historic tax credits, both state and federal. The intent of this program is to offer tax credits to developers who sensitively rehabilitate historic buildings and help create distinct, vibrant communities. The tradeoff for a historic renovation project is additional time and effort attributed to the entire project, which results in a higher cost of construction when compared to new construction projects. Without these resources, historic buildings would be too expensive to renovate and would result in continued abandonment or demolition of the property to make way for new construction.

The state of Iowa provides state tax credits up to 25 percent of the qualified rehabilitation expenditures (QREs) associated with the project, while the federal program provides up to 20 percent in federal tax credits. These credits can be applied to the developers, tax liabilities or transferred for a discounted rate to businesses or a third-party entity who sells these credits on your behalf for a fee. Developers are awarded the full amount of these credits upon completion and have a five-year window to apply or sell these credits.

For example, consider a historic renovation project with a projected \$2 million construction expense. The developer has the potential to be awarded up to \$400,000 in state tax credits and up to \$500,000 in federal tax credits. The developer could apply these credits to their tax liability or sell them to a third party at a discounted rate of 85 to 95 percent of their value, equal to \$765,000 to \$855,000 in cash value. These funds are used to offset the expenses of the rehabilitation project as well as provide a profit to the developer that would be unrealized without these credits.

With that said, Mohawk Square has received numerous renovations which may jeopardize its eligibility for historic tax credits. The interior has been greatly altered over the years and the exterior windows have been reduced in size. Replacing these windows with historical accurate materials and size may be prohibitively expensive. An experienced developer with the necessary resources may be able to navigate this process if the auditorium and other original elements are preserved. Further research would be necessary to determine how best to proceed with an application.

The third and final program OPG applies to their work, specifically in Iowa, is the Iowa Economic Development Authority's Redevelopment Tax Credits, more commonly referred to as the brownfield or grayfield tax credits. Brownfield sites are abandoned or underutilized industrial or commercial properties where real or perceived environmental contamination prevents redevelopment of the site. Grayfield sites are abandoned public buildings, and industrial, or commercial properties that are vacant, blighted, obsolete, or otherwise underutilized. The brownfield program provides tax credits up to 24 percent for qualifying costs, while grayfield projects can be awarded tax credits up to 12 percent. Each category can receive additional bonus tax credit shares – equal to an additional 6 percent and 3 percent, respectively – should the project meet green building requirements.

Mohawk Square would most appropriately apply for the grayfield state tax credit. Similar to the example for historic tax credits, these state credits can be applied to the developer's tax liability or transferred for a discounted cash return. The grayfield state tax credit is also highly competitive with a \$15 million pool of resources available annually and a maximum award of \$1.5 million per project.

One example of OPG's historic rehabilitation work is the renovation of Washington Elementary School located in Hays, Kansas (population 21,116). Rebranded as Stonepost Lofts, the development team converted the former school building into 18 affordable rental units. Tenants must meet certain income affordability thresholds – 50 percent to 70 percent of median family income (MFI) - to become an eligible resident. The MFI for Ellis County is \$79,900, so a single person household with an income of \$28,000 (50 percent MFI) up to \$39,200 (70 percent MFI) would be allowable at Stonepost.

Figure 41: Overland Property Group – Stonepost Lofts | Hays, KS



Image source: Overland Property Group

PROJECT COST

Property Acquisition

Unlike the twinhome multifamily project, there is no need to seek out alternative sites since Mohawk Square is the chosen historic renovation project. City leaders have negotiated an option to purchase the property for \$302,840 or \$2.40 per square foot. While this price may seem low for such a large property, there is considerable liability attached to purchasing a structure in this state of disrepair. The City is in the process of conducting a survey of structural integrity and safety of the space to reduce the uncertainty for a prospective developer.

Infrastructure

One benefit to renovating an existing building is the presence of utilities on site. While there are likely some expenses associated with improving the current services and sidewalks, these costs are marginal when compared to projects in greenfield development.

Construction Costs

The hard costs associated with a historic renovation project include the materials, structure, and any necessary landscaping. Much like new construction, these construction costs are centered around labor and materials. However, the predictability can be more challenging as the access to specialized materials and trades is more difficult to contract. After consulting with architects and contractors familiar with this type of historic work in Iowa, a range of costs from \$175 to \$250 per square foot should be expected based on the complexity of the historic detailing and availability of specialized trades people. The price used to estimate the hard costs for Mohawk Square was the average rate of \$225 per square foot, more than twice the projected cost of new construction figure used for the Kading project - \$110 per square foot.

To calculate the estimated cost of construction, the data from the Cerro Gordo County Assessor's Office was utilized to determine the buildable area of the structure. The layout provides details on the square footage of each floor and the number of stories in the original structure and the two additions. The total functional square footage of Mohawk Square is 84,368 square feet after removing 13,680 square feet for the auditorium and 28,123 square feet for the hallways and other common areas, equivalent to 25 percent. The rate of \$225 per square foot was applied to the total functional area of the building and the projected construction costs for Mohawk Square is \$18,982,688.

Table 18: Hard Cost Estimate by Total Developable Square Feet - \$225/sq ft

Total Square Foot	Minus Undevelopable Areas	Total Developable Areas	Construction Cost Per Sq Ft	Total Construction Costs
126,170 sq ft	41,803 sq ft	84,368 sq ft	\$225	\$18,982,688

Of special note in these calculations is the removal of the square footage attributed to the auditorium. This space will need to be repurposed and renovated for the project to be eligible for historic tax credits. This space should be seen as an opportunity to create another income producing business separate from the proposed residential project. However, further study of regional theater needs is necessary to determine the best and highest use of the space.

The number of units was then derived by using an average unit size. Industry standards were used to determine units size according to the number of bedrooms – from 600 square feet for a studio unit to 1,250 square feet for a three-bedroom unit. The average of 900 square feet was used as a general unit size to be applied to this high-level financial model. The resulting number of units in the renovated Mohawk Square building is 94 units. The calculated total square feet of 89,900 finished unit space is 6.5 percent or nearly 5,500 square feet above the estimated developable area of 84,368 square feet. Unit sizes in historic renovation projects are not typically uniform, which accounts for this discrepancy, and the financial model will continue to use the \$18.9 million as the cost of construction.

Table 19: Total Unit Mix & Cost by Unit Type

Unit Type	Square Feet Per Unit	Number of Units	Total Square Foot Per Type	Total Cost Per Unit Type
Studio	600 sq ft	14	8,400 sq ft	\$1,890,000
One Bedroom	750 sq ft	20	15,000 sq ft	\$3,375,000
Two Bedroom	1,000 sq ft	34	34,000 sq ft	\$7,650,000
Three Bedroom	1,250 sq ft	26	32,500 sq ft	\$7,312,500
Total	900 sq ft	94	89,900	\$20,227,500

Soft Costs

The softs costs for a project like Mohawk Square will be much higher for specialized architectural and engineering design services as well as the developer fee to cover the administrative expenses of grant and tax credit applications. The estimated total for hard costs – land acquisition, infrastructure buildout, and construction – equals \$19,285,640. The table below applies these industry standard figures to estimate soft costs:

Table 20: Soft Cost Estimates

Soft Cost	Percent of Total Hard Cost	Total Cost
Architectural/Engineering Fees	12%	\$1,157,132
Construction Loan Interest	4%	\$771,421
Developer Fee	10%	\$1,928,553
Subtotal – Soft Costs		\$3,857,1066

Local permit fees were included in the total soft costs to cover the cost of inspections and other City staff time associated with a project. Mason City's specific permit fee for projects of \$1,000,000 and greater of have base fee of \$4,265.50 plus an additional \$2.50 for each additional \$1,000 in projected value. The Mohawk Square renovation project has an estimated permit fee of \$51,722.

The following table provides an overview of the total costs associated with the renovation of Mohawk Square into 94 units of rental housing. Of particular note in this financial model is the unknown expense to repair the roof and any damages associated with the extended period of exposure to the elements. The current property owner was to receive insurance funds to cover the damage, but the resulting water damage may not be fully covered. The City and current property owner will need to determine how the resulting damage will addressed before the property is transferred to any developer.

Table 21: Total Project Expenses – Mohawk Square

Total Housing Units		94
Acquisition Costs		
Option to Purchase the Facility		\$302,840
Construction Costs*		
Cost per square foot		\$225
Total Finished Area		84,368
Subtotal		\$18,982,800
Total Hard Costs		\$19,285,640
Soft Costs**		
Architectural/Engineering Fees	6%	\$1,157,132
Construction Loan Interest	4%	\$771,426
Developer Fee	10%	\$1,928,564
Local Permit Fee***		\$51,722
Total Soft Costs		\$3,857,106
Total Expenses		\$23,194,490
Cost Per Unit		\$246,750

* The cost associated with the roof repair and any damage as a result of open exposure is not factored into this estimate; the City's forthcoming structural analysis will provide further guidance on this expense

** Apply industry standard fee percentage to total hard costs

*** See narrative for specific formula applied

Bank Financing

The inputs for bank financing are for a project that utilizes a variety amount of state and federal tax credits. To determine the LIHTC request, the estimated cash equity from the other tax credits must be removed from the equation. For this model, the grayfield state tax credit (12 percent) and the historic tax credits for both state (25 percent) and federal (20 percent) were subtracted from the total cost of construction to determine what is referred to as the Total Eligible Basis per the LIHTC program. Note, these figures were discounted at 85 percent to account for the fees attributed to tax credit transfers.

Then, this total is applied to what is called the Applicable Fraction to yield the Total Qualified Basis for LIHTC allocations. The Applicable Fraction is described as the percentage of a building that will provide housing for low-income tenants. This figure is represented by the lesser of (1) the unit fraction or (2) the floor space fraction. For instance, if a project has 50 percent of its units set aside for low-income tenants but these units only account for 35 percent of the overall square footage of rental space, then the Applicable Fraction is 35 percent used to calculate the Total Qualified Basis. For Mohawk Square, 75 percent of all unit types – from studio to three-bedroom units - will be allocated toward low-income tenants with a floor space fraction of 76.6%. The unit mix at 75 percent is the lesser of the two options so it is used to calculate the Total Qualified Basis.

Table 22: LIHTC Calculations - Unit Mix & Floor Space Fraction

Unit Type	Square Feet Per Unit	Number of Units	Total Square Foot Per Type	Floor Space Fraction Per Unit Type
Studio	600 sq ft	11	6,600 sq ft	78.6%
One Bedroom	750 sq ft	15	11,250 sq ft	75.0%
Two Bedroom	1,000 sq ft	26	26,000 sq ft	76.5%
Three Bedroom	1,250 sq ft	20	25,000 sq ft	76.9%
Total	900 sq ft	72	89,900 sq ft	76.6%

The table below provides the full breakdown of the process to determine the Total Qualified Basis and the resulting 9 percent LIHTC request - \$605,311 annually for 10 years.

Table 23: LIHTC Calculations - Applicable Fraction 75%

	TAX CREDIT	DISCOUNT RATE	
Total Construction Costs			\$23,194,490
Grayfield Tax Credit	12%	85%	\$2,365,838
Historic Tax Credit- State	25%	85%	\$4,928,829
Historic Tax Credit - Federal	20%	85%	\$3,943,063
Total Eligible Basis			\$11,956,760
Applicable Fraction		75%	\$8,967,570
Total Qualified Basis			\$6,725,677
Total Amount of LIHTC Requested - 9%			\$605,311

Then, the breakdown of uses and sources is used to determine the financing needs relative to the applicable LIHTC tax credit request. A total of 20 percent of financing is provided by equity from a limited liability partnership - \$4.6 million- with the balance of \$2.2 million from a conventional loan. Then, the sources – equity from tax credits, conventional loan, and the equity partner – is subtracted from the total uses, equaling nearly \$23 million. The funding shortfall is \$5.1 million, or \$511,000 annually for a 10-year period. Lastly, the net equity factor is applied to determine the amount of LIHTC required to cover the funding shortfall after the credits are transferred to a third party in exchange for cash.

Table 24: LIHTC Calculations - Sources & Uses

Uses	
Total Development Costs	\$23,194,490
Sources	
Grayfield Tax Credit	\$2,365,838
Historic Tax Credit - State	\$4,928,829
Historic Tax Credit - Federal	\$3,943,063
Conventional Loan	\$2,200,000
Equity Partner (20%)	\$4,638,898
Total Sources	\$18,076,628
Equity Gap	
Total Uses	\$23,194,490
Total Sources	\$18,076,628
Funding Shortfall	\$5,117,862
Divided by LIHTC Period - 10 Years	\$511,786
Divided by Net Equity Factor	0.85
Annual Lihtc Required At 9% Credit Rate	\$602,101

Once again, the HUD 221 d4 loan through the U.S. Department of Housing and Urban Development (HUD) was used as the preferred financing product. The loan product applied a long-term fixed interest rate of 4.2 percent for a term of 40 years. The terms of the HUD 221 d4 financing are outlined in the following table:

Table 25: Estimated Bank Financing – HUD 221 d4

Loan Amount		\$2,200,000
Down Payment	20.0%	\$ 440,000
Closing Costs*	1.3%	\$ 28,600
Term - Years		40
Interest		4.20%
Monthly Mortgage		\$7,699

**Closing costs were financed with the total loan amount*

Local Financial Support

The current Mason City Urban Revitalization Tax Abatement Program provides both individual homeowners and private businesses incentives to invest properties located within the designated Urban Revitalization District. The resulting benefit varies between new construction and improvements to existing historic structures. New multifamily developments located downtown are granted the highest benefit due to the positive impact these projects have on housing. Multifamily projects such as Mohawk Square can receive 100 percent tax abatement for up to 10 years which help make a project of this scope and complexity feasible.

The map below highlights the downtown core eligible for the program. The location of Mohawk Square is noted with a star on the eastern boundary of the district.

Figure 42: Mason City Urban Revitalization Area Map

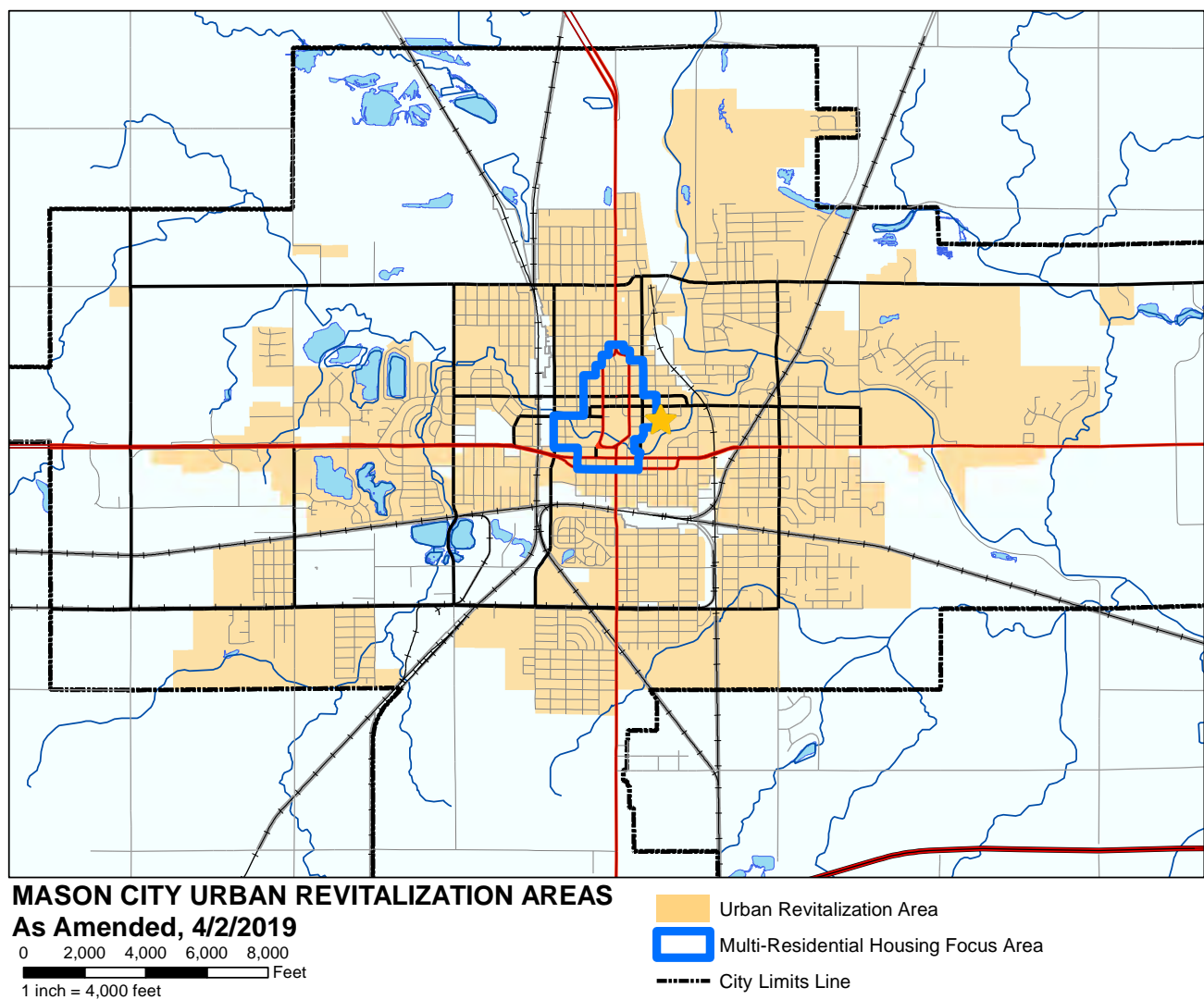


Image source: City of Mason City

Projected Net Operating Income (NOI)

Net operating income or NOI compares the projected cashflow of the project with the estimated expenses of the ongoing operations of the property. The first step is to determine the projected cashflow.

The theory of LIHTC maximum gross rent is that a household's combined rent and utilities expense should be limited to 30 percent of their gross monthly household income. To determine the rent cashflow for the LIHTC units, the cashflow model must use one of two rate limit tests: (1) 20-50 test or (2) 40-60 test. The 20-50 test requires a minimum of 20 percent of the units to be set aside for low-income households whose incomes do not exceed 50 percent of the Area Median Income (AMI). On the other hand, the 40-60 test requires a minimum of 40 percent of the units to be set aside for low-income households whose incomes do not exceed 60 percent of AMI. The estimated monthly utility expenses are subtracted from the resulting rent limit to get the resulting rent per LIHTC unit.

The breakdown of estimated lease rates by unit type found is in the table below. At 100 percent occupancy, these 94 units have the potential to collect a cashflow of \$76,546 per month, or \$918,552 annually.

Table 26: Estimated Cashflow by Unit Type – Market Rate

Product Type	Number Of Units	Rent Per Unit	Monthly Total	Annual Total
Studio	3	\$795	\$2,385	\$28,620
One Bedroom	5	\$950	\$4,750	\$57,000
Two Bedroom	8	\$1,150	\$9,200	\$110,400
Three Bedroom	6	\$1,500	\$9,000	\$108,000
Total	22	NA	\$25,335	\$304,020

Table 27: Estimated Cashflow by Unit Type – 50% AMI

Product Type	Number Of Units	Rent Limit Per Unit	Utility Cost Per Unit	Monthly Total	Annual Total
Studio	11	\$703	-\$125	\$6,358	\$76,296
One Bedroom	15	\$753	-\$150	\$9,045	\$108,540
Two Bedroom	26	\$903	-\$175	\$18,928	\$227,136
Three Bedroom	20	\$1,044	-\$200	\$16,880	\$202,560
Total	72	NA	NA	\$51,211	\$614,532

Table 28: Estimated Cashflow by Unit Type - Total

Product Type	Number Of Units	Rent Per Unit	Monthly Total	Annual Total
Studio	14	\$703 - \$795	\$8,743	\$104,916
One Bedroom	20	\$753 - \$950	\$13,795	\$165,540
Two Bedroom	34	\$903 - \$1,150	\$28,128	\$337,536
Three Bedroom	26	\$1,044 - \$1,500	\$25,880	\$310,560
Total	94	NA	\$76,546	\$918,552

The ongoing expenses are then calculated and subtracted from the cashflow to determine the NOI. Expenses include vacancy (i.e. unit without paying tenant), property insurance, maintenance (i.e. mowing, snow removal), property management fees, utility fees for communal areas, and miscellaneous or reserves for unexpected expenses. Projects that receive LIHTC are also required to have an annual cash reserve equal to \$350 per unit. Property taxes for the current unrenovated value are included in this calculation as the assessed value is abated or frozen for a 10-year period according to the Urban Revitalization Tax Abatement Program. In addition to these typical ongoing expenses, the monthly bank financing is included in these calculations shown in the table below.

Table 29: Net Operating Income

	Monthly	Annual	Percent Of Cashflow
Rental Cashflow	\$76,546	\$918,552	NA
Vacancy	-\$3,827	-\$45,928	5.0%
Bank Financing	-\$7,699	-\$92,391	10.1%
Insurance	-\$3,917	-\$47,000	5.1%
Taxes*	-\$4,431	-\$53,174	5.8%
Maintenance	-\$7,655	-\$91,855	10.0%
Management	-\$7,655	-\$91,855	10.0%
Utilities	-\$3,827	-\$45,928	5.0%
Misc./Reserves	-\$2,296	-\$32,000	3.5%
LIHTC Reserves	-\$2,742	-\$32,900	3.6%
Subtotal Expenses	-\$44,049	-\$533,031	58.0%
NOI	\$32,497	\$385,521	

*10-year tax abatement applied

Of special note are the increased maintenance and management fees associated with Mohawk Square versus the expenses calculated for the new construction project. LIHTC projects require additional administrative expenses related to ongoing reporting to the appropriate agencies. Increased maintenance expenses for the interior common areas is also an additional expense unnecessary for the twinhome properties used in the calculations for Project 1.

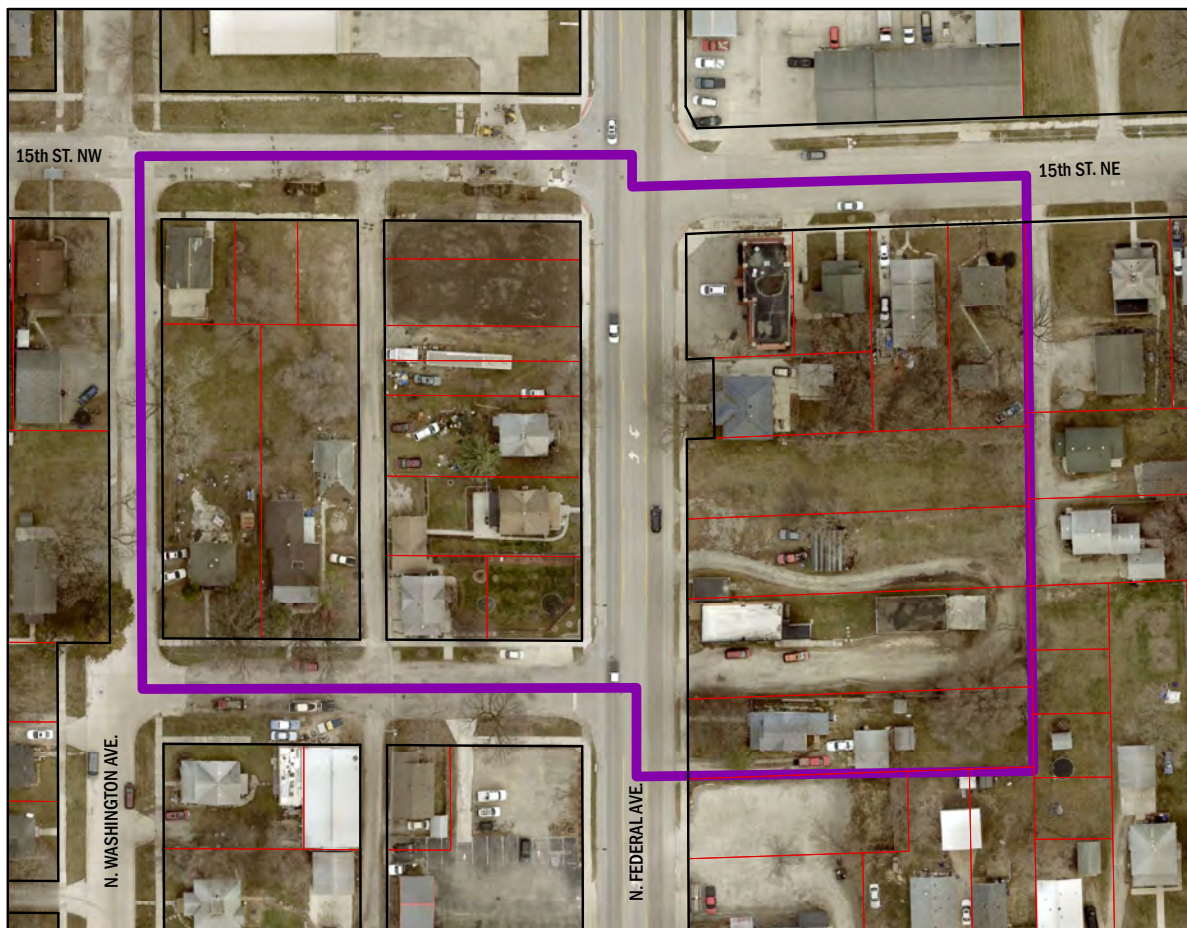
Before the developer can collect the net operating income as profit, they must pay their equity partners who provided the \$4.6 million as the down payment. An agreement is signed between the developer and the equity partners to determine the profit split from the net operating income as well as the projected profit from the sale of the property in the future. This profit split could be as high as 80 percent toward the equity partner and 20 percent for the developer. In that scenario, the equity partner would expect to receive \$26,000 a month and the developer would profit \$6,500 per month.

PROJECT 3 | North End Infill Development Proforma

Often, when people think of new development opportunities, they imagine shopping centers on greenfield sites on the edge of town. However, there is tremendous opportunity in nearly every community to consider vacant lots or underused buildings in established neighborhoods. In some cases, existing structures can be renovated, such as Mohawk Square; in many instances, though, these buildings have lived past their useful life and need to be replaced. This type of development is typically referred to as infill development.

The North End area has been a key target for revitalization in Mason City for many years. As such, the City has allocated special resources to study the area and invest in its improvement. One strategy deployed has been purchasing derelict properties with the intent to redevelop these sites into new housing or mixed use commercial. Of particular interest is the US 65/ Federal Avenue corridor at the intersection of 15th Street and N Federal Avenue. While there are a handful of well maintained homes in this study area, much of this site is opportune for redevelopment.

Figure 43: North End Development Area Map



The City desires to satisfy two major initiatives on this site: expand housing choice through mixed use development and expand access to fresh food options for the neighborhood. The former concept will be comprised of commercial use on the first level with two or three levels of rental units above targeted at supporting the local workforce. This traditional main street development concept has become more popular in recent years, as it improves walkability and access to goods and services. A portion of the commercial space could also be set-aside as incubator space to support startup businesses for residents in the building or the broader North End neighborhood.

Another consideration for infill housing is introducing higher density townhomes to the neighborhood. Utilizing three or four vacant lots to build six or more townhome units will further expand the number of units while offering a new-build product at a lower pricepoint. These units could be held as rentals by the same developer building the mixed use project or sold as owner-occupied housing.

The second priority of this proposed infill project – expanding access to fresh food options – will be accomplished through the addition of a convenience store with these offerings. However, the City should consider incentivizing the future store operator to offer these products in exchange for financial support. There are also special state and federal programs available to support these offerings in areas classified as food deserts, or neighborhoods lacking access to fresh food.

BEST PRACTICES: MIXED USE IN DRAKE NEIGHBORHOOD, DES MOINES

The Drake neighborhood is located in the heart of Des Moines and home to Drake University, an educational institution founded in 1881. The University offers a variety of undergraduate and graduate programs, most notably professional programs in business, law, and pharmacy. Like most downtown adjacent neighborhoods in the 1960s, the Drake area saw disinvestment as new homes and businesses were built in new suburban areas. Over the last 25 years, there has been a concerted effort to improve the neighborhood by renovating existing homes and commercial businesses and constructing new multifamily and mixed use buildings. A majority of these projects were supported through public-private partnerships between the City of Des Moines, Drake University, private investors, and local nonprofit groups.

While much progress has been made over the years, there are still many opportunities for reinvestment. The corner of 22nd Street and University Avenue has been home to a convenience store for many decades. The most recent owner, Kum and Go, built a new commercial space a few blocks west of the site and had plans to sell the old property for redevelopment. Neighborhood Development Corporation (NDC) — a nonprofit redevelopment group supported by the City of Des Moines and Polk County with a long history of helping spark redevelopment in neighborhoods — had shown interest in the site for many years but knew it was prime real estate and would not likely be able to afford the sale price. Kum and Go decided they wanted to be a champion for community development and helped NDC by razing the structure, removing the underground fuel tanks, and selling the property for below market value.

In September 2022, NDC announced plans to build University Avenue Station, a \$6.5 million development project that will include a grocery store and workforce housing. The new three-story building will include a street-level grocery store with about 9,000 square feet of space and 24 apartments spread over two levels. This project would build on the success of a similar project adjacent to this site called University Avenue Village that is exclusively residential with studio and one bedroom units.

Figure 44: University Avenue Village Apartments



Image source: Neighborhood Development Corporation

A key component of this project is filling the commercial space. Hilal Groceries, a longtime business in the Drake Neighborhood, has plans to move into the street-level space. They had outgrown their existing building and were eager to partner with NDC in order to expand their offerings. The building will be separated into two parcels much like a condominium – the street-level commercial and the upper-story residential units. This will allow the grocery business to use the proceeds from the sale of their existing building to purchase their new space once completed. NDC will be able to use those proceeds to pay down their debt, which makes this project possible.

Other key funding tools applied to this project are the Workforce Housing Tax Credit program and the Redevelopment Tax Credit program. The combination of these funds — \$452,160 and \$750,000, respectively — helps bridge the gap to finance this project. Fortunately, the student population also supports strong rents up to \$2.00 per square foot, while similar developments in other neighborhoods would be fortunate to get \$1.50 per square foot.

NDC has successfully developed similar mixed use projects in other neighborhoods of Des Moines, including the Sevastopol Station project in the McKinley School/Columbus Park Neighborhood, located just southeast of downtown. This project consists of 6,800 square feet of commercial space on the main level and 12 market-rate apartments on the second story of the building. The commercial businesses are a mix of retail and restaurant anchoring this corner of the neighborhood.

Figure 45: Sevastopol Station - Mixed Use Property



Image source: Polk County Assessor

BEST PRACTICES: NEIGHBORHOOD CONVENIENCE STORES

One of the challenges of siting a convenience store in an existing neighborhood is incorporating the footprint of the modern store. It's common for convenience store chains to have a building template that requires minimal changes no matter the chosen location to site the store. However, these parcels are typically 1.5 acres or more to accommodate the building, gas pumps, parking, and multiple access points for entry to the property. The proposed site for the convenience store within the study area is less than 1 acre in size, which presents a unique challenge for this proposal.

For instance, Kwik Star has built three new locations in Mason City over the last few years. The convenience store structure is more or less the same at each location at 7,500 square feet in size typically on a parcel with at least 1.7 acres. Kum and Go, another popular midwest-based chain, has recently introduced a store model more conducive to urban settings. Most notably, Kum and Go built a new location in the Drake neighborhood with a structure at 5,500 square feet on a 1 acre lot with fuel pumps. This mid-size model is unique with the structure sited along the street with a secondary entrance for pedestrians on foot. Lastly, Casey's General Store built their first location without fuel pumps. This small format store also located in the Drake neighborhood area has a structure size of 3,500 square feet with an emphasis on serving ready-made meals to students and neighborhood residents.

Figure 46: Go Fresh Kum & Go located in the Drake Neighborhood of Des Moines



Image source: Drake Area Experience, online newsletter

PROJECT PROPOSAL

The proposed mixed use project for the North End (shown in yellow on Figure 47) will be similar to NDC's mixed use project in the Drake neighborhood. An L-shaped building will be constructed with a total floor area of 8,400 square feet on each level, or a total of 25,200 square feet of finished space over three floors. The main level will be broken up into one to four leased commercial spaces. Levels two and three will accommodate 22 residential units with a mix of four studio units, twelve one-bedroom units, and six two-bedroom units.

The building will be constructed up to the sidewalk along Federal Avenue with parking at the back of the property accessible via the alley way. Surface parking will be available to all tenants plus additional parking reserved for commercial users. It would be nice to offer tenants rental garages; however, this would come at an estimated construction expense of \$15,000 to \$20,000 per garage stall.

Figure 47: North End Development Site Layout



Just north of the mixed use project is nearly 0.5 acres of land that includes a historic gas station structure and three small single family houses (shown in blue on Figure 47). While the City would like to preserve the gas station building, the existing houses are in disrepair and present the opportunity for redevelopment. These three lots could be utilized to site townhome units similar to the Willow Creek Townhomes located at 400 4th Street. The builder completed construction in fall 2014 with a total of seven rentals, a mix of one and two bedroom units. Individual garage stalls could also be provided offering renters covered storage and the owner an additional income stream.

Figure 48: Willow Creek Townhomes



Image source: Willow Creek Townhomes, Facebook

Lastly, the southeast corner at the intersection of Federal Avenue and 15th Street NE was selected as the preferred location for a convenience store. This 1.3 acre pad has the ability to accommodate any one of the noted gas station models with modest design changes. For instance, the proposed layout shown in red on Figure 47 shows an image overlay of the Kwik Star store located at 1502 S Federal Avenue, turned 90° counterclockwise and without the separate diesel pump canopy.

While both a convenience store and a mixed use development are illustrated in overall plan for this study area, the following development strategy presented will solely focus on the housing component. The City and its partners should coordinate with prospective convenience store companies to determine the best solution for this site and determine the type of incentives necessary to attract a business.

PROJECT COST BREAKDOWN: MIXED USE

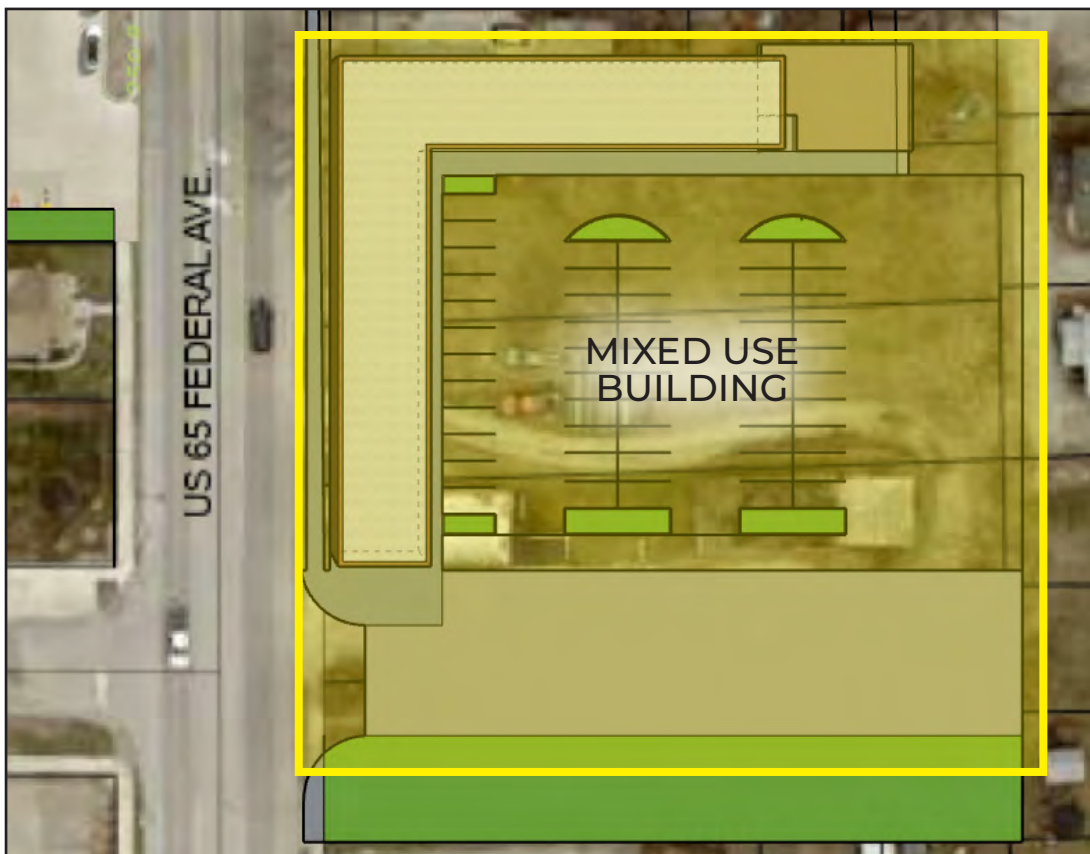
Property Acquisition

Since the City already has purchased many of the parcels needed for the project, additional land costs for this project are minimal. A private development partner could be offered the land for a marginal fee to help the City offset some of its costs in preparing the site for redevelopment. The City might also consider selling the land for \$1 to a developer as an incentive to build a product that aligns with the City's vision. For the sake of this model, the City will sell the land to a private developer for \$1.

Infrastructure

Infill development has the benefit of siting a project where services already exist. Greenfield sites, on the other hand, typically have to extend service lines and build new roads to provide access to the site. The proposed site in the North End will require new connections to existing service lines and possible upsizing to existing service. While it may be costly, there are still significant cost savings compared to developing on a greenfield site. A lump sum estimate of \$100,000 is included for infrastructure.

Figure 49: Mixed Use Layout



Building concrete parking will also be a large infrastructure expense. The average cost to pour concrete for sidewalks and surface parking is \$6 per square foot. The rear parking and sidewalks plus the front 10' sidewalks along the street total nearly 37,000 square feet, bringing the estimated expense to nearly \$222,300.

Table 30: Infrastructure Cost Estimates

Expense	Quantity	Unit Cost	Total Costs
Utility Hookups	Lump Sum	\$100,000	\$100,000
Concrete Parking/Sidewalks	37,050 SF	\$6/SF	\$222,300
Subtotal — Infrastructure Costs			\$322,300

Construction Costs

To estimate the cost of constructing a mixed use building such as this one, estimators use the average cost per square foot as a preliminary metric. The estimated cost for the NDC’s mixed use building is \$6.5 million to build out 29,000 square feet of finished space. This equates to \$240 per square foot, the average cost to build out both the residential and commercial space. The building proposed for the Federal Avenue corridor is a three-level building with around 8,400 square feet per floor, a total of 25,200 square feet. Applying NDC’s estimated constructions costs to the Federal Avenue mixed use building, the total estimated cost is approximately \$6.0 million.

Table 31: Construction Costs

Expense	Quantity	Unit Cost	Total Costs
Construction Costs	25,200 SF	\$240/SF	\$6,048,000

Soft Costs

Soft costs are any costs that are not considered directly related to the hard costs. These costs are generally associated with tasks such as architectural and engineering design services, permit and survey fees, and financing. In addition to these costs, developers typically include a fee to cover their administrative expenses and provide them with funds to pay their income.

In these preliminary stages of the project due diligence process, developers use industry averages to determine an estimated cost associated with each of these soft cost line items applied to the total hard costs. The estimated total for hard costs – land acquisition, infrastructure buildout, and construction plus 10% contingency – equals \$7.0 million. The table below applies these industry standard figures to estimate soft costs. Local permit fees were included in the total soft costs to cover the cost of inspections and other City staff time associated with the project. Mason City’s specific permit fee for projects of \$1,000,000 and greater have a base fee of \$4,265.50 plus an additional \$2.50 for each additional \$1,000 in projected value. This brings the estimated permit fee for the Federal Avenue mixed use project to \$21,784 with a complete Soft Costs total of \$1,423,250.

Table 32 below provides an overview of the hard and soft costs associated with the proposed mixed use project. The total cost is \$8.43 million, or \$335 per square foot of finished space.

Table 32: Total Construction Costs

Land Costs		
Acquisition Cost - City-owned		\$1
Infrastructure Buildout Costs		
Utility Hookups	Lump Sum	\$100,000
Concrete Parking/Sidewalks - \$6/SF	37,050 SF	\$222,300
SUBTOTAL		\$322,300
Construction Costs		
Cost per square foot		\$240
Total Finished Area		25,200
Subtotal		\$6,048,000
Contingency	10%	\$637,030
Total Hard Costs		\$7,007,331
Soft Costs**		
Architectural/Engineering Fees	6%	\$420,440
Construction Loan Interest	4%	\$280,293
Developer Fee	10%	\$700,733
Local Permit Fee***		\$21,784
Total Soft Costs		\$1,423,250
Total Construction Costs		\$8,430,581
Cost per Square Foot		\$335

**apply industry standard fee percentage to total hard costs*

***see narrative for specific formula applied*

Bank Financing

For this proposed mixed use building, a traditional commercial construction loan could come through the Federal National Mortgage Association, more commonly referred to as Fannie Mae. These loans are serviced through banks designated as Delegated Underwriting and Servicing (DUS) lenders. Fannie Mae loans can provide flexible loan terms through construction and holding stabilized properties from five- to thirty-year terms. The Fannie Mae financing terms are outlined in the following table.

Table 33: Estimated Bank Financing - Fannie Mae

Loan Amount		\$8,430,581
Down Payment	20%	\$1,686,116
Closing Costs *	1.30%	\$109,597.55
Term - Years		30
Interest Rate		5.00%
Monthly Mortgage		\$36,794

Projected Net Operating Income (NOI)

Net operating income, or NOI, compares the projected cashflow of the project with the estimated expenses of the ongoing operations of the property. The first step is to determine the projected cashflow. The breakdown of estimated lease rates by unit type is found in the table below. At 100 percent occupancy, the residential units have the potential to result in a cashflow of \$21,000 per month, or \$252,200 annually. Commercial space in this area is leased at a rate of \$6 to \$10 per square foot annually. This model used an average of \$8 per square foot, totaling \$67,200 per year, or \$5,600 per month. In total, the mixed use building has the potential for a gross cashflow of \$26,600 per month, or \$319,200 annually.

Table 34: Estimated Cashflow by Product Type

Product Type	# of Units	Rent per Unit	Monthly Total	Annual Total
Studio	4	\$750	\$3,000	\$36,000
1 Bedroom	12	\$950	\$11,400	\$136,800
2 Bedroom	6	\$1,100	\$6,600	\$79,200
Commercial Lease	8,400 SF	\$8/SF	\$5,600	\$67,200
Total	16	N/A	\$26,600	\$319,200

Ongoing expenses are then calculated and subtracted from the cashflow to determine the NOI. Expenses include vacancy (i.e., a unit without a paying tenant), property insurance, maintenance (i.e., mowing, snow removal, etc.), property management fees, minimal utility fees for common areas, and miscellaneous or reserves for unexpected expenses. These expenses can equal 20 to 30 percent of the overall cashflow. In addition to these expenses, the monthly bank financing and property taxes are included in the calculations shown in the table below.

Table 35: Net Operating Income Calculation

	Monthly	Annual	Percent of Cashflow
Rental Income	\$26,600	\$319,200	N/A
Vacancy	-\$1,330	-\$15,960	5%
Insurance	-\$2,500	-\$30,000	9%
Taxes	-\$500	-\$6,000	2%
Maintenance	-\$1,330	-\$15,960	5%
Management	-\$2,128	-\$25,536	8%
Utilities	-\$266	-\$3,192	1%
Misc/Reserves	-\$733	-\$8,800	3%
Subtotal Expenses	-\$8,787	-\$105,448	33%
NOI	\$17,813	\$213,752	
Minus Mortgage	-\$36,794	-\$441,528	
Total Profit	-\$18,981	-\$227,777	

Once the mortgage is subtracted from the NOI, there is a loss of nearly \$19,000 per month. This negative total profit presented in the table above highlights the need for the developer to collaborate with City leaders to secure some form of local support to help bridge this shortfall.

Local Financial Support

The current Mason City Urban Revitalization Tax Abatement Program provides both individual homeowners and private businesses incentives to invest in properties located within the designated Urban Revitalization District. The proposed mixed use building is located within the designated area but just outside the Multi-Residential Housing Focus Area, which offers 100 percent tax abatement for up to 10 years. The incentives available to this project are based on two schedules: Ten-Year Decreasing Value or Three-Year 100% Value.

Table 36: Schedule A: Ten-Year Decreasing Value

Year	% of Increased Value
1	80
2	70
3	60
4	50
5	40
6	40
7	30
8	30
9	20
10	20

Table 37: Schedule B: Three-Year 100% Value

Year	% of Increased Value
1	100
2	100
3	100

Note: Property owner is expected to property taxes starting in Year 4.

Assuming an assessed market value of \$200 per square foot, the proposed mixed use building would be taxed at a value of \$5,040,000. Once the appropriate rollback discount is applied proportionately based on the uses of the building — 33% of commercial use at 90% and 67% of residential use at 56.5% — the gross taxable value is \$3.0 million. The tax levy of \$27.41 per \$1,000 in valuation is applied to this value, resulting in a total annual property tax of approximately \$84,000. The use of Schedule A over a ten-year period would yield a projected savings of over \$375,000, while schedule B would provide nearly \$253,000 in the first three years of owning the building. The City may consider extending the Multi-Residential Housing Focus Area north along the Federal Avenue corridor to provide 100% tax abatement over a ten-year period to support this development project, yielding a projected savings of approximately \$860,000.

State Financial Assistance

Similar to NDC's project in Des Moines as well as Kading's multifamily community project, the proposed mixed use building will need further subsidy for it to get built. It's recommended that the chosen developer apply for the Workforce Housing Tax Credit program, which could provide \$660,000 in state tax credits and up to \$340,000 in sales tax reimbursements totaling an award of \$1,000,000. The IEDA Redevelopment Tax Credit is another program that could provide up to \$600,000 in state tax credits towards repurposing a brownfield or grayfield site. Between these two programs, a developer could reduce their costs to make the North End redevelopment a viable project.

PROJECT COST BREAKDOWN: TOWNHOMES

Property Acquisition

The site of the proposed townhomes are still privately owned, however, the City has been in conversations with the property owner and believes they can get them for a fair price. For this exercise, the figure of \$40,000 is used as an average sale price for each of the three units for a total of \$120,000. A private development partner could be offered the land for the same price of \$120,000 to help the City offset its costs. The developer will have to pay another \$5,000 for each unit to be razed for a total property acquisition cost of \$135,000.

Infrastructure

Services are already available at this site but each unit will have a separate connection at a price of \$5,000 per unit. If seven units are built on site similar to the Willow Creek Townhomes, then these costs would be approximately \$35,000.

Paving the alley connection and the parking area is another major infrastructure expense. The average cost to pour concrete for sidewalks and surface parking is \$6 per square foot. The rear parking plus the alley access and new sidewalk along the street total nearly 8,100 square feet, bringing the estimated expense to \$48,600. Total estimate for construction cost is nearly \$84,000.

Figure 50: Mixed Use Layout

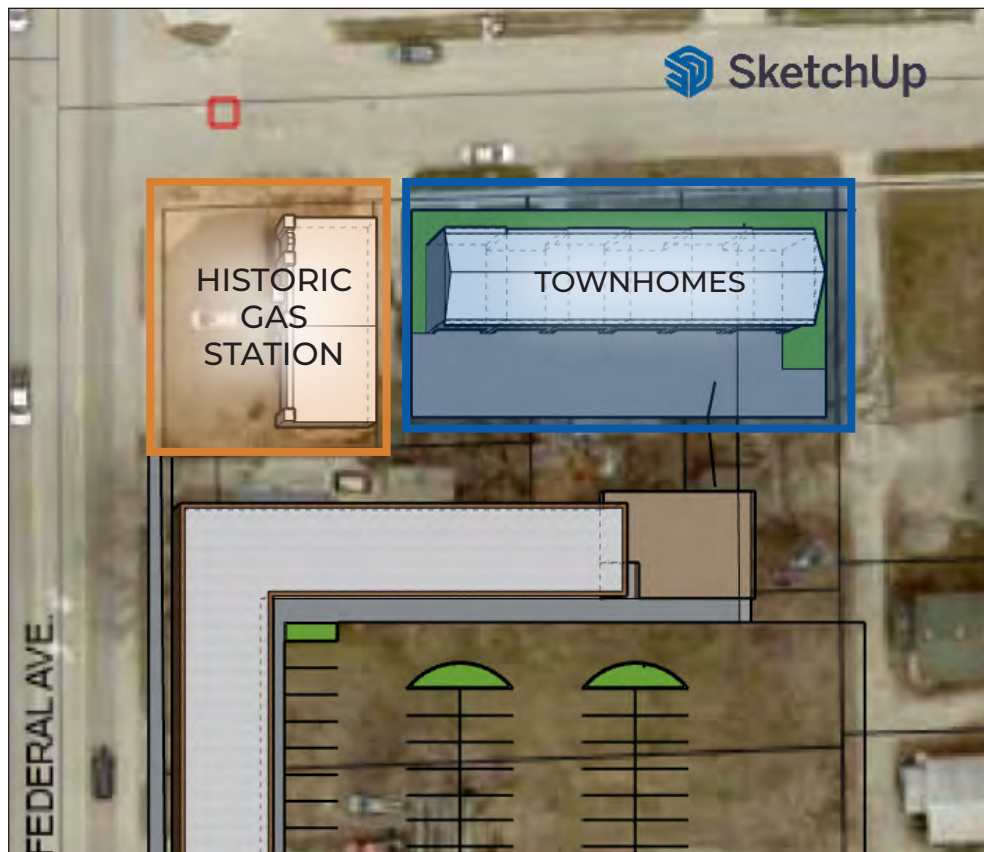


Table 38: Infrastructure Cost Estimates

Expense	Quantity	Unit Cost	Total Costs
Utility Hookups	7 Connections	\$5,000	\$35,000
Concrete Parking/Sidewalks	8,100 SF	\$6/SF	\$48,600
Subtotal — Infrastructure Costs			\$83,600

Construction Costs

The cost per square foot to build a townhome unit is much less than the cost to build a mixed use building. The estimated cost to build a townhome unit is \$120 to \$150 per square foot, based on the quality of finished materials. The average of \$135 per square foot was used as the metric to estimate construction costs for these residential units. The Willow Creek Townhomes have a building footprint of 3,125 square feet or a total of 6,250 finished square feet over two levels. Applying the average estimated constructions costs to a build a group of townhomes of the same size, the total estimated cost is nearly \$844,000.

Table 39: Construction Costs

Expense	Quantity	Unit Cost	Total Costs
Construction Costs	6,250 SF	\$135/SF	\$843,750

Soft Costs

As a reminder, soft costs are any costs that are not considered directly related to the hard costs, such as architectural and engineering design services, permit and survey fees, and financing. Industry averages were utilized to estimate the cost associated with each of these soft cost line items relative to the total hard costs. The estimated total for hard costs – land acquisition, infrastructure buildout, and construction plus 10% contingency – equals approximately \$1.2 million. The table below applies these industry standard figures to estimate soft costs. Local permit fees were included in the total soft costs to cover the cost of inspections and other City staff time associated with the project. Mason City’s specific permit fee for projects of \$1,000,000 and greater have a base fee of \$4,265.50 plus an additional \$2.50 for each additional \$1,000 in projected value. This brings the estimated permit fee for the Federal Avenue mixed use project to \$7,187 with a complete Soft Costs total of nearly \$241,000.

Table 40 below provides an overview of the hard and soft costs associated with the proposed mixed use project. The total cost is \$1.5M or \$226 per square foot of finished space.

Table 40: Total Construction Costs - Townhomes

Land Costs		
Acquisition Cost - City-owned		\$135,000
Infrastructure Buildout Costs		
Utility Hookups - 7 Units	\$5,000	\$35,000
Concrete Parking/Sidewalks - \$6/SF	8,100 SF	\$48,600
SUBTOTAL		\$83,600
Construction Costs		
Cost per square foot		\$135
Total Finished Area		6,250
Subtotal		\$843,750
Contingency	10%	\$106,235
Total Hard Costs		\$1,168,585
Soft Costs**		
Architectural/Engineering Fees	6%	\$70,115
Construction Loan Interest	4%	\$46,743
Developer Fee	10%	\$116,859
Local Permit Fee***		\$7,187
Total Soft Costs		\$240,904
Total Construction Costs		\$1,409,489
Cost per Square Foot		\$226

**apply industry standard fee percentage to total hard costs*

***see narrative for specific formula applied*

Bank Financing

For this proposed mixed use building, a traditional commercial construction loan could come through the Federal National Mortgage Association, more commonly referred to as Fannie Mae. These loans are serviced through banks designated as Delegated Underwriting and Servicing (DUS) lenders. Fannie Mae loans can provide flexible loan terms through construction and holding stabilized properties from five- to thirty-year terms. The Fannie Mae financing terms are outlined in the following table.

Table 41: Estimated Bank Financing - Fannie Mae

Loan Amount		\$1,409,489
Down Payment	20%	\$281,898
Closing Costs *	1.30%	\$18,323.36
Term - Years		30
Interest Rate		5.00%
Monthly Mortgage		\$6,152

Projected Net Operating Income (NOI)

Net operating income, or NOI, compares the projected cashflow of the project with the estimated expenses of the ongoing operations of the property. The first step is to determine the projected cashflow. The breakdown of estimated lease rates by unit type is found in the table below. At 100 percent occupancy, the townhome units have the potential to result in a cashflow of \$7,900 per month, or \$94,800 annually.

Table 42: Estimated Cashflow by Product Type

Product Type	# of Units	Rent per Unit	Monthly Total	Annual Total
1 Bedroom	4	\$1,000	\$4,000	\$48,000
2 Bedroom	3	\$1,300	\$3,900	\$46,800
Total	7	N/A	\$7,900	\$94,800

Ongoing expenses are then calculated and subtracted from the cashflow to determine the NOI. Expenses include vacancy (i.e., a unit without a paying tenant), property insurance, maintenance (i.e., mowing, snow removal, etc.), property management fees, minimal utility fees for common areas, and miscellaneous or reserves for unexpected expenses. These expenses ideally equal 20 to 30 percent of the overall cashflow. In addition to these expenses, the monthly bank financing and property taxes are included in the calculations shown in the table below.

Table 43: Net Operating Income Calculation

	Monthly	Annual	Percent of Cashflow
Rental Income	\$7,900	\$94,800	N/A
Vacancy	-\$395	-\$4,740	5%
Insurance	-\$408	-\$4,900	5%
Taxes	-\$1,089	-\$13,067	14%
Maintenance	-\$395	-\$4,740	5%
Management	-\$632	-\$7,584	8%
Utilities	-\$79	-\$948	1%
Misc/Reserves	-\$233	-\$2,800	3%
Subtotal Expenses	-\$3,232	-\$38,779	41%
NOI	\$4,668	\$56,021	
Minus Mortgage	-\$6,152	-\$73,818	
Total Profit	-\$1,483	-\$17,797	

Once the mortgage is subtracted from the NOI, there is an estimated loss of \$1,483 per month. Similar to the mixed use project, this negative total profit highlights the need for the developer to collaborate with City leaders to secure some form of local support to help bridge this shortfall.

Local Financial Support

The current Mason City Urban Revitalization Tax Abatement Program provides both individual homeowners and private businesses incentives to invest in properties located within the designated Urban Revitalization District. The proposed mixed use building is located within the designated area but just outside the Multi-Residential Housing Focus Area, which offers 100 percent tax abatement for up to 10 years. The incentives available to this project are based on two schedules: Ten-Year Decreasing Value or Three-Year 100% Value.

Assuming an assessed market value of \$150 per square foot, the proposed mixed use building would be taxed at a value of \$937,500. Once the appropriate rollback discount is applied proportionately based on the use of the building — residential use at 56.5% — to the gross taxable value. The tax levy of \$27.41 per \$1,000 in valuation is applied to this value, resulting in a total annual property tax of approximately \$13,000. The use of Schedule A over a ten-year period would yield a projected savings of over \$58,000, while schedule B would provide nearly \$40,000 in the first three years of owning the property. The City may consider extending the Multi-Residential Housing Focus Area north along the Federal Avenue corridor to provide 100% tax abatement over a ten-year period to support this development project, yielding a projected savings of approximately \$133,000.

Table 44: Schedule A: Ten-Year Decreasing Value

Year	% of Increased Value
1	80
2	70
3	60
4	50
5	40
6	40
7	30
8	30
9	20
10	20

Table 45: Schedule B: Three-Year 100% Value

Year	% of Increased Value
1	100
2	100
3	100

Note: Property owner is expected to property taxes starting in Year 4.

State Financial Assistance

Similar to the proposed mixed use, these townhome units will need further subsidy to make the project a feasible prospect. The chosen developer should apply for the Workforce Housing Tax Credit program, which could provide \$210,000 in state tax credits and approximately \$126,000 in sales tax reimbursements totaling an award of \$336,000. The IEDA Redevelopment Tax Credit is another program that could provide funding up 12% of the overall project cost - approximately \$170,000. Additional funding programs presented in the Housing Resource Guide should be considered to further support the development of these townhome units.

Conclusions

All of these proposed development opportunities were presented with their own unique challenges. However, all of these project would not be possible without local support as well as the state and federal funding programs as outlined in these project proposals. The twinhome multifamily project utilizes Tax Increment Financing (TIF) from the local government to help support the infrastructure buildout, and the state Workforce Housing Tax Credit program to keep their lease rates within the means of the local renters and help offset the negative cashflow. Both infill projects should apply for the same funding programs as well as the Redevelopment Tax Credit to redevelop the grayfield site. The proposal for Overland Property Group's historic renovation of Mohawk Square utilized the Low Income Housing Tax Credit (LIHTC) program to provide the greatest level of subsidy, and in return were required to apply a rent limit on 75 percent of their units. All of these programs are highly competitive and add considerable amount of time onto these projects, but the effort to pursue these funds is worth the outcome to fill the feasibility gap and make these types of projects a reality.