Beyond City Limits | Housing shortage acute in rural Iowa

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George C. Ford

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Iowa employers in smaller communities recruiting workers from other states to meet growth demands are facing a challenge at home — lack of available multi-family and single-family housing.

“In Iowa and other states in the upper Midwest, we’re seeing it in lots of communities,” said Matt Mullins, vice president of Maxfield Research Inc., a Minneapolis-based real estate consulting agency.

“For some, it’s almost a crisis situation where they can’t hire new workers because they have nowhere to house them. These communities have been fairly static with very little housing development over the years.

“In most cases, landlords don’t need to advertise when they do have a vacancy. The word spreads that an apartment or house is available and it’s snapped up.”

In Manchester, where XL Specialized Trailers is recruiting welders from technical schools in southern states, a shortage of apartments and single-family houses for rent is a critical issue.

“If you’re lucky enough to recruit a young welder with a family, they’re going to need a house or a two-bedroom apartment to rent,” said Steve Fairbanks, president and chief executive officer of XL Specialized Trailers. “There just aren’t a lot of options for these folks.

“Ideally we would be able to house them close to us, but they’re having to go out further and further to find housing.”

Manchester hired Maxwell Research to perform a comprehensive housing market analysis, projecting housing demand from 2014 through 2025.

The study identified the need for about 415 new housing units in the Delaware County community — 42 percent for general occupancy housing and 58 percent for age-restricted senior units. The highest demand was for general occupancy rental housing where there is a need for 70 units.

In Mount Pleasant, where Innovairre Iowa and West Liberty Foods would like to hire additional workers, “housing is a major obstacle,” said Travis Kraus, executive vice president of the Mount Pleasant Chamber Alliance.

“We are seeing some movement in the right direction, and a lot of it is supported by statewide and federal programs,” Kraus said. “We are growing a number of upper-story apartments” — located above businesses in downtown Mount Pleasant.

“Housing is tougher for small towns because we have had a fairly static work force. I think the challenges are more apparent than they would be in communities like Cedar Rapids or Iowa City.”

In Independence, two local businessmen are employing innovative strategies to develop rental housing as well as construct new single-family houses.

Steve Ohl, owner of Ohl Real Estate and Insurance, and Ronald Ohl, owner of Ohl Construction, recently purchased a four-plex apartment building and a detached four-stall garage from the Buchanan County Health Center.

“The hospital had purchased a property with four apartments upstairs and living quarters downstairs,” Steve Ohl said. “They were taking bids to demolish the building. We bid on it to move the apartments off the foundation to another location off 17th Avenue NE.

“We’re adding four units underneath it, so we will have an eight-plex apartment building. We’re also building a second four-stall garage so all the units will have covered parking.”

The innovative eight-plex project is the latest for the brothers.

“Ten years ago, my brother and I did a pair of eight-plexes,” Steve Ohl said. “The city at that time gave us a sliding-scale tax abatement.

“Since that time, Ron has done a number of infill duplexes where he has bought an old house, torn it down and built a new duplex for rental. He repurposed a former grocery store, creating a couple of duplexes.”

After buying lots from a developer for a number of years, the Ohls purchased land to build custom market-rate single-family homes. When the U.S. Department of Housing and Urban Development made $25,000 grants available to qualified homebuyers for downpayment assistance after the 2008 flood, the Ohls applied for six homes and were approved.

“We ultimately were able to build 17 homes,” Steve Ohl said.

Homebuyers were required to stay in their home for five years for the grant to be forgiven.

The Iowa Economic Development Authority last month awarded approximately $20 million in tax credits to 37 projects around the state under the Workforce Housing Tax Credit Program. The program makes tax incentives available to developers building or rehabilitating housing.

The Brazelton Lofts development in Mount Pleasant was approved for $196,542 in tax incentives. Hobart Historic Restoration of Cedar Rapids plans to rehabilitate former Brazelton Hotel, built in 1856, to create commercial space on the ground floor with upper-story apartments.

The apartments will range from 500 to 1,000 square feet with rents from $550 to $1,000 per month. Income limits may apply to some of the apartment units.

While tax incentives are helpful, Mullins said builders and developers must be willing to risk their financial investment to build new apartments.

“The rental rates in many of these communities average 60 cents per square foot, which is very low for a builder, developer or investor,” Mullins said. “They typically need $1.10 per square foot to make it work financially.”

For more than 50 years, rural communities in Iowa and across the nation depended on a U.S. Department of Agriculture strategy to provide affordable rental housing.

More than 400,000 rural families live in rental housing developments financed and maintained through the USDA’s multi-family housing programs.

In 2012, the USDA halted new construction of affordable housing under the Section 515 program, according to the National Rural Housing Coalition, a Washington, D.C.-based organization that works to focus the attention of policymakers on the needs of rural areas.

The only USDA rural housing program that finances new construction of rental housing is the Section 514-516 program, which provides funding for a maximum of 600 units of farmworker housing annually.

In a December 2014 report, the National Rural Housing Coalition warned that more than 93,000 units of affordable rental housing financed by the USDA have left the program. Either the USDA loans have been prepaid or the term of the loans has expired.

The USDA has indicated that the remaining properties in its portfolio do not have the capital reserves needed to meet ongoing maintenance and operational costs.