

Upper Story Housing Case Studies



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Spencer
Population: 11,233
Project Cost: \$5.1 million

Elkader
Population: 1,273
Project Cost: \$452,000

Creative Solutions and Lessons Learned

Woodbine
Population: 1,500
Project Cost: \$1.6 million

Bloomfield
Population: 2,640
Project Cost: \$88,625

Burlington
Population: 25,663
Project Cost: \$1.5 million

Historic downtown districts across Iowa have achieved successful upper floor housing, but not without facing significant challenges and learning valuable lessons in the process. The Iowa Economic Development Authority and Main Street Iowa selected five different adaptive re-use projects with an upper story housing component to be subjects of five case studies. The projects were studied in-depth by the National Trust Main Street Center and five separate case study reports were completed, as well as this summary.

All of the reported case study projects have validated a mixed-use concept with an integral upper story housing component in the downtowns of rural communities. These projects have shown downtown housing appeals to different age groups, young, middle-aged, and seniors, as well as different income levels. The individuals renting or buying these upper story units appreciate the ambiance, arts and cultural opportunities, shopping venues, restaurants, and service businesses that exist in revitalized downtown districts.

Five Projects with Unique Challenges and Creative Solutions

Spencer

Community Housing Initiatives (CHI), Iowa's largest nonprofit housing and development group, created 16 affordable housing units in the two upper stories of a vacant historic school building. A senior center was constructed on the building's first floor by a separate non-profit entity.

Challenge: A community organization, Friends of the Auditorium, and others, wanted to see the vacant middle school building and its auditorium saved and repurposed. It was too large of a project for the community organization to complete on its own. They needed to generate enough interest to support the rehabilitation and bring together partners for rehabilitation, ownership and maintenance.

Solution: The Friends of the Auditorium group spent over a year advocating for rehabilitation of the building and involving the community, which led them to Community Housing Initiatives (CHI). CHI had the capacity to take on the project, including 16 affordable apartments. CHI also had the creativity and expertise to split ownership and maintenance responsibilities of the different floors amidst several organizations.



Spencer historic school building with 16 units of affordable housing

Woodbine

Three natives of Woodbine - a husband and wife, who own a construction company, and their development partner - adaptively redeveloped the historic Odd Fellows building. Six market-rate apartments upstairs and one efficiency apartment on the first floor were created, in addition to office space and a restaurant.

Challenge: Goals to preserve the historic interior staircase and achieve accessibility were difficult to attain without installing a costly elevator.

Solution: Construction of an efficiency apartment in the rear of the first floor.

Challenge: Adequate funding for a major mixed-use redevelopment project was hard to find in a rural community.

Solution: A detailed business plan was developed that included a schedule and creative financing package.



Woodbine historic Odd Fellows building offering mixed-use

Bloomfield

A downtown business owner no longer wanted to rent space for his music recording studio business. He purchased a dilapidated building, rehabbed the first floor into space for his music business and three leased offices. On the second floor, a rental apartment was created.

Challenge: The newly-purchased building was dilapidated and the owner had minimal funding, little construction experience, and no knowledge of the architecture and intricacies of historic buildings.

Solution: Handholding and technical assistance through the grant administrators at the regional Council of Governments and the local Main Street program were vital to the owner's success.



Bloomfield housing and business project



Burlington condominium living spaces (above and below)



Burlington

A local contractor and his family-owned construction company undertook an extensive 10 year process to rehabilitate Schramm's Corner, a vacant department store building. Five market rate apartments and four upscale condominiums were created, in addition to multiple commercial uses on the first floor and mezzanine.



Challenge: One of the first condo purchasers was unhappy with the proposed wired glass in the windows as a fire deterrent.



Solution: Concrete balconies were designed for all condos to provide a shield for fires that might emanate from a floor below or an adjoining building, thus eliminating the need for wired glass. The solution was accepted by the fire code inspector and the balconies have become an iconic feature of the Schramm's Corner project.



Challenge: Local appraisers were coming in with low market value figures for the units. The units were an unknown concept for the area and sale comparables could not be found.



Solution: The developer approached an appraisal firm in a larger Iowa market and asked for an appraisal of the unit he was selling based on comparable upper story condominiums that had sold in the downtown of the larger city. The condo purchaser's bank in Burlington accepted the higher value from the outside appraiser and provided financing.

Elkader

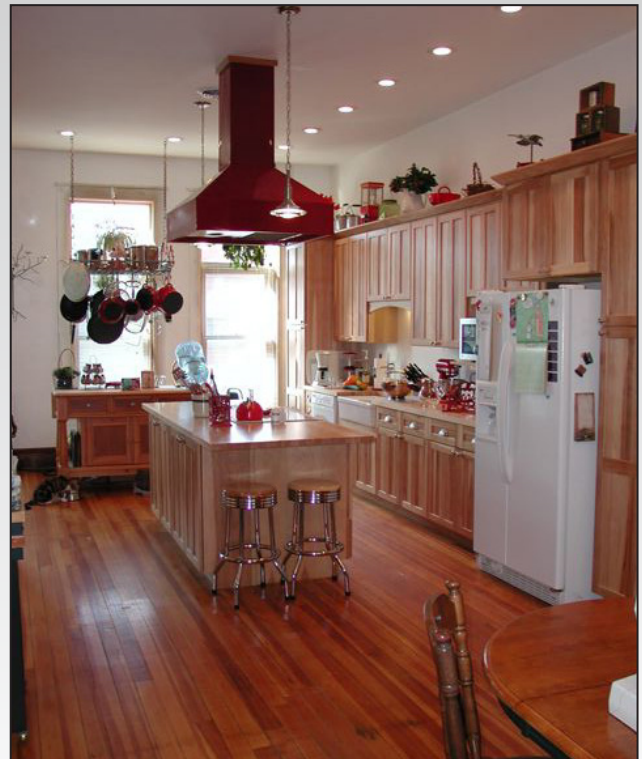
A community group initiated the rehabilitation of a vacant downtown theater, creating an opportunity for new owners who then completed the project. The owners' upscale residence is now above the movie theater that they own and operate.



Challenge: Main Street Elkader and the community at large was concerned over the deteriorating movie theater building and wanted to see it rehabilitated.



Solution: Elkader Cinema Development Corporation (ECDC) was formed under the auspices of the Main Street program. ECDC purchased the property, applied for grants and loans, conducted fundraisers, provided oversight for the construction, hired contractors, and poured more than 1,000 hours of volunteer time into the project. The movie house became attractive for new owners to purchase and complete the rehabilitation.



Elkader finished kitchen

Lessons Learned

Lesson One

Strength and credibility of the local downtown revitalization program are essential ingredients for bringing redevelopment projects to successful conclusions.

One common trait in all five projects is that they each had a strong, local downtown program behind them. Four of the five communities had long-established Main Street programs, and Woodbine's relatively new program has picked up significant momentum through their aggressive downtown revitalization program that is staggering to behold.

- Effective communication:
 - Reversed any negative public perceptions about the project through informed responses
 - Disseminated consistent and positive information to the community
 - Made the process open to the public
 - Painted an accurate and positive picture of downtown living
- Leadership and guidance:
 - Nurtured the entrepreneurial spirits of the owners/developers
 - Provided handholding and access to needed incentives as the projects unfolded
 - Created a downtown environment where upper story housing rehab projects could take root and flourish
 - Was enhanced by the directors having involvement in other local community and economic development organizations

Lesson Three

Patience and determination are essential traits when shepherding a project through rehabilitation.

It can take years to develop a project concept, work out all of the funding and regulatory issues and get consensus from all those involved in the process before implementation even begins. Once into the project implementation stage, it's essential to remain nimble, since changes in plans are inevitable and will come along quite unexpectedly. Things move fast once the construction is underway. How the owner/developer reacts to surprises is what makes the difference.

- All of the owners and developers had to react quickly to accommodate surprises in rehabbing their buildings.
- An individual involved in one of the projects estimated he had attended 200 separate meetings during the planning process.
- In Spencer, no one had any idea the building retained its original skylights. Once they were uncovered, the project was redesigned to accommodate them. This was a change of plans that, when properly addressed, turned into a bonus feature.

Lesson Two

Technical and financial assistance is indispensable for encouraging property owners to undertake upper story housing rehab projects.

Adaptive re-use projects with upper story housing are a complex undertaking, and each of the five projects utilized technical and financial assistance to overcome barriers and pursue innovative approaches. Technical assistance came through Main Street Iowa and the Iowa Green Streets Initiative through IEDA, as well as the professional consultants, such as architects, that were contracted for services.

- Funding programs made these projects possible, and it is highly unlikely that they would have been completed without them. Two of the largest case study projects in Woodbine and Spencer could not have been accomplished without availability of historic tax credits.
- A variety of incentives were utilized that ran the gamut - from local Main Street program façade grants and loans to state and federal historic tax credits. More than 15 local, state, and federal funding sources were utilized in the five projects.
- Due diligence was required on the part of the local downtown programs and building owners. Developing business plans, writing and presenting applications, and preparing all of the required documentation was no simple task.
- Local financial institutions were a valuable source of information and financing. In situations where they were not able to provide funding for the project, they steered the owner/ developer to other possible lenders.

Lesson Four

Designations for Historic and Cultural and Entertainment districts increase opportunities for downtown economic development.

- Establishing a National Register Historic District (NRHD) is one of the best ways to assure that the owners of historic properties within downtown districts have access to historic tax credits. That designation increases appreciation of the historic significance of buildings, attracts visitors, and educates local residents and downtown property owners on the economic benefits of historic tax credits for redeveloping commercial buildings.
- Cultural and Entertainment District (CED) designations have supported downtown development in a manner that enhances quality of life for downtown residents. This designation recognizes arts and cultural related businesses in the district, attracts creative entrepreneurs, and provides additional marketing possibilities. A CED designation by the Iowa Department of Cultural Affairs increases the profile of downtown projects when applying for grants and expands eligibility for state historic tax credits. Currently, Elkader and Spencer have CED designations.

Lesson Five

A network of partner organizations, institutions, and public entities form frameworks that support the rehab projects and provide necessary leadership.

The opportunities for successful redevelopment projects are greatly enhanced when support comes from many sources.

- Each of the five programs involved key staff members of various civic organizations.
 - Experienced, passionate and creative individuals were involved with the local downtown program, city government, or other civic organizations.
 - These people brought varied expertise, resources and connections.
 - The ability to raise funds and a critical eye for details were valuable skills.
 - Staff members managed and led volunteers, kept everyone focused on the task at hand and got along well with everyone.
- Participation and backing of city leadership was crucial for the success of all five projects. Partnership with the public sector was necessary for federal and state grants, since city officials had to be actively involved in seeking those funds.
 - In Woodbine's case, the property owners received Tax Increment Financing from the city to help underwrite the redevelopment.
 - In all five cases, city officials were brought into the collaborative planning process early on. When the projects succeeded, they set a pattern and precedent for the future undertakings.
- In all five cases studies, entities with regulatory powers, such as the State Historic Preservation Office or local code enforcement office, were brought to the table early in the process to get their input on the project. Beyond the tangible benefits of identifying problem areas early, it also helped to establish communication with people who would make difficult decisions about what to allow or disallow later.

Lesson Six

Having experienced developers with local community ties is an asset.

Past construction experience and the close personal connections with the local community gave developers an advantage in building credibility with lenders, supporters, and the general public.

- The owners of the Odd Fellows Building in Woodbine and their development partner are natives of the community. The owners had experience in the region and had been involved in historic preservation projects. The development partner's background was in business management. When the opportunity arose to be part of this project, he came on board to assemble the sources of funding and to write many of the funding applications that enabled the project to come to fruition.
- The developer of the Spencer Middle School project is Iowa's largest non-profit housing and development group, with numerous affordable housing developments under its belt and an esteemed reputation in the state. The developer's corporate offices have been based in Spencer for 14 years and for many of its employees, Spencer is their hometown. The Friends of the Auditorium group were confident if that if CHI took on this adaptive reuse project, it was going to succeed.
- In Burlington, the owner/developer of Schramm's Corner is a Burlington native with years of construction experience and rehab work in the downtown district. When he initially committed to the project, he was not a newcomer to major construction projects. The developer's family-run construction company and his personal strong interest in downtown Burlington's revitalization process put him in the forefront as contractor of several rehab projects in the downtown district.

Conclusion

The five downtown upper story housing and adaptive reuse projects have resulted in beneficial outcomes and ripple effects for downtown economic development.

- Property owners of four of the projects have already realized a return on their investment. Apartment rental income, the sale of condominium units, and rental income of previously vacant, first-floor commercial spaces have been generated. Most of the property owners had to do little to no marketing on the apartment and condominium units once they were available on the market.
- Housing needs that were previously unmet have been addressed in a manner that contributes toward downtown revitalization.
- Existing and new businesses are being supported by the new residents.
- Additional rehabilitation is occurring in the downtown districts. Owners/developers of two of the projects detailed in this report (Bloomfield and Woodbine) are currently involved in additional rehab projects in their downtowns that include an upper story housing component. In all five of the communities, other downtown property owners, seeing the success of mixed-use developments with residential components, are investing in rehabilitating their buildings and developing housing in the upper stories.
- Local governments are benefitting from the increased revenue generated in additional property taxes on all five buildings.



Upper story housing is part of the rehabilitation efforts in Bloomfield

Acknowledgements

The information presented in this report was compiled by the National Trust Main Street Center. Since its founding in 1980, the National Trust Main Street Center has been the leader of a coast-to-coast network now encompassing more than 2,000 programs and leaders who use the Main Street Approach to rebuild the places and enterprises that create sustainable, vibrant communities. Special thanks are extended to local Main Street programs, property owners, and developers in the five communities, who provided information and insights used in this report. Funding for this report has been provided by the United States Department of Agriculture, Rural Community Development Initiative.

To download a copy of the individual upper story case studies of the five communities, please visit:
<http://www.iowaeconomicdevelopment.com/community/community/downtown-training.aspx>

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