



County-wide Policies and Incentives to Spur New Workforce Housing

8 Policies that can Spur Housing

7 Incentives that can Spur Housing

**A System Already in Motion that can Simplify and
Spur Housing for the County**

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Introduction:

It was determined at an earlier MCP4G Board meeting that a strategic plan should be initiated in the county regarding two ideas for housing: Code Enforcement and New Housing. These ideas can be brought to each city desiring new housing. Since housing is of the essence, it will be promoted first so that the code enforcement does not slow the housing down. (They can also happen at the same time depending on the timing of the cities.) An invitation to mayors and stakeholders should be extended and additional ideas discussed regarding the expansion and implementation of these ideas. Please note that the “county-wide” term is meant as the cities within the county, but not the area outside the cities.

Need:

Older, unsafe housing is the prevalent status. According to the census, most of Marshall County homes are over 75 years old, and out of almost 5,000 housing units, 2,084 were built in 1939 or earlier! Close to 2,000 more of the homes were built before 1979. So 4,000 of our 5,000 homes here are outdated and in need of rehab. However, we do not have enough people renovating and reselling them in order to make a significant difference in our housing stock.

Upper-level housing is already provided for with Hartley Ridge and Lily Creek, and the same type of higher-end housing that comes open for sale in the neighborhoods.

HUD housing is already provided for with the Keating senior development, Pony Run, the Bulldog Apartments, Elm Street, and the few units called Sugar Tree. Habitat for Humanity provides 1-2 houses a year, which is not enough, but still providing consistently for that income level.

There is a lack of senior safe housing. There is limited senior safe housing in all cities. The cities that do have some, consistently have a waiting list. When we lose our older population, we lose a great portion of our community wealth as they have a lifetime of income at their disposal. If they move out of county, family often follows them and we lose more key population. Many seniors have expressed a need for moderate income, one story rentals at their age.

Lack of workforce housing. Moderate Income housing is at a lack and our large employers struggle to have housing available for their employees. This hurts their ability to grow and expand.

Moderate Income housing is between \$75,000 - \$200,000 for new housing. This is the range that has the most demand because the median household income is \$54,000 a year.

Goal: To promote and provide moderate income housing to city administrations and would-be buyers and renters in the county in order to increase availability of workforce housing for the purpose of helping our businesses provide attractive available housing, as well as improving the age of the present housing stock, adding to the quality of life for the largest income group in Marshall County.

The Department of Commerce has determined that “The future **economic well being of**

the city or county depends on the governing body providing additional incentives for the construction or renovation of quality housing in such city or county.”
(Emphasis mine.)

Stakeholders include the "governing body" that allow housing in their districts. These stakeholders would be addressed first because they are the gatekeepers. They are most concerned with blighted housing, lack of a city-wide housing program, and limited government and private investor funding.

Stakeholders who will make this plan feasible are those who would buy housing in order to live in it, or rent it out. They are most concerned with a return on investment on their time and money investment, the amount of risk in the project and the amount of future appreciation of their improved property.

Other stakeholders may be the those who are involved in the feasibility and solution process who desire to see attractive, workforce housing happening in the county, like the banks, citizens, large employers who need more housing for their workforce, and this economic development organization (EDO). They are motivated by an attractive and growing town, enough affordable housing for the diverse workforce, and spurring solutions for the other stakeholders.

MCP4G exists in this stakeholder group to facilitate discussion and action for between all stakeholders for the solving of the county-wide lack of affordable workforce housing. They are concerned with lack of funding and interest to solve the housing issue from government, local governing bodies, and private investors. It is an issue that has to be solved together with all stakeholders, so this is an effort to address all the parties and their hesitancies.

8 Policies that can Spur Housing

(Green highlight shows no cost, Yellow highlight is low-cost, and Blue is a higher cost.)

1. Keep city and county costs down by using infill lots. The infrastructure is already there. The street and all the utilities are close and ready. Every town has a glut of empty lots that can be identified, screened for sale or use, and put on a ready list. Only properties built on Infill areas will receive incentives. (This infill would include Downtown second floor housing since the infrastructure is mostly there.) Remember to make large lots zoned for multi-housing or smaller sized homes on one lot.

This policy would appeal to the cities or governing bodies that do not have extra infrastructure funding, and want to save money on housing. This lack of funding applies to all our towns in the county.

2. A Protection of Infill Housing Lot Ordinance should be adopted that states no demo'd property may be sold to neighbors unless they plan to build housing on it, and this understanding is documented with a set timeline. All demo'd property must be available for sale for housing, while allowing for a contract with the neighbors that may be set up for temporary use and structures if they are willing to mow the property until the time when someone can buy and build. All available lots will be placed on an availability list for the public. Land may only be sold for marketplace value to avoid overpricing so the land won't sell, or it can be given away for less than market value. Third parties may not buy land to sell back to a neighbor located by a now empty lot. Once land is sold to a neighbor, it ends up as a garden or sits empty for good. The goal must be to have available infill lots with nearby city-owned or owner-owned infrastructure available for housing for the near future.

This policy would help all stakeholders because it allows for future planning for potential housing lots that are infill lots close to infrastructure. This addresses lot availability, location and keeps the property more affordable with the nearby utilities.

3. Make sure the city has zoning provided in appropriate areas for well-made tiny homes and accessory dwellings. Consider the density control and set back variance. Don't wait until someone is ready to build, and then the city is not ready. Cities say this is a #1 game changer for builders when the city allows more housing types and density.

This policy appeals to homeowners who want to make their property more valuable by adding a rental, or to anyone who wants to live debt free with a smaller footprint. This policy adds value to the city and county because any housing brings in more future capital.

4. A county landbank would allow properties that are donated or acquired to be exempt from property taxes, and possibly back taxes. There are fees associated with removing liens and deed issues from the properties, and so funding may be needed.* A landbank can use further incentives like a Shared Equity model in order to take property out of the speculative market. i.e. The city owns the land under the home so that owner has a smaller mortgage. City get appreciation of land on sale; owner gets housing appreciation on sale. It repeats every sale.

This policy would appeal to the governing bodies that are frustrated with a lack of control over blight and nuisance. It would provide some income on the land depending on how the Land Bank is set up.

5. *Institute permanent housing funding in the county and each city with an Affordable Housing percentage-based fee on building permits or another source. Bend, Oregon has used this successfully to develop land, construct homes, rehab homes and acquire land for deed-restricted housing. RFPs are released 1-2x a year and applicants who meet the Consolidated Plan are considered so that the city is not managing the actual projects. All funding is received as milestones are reached by the builder with final dollars awarded at end of a project. Since Duplex and multi-family residences are in demand, they will have a priority from the county/city funding. Rent restrictions can be applied for rental properties where rent may not be over 8-12% of the cost to build, thereby keeping rent reasonable.

This policy would appeal to the governing bodies of the cities and address the constant problem of the lack of housing funding for each city. Future incentives are hard to implement without some sort of consistent budget line. Stakeholder residents financially able to build would help build the fund, so no cost to the city.

6. Promote and publish infill lots for sale at market value. MCP4G has facilitated the identification of infill lots in our larger communities through the help of CES, Nic Stoll and city volunteers. These maps can be used by local police as Blue Rapids has done to determine ownership and availability. This last step needs to be finished. Publishing these lots can spur ownership for those who wish to build housing. Having incentives in place will spur it further.

This policy would appeal to the stakeholders who wish to buy housing or purchase housing for rentals. Unless there is affordable land at good locations, the process cannot move forward. The cost of building is so high presently, every effort to keep it affordable and an appreciating value is key.

7. Use the Rural Housing Incentive District program. It is finally ready to be promoted by the state. It takes a lawyer to set up the details, which can be used by all the cities in the county. Then each city will need to do a Housing Needs Analysis (HNA) and map the

area they want to incentivize. The developer can receive rebated taxes on the improvements of the property for up to 25 years in order to recoup infrastructure costs. This program will take a year to set up, and the HNA is a feasibility study. It would need to be started right away.

This policy would address funding concerns for infrastructure with all stakeholders. The city would not need to do the expensive infrastructure if the developer can get some relief of the costs down the road. Economic development organizations have used this policy to see good momentum from other stakeholders.

8. It should always be our policy as an EDO to apply for any grants that may allow us to incentivize our goals in stronger ways.

The present ideas are based on the lack of funding available in the county for housing so that barriers to build are not so high. Biden has just added over a billion dollars for housing besides:

- a. SB 376. Moderate Income Housing is better funded 2023-4. From 2 million to 67 million. Apply with 3 cycles yearly.
- b. 70 million is pledged for the 2023 in the KHRC State Housing Trust Fund by Governor Kelley. Apply yearly.
- c. SB375 is pledging affordable housing tax credits for rural housing. Covers prefab and modular homes like shipped housing kits. Marshall County qualifies. 18 million yearly.

This policy of applying for our own tax money to be used for our citizens fulfills all stakeholder's concerns with costs. It relieves cost burden from the governing bodies, it helps the investor with monetary returns which have become exceedingly slim, and is a solution for EDO's to the cost hesitations that continually impede action on the housing front.

7 Incentives that can Spur Housing

1. **Add a new Infill Housing Revitalization Program (like the Neighborhood Revitalization Program)** through the county that is specifically for new construction housing that is *eligible for an In-town infill lot or areas with existing infrastructure*. Make it much stronger and longer, at 100% abatement of new property taxes for 10 years. See the other documents about this.
2. Use your city's version or match the **demo incentives and new sidewalk incentives that Marysville or Summerfield uses**. This spurs private owners to demo/beautify their own properties and build on them as well. This includes Marysville's
 - a. Reimbursement of up to \$1,000 of City building permit fees if building is over \$35,0000 appraised dollars and built on a previously vacant lot in qualifying area.
 - b. \$2,500 for demo costs reimbursed if a blighted building.
 - c. \$5,000 for demo costs if blighted building and new housing with minimal appraisal is added to the lot.
 - d. The **matching sidewalk program** that Marysville uses is a match up to a certain amount.
 - e. **Summerfield** has a demo program where the banks pay for a third, the owner pays for a third, and the city pays a third. If the owner does not pay their third, it is added to their taxes.

3. Use Blue Rapid's idea for incentivizing your city's own version of sewer, water and services

a. "The city will install the waterline and the sewer line from the mainline "to the foundation of the new structure to up to 125 feet at no cost to the property owner and will waive all further installation fees." (No connect fees).

b. The city will pay up to \$1,000 in service fees (water, sewer, trash) after the first year of service connection.

4. Offer free land or a "slab ready" situation to builders. Frankfort was successful with a high-end new development by advertising free land on a former golf course. They added the infrastructure to the area. Either land bank property or city-owned areas that are underdeveloped should be considered for this idea in order to put revenue building housing on the land. The interesting thing is 80% of the builds attracted outside people into their community and increased their property taxes and customers for their businesses and services.

Florida has a program that offers home builders the cost of the dirt work and cement slab to be poured and ready for the new affordable housing.

These incentives help the governing bodies spur development, remove blight, and help to promote more property taxes through home ownership. As in the case of Frankfort, they improved their town's population and thus their businesses increased sales taxes back to the city. The other stakeholders see their goals of reduced costs and risk, and more development come to pass.

5. When available, offer a Home Ownership Pilot Program like the one NCRPC offered. It provided home buyers with down payment and closing cost assistance. According to their survey, "50% reported taking a new job in the last 12 months with 39% reporting the program was a factor in their decision to take the job." Other facts: "57% bought their 1st home, 17% graduated from the (local) high school, and 57% were from outside the 12 county service area..." Five children were new to the local school, and 8 more would enter within 5 years.

This incentive benefits all stakeholders through helping previous renters or perspective job seekers make the decision to buy. The governing bodies gain homeowners and new property taxes, the owner is a new investor, and the rest of the stakeholders see the solution come to pass.

6. Offer a low cost or 0% Revolving Loan to Builders and Rehabbers that has a shorter 18 month term. Once the house is built and sold, it can be easily paid back. We can start a new county loan or expand the MCP4G Business Start-up 0% Loan to include housing developers.

This incentive helps the investor with a short-term loan without interest that allows him more capital while preserving his principal. It helps reduce their risk.

7. For Downtown Housing, develop from a grant a program like Newton's Downtown Housing Grant that makes upgrades to infrastructure and housing construction eligible. 1:1 match up to X per unit. A grant may be accessed for this idea.

This incentive helps the city improve their downtowns and sales taxes, and relieves costs on the private business owner/investor in their business, therefore reducing risk. Citizens and EDO's are pleased with the attractiveness of their city.

A Simplified System that can Spur Housing in Marshall County

How MCP4G is Going to put New Affordable Residential Housing in Place without Large Scale Contractors or Investors (which do not exist in the county)

Over the past 2 years, MCP4G has been exploring Energy efficient Moderate Income Housing that can be achieved quickly and through cost-saving, and energy-saving measures like using Structured Insulated Panels (SIPs) to build housing "kits" that are precision-cut and shipped to the site. This is appreciating, prefab housing that is considered stronger and "greener" than stick-built housing. They use a metal framing system that is fire, water, mold and wind resistant. Banks have no problem financing this type of appreciating housing.

Housing can be sent just as the shell for more creativity in the inside open floor plan, or the entire house can be sent, minus HVAC, electricity and plumbing. The kit can be built in a week, and with the other finishing, these can be ready within 3-4 months. This housing can save the owner energy costs and maintenance costs, as well as the cost of a tornado shelter due to the R value of the house and its ability to withstand hurricane force winds. It is also highly fire resistant with metal framing and fire resistance panels. In Florida, the average insurance cost is \$1,500 a year. With this housing kit, those costs are reduced to \$600 a year. Other cost savings can be through HVAC like mini-splits, and energy efficient plumbing. Since the house is so tight, (as low as 2 exchange rates vs. stick-built 20 exchanged air rate), heating and air conditioning costs are much lower than a traditional stick-built home, again reducing costs to the owner. (Number of windows and doors will affect exchange rates.)

Promotion of Concept

Concept – Ideally, we want to get the individual to oversee the build of their own home. This will remove the need for a large scale developer and investor. This will encourage infill lot use rather than a "subdivision" idea. Individual owners will finance and choose options and set the home on a slab on their own land. Infill is promoted, but the housing can go anywhere. Owners may build to rent or sell or live in the home.

All homes, at first, will have either 2-3 bedrooms and 2 baths. Options include having a contractor from the company do the labor or we can hire locally. With the first home, a local contractor will be trained on how to set and stitch the housing and fit together the specialized building system. Future buyers will be able to use this contractor across the county. (MCP4G obtained Guise-Weber grant to help with the training so we can keep the project local and affordable.)

Steps:

1. We have vetted available companies that provide quality and more affordable housing. Manufactured homes were not considered due to their cost, financing, and lack of appreciation as property. After researching tens of companies, MCP4G found that Out of the Box (OTB) was the most affordable and professional SIP manufacturer and responded in a timely and professional manner. Their housing was the most green, most affordable per square foot, will work on a slab, and did not need a crane for set and stitch. It has the supply chain restored to function. They do not charge per mile for shipping, but a more reasonable flat fee.

2. Since Blue Rapids is open for the first project to start in their city, they vetted the building company (outoftheboxrealty.com) by visiting the factory and doing walk-throughs of the housing. This was done by early March, 2022, by Blue Rapid's mayor Jerry Zayas, and Ryan Woodyard.

3. Mayor Zayas was impressed with the quality and will promote for a model home in Blue Rapids. There are some free lots that can be accessed. It can be one of the the spec houses for the county to walk through. Details of the ownership and location of the county's first OTB home are in process. Having costs transparent will allow new owners to make choices on what they want to buy in materials for their home. MCP4G is developing a "system" of contractor/subcontractors that are trained in SIP and OTB construction, and materials that will provide consistent costs for each build out of a home.

- a. The Model home's economic model will be transparent and costs will broken down for the owner for feasibility purposes. The **goal** is to keep building costs at \$167k - \$170 for 3 bedrooms, and \$140k for 2 bedrooms. One bedroom would be closer to 110k and tiny homes will be less.

The actual build will allow for people to see supply purchase and actual costs. The GOAL is not a statement of costs. It may be actually less or more. The new owner will choose their range of costs.

- b. 2 Bedroom square footage is from 937, and 3 Bedrooms is 1,350. Two and three bedroom homes both have two baths.

4. We will promote a county-wide open house in any town for physical viewing and questions. We will invite all stakeholders and the first home owner to be present to answer questions with the goal of promoting open infill sites in our towns and take orders for the build of the next housing kits. The other major goal is to create interest in other stakeholders in other towns to do the same thing on a site with a promotional model home.

5. The goal in Blue Rapids is 5-6 OTB houses installed on infill lots in Blue Rapids by March of 2023. The next year, 2023, have a goal of another 5-10 lots filled.

6. The goal continues with 1 or more Structured Insulated Panel (SIP) houses each installed and built out on an infill lot in Waterville, Frankfort, Marysville, and Summerfield by May of 2023 for the promotion of 5 lots filled in each town by 2024. This would be a total of 20-25 new affordable workforce homes in the county by 2024. This would continue with 5-10 new homes a year, in different towns in the county, adding 20-25 new homes county-wide each year.

7. We need to have most of housing policies and incentives in place or in the works to spur county-wide housing.

8. We want to have designated bank lenders with a published rate that can be an incentive.

9. We want to run a good marketing plan as each model opens in different cities.

- a. Send people to the OTB website and the SIP information website to see the value of the green shipped kit product and its potential long-term energy and maintenance savings.
- b. Invite the county to come see every model set up in each city and have a way to collect names and emails of those who visit for follow-up calls on interest regarding a home of their own to build for sale, rent or ownership.
- c. Provide the information on the vetted empty infill lots to all open house guests based on where they would prefer to build a home.
- d. Promote housing by social media, print, radio and ads.

10. Monitor success of first build, pivot where needed, and move to all other cities interested.

(Note: Not everyone may choose to use this simplified and faster method of building energy efficient housing. The incentives will still apply to anyone that adds housing to all infill areas. This shipped system streamlines the process for the owner/builder and allows for contained costs and a faster build with a quality energy-saving product that also serves as a storm shelter.)