

# High rents and low wages in *Beautiful Ames*

## A Mid-Iowa Organizing Strategy (AMOS)

September 10, 2013

### Who is AMOS and what are ways of expanding affordable housing in Ames?

**AMOS (A Mid-Iowa Organizing Strategy)** is a non-profit community organization in central Iowa made up of 28 diverse members. Our members are churches, synagogues and advocacy organizations that represent thousands of residents of Ames and metropolitan Des Moines. In the midst of our polarized political times, AMOS brings ordinary people together across the lines that divide, and crafts creative solutions to the real issues that impact Ames and central Iowa families. We are **non-partisan**. We are **local**. We are **interfaith**. We make **democracy work**.

The Ames cluster of AMOS has established an Affordable Housing Research Team, which seeks an expansion of affordable housing, particularly for low-income workers in Ames. We propose the following:

- The Ames City Council create an affordable housing commission, perhaps modeled on the Historic Preservation Commission. That Commission would be comprised of citizens and other affordable housing advocates who would advise the City Council on including affordable housing goals and criteria in land-use planning and in housing development and demolition projects.
- The HUD CDBG grant be more explicitly used as an instrument to foster affordable housing planning and implementation.

The expansion of livable-wage jobs and public transportation can also be instruments that enhance the effectiveness of an affordable housing focus. We propose that:

- The City Council encourage the Planning and Housing director to include funding in the CDBG plan for a) Project IOWA, a workforce development entity that brings together low-income individuals, training entities such as DMAACC, and employers to lift people out of poverty through training for available living-wage jobs,<sup>1</sup> and b) funds for non-profit developers of low-income housing, such as Story County Community Housing Corporation (SCCHC) and Habitat for Humanity.
- Finally, we also ask that the City Council urge the CyRide board to implement a Kids Ride Free policy, and to seek funding to cover the additional cost.

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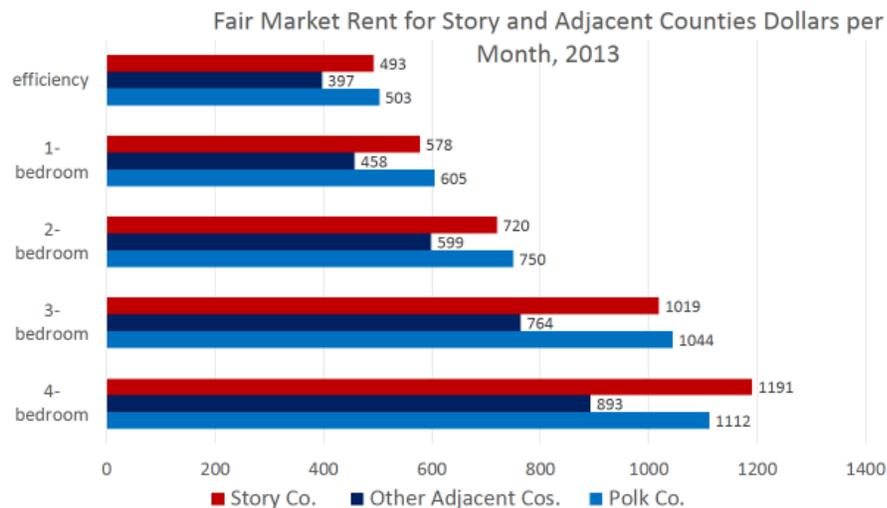
<sup>1</sup> Project IOWA is discussed further in the conclusions and recommendations portion of this paper.

This will be particularly useful to middle and high school students who lack transportation to engage in extracurricular and summer recreational activities and to low-income families to take their children with them when shopping, engaging in family recreation, etc. AMOS proposed this policy change last year and the alternative that was implemented was not effective in reaching many students.

### The present housing situation in Ames

As in other college towns, the cost and availability of rental housing for low- and moderate-income families in Ames is affected by the student population, and rents tend to be higher than in neighboring communities. Meanwhile, wages—especially low-income wages—have remained stagnant for a significant sector of the population; the last Federal increase in the minimum wage came in 2009. Moreover, the Great Recession has pushed more young people into college as an alternative to entering the lackluster labor market. Iowa State University has experienced a 21% increase in enrollments between fall 2006 and fall 2012 (Hacker 2012). In the past four years, this trend has accelerated, with increases of roughly 1000 students each year. Consequently, the rental property vacancy rate in the City of Ames was 1.7% during the three-year period centered on 2010 (U.S. Census Bureau, American Community Survey, 2012e). This is well below the so-called *natural vacancy rate*, which occurs when there is a balance between supply and demand for rental housing. According to some studies, the natural vacancy rate may range from four to 4.5 percent -- and in some cities may be even higher (Hagen and Hansen. 2010; Gabriel and Nothaft 1988, 2001).

The abnormally low vacancy rate in Ames is reflected in housing rental rates that are much higher than surrounding areas, with the exception of Des Moines and its immediate suburbs (Polk County). The Fair Market Rent (FMR), which is the most up-to-date measure of rental rates, is calculated only on a county-wide basis. The U.S. Department of Housing and Urban Development calculates FMRs annually for every county and MSA in the U.S. The 2013 data are based on adjustments from the American Community Survey of 2006-2010 that incorporate changes in the CPI and other factors including rental rates for movers during the previous 15 month period (see US HUD 2013b for the methodology that was used to make the 2013 calculations for Story County). Figure 1 compares rental rates for different size units in Story



Source: U.S. Department of Housing and Urban Development. 2013a. County (where Ames is located), Polk County, and the other counties that border Story County (Boone, Hamilton, Hardin, and Marshall).

Polk County's FMRs for rental properties range from 93% to 105% that of Story County depending on the number of bedrooms, but the other surrounding counties have FMRs of from 75% to 83% of those of Story County. On the other hand, other counties adjacent to Story have rental rates that cluster around 4/5 of those in Story County. If the smaller towns in Story County, such as Story City, Colo, Huxley, etc., could be removed from the county-wide data, one can anticipate that Ames would show even higher rental rates than Des Moines.

### **Jobs and Poverty in Ames**

Perhaps the fact that Ames has high-cost rental housing would not be a problem if it were also a high-wage community. Ames can best be characterized as a community with considerable earnings inequality. Most employees in manufacturing, in finance and insurance, the health sector, and other professional, scientific, and technical personnel, as well as full-time local, state, and federal government workers have living-wage or self-sufficiency-wage jobs<sup>2</sup>. Tenure-track faculty members and administrators and some Professional and Scientific personnel at Iowa State University, the largest employer in town, have comfortable salaries. However, workers in Ames's service sector, in food trade, accommodations and retail often find it necessary to live in smaller communities outside Ames. This is also an issue for secretaries and maintenance workers at Iowa State University.

In general, the average earnings for all private-sector jobs (See "all sectors" in Figure 2) in Ames are insufficient or barely sufficient to cover the bare-bones spending for necessities for a two-

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<sup>2</sup> See footnote 2 for a definition of a self-sufficiency wage; a living wage may include in addition funds for continuing education and limited recreation. Generally funds for debt repayment or for retirement are not included. Numerous cities have had living wage campaigns that have sometimes resulted in raising the minimum wage, or a commitment by the local government and firms that they contract with to pay a living wage.

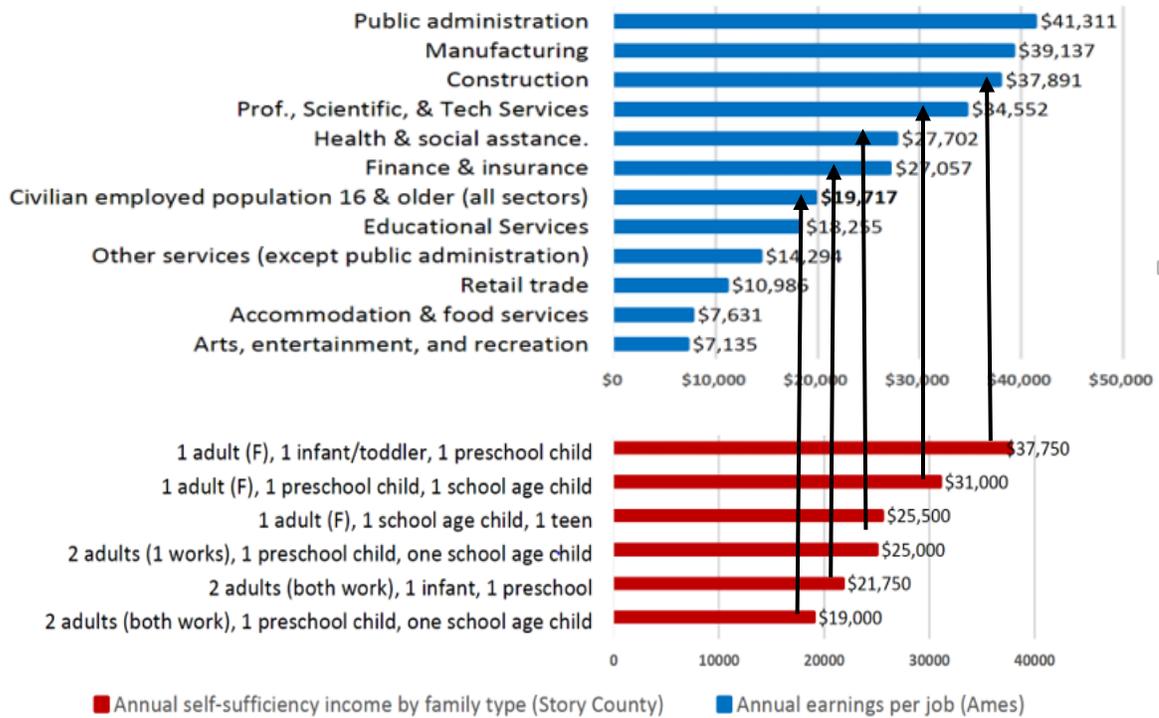
child family with one wage earner.<sup>3</sup> If two adults in the family work, jobs in retail trade, accommodations and food services, and “other” services either barely allow them to make ends meet, or one or both adults must get a second job, or the family must receive outside assistance to provide for its basic needs (discussed further in relation to Figure 2 below).

The data on mean annual earnings per job in Figure 2 are based on the annual American Community Survey (U.S. Census Bureau. American Community Survey 2012b), the successor to the decennial census for most social and economic data. In order to ensure the reliability of the data, results from the survey are pooled over a three-year period, in this case, 2009-2011. The analysis is based on both full- and part-time jobs. The median income per job for all sectors is \$19,717, only slightly above the self-sufficiency wage for a two-parent family with two children (one pre-school and one school-aged child) in which both parents work. In other words, if each parent held one “average” private-sector job, nearly half the families of this type would not earn enough to care for their families. Pay per job does not full time employment, which generally brings access to benefits. According to the American Community Survey, the average individual in the work force (who worked for pay sometime during the previous 12 months) worked 31.4 hours a week (U.S. Census Bureau. American Community Survey. 2012g).

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<sup>3</sup> The term used to describe this bare-bones household budget is the *self-sufficiency wage*, which is defined as a “wage that covers current expenditures for bare necessities for families of a specified composition (e.g., two parents and two children or one parent and two children of varying ages). This bare-bones, no-frills budget does not include money for leisure activities, dining out, or the purchase of luxury or non-generic goods. Furthermore, it does not allow for savings for retirement, for down payment on a home, or for higher education for adults or their children. Also, the budget does not allow for a second phone (including a cell phone), nor does it include long distance telephone charges.” (Flora, et al. 2004.) The study on which these household budgets are based was conducted using data from 2001 and 2002 to calculate self-sufficiency wages for families with two children of varying ages and with one or two adults in which one or both worked. Included in the self-sufficiency budget were housing, health care, food (the USDA Monthly Low-Cost Food Plan), child care (for preschool children and toddlers), transportation, and, finally, household expenses, personal care, and clothing (see Appendix of Flora, et al. 2004 for a discussion of how each expenditure was calculated; available from first author.) To make the comparisons with average annual earnings per job in various economic sectors, the annualized Story County self-sufficiency wages for 2001-2002 (based on Table on p. 4 of Beran, et al. 2005) were adjusted to 2011 dollars using changes in the Consumer Price Index.

Figure 2. Estimated mean annual earnings per job by sector compared with self-sufficiency wage based on family structure, Ames and Story County, Iowa, 2011



Source: U.S. Census Bureau. American Community Survey 2012b.

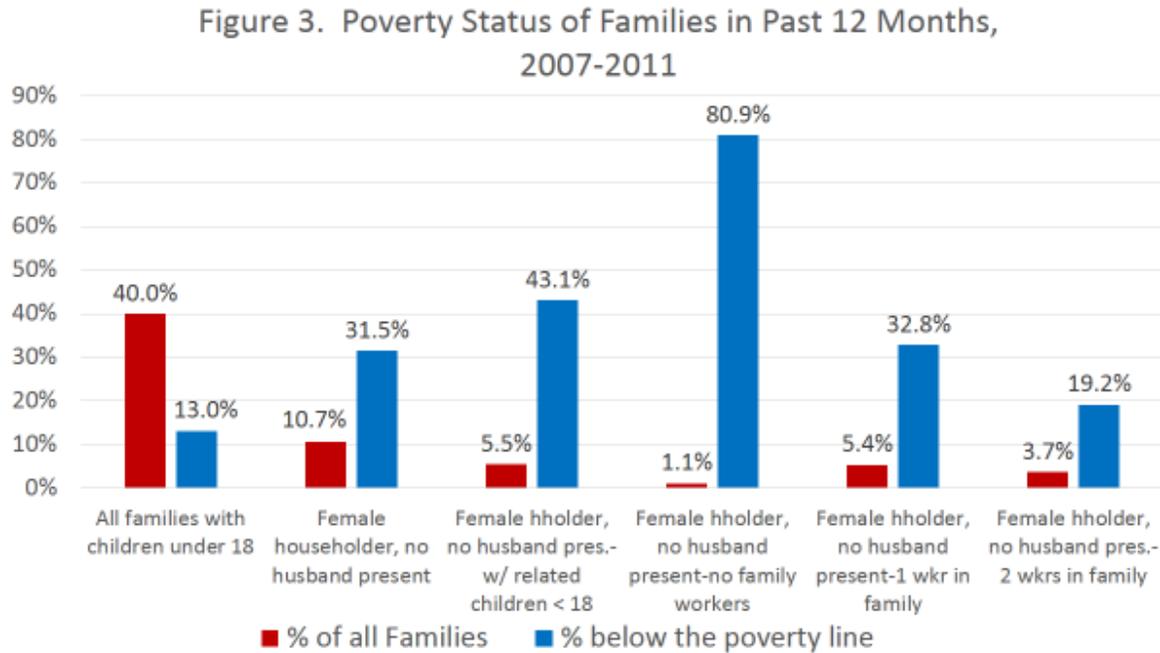
Given the fact that private-sector earnings per job and for full-time employment are low in Ames, the median earnings of an “average” full-time, year-round worker (defined as someone who works at least 40 hours per week for 50 weeks) who is employed in the private sector is \$37,827. In Ames, women in the labor force receive 75.4 percent as much as do men for working the same number of hours (U.S. Census. American Community Survey, 2012c; data are for 2009-2011 in 2011 dollars). Thus, we estimate the median wage for women living in Ames who work full-time, year-round at \$35,056.<sup>4</sup> This means that *more than half of private-sector workers resident in Ames with full-time, year-round employment earn less than the amount needed by a single mother to care for herself and two small children, which is estimated at \$37,750 for Story County.*

These low wages are reflected in high poverty rates for certain groups in Ames. It should be noted that most college towns have high individual poverty rates because students, undergraduates in particular, have low incomes because they are studying full time. Although many students participate in the labor force, they are, to a greater degree than other workers, focused not on how their present earnings will cover their current expenses, but on how their

<sup>4</sup> The average number of hours per week worked by all persons in the labor force is 31.4 and the average number of hours worked by all women in the work force is 29.1. We divided 29.1 into 31.4 and multiplied that by \$37,827 to get \$35,056, the estimate for the annual earnings of women in the private sector work force.

studies can enhance *future* earnings. The individual poverty rate in Ames for the period 2007-2011<sup>5</sup> was 26.6 percent. The poverty rate for individuals “in other living arrangements,” i.e. those living in quarters housing unrelated individuals, which includes dormitories and student apartments, was 48.6 percent for the period. Therefore we will focus on *family* poverty rates, which exclude most single students.

The poverty rate for all 9,905 families in the 2007-2011 period is a modest 7.9 percent. But families with certain characteristics have considerably higher rates of poverty:



Source: U.S. Census Bureau. American Community Survey 2012d.

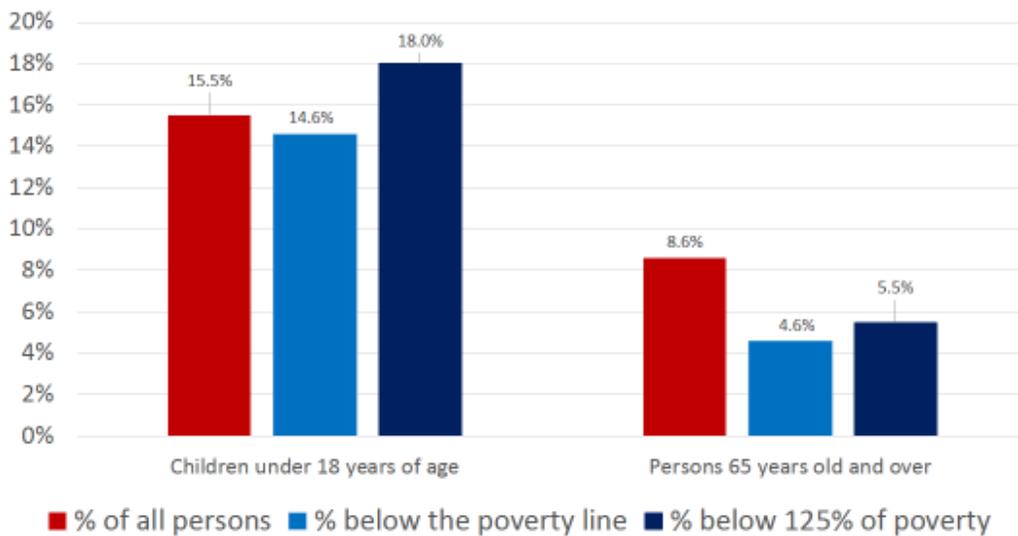
Female householders with no husband present—and particularly, those with children—are one of the most vulnerable family types. As can be seen from the information about the number of workers in the household, these householders’ inability to work full time—or at all, often because of the presence of young children—is a major contributor to the high poverty rate. As we saw earlier, those who do find a full-time job are not likely to be able to cover family expenses. The earlier study of the self-sufficiency wage also indicates that the cost of day care (which in Ames exceeds or rivals the cost of housing<sup>6</sup>) is such that it may not even be cost effective for a single parent to work.

<sup>5</sup> The Census Bureau has not yet calculated rates for 2009-2011 for this table.

<sup>6</sup> In calculating the self-sufficiency wage in 2002, Flora et al. (2004) estimated that a family with an infant/toddler (0-2 years of age) and a pre-schooler (3-4 year old) would pay 78% more for organized child care in Story County than for rent. A family with an infant/toddler or a preschooler would pay 90% or 87% of the amount spent for rent on child care, respectively (data available from first author on request). Thus, for families with small children, day care expenditures ranked first or second among the categories of expenditures used to calculate a self-sufficient wage.

It is instructive to compare the poverty rate of children with that of the elderly population (see Figure 4). Children under the age of 18 are about three times as likely to be in poverty as are seniors. This is a direct result of Federal and to a lesser degree State policies. Before Social Security, the elderly were the poorest of all age groups. Today, children occupy that status. A clear policy to sharply reduce elderly poverty was established in the 1930s. While there is an assortment of policies aimed at reducing childhood poverty, none strikes at the heart of the problem. There is a Midwestern saying about not eating your seed corn. Although it is necessary to look to the Federal and State governments for a solution to childhood poverty, there are things that can be done through education and housing policies at the local level to ameliorate the problem.

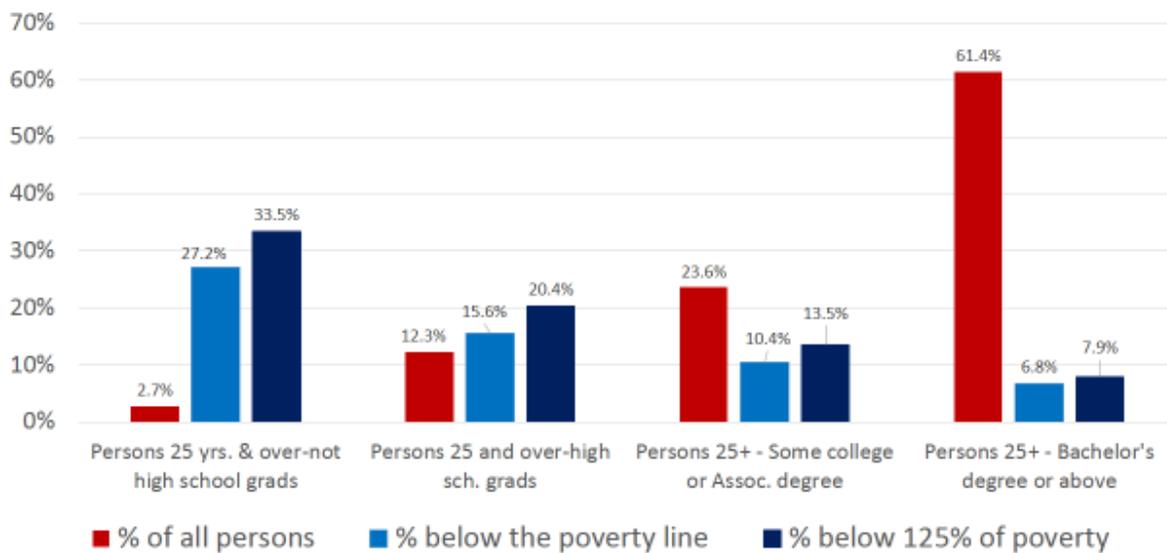
Figure 4. Poverty Status of Children and Elderly in Past 12 Months, Ames, IA, 2007-2011



There is a clear gradient of income according to one’s education level (see Figure 5). Fewer than three percent of Ames residents over the age of 25 lack a high school education, but their poverty rate is over 27 percent. Having a high school degree nearly cuts one’s poverty rate in half—to 15.6 percent. Persons with bachelor’s degrees or higher who make up more than 3/5 of the over-25 population have quite low poverty rates.<sup>7</sup>

<sup>7</sup> There are also differences in poverty rate according to one’s race and ethnicity. Individual data are not presented as there was no way to separate the student from the non-student population. Five-year data on race and ethnicity indicates that poverty rates of African-American and Black families, Asian families, and Latino Families were approximately double the rate for white, non-Latino families, but the margins of error for the minority groups were so large as to be unreliable.

Figure 5. Poverty Status of Persons over Age 25 in Past 12 Months by Level of Education, 2007-2011



Source: U.S. Census Bureau. American Community Survey 2012e.

### Conclusions and Recommendations

How affordable is the housing that renters in Ames occupy? The answer to this question is less straightforward than might be expected because of the large student population in Ames. In order to answer the affordable housing question, we have excluded persons under age 25 from our calculations, which allows us to avoid the complicated question of what is affordable housing for young students. For the 25+ age group some 34.3% pay more than 30% of their income in rent (U.S. Census Bureau, American Community Survey. 2012a). The generally accepted maximum share of income that appropriately goes to house rent is 30%. *Clearly there is a need for more affordable rental housing in Ames if people are to live where they work.*<sup>8</sup>

There are a number of ways to go about encouraging affordable housing. A first step would be to focus more of the \$500,000+ housing CDBG monies that the city receives each year on affordable housing. This past year, in response to AMOS efforts some funds were devoted to subsidizing deposits for new tenants whose house rental would be between 30 and 40 percent of

<sup>8</sup> It is our belief from discussing the housing issue in Ames with leaders and those who work here that many people work in Ames, but must live in surrounding communities or counties because housing is too expensive in Ames. We attempted to use statistics to show just that, but data bases on earnings of residents and of those who work in Ames had such different criteria for choosing subjects that in the end no meaningful comparison could be made. We believe that if we could relate earnings of those who work in Ames to rental housing costs in Ames, we would find that housing in Ames is out of reach for many more people who work in Ames than was determined for Ames residents. But we do not have data to support that belief.

their income. The five-year plan is up for renewal in the coming year, so an Affordable Rental Housing plan should be a component of the new five-year plan. That plan could be developed in the first year of the new CDBG and implemented in the remaining four years. Such a plan should include efforts to encourage the building of new affordable rental housing as well as including rehabilitation of rental properties and reexamination of the inspection code for rental housing and its implementation and examining the feasibility of negotiating for affordable housing components in all new housing developments. At this point it is not important to delineate the components of the plan, but rather to develop a commitment on the part of the city to insure ample citizen input into the plan – particularly from people who would be likely beneficiaries of an affordable housing plan. AMOS stands ready to collaborate in the effort to get a diversity of interested persons to the table.

CDBG is not the only mechanism to increase the stock of low-income and affordable housing in Ames. The city can update its Land Use Policy Plan to include affordability and “choice”—ensuring that all who want to live in Ames can live in Ames—as criteria for future decisions. The existing plan, written in the mid-1990s when the economy was strong, does not name affordability as a city goal. Short of this effort, or in the years that such a plan is being formulated, Council can direct Planning and Housing staff to develop proposed revisions to the zoning code that encourage the development of higher-density, affordable rental housing and condominiums in the core city and affordable and low-income rental housing throughout, and to recruit partners (low-income housing developers) for the financing and development of affordable housing units. Other actions Council can take include consideration of expanded bus routes and free bus fare for low-income residents, to help ease household finances. As a side benefit, such a policy would allow participation of low-income children in after-school activities.

The other side of the coin is to expand living-wage job opportunities in Ames. There are many ways of doing that also. An earlier study of job positions that would be open in Iowa (Flora, et al., 2004) indicated that most positions that were likely to come available would be low wage service jobs, partly because of the high turnover in many of those jobs. However, registered nurses, heavy truck drivers, and freight, stock, and material movers were among the top ten occupations with expected openings in the succeeding decade. These are living-wage occupations. With implementation of the Affordable Care Act, there are likely to be considerable demand for nurses and technicians in the medical field. In addition Ames and Story County have a robust and growing manufacturing sector. Positions in advanced manufacturing are going begging as the economy recovers. AMOS has been the driving force behind Project IOWA (Iowa Opportunities for Workforce Advancement), which opened its doors in early 2012. Project IOWA is a labor intermediary organization that brings together low-income individuals with high school degrees (12.5 percent of Ames’ population over age 25; see Figure 4 above), a training entity (currently DMACC and Mercy College of Health Sciences), and employers, to recruit, train and place workers.<sup>9</sup> This program graduated 57 individuals in Polk and Story

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<sup>9</sup> **Fundamentals of Project IOWA**

- Admission into an intensive training program to equip participants with the skills and certificates needed to begin a career in selected employment sectors.
- Training in a certificate program at no cost. Even the materials to participate are covered.
- Attendance, participation and dedication are mandatory.

Counties in 2012 and will increase that number by at least fifty percent in 2013. It is ripe for expansion. The only thing that is holding it back is funding, which we believe should come from local governments, charitable organizations such as Community Foundations and United Way, employers themselves, and the State and Federal Governments. Entities from each of these categories are contributing to Project Iowa at present, except local governments.

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- Community wrap around support and mentoring through VIP (Vision, Initiative, Perseverance) classes and one-on-one coaching.
  - The opportunity to apply and interview for committed jobs with employer partners upon completion of training.
  - Support of the 28 member congregations and organizations of AMOS to ensure graduates make it to full employment and have support they need to succeed!

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