

Appendix B: Manchester Housing Needs Assessment

There has been recent momentum in Manchester to utilize local resources to support development of market-rate single- and multi-family housing. However, there is still a notable gap between the cost to develop housing and the purchase prices and rental rates developers can expect to receive for new or redeveloped units. Lack of quality entry-level and mid-priced housing was reported by employers to be impediments to attracting and retaining talent, thus affecting their growth potential.

To determine development scenarios to inform local efforts to support new and renovated housing development, McClure reviewed and leveraged existing reports and conducted new research to create assumptions for total number of units that could be demanded based on in-commuting patterns, blighted property remediation, and new hiring by local employers.

Analysis assessing blighted properties helped identify potential sites for redevelopment in existing neighborhoods and new development surrounding the community. These findings led to the creation of a housing demand matrix based on strategies to convert in-commuters to residents, replace dilapidated houses, and capture new employees due to business expansions. The resulting housing action plan will include recommendations for how best to use existing development tools and create new options to achieve Manchester's goals.

PAST STUDIES

As with many communities experiencing unmet housing demand, the City of Manchester has produced reports that either included housing as a component or were focused exclusively on this topic. McClure reviewed two key reports to help frame our analysis and inform estimates of current housing trends and demand.

Comprehensive Plan (2012)

The quality and occupancy of a community's housing stock are key indicators of economic prosperity. Figure 1 (Table 1.14 from the Comp Plan) compares changes in housing occupancy from 1990 to 2009, revealing the following trends:

- Total housing units increased by approximately 10% from 1990 to 2000 but growth slowed down significantly to 1.1% in the following decade.
- The percentage of occupied units that are renter-occupied units in Manchester is 29.5%. This ratio falls very close to the 30-35% range that is considered a "balanced market" between renter and owner units.
- The city's vacancy rate increased by a little more than 1% from 1990-2000, but remained relatively steady from 2000-2010. Low vacancy rates limit the amount of choice that potential buyers have in the market while higher vacancy rates indicate empty neighborhoods and lack of housing demand. Manchester's 6% vacancy rate is within the range of what is considered healthy.

Change in Key Housing Occupancy Indicators

	1990	2000	2010	Change 1990-2000	Change 2000-2010*	% Change 1990-2000	% Change 2000-2009
Total Housing Units	2,102	2,315	2,341	213	26	10.1%	1.1%
Total Occupied Units	1,992	2,167	2,199	175	32	8.8%	1.5%
Owner Occupied Units	1,407	1,538	1,551	131	13	9.3%	0.8%
% Occupied units that are Owner Occupied	70.6%	71.0%	70.5%	0.4%	0.5%	-	-
Renter Occupied Units	585	629	648	44	19	7.5%	3.0%
% Occupied units that are Renter Occupied	27.8%	29.0%	29.5%	1.2%	0.5%	-	-
Vacant Units	110	148	142	38	-6	34.5%	-4.1%
Vacancy Rate	5.2%	6.4%	6.1%	1.2%	-0.3%	-	-
Median Value	\$47,000	\$74,400	\$91,349* (2009 est.)	\$27,400	\$16,949 *	58.3%	22.8%*
Median Contract Rent	\$301	\$298	NA	(\$3)	NA	-1.0%	NA

Source: Census Bureau, 2010. Claritas Inc.
 *Median Value is a 2009 estimate. At the time this report was written, 2010 data were not available.

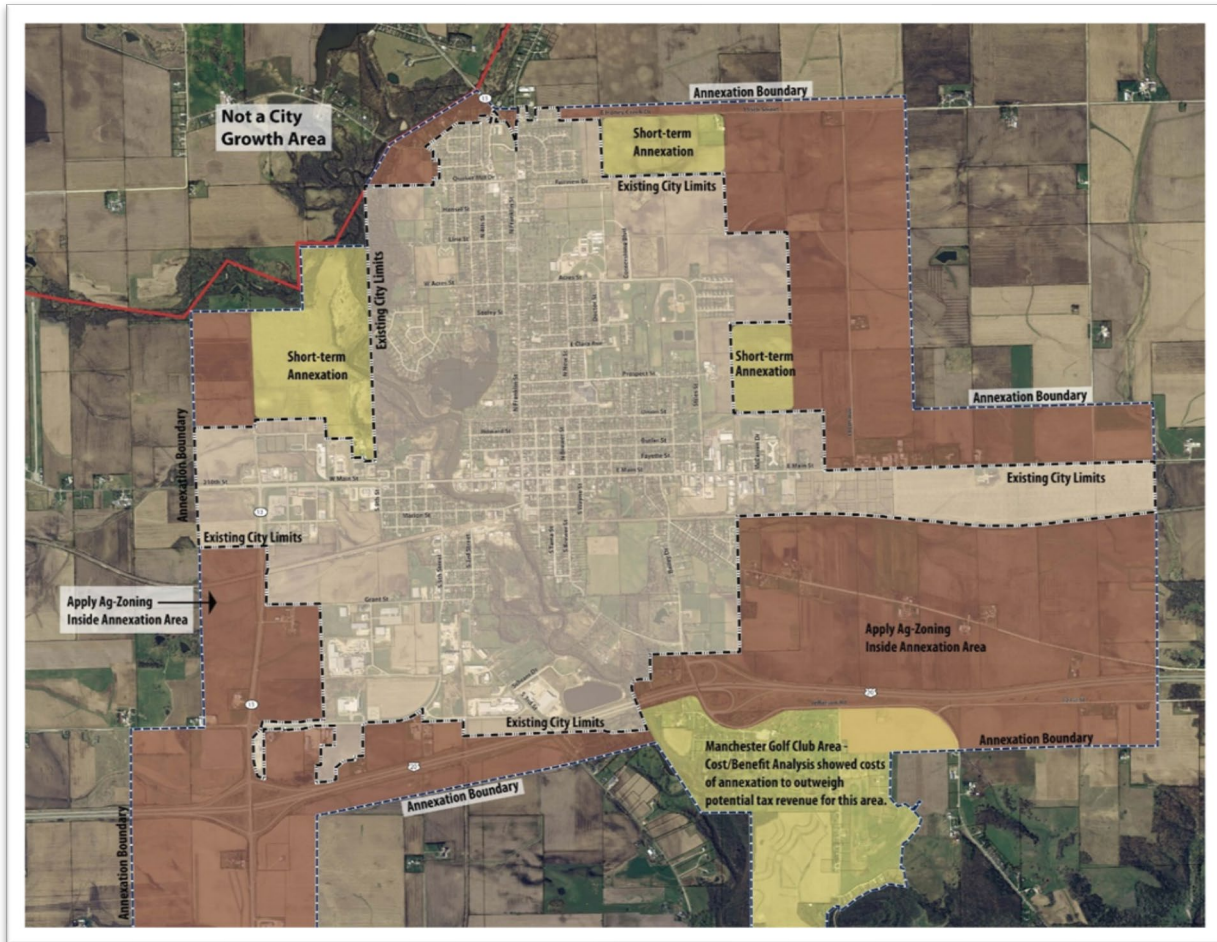
Source: Table 1.14 from the Comprehensive Plan (2012)

The Comprehensive Plan’s Implementation Plan highlighted priorities and actions for the next 10 to 20 years.

- Housing Priorities
 - o Support a variety of housing options for a range of incomes and ages.
 - Requires a policy change
 - o Encourage the expansion of existing senior housing to the east along East Main Street.
 - Requires a policy change
- Land Use Priorities
 - o Reserve land for open space as residential area grow.
 - o Allow cluster development that centers housing around public open space

The following map from the 2012 Comprehensive Plan identifies the potential short and long-term annexations area surrounding Manchester. The areas highlighted in yellow in the east and northeast part of town are adjacent to recently developed subdivisions and most likely to develop in the near term. Note, annexation of the golf club area was deemed financially infeasible as the cost to extend infrastructure did not yield enough tax revenue to offset these expenses.

Annexation Map



Source: Comprehensive Plan (2012)

Maxfield Research (January 2015)

The Maxfield Research study was a thorough assessment focused on the full spectrum of housing options in Manchester market area which includes Delaware Township and the surrounding townships. The results highlighted a potential demand for 400+ new housing units over the next 10 years (through 2025).

The highest demand category identified was 70 units of market rate general-occupancy rentals. And although there was a demand for new single-family units, there was an even stronger demand for maintenance-free, for-sale products such as townhomes and condominiums. Below are highlights relevant to the housing action plan:

- The study projected a population decline of 79 person and 9 households between 2010 and 2020.
- Majority of all population growth is within the older adult (55+) and senior age cohorts.
 - o Projected to see a 32% increase of 65-74 age cohort through 2019.

- At time of the study, surveyed rental properties reported only three market rate units and no affordable/subsidized units were vacant with overall vacancy rate for 2.4% for market rate units and 0% for affordable/subsidized.
- Overall rental vacancy rate of 1.7% is lower than the industry standard of 5% vacancy for a stabilized rental market.
- Senior housing in Manchester is consistently filled with no vacancies and a waiting list.
- About 58% of Manchester households have annual incomes at or above \$35,425, the minimum required to afford a median list price home valued at \$124,000.
- Housing Needs Analysis – demand exists for the following units between 2014 and 2025:
 - o Market rate rental 71 units
 - o Affordable rental 11 units
 - o Subsidized rental 25 units
 - o For-sale single-family 31 units
 - o For-sale multifamily 35 units
- In addition, Senior housing demands continue to grow with demand for the following housing types by 2019:
 - o Active adult ownership 31 units
 - o Active adult market rate rental 36 units
 - o Active adult affordable 48 units
 - o Active adult subsidized 33 units
 - o Congregate 45 units
 - o Assisted Living 25 units
 - o Memory Care 24 units

HOUSING CHALLENGES

The list of challenges below was developed through a thorough review of past studies and extensive interviews with key stakeholders in Manchester. While not exhaustive, these are the top issues that can be addressed through intervention by the city and other local partners.

1) City of Manchester’s stock of available housing does not meet demands

Both past studies and conversations with locals identified a general lack of housing options:

- o Modern rentals including-
 - Apartments
 - Multi Family homes
 - Single Family homes
 - 2nd story downtown units
- o Single family mid-range homes (Between \$100-180k)
- o Active adult and senior housing options

While the City of Manchester boasts many amenities including a strong quality of life and well-regarded school district, one of the major challenges is a lack of available housing, especially for

quality entry-level units. Much of the feedback received noted the availability of older homes came at a high price tag with an extensive list of repairs and upgrades to make them what most would consider livable.

Stakeholders noted that, because of a scarcity of new affordable homes, many residents leveraged rising housing values to refinance and make repairs to their existing residences, thus reducing the “filtering” that naturally occurs when homeowners upgrade to higher-cost houses and entry-level buyers purchase their old units.

Local employers voiced their concerns that a lack of quality and appropriate housing is directly impacting their recruitment and retention efforts. New employees cannot find quality housing with desired amenities that today’s tenants are looking for, especially families. Young, single employees also find affordable rental housing a challenge. This has resulted in workers commuting from outside the city, accepting less desirable housing nearer their employment, or seeking a job elsewhere.

2) Barriers to Developers/Investors

The problem lies in the cost gap; in other words, the cost to build new housing does not equal the return on investment to sell or rent this product. For this reason, a majority of new development is being built in metro communities much larger than Manchester-Delaware County. The skilled tradespeople needed to build these homes are also primarily located in metro areas, which increases costs to the overall development process and compounds local housing shortage issues.

However, good paying jobs exist in and around Manchester. More can be done to optimize the local development process and expand on the available incentives.

McClure spoke with employers who said jobs paying upwards of \$65,000 are going unfilled because they cannot find workers. One key reason for this is prospects’ inability to find suitable housing in Manchester. Because these issues have been identified for years, the City of Manchester has developed a toolkit of incentives available to both single family and multi-family development projects. However, marketing these programs is key to attracting developers and helping them understand how it benefits them.

It behooves the city to make the process of investing in the local housing market as transparent, predictable, and competitive as possible or else these developers will follow the path of least resistance to property in unincorporated Delaware County or nearby cities like Dyersville.

3) Buyers’ purchasing challenges

Because of a dearth of quality housing product in Manchester, available housing is more costly than if sufficient supply was available to buyers. Stakeholder feedback and statistical analysis have identified challenges Manchester buyers face in affording for-purchase housing. 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 percent of their monthly income, these issues cause weaknesses in Manchester’s workforce availability.

Analysis of new homes built in Manchester in the last ten years estimated the average sale price per square foot at \$138 and average size of a new home as 1,700 square feet. As a result, **the average cost of a new construction home in Manchester is estimated to be \$235,000**. If a buyer chooses to make a 5 percent down payment (typically the minimum amount allowable), a home at this price would require an investment of \$11,750. The remaining mortgage balance would be \$223,250. A mortgage with the dynamics listed below would cost the Manchester buyer \$1,764 in total monthly outlays.

Estimated monthly payment (PITI*): \$1,764 (30-year fixed loan at 4.125% w/ 5% down payment)

- \$1,082 - Principal & Interest
- \$356 - Property Taxes (calculated for Manchester, Delaware County property taxes)
- \$233 - Homeowners Insurance
- \$93 - PMI insurance (if down payment is less than 20%)

*PITI - Monthly payment including principal, interest, homeowner's insurance and property taxes.

[Source: [Nerdwallet mortgage calculator](#) and [Navy Federal Mortgage Loan Calculator](#)]

One housing incentive tool being used by the City of Manchester is the Urban Revitalization Tax Abatement Program. This program offers property tax exemptions for new construction, and improvements to commercial, multi-family, and single-family properties. The exemption of property tax is based on the increase in taxable value of the property due to completed new construction or improvements. All properties located within the City of Manchester are eligible for this program.

Single family homes or a two-family homes (duplex) are eligible for 100% tax abatement on the first \$75,000 of improvements for five years. So, if the new home has an assessed value of \$235,000, the homeowner would only pay taxes on \$160,000 of the assessed value for the first five years of ownership.

Gross income required to be able to afford total housing costs (PITI)		
	No Abatement	With 100% on first \$75,000 of Value (5-Years)
Assessed Taxable Valuation	\$235,000	\$235,000
Monthly Payment (PITI)	\$1,764	\$1,650
Monthly (25% of income):	\$7,056	\$6,600
Annual Household Income Required:	\$84,672	\$79,200

As seen in the following table, the annual cost of a new construction home is beyond the reach of the average Manchester household. In fact, **over half of all Manchester households would be cost burdened if they attempted to finance a newly constructed home.**

Household Income			
	Manchester	Delaware County	State of Iowa
Median household income:	\$56,570	\$52,089	\$60,534
Mean household income:	\$77,105	\$75,647	\$73,510

[Source: US Census]

Let’s compare the scenario for new construction homes to the purchase of existing homes in Manchester (built in 2008 or earlier) sold in the same ten-year period. The estimated average sale price per square foot at \$72 and an average size of a new home is 1,494 square feet. As a result, **the cost of an existing home is estimated to be \$108,500**. A home at this price in the City of Manchester would require a minimum 5% cash down payment which is an investment of \$5,425. The remaining mortgage balance would be \$103,075. A mortgage with the dynamics listed below would cost the Manchester buyer \$941 in total monthly outlays.

Estimated monthly payment (PITI*): \$941 (30-year fixed loan at 4.125% w/ 5% down payment)

- \$500 - Principal & Interest
- \$165 - Property Taxes (calculated for Manchester, Delaware County property taxes)
- \$233 - Homeowners Insurance
- \$43 - PMI insurance (if down payment is less than 20%)

*PITI - Monthly payment including principal, interest, homeowner's insurance and property taxes.

[Source: [Nerdwallet mortgage calculator](#) and [Navy Federal Mortgage Loan Calculator](#)]

NOTE: Since these homes are existing, abatement would not be available unless the homeowner made improvements to their home.

Gross income required to be able to afford total housing costs (PITI)		
	No Abatement	With 100% on first \$75,000 of Value (5-Years)
Assessed Taxable Valuation	\$108,500	NA
Monthly Payment (PITI)	\$941	
Monthly (25% of income):	\$3,764	
Annual Household Income Required:	\$45,168	

Based on both mean and median household incomes, the average Manchester household would be able to afford an existing house, but the challenge stakeholders reported is that these homes simply do not come onto the market in enough volume to satisfy demand. With few new houses built in the city, that leaves the buyer with limited options for purchase of a new residence.

Also, existing homes frequently require renovation work or else do not have the features and amenities that appeal to a modern buyer.

4) Availability of Land

The previous discussion highlighted the high cost of entry into owning a newly constructed home. An additional challenge facing Manchester is the availability of affordable housing lots. Much of the community has natural impediments to development such as floodplain and fiscal impediments related to the need to provide sufficient infrastructure to support new housing. This limits the area where new housing can be constructed, creating a scarcity of available lots and an increased lot cost and higher overall cost to build.

A comparison of lots sold within Manchester and locations within two miles of the city limits further demonstrates the challenges of developing inside the city. Vacant lots in the two-mile fringe area sold for an average cost of \$43,114 during the last ten-year period with an average size of 1.3 acres per lot. On the other hand, vacant lots located within Manchester's city limits sold for an average cost of \$29,673 during this same period but with a much smaller average size of 0.48 acres per lot. This equates to an effective cost of \$62,432 per acre in town versus \$33,542.50 for a vacant lot in the fringe area.

Higher development costs, a scarcity of developable land, and other factors might be leading to housing investment focusing outside the city. **Since 2000, 36.7% of all new housing in Delaware County was built in Dyersville compared to only 16.5% in Manchester.** Stakeholders often cited Dyersville as an example of a more development-friendly business climate. As an example, Dyersville's tax levy rate is \$8.50019 per \$1,000 of valuation while Manchester's tax levy is \$15.57523 per \$1,000 of valuation. A home assessed at \$185,000 would have a total annual property tax bill of \$2,640.07 for Dyersville compared to \$3,362.94 in Manchester.

5) Blighted and abandoned homes

Blight can be reflected in properties that are vacant, abandoned, boarded up, dilapidated, or poorly maintained. Besides being an eyesore for neighbors, blighted properties directly impact a community's sense of pride, lower a visitor's impression of the community, potentially contribute to increased crime rates, and decrease surrounding property values. Even though they contribute little to no property taxes, blighted properties still require equivalent city maintenance costs as other structures, including waste cleanup, pest control, police, and fire.

The report, "[Understanding the True Costs of Abandoned Properties: How Maintenance Can Make a Difference](#)," **estimates that each property costs roughly \$155,000 in its first year.**¹

To better understand issue of blighted property, McClure performed a desktop analysis of blighted Manchester property utilizing Delaware County Assessor data. Structural conditions are designated using the State of the Iowa Department of Revenue's Iowa Real Property Appraisal Manual. Criteria outlined in this manual include:

- Building Codes
- Quality of Construction

¹ Source: Community Blight Solutions - Report

- Quantity of Construction (i.e. number of bathrooms, bedrooms, etc.)
- Fire Rated Construction
- Framing
- Mechanical Items
- Fenestration (i.e. placement of windows, doors)
- Shape
- Age of Structure

Overall, housing stock in Manchester rates well according to this methodology applied by the Delaware County Assessor. Over a third of homes are identified as “Above Normal” or higher and nearly half of the housing stock designated “Normal”. Housing stock built since 2000 accounts for 8.2% (164 units) of all housing in Manchester. These structures were categorized as “Normal”, the condition attributed to all new structures. Structures retain this designation until noticeable changes – positive or negative- are recognized.

Building Condition: City of Manchester Residential Units

BUILDING CONDITON	NUMBER	PERCENT
Excellent / Very Good / Above Normal	677	33.7%
Normal	1,000	49.8%
Below Normal / Poor / Very Poor	316	15.7%
Observed	16	0.8%
TOTAL	2,009	100.0%

Older homes – classified below as built prior to 1959- typically demonstrate greater degradation than those structures built later. Of the 1,025 Manchester structures in this category, a quarter – or 258 structures – are deemed “Below Normal”, “Poor”, or “Very Poor”. However, older homes can retain their designation as “Normal” (34.2%) by simply maintaining the structure. Designations of “Above Normal”, “Very Good”, or “Excellent” – a total of 401 or 39.1% - are given to structures with noticeable improvements or modern additions.

Residential Units Built 1845-1959

BUILDING CONDITON	NUMBER	PERCENT
Excellent / Very Good / Above Normal	401	39.1%
Normal	351	34.2%
Below Normal / Poor / Very Poor	258	25.2%
Observed	15	1.5%
SUBTOTAL	1,025	100.0%

Manchester homes built between 1960 and 1999 tend to have more modern features than mid-Century and older houses. Per the Assessor’s Structural Conditions guidelines, these homes are also more in line with new homes, with 33.5% or 275 structures designated as “Excellent”, “Very

Good”, or “Above “Normal” and nearly 60% or 486 structures designated as “Normal”. The remaining 58 structures – 7.1% of the category - were designated “Below Normal”, “Poor”, or “Very Poor”.

Residential Units Built 1960-1999

BUILDING CONDITON	NUMBER	PERCENT
Excellent / Very Good / Above Normal	275	33.5%
Normal	486	59.3%
Below Normal / Poor / Very Poor	58	7.1%
Observed	1	0.1%
SUBTOTAL	820	100.0%

Thus, though Manchester’s housing stock fares quite well in regards to blight conditions, these residences still provide opportunities for redevelopment that would help ease the city’s housing availability burden.

Housing Demand: Development Scenarios

Development scenarios aid in the process of determining the level of financial support needed to address the housing challenges in Manchester. Scenarios were created to estimate the number of houses that could be developed to meet demand resulting from one or more of the following factors: 1) the expectation that workers currently commuting into Manchester would choose to live in the city if quality housing was available; 2) new demand created from businesses hiring additional workers who prefer to live close to their place of employment; and 3) dilapidated housing units replaced with marketable properties.

McClure believes these scenarios provide a defensible range of new housing that could be absorbed into the Manchester market. At the very least, they should demonstrate to developers that even conservative assumptions of potential new housing demand demonstrate opportunities to build new product in the city.

Baseline Data and Assumptions

The ten-year average for newly constructing housing units in Manchester was 5.4 units per year (2009-2018). Compare this with the finding of the 2015 Housing Study which identified a need for 173 general occupancy units by 2025, or 17.3 units per year. Since the completion of that study there have only been 54 new units developed within a two-mile radius of the city, or 13.5 units per year. Furthermore, half (27) of these housing units were developed outside the corporate limits; this represents an estimated annual loss of \$54,000 in property tax revenues for the City of Manchester.

Manchester’s current housing ratio of 75% owner-occupied versus 25% rental is considered a balanced housing market by standards set by the US Department of Housing and Development. However, the 2015 Manchester housing study recommended a greater need for multi-family

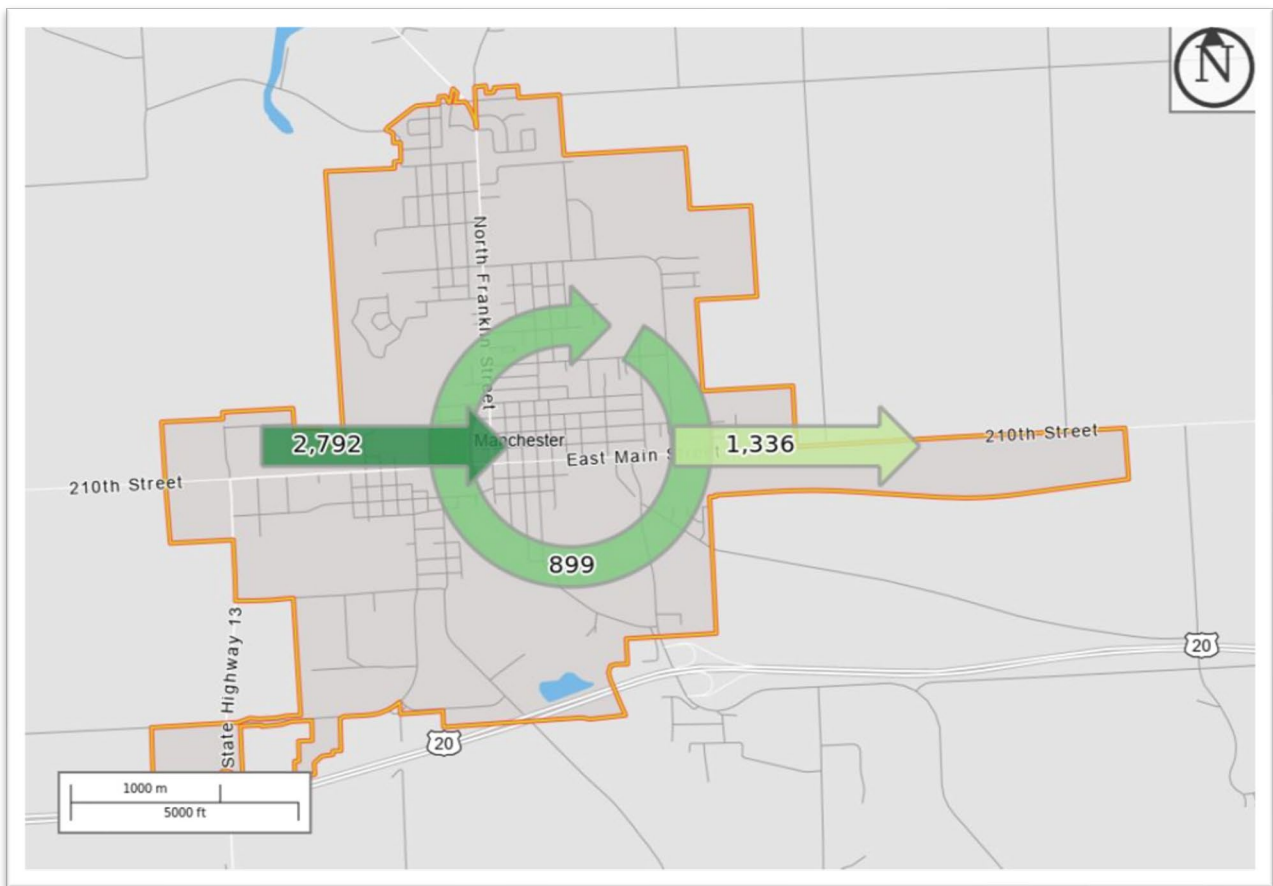
housing with 45% of new housing units targeted at single family and 55% at multi-family rental units. Because of the limited amount of new product that has come online in the Manchester market since this study, McClure believes these assumptions of single versus multi-family demand are still valid.

In the following pages, we will inform housing demand scenarios by assessing the three principal demand components previously referenced.

(1) Conversion of Commuters to Residents

Even though Manchester is located close to Cedar Rapids, Waterloo, and Dubuque, 2,792 - or 75.6% of the people employed in Manchester - commute into town while 899, or 25%, live and work in Manchester. Converting even a fraction of these commuters to city residents would yield a positive impact on the community.

Inflow & Outflow for Primary Jobs in Manchester (2015)



Source: On the Map via US Census Bureau (2015)

SCENARIO 1: Converting either 1% /3% / 5% of commuters to residents over the next ten years.

We believe these projections are achievable if suitable housing is available in the City of Manchester for workers currently commuting into the city.

The table below outlines the conversion rate of commuters by percentage of the current inflow of employees. Units are then broken down by owner-occupied units versus renter occupied units maintaining current ratios – target ratios 45% owner-occupied and 55% renter-occupied.

Population projections are then calculated by using the persons per household by occupancy – owner-occupied units have 2.45 person per household while renter-occupied units have 1.92 people per household. The total for all housing units is displayed in the “TOTAL” columns estimating total new units and population increases based on the availability of these new units.

Scenario 1- Convert Commuters to Residents

Percent	Number of Jobs	OWNERS		RENTER		TOTAL	
		Units	Pop.	Units	Pop.	Units	Pop.
1%	28	13	31	15	29	28	60
3%	84	38	92	46	88	84	181
5%	140	63	154	77	147	140	301

(2) Housing for New Employees of Expanding Businesses

Key Manchester employers interviewed by McClure noted that their hiring is potentially limited by the inability of workers to find adequate housing in the city. Some company representatives said that newly hired employees turned down their offers after failed searches for nearby affordable housing.

An inability to accommodate housing demand generated by business expansions poses great risks for Manchester’s economy. For instance, what if a new industrial manufacturing company decides to open a facility but will only relocate if they can find housing for their 50 new full-time employees. How can Manchester be prepared to meet such a demand?

The same applies to existing businesses looking to expand. Employers interviewed by McClure indicated they plan to hire new workers in the coming months, although they were leery of providing specific numbers. We have created the following scenarios to conservatively estimate potential new housing demand created by local corporate expansion or relocation.

SCENARIO 2: Potential housing demand from 10 / 25 / 40 / 100 new employees at expanding / relocating businesses in Manchester.

The table below outlines the addition of new units to accommodate the growth of existing businesses and/or new businesses – “Number of New Jobs”. Units are then broken down by owner-occupied

units versus renter occupied units maintaining current ratios – target ratios 45% owner-occupied and 55% renter-occupied.

Population projection is then calculated by using the persons per household by occupancy; owner-occupied units have 2.45 person per household while renter-occupied units have 1.92 people per household. The total for all housing units is displayed in the “TOTAL” columns estimating total new units and estimating population as a result of said new units.

Scenario 2- Housing for Expanding Businesses

Number of New Jobs	OWNERS		RENTER		TOTAL	
	Units	Pop.	Units	Pop.	Units	Pop.
10	5	11	6	11	10	22
25	11	28	14	26	25	54
50	23	55	28	53	50	108
100	45	110	55	106	100	216

(3) New Units Created to Replace Dilapidated Housing

The City of Manchester has been proactive in acquiring and razing dilapidated homes in Manchester. Offering incentives to develop on these sites would further support these efforts and replace an under-performing property with a new housing unit that generates property tax revenue for the community, the school district, and Delaware County.

SCENARIO 3: Replace 10% / 20% / 30% of housing units identified as in “Poor” or “Very Poor” condition located in Manchester.

The table below outlines the addition of new units to replace dilapidated units located in Manchester. A total of 110 housing units – both single family and rental units- was designated as being in “Poor” or “Very Poor” condition by the Delaware County Assessor’s office.

Units are then broken down by owner-occupied units versus renter occupied units maintaining current ratios – target ratios 45% owner-occupied and 55% renter-occupied. Population projection is calculated by using the persons per household by occupancy; owner-occupied units have 2.45 person per household while renter-occupied units have 1.92 people per household. The total for all housing units is displayed in the “TOTAL” columns estimating total new units and estimating population as a result of said new units.

Scenario 3- Housing to Replace Dilapidated Housing

Percent	OWNERS		RENTER		TOTAL	
	Units	Pop.	Units	Pop.	Units	Pop.
10%	5	12	5	10	10	22
20%	10	24	10	19	20	43
30%	15	36	15	29	30	65

Development Need Projections

Manchester is encouraged to use the three scenarios to paint a picture for developers of potential housing demand in the city. By combining scenario assumptions in different combinations – i.e., 1% captured commuters, 25 new employees, 50 dilapidated units replaces, etc. – and extrapolating the resulting demand for owner-occupied and rental units, city officials can present a range of development opportunities to potential investors.

In the recommendations section of the housing plan, McClure has leveraged these scenarios to create different investment tiers for capitalizing a housing revolving loan fund to help bridge the developer profitability gap currently limiting new housing investment in Manchester. We also discussed opportunities to better formalize and optimize development-support processes in the city and fully utilize available and potential housing incentive to stimulate residential development in Manchester.